

BUREAU OF MUNICIPAL RESEARCH

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137 WELLINGTON ST. W.
TELEPHONE EL. 1904



TORONTO, 1
CANADA

White Paper No. 292

June 13th, 1944

THERE ARE TWO STRONG MOVEMENTS IN THE FIELD OF LOCAL GOVERNMENT

- A. The movement toward centralized supervision or control.
- B. The movement toward Municipal Home Rule.

The default of many municipalities during and after the depression and, in another field of government, the centralization required by the war, have stimulated the former movement.

Many see in this a danger to democratic government and believe that the line of progress in local government is that of trial and error—learning through mistakes.

Probably the true line of progress lies between the extremes of supervision so close as to amount to control and absence of supervision resulting in all municipal units being harmed by the failures of a few.

After the war among the questions which will insistently demand an answer are:

1. Is it worth while from the standpoint of nourishing democracy, to maintain vigorous local institutions?
2. Should control of local institutions be transferred from the direct municipal representatives of the people of municipalities to representatives once removed and less directly under popular scrutiny?

3. If both municipal home rule and centralized supervision are necessary, how may centralized supervision be established stopping short of centralized control?

A. AN EXAMPLE OF GOOD RESULTS FOLLOWING STATE SUPERVISION OF LOCAL GOVERNMENT.

"EARLY FISCAL PLANS BEAR FRUIT"

Massachusetts' efforts for two generations to strengthen local financial administration and share state-collected revenues brightens post-war picture for cities and towns.

These are the titles and sub-titles in an article in the May issue of the National Municipal Review, by Thomas L. Hinckley, Division of Municipal Accounts, Massachusetts Department of Corporations and Taxation.

Several Canadian Provinces have followed a similar path for a shorter period. The following extensive quotations from the article above mentioned, show what can be done by the adoption of forward looking policy and consistently following it throughout a long term of years.

"For the first time in many years the majority of American municipalities are admitting that they are in good shape financially. Whether the taxpayer receives his benefit at once in lower taxes or whether his local authorities postpone tax reductions and set something aside for the inevitable 'rainy day' of post-war readjustment, he will in either case profit from the situation."*

"While war-time restrictions have unquestionably made the task of financial rehabilitation much easier for Massachusetts' Cities and Towns—

Three reasons why Massachusetts' Municipalities as a whole have been able to respond so well to the present situation.

as for municipalities in general—there are in the writer's opinion at least two outstanding reasons why these communities have as a whole been able to respond so promptly to the situation. One is the long-standing practice of sharing state-collected revenue with municipalities and the other is the continuous and constructive efforts, extending over many years, which state authorities have made to strengthen and improve local financial administration. (Note. A third factor might also be mentioned—the continuity in office of over twenty years of both the state's tax commissioner, Mr. Henry F. Long, and its director of municipal accounts, Mr. Theodore N. Waddell; this has made possible the maintenance of a consistent and co-ordinated plan as regards to local finances in spite of sharp differences in political programs.)"

*If his municipality neither reduces the tax levy nor sets something aside for post-war readjustment, he is either in hard luck or it is his own fault.

"The partial distribution of state-collected revenues to its cities and towns has been a permanent feature of the state's financial policy for more than two generations. Since 1917, net state contributions to local treasuries—exclusive of federal grants and deducting the annual 'state tax' or ad valorem levy assessed on cities and towns to cover deficits in the state budget—have amounted to not less than 10 per cent of all municipal receipts and have frequently amounted to about 15 per cent of these receipts. Granting that all public revenues are taken from the people of the state in one form or another it still remains true that the method used in apportioning them as between different levels of government is an important element in financial well-being."

"Beginning in 1864 with the distribution of taxes on corporations according to the residence of stock owners, the list of state contributions now includes receipts from business and certain public utility corporations together with large shares of income, alcoholic beverage, and meals (old-age assistance) taxes. In addition certain miscellaneous revenues such as those from racing meets are available to cities and towns. Large payments are also made each year in the form of grants-in-aid, subsidies, and reimbursements for educational and social welfare purposes. In critical years the state has also made special distributions to municipalities—principally from its highway fund—and has made special loans to them both for relief and in consideration of the amount of tax titles in their possession, with the result that since 1935 Massachusetts cities and towns taken as a whole have been 'out of the red' from the standpoint of cash transactions."

"It was found necessary soon after the establishment of the office of municipal statistics to supplement the installation of improved reporting and accounting methods with additional legislation as many of the former defects in local financial practice still persisted. In 1913, therefore, a comprehensive 'reform bill' on municipal finance, consisting of several separate measures, was passed; these statutes, with minor changes during subsequent years, have remained the foundation upon which the stable financial structure of today has been erected."

"The 1913 statutes were directed principally towards municipal indebtedness as being at once the most vulnerable sector of local finance and lying well within the area of state regulation. They provided among other things for the abolition of sinking funds and the adoption of the serial method of debt redemption; in the case of serial issues they provided that annual payments should begin in the year following the issue and that such payments should in any one year be not less than the amount payable in any succeeding year."

"In 1923 another check upon unwise borrowing was established by requiring municipalities when issuing bonds to appropriate from available funds or to raise by taxation in the year of issue a sum equal to 25 cents (in Boston ten cents) per \$1,000 valuation as a condition precedent to the loan. While by no means a drastic

provision the required sums, as they apply to each bond issue separately, soon attain considerable size in the case of the larger cities where they compel the adoption of a 'pay-as-you-go' basis for all but major capital requirements."

"In providing new or additional funds for its municipalities Massachusetts, like other states, will be handicapped by a contracting area of potential sources of revenue; it will also risk the application of the law of diminishing returns to its own revenues. The proper allocation of all available sources of income as between federal, state, and local governments would seem to be almost a 'condition precedent' for final solution of this problem but as it is highly charged with 'politics', prospects of early agreement are not encouraging."

"If both local resources and state assistance fail to hold increased costs within reasonable limits the burden of municipal inflation will fall on the local property taxpayer, who already pays more than three-fourths of all taxes levied in Massachusetts. It is true that the general public in this state is much more tax-conscious now than it was twenty years ago because of activities of taxpayers' associations in some 187 cities and towns; but how effectively these organizations will be able to curb the more ambitious programs of postwar planners remains to be seen."

"The one sure way to reduce municipal costs is to stop spending—a fact which the depression and the experiences of the past two years have brought home to the average citizen. While no one would wish to carry this principle to extremes there is often a considerable margin between what is essential and what is merely desirable in a municipal spending program—whether for current expenses or for long term purposes. If the local taxpayer is able to assert his point of view effectively he may prove to be a deciding factor in post-war municipal finance."

B. THE BALANCE OF CENTRALIZATION BY DECENTRALIZATION.—EXCERPTS FROM AN ADDRESS ON,

"PLACE OF MUNICIPAL INSTITUTIONS IN A DEMOCRACY"

by Professor J. A. Corry, Queen's University, before the Forty-Fifth Annual Meeting of the Ontario Municipal Associations. September 1943, City Hall, Toronto, Ontario.

"One of the indispensable functions of municipal institutions is to act as a counterpoise or balance to the central government. It is of extraordinary importance at a time when the powers of central governments are expanding rapidly and, despite our best efforts, will remain much greater than ever before in our history to have active, energetic local centres of political life which resist the natural aggrandising tendencies which central governments, like all other forms of human organization,

exhibit. As long as there are independent local governments with wide powers, communities will want to go on governing themselves, and many men of modest ambition will find an outlet for their energies and their desires for public service in the conduct of local government. Together they will resist the attempts of central governments to encroach upon them. Indeed they may resist too much, clinging doggedly to powers they can no longer exercise effectively. But we must reckon with the bad which the good often carries with it. The point is that the central government—or the bureaucracy as we call it in moments of bitterness—is kept in its place not only by Parliament and by the electorate controlling Parliament through elections, but also by the quite independent powers of the municipalities checking and resisting it. **The most effective way to control a heavy concentration of power is to balance against it independent centres of power because this check operates almost automatically.**”

“I have argued then that the truest kind of political democracy possible in our day is that exercised in and through municipal institutions, that local self-government contributes much to the maintenance of political stability, national unity and the two-party system and that through these means it contributes much to democratic control of our provincial and national governments. Finally, municipal institutions provide a means of checking power with power—one of the secrets of the maintenance of democracy and government by consent.”

“In conclusion, I wish to add only a few words. I am not opposed to all measures of centralization. There are some, particularly of a financial character, which I think we shall not be able to avoid if we are going to carry through large measures of social security. I repeat, what I said at the outset: many of the criticisms of municipal institutions heard nowadays are only too true. **If the structure of local government is not substantially revised we are almost certain to suffer massive centralization of a dangerous, if not disastrous, character.** In particular, I think, many units of local government are too small to be satisfactory units of administration for the emerging duties of government. Moreover, if municipal governments are to be equipped for the administrative tasks which they must either shoulder or relinquish to others in the reconstruction period, a substantial overhauling of municipal civil services is necessary. These comments do not come within my subject this morning. I add them because I do not want to be taken as thinking that the municipal institutions we inherited from the nineteenth century will serve us in the twentieth century without substantial modification. I hope I have given some reasons why we should try to keep them vigorous and independent even as we determine on modification and change.”

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