

NEWS RELEASE

“Overpayments” in equalization will total \$8.9 billion by 2025/26 due to flawed rule

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VANCOUVER—Due to a design flaw in Canada’s equalization program, “have not” provinces will receive \$8.9 billion in overpayments by 2025/26, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“This design flaw means billions in additional equalization spending in the years ahead, despite the shrinking gap between richer and poorer provinces,” said Ben Eisen, senior fellow at the Fraser Institute and coauthor of *Why Is Equalization Still Growing? 2021 Update*.

Despite a shrinking gap in the incomes of richer and poorer provinces, the study shows that due to a design flaw in the equalization program, costs will continue to rise each year. Specifically, equalization spending is projected to reach an estimated \$25.1 billion in 2025/26 compared to only \$16.2 billion if the flawed rule didn’t exist, an “overpayment” in excess of 50 per cent.

Moreover, under the flawed rule, projections show Ontario becoming a recipient or “have not” province by 2025/26 and receiving billions of extra dollars each year because of the program’s design.

“As the gap between richer and poorer provinces shrinks, policymakers should review the equalization program to ensure the formula is sensitive to changing fiscal and economic conditions,” Eisen said.

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