

**BILL C-18: AN ACT TO AMEND THE FEDERAL-  
PROVINCIAL FISCAL ARRANGEMENTS ACT**

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## LEGISLATIVE HISTORY OF BILL C-18

### HOUSE OF COMMONS

Bill Stage	Date
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First Reading: 15 March 2001  
Second Reading: 2 April 2001  
Committee Report: 1 May 2001  
Report Stage: 3 May 2001  
Third Reading: 8 May 2001

### SENATE

Bill Stage	Date
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First Reading: 9 May 2001  
Second Reading: 31 May 2001  
Committee Report: 12 June 2001  
Report Stage:  
Third Reading: 12 June 2001

Royal Assent: 14 June 2001

Statutes of Canada 2001, c.19

N.B. Any substantive changes in this Legislative Summary which have been made since the preceding issue are indicated in **bold print**.

Legislative history by Peter Niemczak

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BACKGROUND

Bill C-18, An Act to Amend the Federal-Provincial Fiscal Arrangements Act, was tabled in the House of Commons on 15 March 2001. The bill will remove the \$10 billion ceiling on 1999-2000 equalization payments, adding about \$800 million worth of funding for the seven provinces that qualify for transfers under the program (Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Manitoba and Saskatchewan). The equalization program is designed so that these provinces can offer roughly the same level of public services (in health and education, for example) as other, wealthier provinces without imposing excessively high tax rates. This bill was designed in accordance with the agreement reached in the fall of 2000 between the federal government and the provinces to increase funding for health and education.

A recent Finance Department press release announced that Ontario's strong economic growth will cause equalization payments to increase by an additional \$52 million in 1999-2000 and \$955 million in fiscal year 2000-2001. Under the *Federal-Provincial Fiscal Arrangements Act*, equalization payments automatically increase at the same rate as overall economic growth (i.e., gross domestic product or GDP). The actual amount of the increase in dollar terms is calculated by multiplying the annual growth rate of GDP by a base of \$10 billion.

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\* Notice: For clarity of exposition, the legislative proposals set out in the Bill described in this Legislative Summary are stated as if they had already been adopted or were in force. It is important to note, however, that bills may be amended by the House of Commons and Senate, and have no force or effect unless they are passed by both Houses of Parliament, receive Royal Assent, and come into force.

## DESCRIPTION AND ANALYSIS

### A. Equalization Ceiling (Clause 1)

The wording of the current legislation limits the amount the provinces can receive under equalization payments to \$10 billion for 1999-2000. This bill removes that wording (subsection 4(9), b(i) of the *Federal-Provincial Fiscal Arrangements Act*), granting the equalization-recipient provinces an additional \$800 million worth of funding.