Backgrounder: The Fiscal Stabilization Program

The federal Fiscal Stabilization Program provides protection to provinces in the event of extraordinary year-over-year declines in revenues.

How the Fiscal Stabilization Program Works

The Fiscal Stabilization Program is authorized by the *Federal-Provincial Fiscal Arrangements Act* and falls under the responsibility of the Minister of Finance. It enables the federal government to provide financial assistance to any province faced with a year-over-year decline in its non-resource revenues greater than 5 per cent.

Provinces must apply for payments under the program, and each claim is subject to analysis and verification by the federal government. A province may submit a claim to the Minister of Finance as late as 18 months after the end of the fiscal year in question, but may also submit a claim for an advance payment on account based on as few as five months of data for the fiscal year in question.

There are two constraints on eligibility for payments:

1. The program compensates for year-over-year revenue declines due to economic downturns, **not** for declines due to provincial decisions to reduce taxes; policy changes made by the province in the rate or in the structure of provincial taxes are factored out when measuring revenue declines.
2. A decline in resource revenues is taken into account only if—and to the extent that—the annual decline exceeds 50 per cent.

How Much Can a Province Receive?

The maximum payment to a province that makes a claim for a given fiscal year is $60 per person.

Provinces may also request an interest-free loan for any amounts in excess of the $60 per person limit, to be recovered over a five-year period. However, the decision of whether to provide such a loan is at the sole discretion of the Minister of Finance.

How Much Have Provinces Been Paid in the Past?

Since 1967, the federal government has provided payments totalling over $2 billion to the provinces through the Fiscal Stabilization Program. For example, the first province to qualify was British Columbia, which made a claim for payments under the program for 1982–83 in June 1983. British Columbia was paid $174 million in instalments over a three-year period as the data required to assess its claim became available.

Stabilization Claims by Qualifying Year ($ million)							
Province	**1982–83**	**1986–87**	**1990–91**	**1991–92**	**1992–93**	**1993–94**	**Total**
N.L.	-	-	-	31	-	-	**31**
P.E.I.	-	-	-	5	8	-	**13**
N.S.	-	-	-	55	-	-	**55**
N.B.	-	-	-	-	30	6	**36**
Que.	-	-	-	103	72	-	**175**
Ont.	-	-	227	284	567	-	**1,079**
Man.	-	-	-	43	-	-	**43**
Sask.	-	-	-	-	-	-	**0**
Alta.	-	419	-	-	-	-	**419**
B.C.	174	-	-	-	-	-	**174**
Total	**174**	**419**	**227**	**522**	**677**	**6**	**2,025**

For additional information on federal transfer payments, see the Department of Finance website.