

# BUREAU OF MUNICIPAL RESEARCH

TORONTO'S CITIZENS CAN CONTROL TORONTO'S AFFAIRS ONLY THROUGH FREQUENT, PROMPT, ACCURATE AND PERTINENT INFORMATION WITH REGARD TO TORONTO'S BUSINESS.

137 WELLINGTON ST. W.  
TELEPHONE EL. 1904



TORONTO  
CANADA

*White Paper No. 221*

*March 1, 1937*

## THE RELATION OF THE PROVINCE TO THE MUNICIPALITY

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The British North America Act in its division of powers between the Federal and Provincial authorities assigns municipal affairs to the provinces. This is a logical and sound provision of the Act.

The municipalities are creations of the provincial legislatures. They derive all their powers from the Province which specifies what they may or must spend money on, how their revenues are to be raised and within what framework their business is to be conducted. It is obvious that if the Province requires expenditure, it must provide means of raising adequate revenue, or failing this, to provide the deficiency in revenue. A failure to require and make possible a balanced budget for municipalities on a basis conserving the rights of all citizens, must result not only in the collapse of local institutions but in profound damage to provincial standing and credit.

The counterpart of a province and its local institutions is a family. What hurts one member hurts all and any unwarranted distinction on the part of the parents between the children is certain not only to

weaken the family bond and generate friction between the children, but to undermine the authority of the parents and the respect for them of their children, both those benefited by the distinction in treatment and those penalized thereby. Justice in the long run is necessary in family management and quite as necessary for the maintenance of political authority.

For many years the revenue structure of the municipalities of Ontario remained approximately the same, while social welfare expenditures increased rapidly, throwing on existing sources of revenue a strain which they were never designed to bear. Then the administration of the income tax was taken over from the municipalities by the Province and was changed from a flat tax at the current tax rate to a graded tax according to the amount of the individual income and at the same time exemptions were lowered. For the first year, to the municipalities which had actually levied the theoretically compulsory municipal income tax, the Province refunded an amount equal to the levy of the previous year. Now the Province is to take over the entire proceeds without refund. This means that municipalities are to lose income tax revenue, but their losses will become larger as the income tax becomes more productive with improving financial and industrial conditions.

The Province, however, is to take over from the municipalities their share of the cost of Mothers' Allowances and Old Age Pensions. This will directly benefit those municipalities which formerly did not collect the municipal income tax and in effect transfers to them income tax collected in other municipalities. To some municipalities which collected the income tax but to an amount less than the cost of Mothers' Allowances and Old Age Pensions, there is an apparent advantage, which in many cases may very probably vanish as income assessment increases. Some urban municipalities which had large revenues from income in comparison with the two welfare costs cited, are immediately worse off and will possibly grow even worse off as income taxation becomes more productive.

If, however, expenditures on Mothers' Allowances and Old Age Pensions are to increase largely, the relative positions of the municipalities will be altered to that extent. These two functions have a

particularly local character. Local governments have become accustomed to bearing at least part of the cost of the indigent aged and of widows and orphans, which have properly been regarded as partially a local charge in spite of the results of modern transportation. It is to be hoped that any increase in these fields will not be due to loss of the local touch or of the local interest in eliminating improper charges.

Unemployment, as far as it effects the employable, is not a matter with the causes of which local authorities can grapple. The causes are not local, nor can local communities deal with them constructively. Industrial communities not only have a heavy initial incidence of unemployment but the unemployed tend to gravitate to them in spite of all provisions and regulations to the contrary. The more efficient the local welfare organization, the more this is apt to be the case. The unemployed cannot be left to starve, even if the cost cannot be collected from other authorities.

There is a certain amount of unemployment due to social or physical inefficiency. This is, of course, a recognized and proper charge against local communities. Direct unemployment relief is a more logical complete charge against Federal and Provincial authorities than are Mothers' Allowances and Old Age Pensions. Relief tends to be relatively heavier in larger industrial centers of population. If all three had been assumed by the Province as well as a larger share of indigent hospitalization, a more nearly balanced tax structure would have been attained and the strain on the sources of local revenue remaining would have been relieved in most if not in all municipalities. There is a feeling on the part of many that the retention of a small share of financial interest in all welfare services on the part of municipalities might be in the interests of economy. The table following shows the expenditures in Toronto on Mothers' Allowances, Old Age Pensions, Hospitalization, Unemployment Relief, total Public Welfare expenditures for the years 1925 to 1935 and estimated for 1936 and the approximate revenue from the income tax.

**Certain Welfare Expenditures in Toronto along with Population Figures  
and Approximate Income Tax Levies.**

YEAR	Mothers' Allowances*	Old Age Pensions**	Hospital Care of Indigents	Direct Unemployment Relief§	Total Public Welfare Expenditure§§	Income Tax Levy† (Approx.)	Population of City
1925	\$117,123	.....	\$ 702,101	\$ 150,889	\$1,244,670a	\$2,110,000	549,429
1926	197,680	.....	708,902	149,281	1,313,602a	1,965,000	556,691
1927	200,649	.....	719,841	152,608	1,416,798a	2,180,000	569,899
1928	304,521	.....	815,317	136,131	1,581,918a	1,750,000	585,628
1929	265,195	\$ 49,077	848,901	122,121	1,699,567	2,030,000	606,370
1930	269,480	315,685	908,505	377,570	2,336,975	2,370,000	621,596
1931	294,999	371,056	1,058,218	849,391	3,159,405	2,400,000	627,231
1932	299,290	165,657††	1,228,046	746,755	3,025,609	2,235,000	626,674
1933	307,165	195,523	1,355,169	2,400,791	4,869,568b	1,820,000	623,562
1934	328,548	210,156	1,359,696	3,185,061	5,823,527b	1,380,000	629,285
1935	400,652***	229,332	1,386,634	3,601,934	6,283,840b	1,430,000	638,271
1936 (Est)	524,495	248,227	1,270,000	3,312,362	6,007,905b	1,365,000††	645,000

\*Includes cost of administration in 1934, 1935 and 1936, not in previous years.

\*\*Includes cost of administration.

§Including administration costs, but not debt charges.

§§Including first four columns and other welfare expenditures.

aEstimated.

bIncludes amount funded, but not debt charges.

\*\*\*Sudden increase due to change in law providing for payments where there was one child only. Full effect not felt till 1936.

††Percentage changed from 20% to 10%, retroactive to November, 1931.

†Including tax on Corporation investment income.

††Including \$1,207,152, rebate from Government.