



Total Federal Support for Health, Post-Secondary Education, and Social Assistance and Social Services

September 2004

Total Federal Support for Health, Post-Secondary Education, and Social Assistance and Social Services **(2003–04)**

The Government of Canada supports health, post-secondary education, and social assistance and social services (including early childhood development and early learning and child care) in a number of ways.

- The Canada Health Transfer (CHT), Canada Social Transfer (CST) and Health Reform Transfer (HRT) are the principal vehicles the Government uses to provide support to the provinces and territories in these areas.¹
- The Government of Canada provides 8 of the 10 provinces with equalization payments and they have the flexibility to allocate these funds as they wish.
- The Government also provides support *directly* to Canadians through financial assistance to individuals, both through the tax system and through a range of programs and services.

1. Major transfers in support of health, post-secondary education, and social assistance and social services

The Government of Canada provides the majority of its support to provinces and territories for health and other social programs through three major transfers:

- the Canada Health Transfer, in support of health;
- the Canada Social Transfer, in support of post-secondary education and social assistance and social services, including early childhood development and early learning and child care; and
- the Health Reform Transfer, in support of health reform in priority areas identified by First Ministers as part of the 2003 First Ministers' Accord on Health Care Renewal (primary care, home care and catastrophic drug coverage).

In total, these federal cash transfers will grow from \$21.8 billion in 2003–04 to \$28.1 billion in 2007–08, an average annual increase of 8% over the period of the 2003 accord, which is significantly higher than the projected 4.9 % growth in nominal gross domestic product.²

The Government of Canada also provides targeted funding to provinces and territories through the \$1.5-billion 2003 Diagnostic/Medical Equipment Fund. In 2003–04, provinces and territories received \$500 million from this fund.

Further, provinces and territories draw upon the significant and predictable revenue they receive from federal tax transfers. Over the period of the accord, the total value of CHT/CST tax transfers will grow from \$16.7 billion in 2003–04 to \$21.3 billion in 2007–08.

Total cash and tax transfers, which totalled \$38.5 billion in 2003–04, are planned to reach \$49.3 billion in 2007–08.

See Annex 1 for details.

¹ The CHT and the CST replaced the Canada Health and Social Transfer (CHST) as of April 1, 2004.

² Cash transfers include the CHT, HRT, CST and the 2003 and 2004 CHST supplements. Average annual growth rate over the five-year period calculated using 2002–03 as the base.

2. Equalization and Territorial Formula Financing

The federal government makes equalization payments to less prosperous provinces to allow them to provide their residents with public services that are reasonably comparable to those in other provinces, at reasonably comparable levels of taxation. Provinces that receive these unconditional funds use them to help pay for the programs for which they are responsible, including health care, education and social programs.

Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Quebec, Manitoba and Saskatchewan have been consistent recipients of equalization payments. In recent years, British Columbia has also qualified for payments. Over the period 1999–2000 to 2003–04, the equalization program transferred an average of \$10 billion a year to these provinces.

The three territories do not receive equalization but they do receive Territorial Formula Financing (TFF). TFF fills the gap between a territory's own-source revenue means and its expenditure requirements, including health care, education and social programs. TFF transfers have grown significantly since 1993–94, reaching \$1.7 billion in 2003–04 (\$586 million for the Northwest Territories, \$686 million for Nunavut and \$424 million for the Yukon). TFF is estimated at \$1.8 billion for 2004–05 which, in per capita terms (\$13,900 for the Yukon, \$15,000 for the Northwest Territories and \$24,000 for Nunavut), is significantly higher than the support provided to provinces, in recognition of the high costs of providing services in the North.

3. Other support: direct and tax measures

In 2003–04, the Government of Canada provided an additional \$25.5 billion for health, post-secondary education, and social assistance and social services through direct and tax measures. These investments consist of:

- about \$5.6 billion for **health** in areas of federal responsibility, including First Nations, Inuit and veterans' health care, health protection and disease prevention, health-related research and tax credits for medical expenses;
- about \$4.7 billion for **post-secondary education**, including student financial assistance, support for research and support for Canadians saving for their children's education; and
- approximately \$15.2 billion for **social assistance and social services**, including the Canada Child Tax Benefit, social assistance and services and K-12 education for First Nations, social housing, and programs and services for disadvantaged Canadians (e.g. youth at risk, the homeless and persons with disabilities).

See Annex 2 for details.

Federal Transfer Support

Transfer Support Legislated until 2007–08

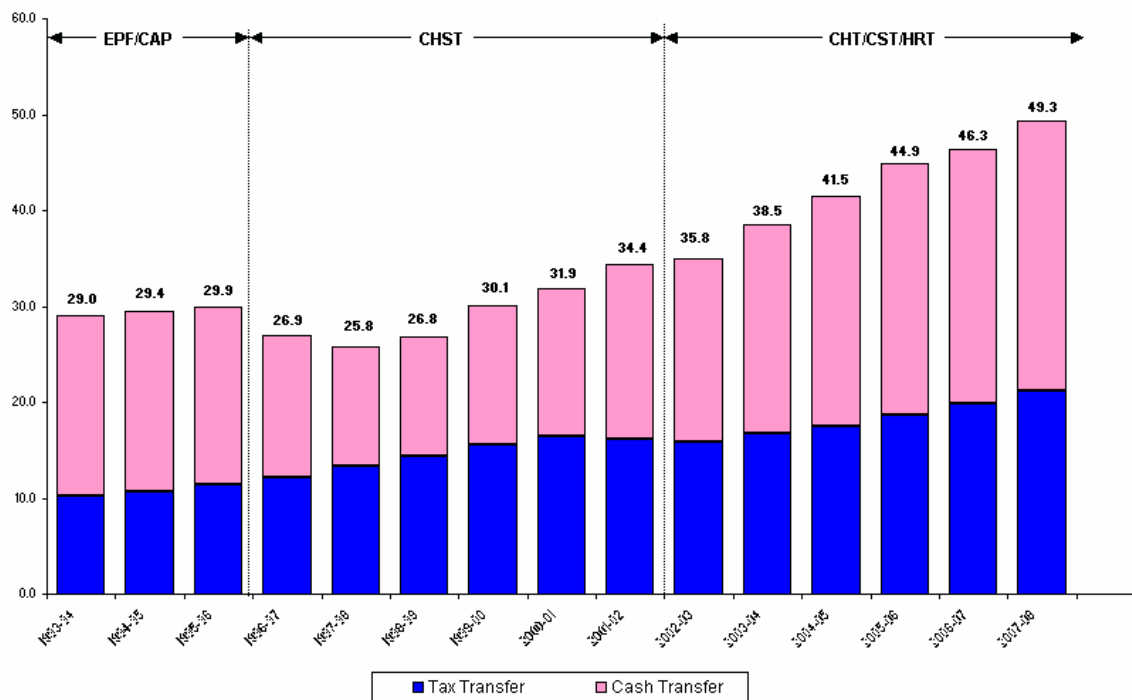
Table 1: Major Transfers in Support of Health, Senior, Family, and Social Assistance and Social Services (\$ million)	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Canada Health Transfer (CHT) ¹	12,276	12,650	13,000	13,400	13,750
Canada Social Transfer (CST) ^{1,2}	7,549	7,900	8,225	8,500	8,800
Health Reform Transfer (HRT)	1,000	1,500	3,500	4,500	5,500
2003 CHST cash supplement	1,000	1,000	500		
2004 CHST cash supplement for health		1,000	1,000		
Total cash transfers	21,825	24,050	26,225	26,400	28,050
CHT/CST tax transfers ³	16,700	17,500	18,700	19,900	21,250
Total (cash and tax transfers)	38,525	41,550	44,925	46,300	49,300

¹2003–04 amounts are based on the notional shares of the CHST allocated to health and other social programs respectively.

²Cash amounts under the CST include funds for early learning and child care (\$1,050 million).

³Finance Canada estimates.

Table 2: Federal Health and Social Transfers, 1993–94 to 2007–08



Note: Includes funding provided under the Canada Health and Social Transfer (CHST) and its successors, the Canada Health Transfer (CHT) and the Canada Social Transfer (CST), as well as cash increases to the CHST/CHT/CST base for health, early childhood development and early learning and child care. Also includes the 2003 and 2004 CHST supplements and the Health Reform Transfer. Excludes targeted health funding provided under the Diagnostic/Medical Equipment Fund and Public Health and Immunization Fund.

Equalization

The less prosperous provinces use their equalization payments to help fund their health and social programs. More than \$50 billion in payments are expected to flow to equalization-receiving provinces over the next five years, from 2004–05 to 2008–09. Total equalization entitlements since 1993–94 and additional information on equalization is available on the Department of Finance Canada Web site at <http://www.fin.gc.ca/fedprov/eqpe.html>

**Federal Direct and Tax Expenditures
Related to Health¹ (Estimates) – 2003–04**

	2003–04	
	<i>(\$ millions)</i>	
Direct expenditures		
Health Canada	2,961	
Department of Veterans Affairs	776	
Canadian Institutes of Health Research	595	
Department of National Defence	117	
Solicitor General Canada (now Public Safety and Emergency Preparedness Canada)	160	
Other government departments/agencies ²	76	4,685 ³
Canada Health Infoway		60 ⁴
	Subtotal	4,745
Tax measures⁵		
Medical expense tax credit		700
Refundable medical expense supplement		65
Caregiver and infirm dependant credits		65
	Subtotal	830
	TOTAL	5,575

¹ Sources: Canadian Institute for Health Information (CIHI); *Coming Together*, 2003-04 Annual Report and Corporate Plan Summary 2004-05, Canada Health Infoway; Department of Finance estimates of tax expenditures.

² Includes: Statistics Canada, Citizenship and Immigration Canada, Canada Foundation for Innovation, Canadian Health Services Research Foundation, Canadian Institute for Advanced Research.

³ Forecast from CIHI for calendar year 2003. Includes both delivery of services and funding of services that are provided by a third party. Note: Breakdown by department for 2003 was calculated by using 2001-02 CIHI departmental figures and pro-rating the global 2003 forecast proportionally.

⁴ 2003–04 annual report, page 26.

⁵ Estimates for the 2003 taxation year.

**Federal Direct and Tax Expenditures
Related to Post-Secondary Education (PSE)¹ (Estimates) – 2003–04**

	2003–04 <i>(\$ millions)</i>
Support for PSE Access	
Canada Student Loans Program	794
Canada Education Savings Grant	395
Canada Millennium Scholarship Foundation ²	300
Canada Graduate Scholarships	25
Aboriginal post-secondary education programs	304
Subtotal	1,818
Support for Research in PSE Institutions³	
Granting councils (excluding Canadian Institutes of Health Research)	850
Canada Research Chairs	156
Canada Foundation for Innovation ²	180
Indirect cost of research	225
CANARIE	37
Genome Canada	41
Subtotal	1,489
Tax measures⁴	
Partial scholarship exemption	22
Tax credit for student loan interest	70
Tuition/education tax credits (including transfer and carry-forward)	1,165
Registered education savings plans	125
Subtotal	1,382
TOTAL	4,689

¹ Various sources including Main Estimates, Departmental Performance Reports, Department of Finance estimates of tax expenditures, Budget Plans, and the Consolidated Report on Canada Student Loans.

² Annual flow of disbursements.

³ Excludes expenditures on medical research, which are included in the health table.

⁴ Estimates are for taxation year 2003.

Federal Direct and Tax Expenditures Related to Social Assistance and Social Services¹ (Estimates) – 2003–04

	2003–04
	(\$ millions)
Canada Child Tax Benefit ³	8,205
Social Allowance	140
Expense deduction ³	545
	Subtotal
	8,890
<i>Persons with Disabilities</i>	
Disabilities Fund	30
Assistance for Persons with Disabilities	193
	365
	Subtotal
	588
<i>Ab</i>	
First Nations social services	1,194
First Nations K-12 education	1,127
Programs and Inuit child care	50
	50
	Subtotal
	2,421
Risk	216
	218
	Subtotal
	434
Residential Rehabilitation Assistance Program	184
Social housing	75
Housing Initiative	1,906
	170
	Subtotal
	2,335
<i>Other</i>	
Criminal legal aid	127
Immigration and refugee settlement services	381
	Subtotal
	508
TOTAL	15,176

¹ Various sources, including Main Estimates, Reports on Plans and Priorities, Finance estimates of tax expenditures, Budget Plans.

² Expenditures under the headings “Children” and “Aboriginal People” do not include the following health-related expenditures and expenditures related to Aboriginal peoples: Prenatal Nutrition/Community Action Program for Children, Aboriginal Head Start, Fetal Alcohol Disorder Spectrum (on reserve) and Brighter Futures. These expenditures total some \$200 million and are included in the health table. In addition, expenditures under the heading “Children” do not include expenditures under the employment insurance program for maternity benefits (\$887 million) and parental/adoption benefits (\$1,952 million).

³ Tax expenditures are for taxation year 2003.

⁴ These programs provide various project-based support services to Aboriginal people.