Final Report

A Question of Balance – An Assessment of the State of Local Government in Nova Scotia

A discussion paper prepared for
The Union of Nova Scotia Municipalities
as part of their Fair and Equitable Funding Project

Prepared by

Dr. Paul Hobson (Department of Economics, Acadia University),
Dr. David Cameron (Department of Political Science, Dalhousie University) and
Dr. Wade Locke (Wade Locke Economic Consulting)

April 2005

Table of Contents

Executive Summary

This study was commissioned in order to develop a "State of Local Government in Nova Scotia" document that sets out the principles for fair and equitable funding for municipalities, identifies the gaps that currently exist for Nova Scotia municipalities, and provides a comprehensive analysis of municipal financing in Nova Scotia. It is intended that the results of the study will be utilized as guidelines for the implementation of future decisions pertaining to municipal finance and taxation in Nova Scotia.

The study begins by placing municipal government in Nova Scotia in historical and institutional context. From its early beginnings to the landmark Graham Commission Report, the structure of municipal government is reviewed. This is followed by a review of the important Service Exchange initiative, the regional amalgamations in Halifax, Cape Breton and Queen's and the subsequent Roles and Responsibilities Review. A core recommendation of the Graham Commission was the implementation of a municipal equalization grant in Nova Scotia. Its evolution is reviewed also.

It was the purpose of this study to adopt a principled approach to assessing municipal finance in Nova Scotia. While municipal structure is an area of provincial jurisdiction under the constitution, broad equity principles are outlined in the constitution which are binding on both the federal and provincial governments. Accordingly, provinces are bound by these same principles in designing municipal structures. Unfortunately, the Service Exchange initiative was driven more by fiscal neutrality considerations than by fundamental principles. Nonetheless, in the period since the Service Exchange initiative was first introduced, Nova Scotia has moved in the direction of a municipal structure that does conform to fundamental principles. In particular, the Graham Commission had called for a separation between local services—those that are of primarily local benefit and should, accordingly, be provided by municipalities and general services—those that are of more general benefit to the Province and should, accordingly, be provided by the Province. The Service Exchange initiative broadly conformed to this division in principle. In practice, however, it failed, in part because it did not include appropriate funding arrangements. Thus, for example, uploading to the Province full responsibility for funding social assistance was the right thing to do and uploading full responsibility for funding education would similarly have been the right thing to do, so too downloading to municipalities full responsibility for protective and environmental services was the right thing to do. The fiscal implications, however, were not properly addressed; indeed, the emphasis on fiscal neutrality compromised the whole exercise.

Fiscal decentralization to the local level invariably leads to different municipalities having different fiscal capacities. That is, they cannot provide standard levels of public services at given tax rates to their residents. This gives rise to, so-called, fiscal inequity. Yet, decentralization to the lowest order of government consistent with delivery of a particular service is a fundamental principle of federalism—the principle of subsidiarity. It is necessary, therefore, to develop a set of accompanying fiscal relations to facilitate a devolved form of government and ensure horizontal equity. This will include both equalization payments to municipalities and cost-sharing arrangements.

Provincial-municipal fiscal relations, indeed federal-provincial-municipal fiscal relations, are inevitably complicated. There can be no simple fiscal separation among levels of government. Fiscal arrangements will include revenue sharing and revenue pooling arrangements, shared tax fields, conditional and unconditional grants. Mandated standards as well as mandated levies also have important fiscal implications. Most recently, the Federal government's New Deal for Communities initiative has raised interesting issues for provincial-municipal relations as well as federal-municipal relations.

Our recommendations are driven by three guiding principles, all of which follow from the fundamental principle of horizontal equity. Simply stated, this is the principle that persons equally well off in the absence of government intervention should remain so in its presence. Fiscal decentralization to the local level invariably leads to different municipalities having different fiscal capacities—that is, they cannot provide comparable levels of public services at comparable tax rates to their residents — so-called fiscal inequity. Thus fiscal inequity is a special case of horizontal inequity. Our three guiding principles are:

1. Each level of government should fund expenditures in its respective jurisdictions from its own revenues.
2. The Province should ensure that municipalities have access to the broad property tax powers and revenues sufficient to finance their spending responsibilities.
3. Municipal equalization should adhere to the principle that municipalities across the province have the fiscal capacity to provide reasonably comparable levels of municipal services for a reasonably comparable tax burden. To ensure this, Nova Scotia's municipal equalization program should be fully funded and paid for out of the Province's general revenues.

There remain significant unresolved issues from the initial service exchange and the subsequent roles and responsibilities review. In particular, the issue of school board funding remains unresolved. The Graham Commission had recommended that it be taken over entirely by the Province. The initial service exchange had the transfer of full responsibility for education funding to the Province tied to municipalities taking over full responsibility for funding roads. At the present time, this mandated education levy poses serious problems for municipal budgeting. In particular, it encroaches on municipalities' ability to raise revenues from property taxation to finance municipal services. Also, changes in the rate made outside the municipal budget process can distort municipal budget priorities and can be used as an instrument to claw-back benefits to municipal governments. In addition, corrections services and public housing should be entirely funded by the Province. The simple principle here is that the Province's spending responsibilities should be funded out of the Province's revenues.

In addition, it is a clear responsibility of the Province (and indirectly the federal government) to ensure that municipalities have the financial ability to provide essential municipal services of reasonable quality. In particular, this responsibility includes the financing of an appropriately designed municipal equalization program. Indeed, the municipal equalization program is at the core of fair and equitable funding for Nova Scotia's municipalities. It is this which provides the mechanism though which municipalities across the province have the fiscal capacity to provide reasonably comparable levels of municipal services for a reasonably comparable tax burden. Yet the functioning of this program has been compromised by chronic under-funding. This under-funding has arisen both because of the limited categories of expenditure included in the calculation of standard expenditure for each class of municipality and because the size of the grant pool is habitually less than the total entitlements generated by the formula. Moreover, the provision of top-up grants and foundation grants as well as the practice of pro-rating equalization entitlements according to shares in total entitlements has distorted outcomes from the program. Specifically, if the objective of the program is recognized to be equalization of standard revenues per dwelling unit up to the class average, then this is the outcome that should be reflected in municipal revenues. Also, there is no justification for taking a significant portion of the funds used to finance the program from NSPI levies that would otherwise revert to municipalities on an origin basis.

We make three major recommendations, from which follow a series of sub-recommendations. These are:

Recommendation 1: Each level of government, provincial and municipal, should be responsible for funding its respective areas of jurisdiction out of its own revenue sources.

- Funding of Nova Scotia's school boards should be entirely a provincial responsibility, funded out of provincial general revenues.
- The Province should assume full responsibility for funding provincial services, including corrections services and public housing.
- Appropriate cost-sharing arrangements should be reinstated for arterial and collector roads owned by municipalities in which the Province has an interest.
- Rural municipalities should assume ownership of all roads in designated urban areas—areas that have the same characteristics as urban municipalities—with appropriate cost-sharing arrangements for the arterial and collector roads located within these areas.

Recommendation 2: Consistent with the principle of subsidiarity and the constitutional commitment to the principle of equalization, the Province should ensure that municipalities have access to the broad property tax powers and revenues sufficient to enable them to carry out their mandated responsibilities.

- All forms of property tax and levies should remain exclusively a municipal levy; that is, the Province should not encroach on or restrict the use of this tax base and should devolve all such powers to the municipalities.
- Setting tax rates for all municipal properties should be exclusively a municipal function, including farm, forest and recreation properties.

- Payments/grants in lieu of property taxes should be equal to the full taxes that would be paid if the property were not exempt from taxation.
- NSPI and Aliant and all commercial properties should be subject to property taxation within each municipality on an equal footing with other non-residential properties.
- The HST Offset program should be eliminated in favour of a 100% rebate of the provincial component of the HST, as with the federal component of the HST.
- Property tax revenues should be equalized up to the class average per dwelling unit.
- The Province should enter into appropriate cost-sharing arrangements with municipalities to facilitate the transition to mandated standards.
- Nova Scotia's municipalities should continue to utilize the efficiency properties of paying for relevant local services through the imposition of user charges.

Recommendation 3: Municipal equalization should adhere to the principle that municipalities across the province have the fiscal capacity to provide reasonably comparable levels of municipal services for reasonably comparable tax burdens. Nova Scotia's municipal equalization program should be fully funded and paid for out of general revenues of the Province.

- The municipal equalization program should be re-specified as calculating per dwelling unit entitlements according to the difference between class average standardized revenues per dwelling unit and actual standardized revenues per dwelling unit by municipality.
- The standard tax rate should be re-specified as class total revenues from property taxation (inclusive of payments in lieu and equalization payments) divided by class total uniform assessment.
- All top-up and foundation grants should be eliminated.
- Nova Scotia's municipal equalization program should continue to be based on a system of two classes of municipalities, reflecting the different responsibilities of urban and rural municipalities.

1. Introduction

This report establishes principles against which the current state of municipal finances in Nova Scotia can be assessed for fairness and equity. It identifies, as well, gaps that exist and provides guidelines for the implementation of potential reforms that pertain to the optimal and fair allocation of public service responsibilities by level of government within Nova Scotia. Moreover, the guidelines for reform also extend to the revenue side of the balance sheet in that each level of government needs to have access to sufficient revenues, either through own-revenue sources or from provincial transfers, to meet its expenditure obligations.

Further, this report analyzes the service exchange in Nova Scotia. In particular, this assessment identifies:

- the significant economic disparities across regions of the province that undermine the ability of municipalities to effectively fund municipal services which are mandated by the provincial government;
- the weaknesses in the current municipal equalization program; and
- the unresolved service exchange issues, particularly how they relate to the inequities that exist between classes of municipalities in terms of service responsibilities and how those services are funded currently.

In addition, this report examines:

- Property and related taxes;
- User fees;
- Grants-in-lieu of taxes;
- Taxes on farm acreage;
- Alternative revenue sources at the local level, including:
    - Income taxes;
    - Sales taxes;
    - Gasoline taxes;
    - Relations with the federal government; and
    - Revenue sharing arrangements
- Specific purpose matching grants;
- The Federal "New Deal for Communities";
- Designated revenue sources; and
- Cost implications of changes in regulations, e.g., water purification standards.

An important part of this study is its focus on Nova Scotia's municipal equalization program. This includes a description and analysis of the current outcomes of Nova Scotia's program. As well, for comparative purposes descriptions of the equalization programs that exist both in other Canadian provinces and in other countries are included in the attached appendices.

Finally, recommendations are provided as to financing options that will enable local governments in Nova Scotia to deliver municipal service levels to their residents that are comparable to those received province-wide without having to impose excess rates of taxation. These recommendations are made within the context of recognizing the importance of fiscal viability and sustainability for both the provincial government and municipal counterparts. In effect, this discussion reflects the fundamental principle that fairness requires municipal governments have access to sufficient fiscal capacity to provide levels of municipal services and local taxes that are reasonably comparable across the province. This, in turn, requires explicit recognition of the very different fiscal circumstances of municipal governments within Nova Scotia.

This report consists of nine sections, including the introduction. To place the current report in historical context, Section 2 provides a description and summary analysis of the evolution of provincial-municipal relations in Nova Scotia. This is followed in Section 3 by a discussion of the principles that underlie the allocation of revenues and responsibilities between the two levels of government and guide the recommendations that come out of this study. Also included in this section is a discussion of the principles of fairness and equity and a consideration of reference to relevant constitutional principles. Section 4 details conceptual issues pertaining to intergovernmental fiscal relations between different levels of government, especially as they relate to municipal governments. New directions in federal municipal grants and transfers are discussed in Section 5. Actual expenditure responsibilities and revenue instruments available to Nova Scotia's municipalities are assessed in Section 6 and Nova Scotia is compared to other Canadian provinces in Section 7. This evaluation considers: (1) the range of services provided by and the funding sources available to Nova Scotia municipalities, with particular emphasis on Nova Scotia's municipal equalization grant program; (2) how the services and revenues have changed over time; and (3) how local expenditures in Nova Scotia compare to those observed in other Canadian provinces. Section 8 provides a detailed evaluation of the municipal equalization program and considers the implication of moving to a fully-funded program. Coming out of this analysis are recommendations to improve financing options for Nova Scotia's municipal sector. The recommendations are presented in the concluding section. Should these recommendations be adopted, they would efficiently and effectively satisfy the current and anticipated demand for municipal service for the foreseeable future.

2. Local Government in Nova Scotia: Historical and Institutional Context

2a. False Starts and Early Beginnings

The early history of local government in Nova Scotia can be summarized by reference to four major periods, with the American Revolution, the establishment of responsible government, and Confederation marking the transition points from one period to the next.[1]

[1] The most complete history of local government in Nova Scotia remains Murray Beck's *The Evolution of Municipal Government in Nova Scotia, 1749-1973* (a study prepared for the Graham royal commission, 1973). Murray Beck's *The Government of Nova Scotia* (Toronto: University of Toronto Press, 1957) also

Before 1776, what rudimentary local administration there was, was provided through what has come to be known as the Virginia model: courts of general sessions with justices of the peace appointed by the governor and his council, along with grand juries drawn by lot from amongst local property owners. It was a minimal system at best, but it sufficed to regulate the peace and attend to such public works as colonial circumstances required. It also served to keep at bay any move by local inhabitants to establish local self-government along the New England model.

Over the objections of the local governor, Charles Lawrence, an elected assembly was established for Nova Scotia in 1758, the first in what would later become Canada. Townships were also recognized, but only for purposes of electing representatives to the provincial assembly. They served no municipal functions and were eventually abolished altogether in 1859. Calls for local self-government were raised from time to time. Some town meetings were held, especially in Lunenburg, but they were discouraged by colonial officials in Halifax and such measures as were allowed to get past Halifax were often vetoed by London.

After the American Revolution, Nova Scotia and Quebec[2] were inundated with United Empire Loyalists,[3] many of whom brought with them experience with more democratic traditions of local government. While this strengthened the debate, more vigorous in some quarters than in others, over the adoption of more democratic structures and styles of governance for the province, including the institution of town meetings or elected councils, provincial colonial authorities staunchly resisted such manifestations of local democracy. Rather, the officials favoured the British system, which consisted of appointed (by the governor-in-council) justices of the peace, Courts of Quarter Sessions, and grand juries, drawn by lot from amongst those who could meet a substantial property qualification. The juries performed a purely advisory function and their influence diminished over time, with power shifting in favour of the appointed courts and justices of the peace.

Something of a watershed was reached with the report of Lord Durham in 1839. Durham, of course, was issued a royal commission primarily to investigate the populist uprisings in Upper and Lower Canada, but his mandate included all of British North America. He

---

has a chapter on municipal government. There are also several more general works on local government which deal briefly with the history of local government in Nova Scotia. Among these are K.G. Crawford, *Canadian Municipal Government* (Toronto: University of Toronto Press, 1954), H.L. Brittain, *Local Government in Canada* (Toronto: Ryerson, 1951), and Donald J.H. Higgins, *Local and Urban Politics in Canada* (Toronto: Gage, 1986).

[2] At the time of the American revolution, four colonies remained loyal to Britain: Quebec, Nova Scotia, Prince Edward Island and Newfoundland. In 1784, as a result of the massive influx of United Empire Loyalists, New Brunswick and Cape Breton Island were separated from Nova Scotia as distinct colonies, although Cape Breton would be rejoined in 1820. Quebec, in 1784 was also split into two colonies, Upper and Lower Canada.

[3] Nova Scotia received between 30,000 and 35,000 loyalists, more than tripling the existing population, much of which also consisted of people who had arrived earlier from the thirteen colonies to the south.

made three principal recommendations, two of which had a direct bearing on the future of local government in Nova Scotia (the third involved his proposal for the reunification of the two Canadas). One of his recommendations called for the establishment of a general system of elected local councils. He thought the lack of local institutions of a democratic character represented one of the leading causes of the recent uprisings and, indeed, of the relative poverty of the citizenry and of public life generally. In a statement applying directly to Lower Canada, but by his own words applicable to the eastern provinces as well, Durham put it this way:

> *The utter want of municipal institutions giving the people any control over their local affairs, may indeed be considered as one of the main causes of the failure of representative government, and of the bad administration of the country.*[4]

Durham's second recommendation was to extend the British system of responsible government to the North American colonies. This meant that the executive government (what we now know as the cabinet) was to be drawn from the elected legislative assembly and remain in office only so long as it retained the confidence of that assembly.

In a strange juxtaposition of cause and effect, the granting of responsible government in 1848 seems to have taken whatever wind remained in the sails of local democracy. It was as though Nova Scotians could handle only so much democracy, and having achieved it at the provincial level, people lost interest in securing it at the local level as well. Halifax, however, where municipal incorporation had long been sought by many of its leading business and other leaders and was finally granted in 1841, was the one exception.

The general unpopularity of elected municipal governments is perhaps best demonstrated by experience under provincial legislation of 1855. This legislation permitted the existing counties to incorporate as municipalities, with elected councils, and to assume the legislative and administrative functions of the sessions courts. A year later the same privilege was extended to townships. Outside of Halifax, only one township, Yarmouth, ever took advantage of this option. It proved so unpopular, however, that within a year residents petitioned the Province to dissolve the corporation and, in 1858, by special legislation, the corporation was dissolved and Yarmouth reverted to government by an appointed sessions court. Nova Scotians had come to see municipal government, not as securing local democracy, but as leading to higher taxation. Consequently, they would have as little of it as necessary. J. Murray Beck describes the situation outside of Halifax through to Confederation and beyond as follows:

> *Thus a combination of circumstances permitted the old system to perpetuate itself into the post-Confederation period. Except for the city of Halifax, sessional government continued to reign supreme throughout the Province in 1867.*[5]

[4] Gerald M. Craig, ed., *Lord Durham's Report* (Toronto: McClelland and Stewart, 1963, p. 67).

[5] J. Murray Beck, *The Evolution of Municipal Government in Nova Scotia*, p. 18.

What happened in 1867 would ultimately lead to a general system of elected municipal government, but not because Nova Scotians had suddenly decided to embrace local democracy. The fact of the matter was that elected local governments were forced upon the people in a dramatic instance of what is now characterized as downloading. In particular, the primary reason why the provincial decision to create incorporated municipalities and to give them a general power to levy direct taxes is clearly to be found in the financial deal agreed to as part of the confederation settlement that was embodied in the then British North America Act, 1867.

It is worth a brief pause here to reflect on the significance of the British decision not to proceed with Lord Durham's recommendation to establish a general system of elected municipal government. If Britain had taken his advice, it is quite possible that such a system, being part of the emerging constitutions of the colonies, would have found its way into the BNA Act and thus secured constitutional protection for this level of government. As it was, the establishment of municipal institutions was left to the discretion of the provinces. The only reference to municipalities in the constitution is found in section 92(8) "Municipal Institutions in the Province", which is included in the list of legislative responsibilities of the provinces.

The Fathers of Confederation were faced with a seemingly intractable problem in coming to agreement on the amount of money that would have to be transferred from the federal government to the provinces in order to sustain their continued operations. Virtually all of the existing sources of provincial revenue were to be transferred to the federal government. Apart from federal subsidies, provinces were to retain only incidental revenues plus direct taxation. Yet, no province levied a direct tax, which was understood at the time to mean the taxation of real and personal property.

However, assigning direct taxation to the provinces was necessary to allow the new provinces of Ontario and Quebec to continue to delegate the power to levy property taxes to their municipalities. Certainly, no one expected the provinces to levy their own property taxes and therein lay the problem. Nova Scotia and New Brunswick, apart from Halifax and Saint John (which was actually the first municipality in all of Canada, incorporated by royal charter in 1785), did not have municipalities and, as such, could not levy property taxes. The long and short of the situation was that these two provinces required substantially more in the way of provincial revenues than did Ontario and Quebec, which, in turn, implied that they needed more by way of federal subsidies to meet their provincial responsibilities. According to Alexander Galt, one of the Canadian representatives, the Canadas together would need a subsidy of 38 cents per capita, while New Brunswick and Nova Scotia would need \$1.33 and \$1.70, respectively.[6] How to bridge the gap?

The quandary faced by the fathers of confederation was that while different levels of subsidy, at least blatantly different, were not acceptable, Nova Scotia and New

---

[6] Cited in Canada, *Report of the Royal Commission on Dominion-Provincial Relations*, Book I, p. 45

Brunswick would have difficulty meeting their provincial obligations with the 38 cents per capita needed in Ontario and Quebec. Furthermore, giving all provinces the level of support required by the Maritimes would have yielded huge surpluses for Ontario and Quebec. In the end, Charles Tupper, for Nova Scotia, solved the problem. Nova Scotia would simply get by on what Ontario and Quebec required, with or without municipal institutions and the associated access to direct taxation. On the other hand, Leonard Tilley held out for better terms for New Brunswick and received a slightly better deal. Not surprisingly, perhaps, Nova Scotians were not impressed with what Joseph Howe was wont to call "the botheration scheme", and returned almost complete slates of anti-confederates in the ensuing federal and provincial elections. Nova Scotia set out to become the first separatist province, petitioning Britain to rescind Nova Scotia's inclusion in the BNA Act. They were not successful in this, but they did manage at least to get the same deal as New Brunswick. Even so, the New Brunswick deal did not overcome the huge structural deficit faced by Nova Scotia.

The solution to that problem came some twelve years later. Nova Scotia was in a financial straitjacket as the result of Confederation, a straitjacket that was made all the tighter by the economic recession that gripped the new country in the latter 1870s. A new provincial government, elected in 1878, confronted the situation with a total surprise: it introduced the 1879 County Incorporation Act, which mandated the municipal incorporation of the province's existing counties. In actual fact, only twelve of the eighteen counties were incorporated as such. The remaining six were divided into two municipal districts each, yielding a total of twenty-four municipalities.

The intent of the legislation could not have been clearer. The Province simply slashed its budget for roads and bridges and left its new municipalities to make up the deficit through a property tax which by the same legislation they were authorized to levy. If nothing else, the passage of this legislation confirmed what the majority of Nova Scotians had known all along: municipal government meant increased taxation. That it might also mean enhanced democracy was a possibility that never captured much interest or support.

One further element was necessary to complete the municipal system. After Halifax, a number of the urban centres sought and were granted incorporation by special acts. At least eight towns were incorporated in this fashion between 1873 and 1886. So, in 1888, the government introduced the Towns Incorporation Act, which regularized the procedure and standardized the legislation. It also confirmed the practice of separating the towns from their surrounding rural areas, a practice virtually unique in Canada. The incorporation of cities, which in addition to Halifax came to include Dartmouth and Sydney, continued until 1999 and was accomplished through separate acts.

Murray Beck makes an interesting observation about the development of municipal government after the forced establishment of rural municipalities. "In 1879," he writes, "the responsibilities of the rural municipalities were at their apex. Since that time the powers of all the municipal governments have been gradually attenuated."[7]

[7] Beck, *The Evolution of Municipal Government in Nova Scotia*, p. 29.

2b. On the Road to Reform: The Graham Commission Report

The basic structure of municipal government in Nova Scotia, as established by the County Incorporation Act of 1879 and the Towns Incorporation Act of 1888, remained essentially unchanged for over a century. A few additional towns were added after 1888, bringing the total number to 38 by 1923. After that point, the practice of creating new towns was essentially abandoned, with the future exception of Bedford, which was incorporated as a town in 1980. Instead of additional towns, small urban centres were subsequently incorporated as villages or as local service commissions. Unlike towns, these bodies remained part of the rural municipality within which they were physically situated, but with additional tax rates to pay for specific local services not available in the rest of the municipality.

A couple of developments are worthy of note at this point. One was the formation, in 1906, of the Union of Nova Scotia Municipalities, a body representing all municipalities in the province. The union has become a quite powerful lobby in provincial politics, although it has apparently often found it easier to oppose change than to agree on positive alternatives.

One example of this occurred in October 1947 when the premier, Angus L. Macdonald, convened a provincial-municipal conference. The stated purpose of this conference was the re-examination of the entire structure of provincial-municipal relations, beginning with the respective responsibilities of the two levels of government and then their appropriate financial resources. The municipal representatives were unable to put forward anything more substantive than a call for more money, and the premier then commissioned a comprehensive study of the situation, to be undertaken by Donald C. Rowat of Dalhousie University's Institute of Public Affairs.

Rowat's study, published in December, 1949, concluded that Nova Scotia's municipal units were simply too small to respond effectively and efficiently to the new demands that were emerging in the post-war era, especially in relation to health and social welfare, the administration of justice, education, and planning. While he recommended the retention of the existing municipalities, he proposed the addition of a new, upper-tier level of regional governments to take on these new responsibilities.[8] His proposed scheme called for nine regional governments, all comprising one or more existing rural municipalities. The exception to this was the proposed new "Halifax Metropolitan Area" which would contain the cities of Halifax and Dartmouth plus the built-up areas of Halifax County. Perhaps the most significant feature of the proposed restructuring was the suggestion that all existing towns and cities be incorporated into the new upper-tier regions. Rowat's criteria were relatively straightforward. He suggested the regional units should both respect existing socio-economic communities and have a minimum population of 30,000. In fact, the smallest region proposed, Inverness on Cape Breton Island, had a population of 40,000. To make regional government work, Rowat argued

[8] Donald C. Rowat, *The Reorganization of Provincial-Municipal Relations in Nova Scotia* (Halifax: Institute of Public Affairs, Dalhousie University, 1949).

that a system of standardized property assessments should be instituted, which should then support provincial equalization grants to the new regional municipalities.

Murray Beck argues that it was Rowat's deep faith in the efficacy and potential strength of local government in Nova Scotia that was the principal weakness of the report. That faith, Beck argued, was not justified by the actual behaviour of Nova Scotia's municipalities. In any case, the report quickly began to gather dust on the shelves of forgotten studies.

And so Nova Scotia passed through the post-war growth of government with its municipalities unreformed and seemingly unreformable. As time moved on, however, the existing structure of municipal government seemed to many to grow increasingly inadequate. A number of studies were commissioned to examine particular problem areas, but none were implemented. Yet, growth in the Halifax metropolitan area did prompt some action. Specifically, annexations in 1961, 1969, and 1981 greatly increased the geographic boundaries and populations of Dartmouth and Halifax respectively, while depriving Halifax County of much of its urban fringe. As noted previously, the 1980 incorporation of Bedford completed the urban design, at least for the time being.

The greater Halifax area seemed to be moving haltingly, if inexorably, towards some form of metropolitan government. A Metropolitan Area Planning Commission was established under the 1969 provincial Planning Act. It commissioned a sequence of studies by T.J. Plunkett, a well-known consultant, author, and Queen's University professor. He proposed a two-tier system along the lines of Metropolitan Toronto, but the proposal elicited little enthusiasm and no action was taken. Meanwhile, a Metropolitan Authority had been established, initially to operate a jail for Halifax, Dartmouth and Halifax County (and later Bedford). Over time, its jurisdiction was expanded to include a regional transit system and a sanitary landfill.

When a new Liberal government, with Gerald Regan as premier, was elected in October of 1970, it establish yet another study, the far-ranging, three-person Royal Commission on Education, Public Services and Provincial-Municipal Relations, chaired by Dr. John Graham, a Dalhousie professor of economics. Thirty-eight months later, the commission released its massive report. Among its many recommendations, some of them set forth in excruciating detail, three lie at the heart of what would have constituted a virtual revolution in municipal government and provincial-municipal relations in Nova Scotia.

The first recommendation had to do with the appropriate division of responsibilities between the provincial and municipal governments. Graham rejected the commonly-used distinction between services to people and services to property, on the well-founded grounds that all services ultimately benefit people. He chose instead to draw a line between local and general services; a distinction which the commission itself admitted was not always clear-cut. Nevertheless, it explained, "…local services…are of primarily local benefit or…might best be provided by municipal governments…." General services, by contrast, "are of more general benefit to the Province or which the Province might best provide."[9] In short, local services are local, and general services are general, and that was about all the commission had to say by way of explaining its criteria. What really lay behind the commission's recommendations was its opposition to requiring municipalities to pay for services over which they had little or no control and which were essentially dictated by the provincial government. Services that were mandated by the Province, directly or indirectly, should be paid for by the Province, through taxes levied by the Province.

With that, the commission was able to draw a relatively sharp line between provincial and municipal services. Services that were considered to be general, and therefore should be provided and paid for by the Province, included education, public health and hospitals, public welfare, the administration of justice and civil defence. Municipalities would be left with the remainder of their existing responsibilities, including especially land-use planning, to which the commission attached particular importance. There was a measure of ambivalence here, however. The commission defined the purely local services as fire and police protection, street lighting, public works expenditures on municipal buildings and streets, roads and sidewalks, utilities, and general government expenses (the legislative and administrative costs of local government). Then, it argued, there are local components to recreation and community services and to the attraction of tourists and industry. And, finally, there are services that are currently provided by local governments which confer more than local benefits, but which should remain municipal responsibilities. These included sewers, water works, housing and planning. In the end, the essential message to be drawn from this recommendation was that education, health, welfare, justice and civil defence should be assumed by the Province and removed entirely from municipal responsibility. A number of support services, integral to the taxing authority of municipalities were also recommended to be assumed by the Province. This included responsibility for property assessment, tax collection (including local improvement taxes), capital borrowing, and the administration of pension plans for municipal employees (ideally, the commission argued, this would be assumed by the Council of Maritime Provinces on a regional basis).

The second recommendation seemed oddly juxtaposed against the first. Having proposed that municipalities be stripped of virtually all of their "general" and support services, the commission turned around and recommended that municipal boundaries should be considerably enlarged. The existing twenty-four rural municipalities would be reduced in number by more than half, to eleven and renamed counties (three of the proposed counties, Halifax, Cape Breton, and Pictou were to be designated metropolitan counties). There was little explanation of the perceived need for larger units, except that the new units "…would be large enough in area and population and strong enough in resources and capability to be able to perform their tasks well."[10] This was recommended despite

---

[9] Nova Scotia, Royal Commission on Education, Public Services and Provincial-Municipal Relations, *Report (*Halifax: Queen's Printer, 1974, Volume II, Chapter 3, p. 22).

[10] *Ibid*., Volume II, Chapter 5, p. 2.

considerable empirical evidence indicating that economies of scale are exhausted at relatively small municipal populations.[11]

The eleven counties were to be one-tier municipalities, with responsibility for all of the local services assigned to that level of government. Yet, existing towns and village commissions were to be retained as municipal units, with elected councils, but with no independent service responsibilities. On the one hand, they were to be purely advisory, acting like area interest groups, to keep the county council aware of their particular needs. On the other hand, they might take on responsibility for delivering some services, either under contract with the county council, or at their own expense (but with the approval of the county). One has to wonder whether this recommendation did not suggest that the proposed counties might be too large to keep abreast of the needs of their diverse communities, surely one of the democratic advantages of local government. The commission went even further in this direction, recommending that "community associations" be formed when so requested by local community groups. Again, their purpose would be to bring local concerns to the attention of the regional council.

The third recommendation was then to align provincial and municipal revenue sources with the proposed transformation of service and expenditure responsibilities. This, in turn, came in two parts: the realignment of taxing powers and the redesign of provincial grants to municipalities.

The proposed rearrangement of service responsibilities was estimated to add $65.3 million to provincial expenditures (based on 1971 data), of which $53.3 million was attributed to education. Another $14.8 million would arise from proposed improvements (and leveling up across the province) of these services, again primarily education. An additional cost of $3.1 million was attributed to changes in provincial grants to municipalities (to be discussed shortly), and $100,000 to the creation of a proposed new Municipal Board. Offsetting this slightly was an estimated $2.7 million that the commission estimated would be saved as a result of economies arising from the centralization of services. The total net additional cost to the Province would therefore be some $80.6 million as of 1971.

Where was this money to come from? The commission had a number of suggestions, including a 10% increase in the provincial corporate income tax rate (from 10% to 11%), expansion of the federal equalization formula (to include all provincial revenue sources, plus raising the standard to the two wealthiest provinces), and institution of a provincial lottery. The bulk of the increased provincial tax revenues was to come from the transfer to the Province of the taxation of non-residential (i.e., commercial and industrial) property. Here it was recommended that a split tax rate be used, $2 per $100 of the assessed value of farm, forest, and fishing property, and $4 per $100 of the assessed value of all other property. The rationale was that taxes on non-residential property are generally shifted outside the municipality in which the property is located (they become a

[11] See, for example, Joseph Kushner, "The Effect of Urban Growth on Municipal Taxes". *Canadian Public Administration* (35:1).

cost of doing business and are embodied in the price of the goods or services) and are therefore best captured by the Province and used for the benefit of the whole province.

The commission estimated that provincial revenues would be increased by $67 million if all of these measures were adopted. Given proposed increases in provincial spending of $80.8 million, this would leave a gap of $13.6 million. Since this constituted a mere 2% of existing provincial expenditures, the commission concluded that this amount could simply be absorbed within the provincial budget.

The proposed change in provincial grants was perhaps the most important feature of the entire package. The commission had some harsh words for the hodge-podge system of grants that had grown up over the years, as well as the equalization that was provided through the use of the education foundation formula for general municipal purposes. The commission proposed scrapping virtually all of the existing grants and substituting a comprehensive equalization grant, modeled on the federal-provincial revenue equalization formula. Under their proposal, each municipality (county) would be assured of access, through a combination of its own taxes and the provincial equalization grant, to at least the average per capita revenue available to the three wealthiest municipalities (measured in terms of their per capita tax bases). Because Halifax had a per capita tax base well above any of the others, it was to be excluded from the formula. It would not be eligible for equalization, and it would not contribute to raising the equalization entitlements of the other municipalities.

The comparison with the federal scheme, at least prior to the most recent topping up of the formula, is readily apparent. In the federal case, each province has access, through a combination of its own taxes and the federal equalization grant, to at least the average per capita revenue available to the five “representative” provinces. In this case, both the wealthiest province (Alberta) and the poorest (the Atlantic provinces) are excluded from the calculation, as compared with just the wealthiest (Halifax) in the Graham formula. The principles embodied in the two schemes, if not the precise details, are thus essentially the same.

The commission went on to propose two equalization formulae, one for the new counties and another for the cities and towns within each county. The city and town equalization formula was intended to equalize any additional area rates that were levied, but would be paid to the relevant county and calculated on essentially the same basis as the county equalization grant, except that the grant would be based on the average of the five wealthiest cities or towns.

The commission report elicited strong opposition, especially the proposed consolidation of municipal units. The legislative committee struck to review the report was unable to reach consensus and issued no report. Some of the recommendations were implemented over the next few years, but on a piecemeal basis. The issues raised, however, did whet some appetites. Something it seemed, perhaps something less comprehensive, did need to be done.

2c. The Twin Pillars of Change: Service Exchange and Consolidation

The impetus for change in municipal government came only after two changes of leadership at the provincial level. Gerald Regan was succeeded by John Buchanan's Conservatives in 1978. The Buchanan government lasted thirteen years and won four elections, but did little to alter Nova Scotia's municipal system. In 1991 Buchanan was replaced by Donald Cameron, a more activist politician, determined to shake up Nova Scotia's traditional politics. Cameron quickly named his deputy minister of municipal affairs, Ann Janega, to chair a task force of departmental and municipal officials, with two explicit priorities for change: "reallocation of responsibility for financing and delivery of services, with structure and boundary changes to follow if necessary."[12]

Reporting a few months later, in April 1992, the task force set forth a proposed rationalization of responsibilities, drawing a sharp line between what was to be assigned to the Province and to the municipalities. The existing approach, with its overlapping jurisdictions "…lacks direct accountability and fails to match service requirements with the area to be serviced. As a result, it does not achieve the objectives of a sound municipal system."[13] The proposed service exchange would see police services, except highway patrols, become a wholly municipal responsibility, along with roads, other than arterial and collector highways. Conversely, responsibility for social services, public health, and the administration of justice would be completely assumed by the Province. To complete the picture, all remaining shared-cost programs would be terminated, while the existing equalization scheme would be revised to take account of the increased costs to rural municipalities associated with the assumption of responsibility for roads and policing. It seemed that the spirit, at least, of Graham's royal commission report would finally see the light of day. The notable exception was that education, by far the most expensive of the services Graham had recommended be transferred wholly to the Province, was not part of this exchange.

The proposed service exchange was mightily affected by the provincial government's insistence that the net results be "revenue neutral." To ensure this, changes in funding arrangements were proposed that were designed to negate the fiscal benefits of some $13 million that municipalities would have gained from the transfer of spending responsibilities to the Province.

Driven in part by the virtual insolvency of a number of municipalities, the government announced in its 1993 report, *Provincial-Municipal Service Exchange: A Discussion Paper*, that it intended to proceed with the plan. This was followed by yet another report, in October 1994, simply entitled *Provincial-Municipal Service Exchange*, which indicated that the exchange would take place beginning in April of 1995. However, the services to be transferred to the Province were reduced considerably, particularly those

[12] Nova Scotia, Task Force on Local Government, *Report to the Government of Nova Scotia* (April 1992, p. 6).

[13] *Ibid.*, p. 10.

related to social assistance, homes for special care, and roads. In the latter case, rural municipalities would now assume responsibility only for the maintenance of so-called "Class J" roads, serving subdivisions.

When the 1995 service exchange was completed, the municipal expenditure responsibilities transferred to the Province had been cut in half, from $96 million to $53 million. Offsetting adjustments were made in fiscal transfers, preserving the provincial government's determination that the exchange be revenue neutral.

While the overall provincial-municipal fiscal situation may have remained largely unchanged, this was not the case for individual municipalities. As Igor Vojnovic observed, despite provincial statements to the contrary, the impact of the 1995 service exchange was decidedly regressive.

> *While the Province of Nova Scotia argued in its 1993 discussion paper that one of the aims of the service exchange was to alleviate the fiscal pressures of the financially weak municipalities, it was the fiscally weakest grouping that faced the most significant fiscal burdens after the exchange.*[14]

Even more dramatic was the impact of the exchange for the two urban areas that were about to be consolidated, Halifax and industrial Cape Breton, slated to become the Halifax Regional Municipality (HRM) and the Cape Breton Regional Municipality (CBRM). Again citing Igor Vojnovic, the four municipalities that would form HRM collectively posted a net gain in revenues over expenditures as a result of the exchange of $8.5 million. The eight municipalities that would comprise the CBRM, fiscally challenged all, would face a deficit of $4.9 million.[15]

Turning to the structure of the municipal system, the 1992 task force argued that altering existing boundaries was dependent upon first rationalizing service responsibilities. Otherwise, it would be politically impossible to combine rural and urban municipalities. No meaningful reform can be accomplished, it stated, "…so long as urban units pay for police and roads while rural units do not."[16]

The structure preferred by members of the task force was a "unitary" or one-tier government for each of the eighteen counties in the province, with individual boundary adjustments as circumstances might warrant. Graham's proposed comprehensive reorganization had apparently been abandoned. The task force report then singled out five counties, which it considered to be "the critical areas", containing most of the province's

---

[14] Igor Vojnovic, "The Fiscal Distribution of the Provincial-Municipal Service Exchange in Nova Scotia". *Canadian Public Administration* (42:4, p. 529).

[15] *Ibid.* p. 530.

[16] Nova Scotia, Task Force on Local Government, *Report,* p.25.

urban population. These, it argued, should be addressed as the first priority. The five counties were Cape Breton, Halifax, Pictou, Colchester, and Kings.

The task force did not spell out the details of the restructuring appropriate for each of these counties. That task would be assigned to implementation commissions, to be appointed for each county. Premier Cameron accepted the task force recommendations for Halifax and Cape Breton, and appointed commissions to work out the details of implementation. Pictou, Colchester, and Kings counties would be left for later, but his government was defeated before further action could be taken. This left the new premier, John Savage, in something of a dilemma. Apparently sympathetic to the need for restructuring, and convinced that bold action was necessary to meet the challenges of fiscal and economic adjustment facing Nova Scotia, he had nonetheless opposed Cameron's proposal in the 1993 election.[17] His initial response, at least as officially stated, was to shelve the plan to consolidate municipalities in Cape Breton and Halifax counties, but to proceed with the service exchange. Yet, within the year, he had reversed his position, first for Cape Breton, and subsequently for Halifax. The amalgamation of the eight municipalities in industrial Cape Breton would proceed without delay.[18] A new council was elected in May, 1995 and on August 1 the Cape Breton Regional Municipality (CBRM) came into existence. The amalgamation commissioner, Charles A. Campbell, claimed the consolidation would yield annual savings of some $6.5 million. In the first year of operation, the consolidated municipality faced a deficit of $15 million.[19]

The situation in Cape Breton was unique. With the collapse of the coal and steel industries, several of the towns were virtually bankrupt, dependent on special provincial subsidies to remain solvent.[20] Amalgamation seemed the only way to create a viable municipal unit. The situation was very different in the Halifax area, where dealing with growth, rather than decline, was the principal challenge. Premier Savage apparently thought municipal consolidation would put an end to wasteful competition and duplication of services, while ensuring a capacity for more comprehensive planning for the entire metropolitan region. It was also expected to save money. The implementation commissioner in this case, C. William Hayward, estimated the annual savings at $9.8 million. Legislation was passed in May, 1995 creating the Halifax Regional Municipality (HRM), replacing the cities of Halifax and Dartmouth, the town of Bedford, and the

[17] See Ian Stewart, "The Dangers of Municipal Reform in Nova Scotia" in Peter Clancy et al, *The Savage Years: The Perils of Reinventing Government in Nova Scotia* (Halifax: Formac Publishing Company, 2000).

[18] The eight municipalities were Glace Bay, Louisbourg, Dominion, Sydney, New Waterford, Sydney Mines, North Sydney, and Cape Breton County.

[19] C. Richard Tindal and Susan Nobes Tindal, *Local Government in Canada* (Scarborough: Thompson/Nelson, sixth edition, 2004, p. 134).

[20] Christine McCulloch, "An Overview of Municipal Reform in Nova Scotia." Unpublished paper presented to the 11th Commonwealth Law Conference and the 78th Annual Meeting of the Canadian Bar Association, August 26, 1996, p. 4.

county of Halifax. A new, twenty-four-member council was elected, and on April 1st it commenced operations.

There is general agreement among those who have studied the Halifax amalgamation that the real reason was not, in fact, the prospect of saving money. Rather, the basic reason for the decision to proceed, which was taken by Premier Savage himself, was more symbolic than substantive. As Andrew Sancton has stated:

> *Amalgamation for Halifax was implemented primarily for its symbolic value. It was something dramatic that Savage could do without affecting most people in any direct way. Amalgamation was implemented not because there were societal pressures to do so but because there were no significant societal pressures on either side. It was the perfect opportunity for autonomous state action.*[21]

There was also a more practical reason. This had to do with the proposed service exchange. The net impact of the rationalization of responsibilities was expected to favour Halifax, Dartmouth and Bedford, but disadvantage Halifax County. Amalgamating the four municipalities would effectively mask these changes.

There is one other feature of the Halifax amalgamation that warrants mention. As recommended by the implementation commissioner, provincial legislation provided for the establishment of community councils, one of the actions that Graham had proposed for all municipalities more than twenty years earlier. These councils represent an attempt to permit more localized decisions within the consolidated municipality, although they are themselves rather large to be described as "community" councils. Each council must contain at least three councilors. They have limited authority to make recommendations on budgetary priorities as well as to make certain decisions on land use planning. They have no independent taxing powers.

A third consolidation also occurred in Nova Scotia, taking effect on the same date as the establishment of HRM. The amalgamation of the town of Liverpool with the surrounding Queens County, to form the Queens Regional Municipality was a consolidation of a quite different nature. For one thing, it was entirely voluntary. There was no provincially-appointed commissioner and, consequently, no exaggerated claims of anticipated savings. And, as with Cape Breton, but unlike Halifax, there were no community councils.

2d. Service Exchange: The Continuing Saga

Municipal amalgamations in Cape Breton, Halifax, and Queen's seem to have satisfied the provincial government's appetite for forced consolidation, at least temporarily. Not so with service exchange. The upshot of the 1995 changes was to open new demands for further adjustments as the longer-term effects began to be felt in different parts of the province.

---

[21] Andrew Sancton, "Why Municipal Amalgamation: Halifax, Toronto, Montreal", p. 12.

The first initiative came within months of the 1995 exchange. The most significant feature of this change was to relieve CBRM of some $3.4 million in expenditure responsibilities for social services. HRM and Queen's, the other two regional municipalities, also benefited financially from this transfer, but not nearly to the same extent ($2.8 million and $200,000, respectively).

Pressure continued for further adjustments, spearheaded by the Union of Nova Scotia Municipalities (UNSM). By 1997, agreement had been reached to undertake a joint review of the respective roles and responsibilities of the provincial and municipal governments. The list of immediate issues included the funding of social services, the maintenance and repair of bridges, and mandatory municipal contributions to the financing of education. The list was subsequently expanded to include the full funding of equalization.

The first step in this initiative was the signing, in April 1998, of a *Memorandum of Understanding* between the provincial minister and the president of the UNSM. It established that responsibility for maintenance and repair of bridges, previously covered under a shared-cost arrangement between the Province and municipalities, would now be the sole responsibility of the Province. It also provided for a phased reduction in municipal contributions to social services, over a five-year period. Finally, it restored funding of the equalization grant, which had been reduced as the result of the expected leveling consequences of the service exchange program. Education was not addressed. But most importantly, it promised a longer-term "comprehensive review of provincial and municipal roles and responsibilities, to commence in 1998."[22]

The roles and responsibilities review was to proceed in three phases. Phase one, identifying outstanding issues, was completed by the end of 1998. Phase two, examining more closely the issues identified in phase one, was finished by early 2000. By then, the Liberal government, now headed by Russell MacLennan, who had replaced John Savage following the latter's resignation, had been defeated at the polls. The new Conservative premier, John Hamm, was elected with a majority government in July of 1999. Phase three of this exercise, with recommendations, was completed by the spring of 2001 and involved a further proposed exchange of responsibilities. On the one hand, some $21.9 million in expenditures would be assumed by the Province. These expenditures were associated with public housing, correction services, and an increase in provincial grants of property taxes for university residences. In return, the municipalities would internalize the cost of equalization, effectively removing it from the provincial budget. This would prove to be sufficiently controversial that it was sacrificed in the end. That part of the story warrants separate attention.

[22] Nova Scotia, *Memorandum of Understanding Respecting Short Term Policy Initiatives and Comprehensive Review of Roles and Responsibilities*, April 7, 1998.

2e. The Battle over Equalization

Nova Scotia's equalization grant dates from 1980, when it was introduced as part of a general operating grant. As one component of the Roles and Responsibilities exercise, a general revision of the program was contemplated, with the objective of moving to full equalization.[23] The basic unit of analysis would continue to be "standard expenditure per dwelling unit." This is simply the measure of total expenditures on a defined list of items divided by the total number of dwelling units (this was considered a more accurate measure of need than population). Municipalities are divided into two classes (originally four) separating rural and urban areas, and the standard expenditure per dwelling unit is calculated separately for each class.[24] A standard tax rate is then calculated, equal to the total standard expenditure divided by the total uniform assessment. Each municipality's equalization entitlement is then calculated according to the difference between standard expenditures (the product of standard expenditure per dwelling unit and the number of dwelling units in each municipality) and standard revenues (the product of the standard tax rate and uniform assessment in each municipality).

Then came the political problem. Consistent with the Province's long-standing commitment to revenue neutrality, and in sharp contrast to its own treatment under the federal-provincial equalization scheme, the provincial-municipal formula was to be largely self-financing. That is, wealthier municipalities would pay into an equalization fund and poorer municipalities would draw from it.

At that point the major potential contributor, the HRM, raised a serious concern over the estimated cost of the proposal to the municipality. A counter proposal was made, offering to assume additional responsibilities currently borne by the Province, rather than give up

---

[23] As part of the Roles and Responsibilities review, several variations on this formula were considered. Of particular note were (a) consideration of reducing the number of classes (Regional, Towns, and Rurals only), (b) the use of a common standard tax rate based on provincial totals, and (c) broadening of the expenditure standard. Treating the Regionals as a distinct class would have resulted in equalization calculations based on standard expenditures per dwelling unit and uniform assessment per dwelling unit for the *entire* region, urban and rural portions lumped together. Using a common standard tax rate assumes that differences among municipalities would be captured through standard expenditures per dwelling unit alone and would have addressed the concern that Rural indeed have a greater ability to pay than that reflected under a two standard tax rate system. It would also have reduced the sensitivity of entitlements to disproportionate changes in assessments in a particular municipality.

[24] Prior to the Roles and Responsibilities review, the equalization grant was determined separately for each of 4 classes of municipality: Regional (I); Large Towns (II); Small Towns (III); and, Rural or District municipalities (IV). For each class a measure of standard expenditure per dwelling unit (expenditures in the areas of protective services, transportation services, and environmental health services) was calculated as an indicator of fiscal need. From this a measure of standard revenues per dwelling unit was subtracted. Standard revenues per dwelling unit were determined by the product of a standard tax rate (total standard expenditures for a class divided by total uniform assessment for the class) and the municipality's uniform assessment per dwelling unit. For those municipalities with a positive difference, a grant would be paid equal to the difference per dwelling unit times the number of dwelling units.

property tax revenues.[25] The UNSM then developed a proposal (supported by HRM Council) to use revenue from municipal deed transfer taxes to fund the equalization program, rather than using the general property tax. The main problem with this proposal was that not all municipalities actually levied a deed transfer tax, and those that did used different rates, so that transition to a uniform levy would be problematic, but certainly not impossible.

In any event, the Province rejected both proposals and it also backed away from its own scheme. In its April, 2003 budget, the Province announced it would use revenue from an increase in provincial property taxes paid by Nova Scotia Power Corporation, under a special deal with the Province dating back to the privatization of the corporation, to finance the equalization program.

This deal raised the ire of the Cape Breton Regional Municipality in particular, since it is the home to about half of Nova Scotia Power's facilities. Nova Scotia Power, although privatized a decade ago, still does not pay property taxes to the municipalities in which its facilities are located, but pays a special, negotiated, levy to the Province. The Province now pays a portion of the proceeds of this levy to municipalities that qualify for equalization.

The accumulated frustration that has attended the lengthy search for a new deal that would better align provincial and municipal expenditure responsibilities with revenue raising capacities led in due course to the decision by the UNSM to launch its own investigation. The purpose this time would be to arrive at a principled basis for the allocation of municipal responsibilities that might then provide a framework for subsequent negotiations with the Province. It is to the design of such a framework that we now turn.

[25] Halifax, *Mail Star*, March 22, 2001, p. 1.

3. Guiding Principles

Fiscal decentralization to the local level invariably leads to different municipalities having different fiscal capacities. That is, they cannot provide standard levels of public services at given tax rates to their residents. This gives rise to, so-called, fiscal inequity. Yet, decentralization to the lowest order of government consistent with delivery of a particular service is a fundamental principle of federalism—the principle of subsidiarity. It is necessary, therefore, to develop a set of accompanying fiscal relations to facilitate a devolved form of government and ensure horizontal equity. This will include both equalization payments to municipalities and cost-sharing arrangements.

In the following sections, we review constitutional considerations and the equity case for implementing a municipal equalization program. This leads us to three fundamental guiding principles which provide the framework for our subsequent recommendations.

3a. Constitutional Considerations

Although our primary interest is in fairness and equity in municipal funding in Nova Scotia, an understanding of the underlying constitutional provisions and practices is essential. These provisions have their origins in the Constitution Act, 1867, otherwise referred to as the British North America Act.[26] Several amendments have been made over the years, the most significant of which, especially from the perspective of this study, are contained in the Constitution Act, 1982.[27]

Section 92 provided provincial legislatures with the exclusive right to make laws in various areas including matters of a local or private nature within the province, property and civil rights, hospitals, the management and sale of public lands, and the administration of justice. Provinces were also given the right to use direct taxation within their own boundaries to raise revenue for provincial purposes and, significantly, were given control of municipal institutions. Significantly, no provision was made for local government; rather, the provinces were left with the right to devolve powers and responsibilities to the local level as deemed appropriate.[28]

Although all provinces devolved responsibility for primary and secondary education, including its finance, to the local level, in more recent years many of the major administrative functions and in some cases even the financing have been centralized in the hands of the provinces. [29] There is also, especially in Ontario, a trend to a multi-

---

[26] The British North America Act, 1867, 30 & 31 Vict., c. 3 (UK), since renamed the Constitution Act, 1867. Unless otherwise stated, statutory references in this chapter are to the Constitution Act, 1867.
[27] Constitution Act, 1982, being schedule B of the Canada Act 1982 (UK), 1982, c. 11.

[28] It is for this reason that local governments in Canada are frequently referred to as 'creatures of the provinces.'

[29] Indeed, some comparative evidence suggests that Canada is among the most decentralized federations with respect to federal-provincial finance and one of the most centralized with respect to provincial-municipal finance. See Richard M. Bird, 'Federal-Provincial Fiscal Arrangements: Is There an Agenda for

tiered local government structure and, in especially in both Ontario and Nova Scotia, regional government structures involving the amalgamation of formerly separate municipal units.

The Constitution Act, 1982 contained several new provisions. Two are particularly relevant to this study: (1) the institution of the Charter of Rights and Freedoms;[30] and, (2) the spelling out of a joint federal and provincial commitment to the pursuit of equality of opportunity, the lessening of regional disparities and the provision of basic public services, and of a federal responsibility in the area of equalization.[31]

The Charter of Rights and Freedoms applies to the Parliament and Government of Canada and to the legislature and government of each province. Among other things, the Charter guarantees freedom of religion, speech, peaceful assembly, and association (section 2). It enshrines democratic rights (sections 3 to 5), the mobility rights of persons (section 6), legal rights (sections 7 to 14), and equality rights (section 15). Of these, sections 6 and 15 are potentially the most important in the context of this study. They might constrain provincial/municipal programs not to interfere with intra-provincial mobility by, say, imposing residency requirements, and to incorporate particular equality provisions in their programs. They might also be used as a basis for conditions imposed by the federal government on the provinces in areas of provincial jurisdiction or by provincial governments on their municipalities in areas of municipal jurisdiction. Whether a court challenge would interpret these provisions as applying to economic equality and mobility is not clear.

Section 36 of the Constitution Act, 1982, which is entitled 'Equalization and Regional Disparities,' is of particular relevance to this study. It contains two parts, which read as follows:

> *(1) Without altering the legislative authority of Parliament or of the provincial legislatures, or the rights of any of them with respect to the exercise of their legislative authority, Parliament and the legislatures, together with the government of Canada and the provincial governments, are committed to*
>
> > *(a) promoting equal opportunities for the well-being of Canadians;*
> > *(b) furthering economic development to reduce disparity in opportunities; and*
> > *(c) providing essential public services of reasonable quality to all Canadians.*

---

the 1990s?' in Ronald L. Watts and Douglas M. Brown, eds., *Canada: The State of the Federation 1990* (Kingston, Ont.: Queen's University, Institute of Intergovernmental Relations, 1990), 109-34

[30] Part I of the Constitution Act, 1982, sections 1-34.

[31] Part III of the Constitution Act, 1982, section 36.

(2) Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

These provisions seem to have two sorts of effects on both federal and provincial responsibilities and obligations. Section 36(1) explicitly recognizes the pursuit of equity as a national objective that is the joint responsibility of the federal government and the provinces. This is important since much of what both the federal and provincial levels of governments do has a significant equity dimension. To the extent that the federal government has an interest in the equitable delivery of provincial programs, section 36(1) could be used to justify federal involvement in provincial programs through the so-called *spending power*.

Section 36(2) imposes an obligation on the federal government to pursue equalization objectives, or at least commits it to the principle of making equalization payments to the provinces. The section does not restrict what is meant by an equalization payment: it could include any sort of federal-provincial transfer that has equalizing consequences. Canada's Equalization program, which provides for payments from the federal government to the poorer provinces, contributes explicitly to this objective. Other transfer schemes, however, do so implicitly, such as programs involving equal per capita transfers. If taken literally, section 36(2) could have serious implications not only for the structure of the formal equalization scheme itself, but for other major federal-provincial transfers as well.

To the extent that section 36(2) might be interpreted as providing a means by which all provinces are able to meet their commitments under section 36(1), the same obligation might be inferred on provincial governments to ensure that their municipalities have the fiscal resources to meet their obligations.

The federal government can influence provincial expenditure programs and provincial decisions through a variety of means. The federal government can impose mandates on provincial expenditure programs, compelling them to provide certain types of goods and services. Or, the federal government may have the power to nullify or disallow provincial legislation that violates certain norms, especially those that are in the constitution. For example, the power of Industry Canada in siting cell phone towers is a clear over-ride of municipal jurisdiction in land-use decisions. The least intrusive means is the use of conditional grants to influence provincial spending priorities in areas of provincial jurisdiction, the so-called spending power.[32]

[32] For a discussion of the use of the spending power in various federations around the world, see Ronald L. Watts, The Spending Power in Federal Systems: A Comparative Study (Kingston, Ont.: Queen's University, Institute of Intergovernmental Relations, 1999). In Canada there is the power of disallowance which allows the federal government to disallow provincial legislation. However, this power has fallen out of use. Instead, the federal government has relied on the spending power to influence the program spending of the provinces.

Conditional grants to the provinces have been an important component of federal-provincial fiscal arrangements, especially in the post-war period. For example, despite the fact that the Constitution Act, 1867 gives the provinces "exclusive" legislative responsibility in the areas of health, education, and welfare, the federal government has used conditional grants to provide an incentive for the provinces to implement programs in these areas that satisfy specific federal criteria. The constitutionality of these measures has been an issue in the past. The federal government, however, has usually been successful in arguing its case.

Basically, the use of the spending power is justified on the following grounds. First, under section 106 the federal government can use its revenue for matters deemed to be in the public interest. Furthermore, in the preamble to section 91,[33] there is a more general justification relating to spending measures that are meant to be in the national interest. Finally, since the spending power leaves the ultimate legislative responsibility for the program in question to the provinces, its use can be deemed not to interfere with section 92, which gives the provinces exclusive legislative responsibility for certain areas. The provision of financial incentives through the spending power is assumed not to interfere with the ultimate provincial legislative power as long as the federal government does not directly engage in program provision. Also, as mentioned, the provisions of the Constitution Act, 1982 might also be used to offer support for the federal use of the spending power in areas of exclusive provincial legislative jurisdiction in pursuit of equity as a national objective that is the joint responsibility of the federal government and the provinces.

An interesting extension to this is the recent New Deal for Canada's municipalities[34] under which the federal government has undertaken to share a portion of its gas tax revenues with municipal governments. While the exact conditions of this program are unclear at the time of writing, there appears to be a general thrust "to support environmentally sustainable infrastructure." To quote from Budget 2005

> *Gas tax funds are neither a simple fiscal transfer to Canada's municipalities nor a duplication of existing infrastructure programs. Tailored bilateral agreements with each province and territory will ensure that gas tax funds are used strategically and in support of shared national outcomes. Complementary actions by all partners will be required, including annual reporting to Canadians.*[35]

The document specifies that

> *Eligible investments will include capital expenditures and environmentally sustainable municipal infrastructure. As the needs of large urban centres are different from those of smaller communities, eligible projects will depend on the*

[33] The so-called POGG clause (peace, order, and good government).

[34] Formally announced in Budget 2005.

[35] Budget 2005, p.202.

> *size of the community and the region. In each large urban centre, investments will be targeted to one or two of the following priorities: public transit, water and wastewater, community energy systems, and treatment of solid waste. In smaller municipalities, eligible funding will be considered more broadly to provide flexibility to meet priorities. In all municipalities, some funds may also be used for capacity-building initiatives to support sustainability planning*[36]

Certainly, this language is quite prescriptive.

Finally, the document undertakes to "provide a stronger voice to municipalities in discussions of national issues most important to them."[37] This would appear to offer municipalities a seat at the federal-provincial negotiating table as well as the possibility of the federal government completely bypassing provincial governments in consultations with municipalities.

3b. Equity Considerations

The principle of *Horizontal Equity* holds that equals should be treated equally, or more explicitly that persons equally as well off in the absence of government intervention should remain so in its presence. Fiscal decentralization to the local level invariably leads to different municipalities having different fiscal capacities. That is, they cannot provide given levels of public services at given tax rates to their residents — so-called *Fiscal Inequity*. Thus fiscal inequity is a special case of horizontal inequity.

A convenient way of looking at fiscal inequity is using the notion of net fiscal benefits (NFBs). Suppose that municipal government expenditures are largely used to provide public services residents. The NFB obtained by a given resident from municipal government expenditures is the difference between the total value of public services received on the one hand, and the resident's tax bill on the other. Differences in NFBs across municipalities imply that equals are not being treated equally. Thus fiscal inequity is a form of horizontal inequity.

In order to achieve horizontal equity in a decentralized government structure requires equalization of fiscal capacities—this should be the objective of provincial-municipal equalization programs.

Thus far it has been assumed that municipalities will be able to provide comparable levels of public services if they have comparable tax capacities. If cost or need differences exist, however, this assumption is rendered invalid. Even in the presence of fully equalized tax capacities, differences in cost or need associated with the provision of a given level of public services would constitute a further source of differences in NFBs across municipalities since two persons with identical incomes and tax bills could receive different levels of municipal public services.

---

[36] Ibid.

[37] Budget 2005, p.203.

"Cost differences," in the context of this report, refers to differences in the cost per unit of standardized service provided. Cost differences may arise for a variety of reasons — for example, from differences in labour costs across municipalities or differences in climatic or geographic features. This does not mean, however, cost differences that arise from, say, program enrichment in one municipality relative to others—hence, the use of the term "standardized service." Differences in NFBs due to cost differences ought not to be equalized since to do so would violate principles of efficient provision of services.

"Need differences", on the other hand, relate to differences in the number of units of (standardized) service required per capita. Need differences may arise for other reasons. For example, the need for protective services may differ across municipalities for demographic and/or socio-economic reasons. Thus, obtaining a given level of benefit per capita may require higher levels of residence-based taxes, which would give rise to lower NFBs.

It is interesting to note that if the property tax served as a benefits tax, akin to properly structured user fees, there would be no differential NFBs and, hence, no need for an equalization program.

3c. Fairness

Beyond Equalization, there are issues associated with spillovers and appropriate compensation through cost-sharing to municipalities. This is particularly an issue for the Halifax Regional Municipality (HRM), which is the provincial capital and economic centre. It applies equally to towns that are the economic and social centres within their respective counties. Fundamentally, these are issues of fairness — that funding arrangements should recognize the interactions among municipal units.

3d. ***Our Guiding Principles***

Our recommendations will be driven by three guiding principles, all of which follow from the equity dimension of the Constitution:

1. Each level of government, provincial and municipal, should fund expenditures in their respective jurisdictions from their own revenues.

    - This follows from basic principle of accountability. Accountability requires that the level of government that delivers the service should raise the revenues to pay for it.

2. The Province should ensure that municipalities have access to the broad property tax powers and revenues sufficient to finance their spending responsibilities.

- This follows from the principle of subsidiarity. Subsidiarity requires that higher orders of government should facilitate lower orders of government in carrying out their responsibilities, including through the use of transfers.
- Transfers in this context refer to equalization payments (see below) as well as conditional transfers, such as cost-sharing arrangements for roads.

3. Municipal equalization should adhere to the principle that municipalities across the province have the fiscal capacity to provide reasonably comparable levels of municipal services for a reasonably comparable tax burden. To ensure this, Nova Scotia's municipal equalization program should be fully funded and paid for out of the Province's general revenues.

    - This conforms to the notion of horizontal equity across municipalities.

4. Federal-Provincial-Municipal Fiscal Relations

4a. Revenue Sharing

Revenue sharing occurs when one level of government shares some portion of its revenues with another level of government. This could involve general revenues or revenues from a specific source, such as fuel tax revenues. Revenue sharing on an origin basis involves distributing revenues based on shares collected in each recipient jurisdiction. Thus, a portion of provincial gasoline tax revenues could be distributed back to municipalities based on the share of the total actually generated in each municipality. By the same token, a portion of provincial income tax revenues could be distributed back to municipalities based on shares in income tax revenue generated in each municipality.[38]

Thus, the practice of rebating to municipalities the federal Goods and Services Tax (GST) paid on purchases by municipal governments involves distribution on an origin basis—the rebate is paid directly to individual municipalities based on GST actually paid.[39]

Other bases for sharing revenues include indicators of need, population shares, dwelling unit shares (in the municipal context), shares in total kilometers of roads, and the like. Distributing revenues on an equal per capita basis will typically involve some implicit redistribution across recipient jurisdictions. Thus, for example, municipalities with below average per capita gasoline tax collections would be equalized up to the average and those with above average collections would be equalized downwards to the average if a

[38] Some authors have advocated extending direct powers to municipalities to levy income tax, sales tax and/or gasoline tax. The weaker version of this would be for provincial governments to enter into revenue sharing arrangements. See Enid Slack, "The Fiscal Sustainability of the Greater Toronto Area", International Tax Program Paper 0405, available at www.rotman.utoronto.ca/lib and Harry Kitchen, "Financing City Services", The AIMS Urban Futures Series, Paper #3, 2004, available at www.aims.ca.

[39] Initially, this was set at 57.1% of GST liability to limit the impact on municipalities of the switch from the narrow-based Manufacturers Sales Tax to the broad-based GST. Subsequently, in Budget 2004, this amount was increased to 100%.

portion of provincial gasoline tax revenues were distributed back to municipalities on an equal per capita basis.

The new Federal Gas tax initiative involves a defined portion of federal gas tax revenues to be distributed on an equal per capita basis across provinces/territories (with provision for payment minima for smaller provinces/territories). There is, therefore, a strong element of implicit equalization (across provinces) associated with the transfer. The distribution across municipalities within any province is to be agreed on between any Province and its municipalities. This, too, could involve a degree of implicit equalization.

Indeed, the fuel tax transfer will be an important complement to Equalization. It will augment Equalization transfers to have-not provinces, just as cash transfers under the Canada Health Transfer (CHT) and the Canada Social Transfer (CST) do. Moreover, as an equal per capita transfer, it will operate as a net scheme: The difference between actual federal fuel tax revenues per capita and average federal fuel tax revenues per capita in provinces with above average federal fuel tax revenues per capita will fully finance top-up payments to those with below average federal fuel tax revenues per capita. What is, of course, different is that the transfer will be earmarked for municipalities.

The Federal Gas Tax is just one element of general Federal revenues. Since fuel taxes in Canada are not in any sense dedicated taxes, as they are in the United States, the initiative might be viewed simply as sharing of general revenues between Ottawa and Canada’s municipalities, where the proportion would be a defined proportion of Federal Fuel tax revenues as a proportion of general revenues.

Since the powers and responsibilities of municipal governments in Canada are devolved from Provincial governments, revenue sharing is the only option open to the federal government. That is, the transfer of tax power (e.g., a municipal fuel tax) to municipal governments is clearly a matter of provincial jurisdiction.

The Federal government might equally have ceded some fuel tax room to the provinces. Assuming that the provinces would have picked this up, it would have been eligible for Equalization. As a result, the per capita value of the transferred tax room would have been the same for all Equalization receiving provinces. For others, the per capita value would have depended on the provincial base per capita. Thus, by maintaining responsibility for the redistribution of fuel tax revenues on behalf of the provinces, a new form of inter-provincial revenue sharing is established.

Municipal equalization financed from provincial general revenues is also a basis for revenue sharing between a provincial government and its municipalities. For example, an equalization scheme directed at raising per capita revenues to a defined standard involves sharing of provincial revenues with the subset of municipalities with per capita revenues below the standard. Such a scheme is referred to as a *gross scheme*.

4b. Revenue Pooling

Revenue pooling involves pooling of revenues either among municipalities themselves or through some other governmental body, such as the provincial government or a government agency such as school boards. Mandated education levies through municipal property taxation, filtered through the provincial government back to local school boards, for example, is a form of revenue pooling. Revenue pooling is also involved in an equalization scheme in which municipalities with negative entitlements "pay" for transfers to those with positive entitlements. As such, an equalization scheme centered on average revenue yield per capita is fully funded through negative entitlements among those with above average yields used to finance positive entitlements among those with below average yield. Such a scheme is referred to as a *net scheme*.

4.c Shared Tax Fields

In principle, there is no reason why tax fields cannot be shared by different levels of government. In the provincial context, all that is required is for the provincial government to grant local governments the authority to levy particular taxes. Tax collection agreements can permit municipalities to piggy-back on the provincial government or vice versa. Municipalities set rates and the Province collects the tax on behalf of the municipalities or the Province sets a rate and the municipalities collect the tax on behalf of the Province. In provinces where the property tax base is shared between municipalities and the provincial government, such arrangements are common. In Nova Scotia, the practice of the provincial government mandating an education levy against the municipal property tax base creates a blurring in terms of tax sharing—the education levy is really a provincial levy but appears as a component of the municipal rate. In contrast, in Ontario the provincial rate on the residential property tax base is clearly provincial, albeit that it is collected on behalf of the provincial government by the municipalities.

4d. Matching Grants

4di. A Matching Grant Based on Actual Expenditures

Such a grant would be determined by

$$G_i = m * E_i$$

where E_i denotes eligible expenditures in municipality i and "m" is the share of the subsidized expenditure covered by the central or upper tier government. As with any matching grant scheme, basing entitlement on actual expenditures produces an incentive to spend. If, however, relatively high (above average) expenditures per dwelling unit or per capita reflect relatively high need (for example, miles of road per dwelling unit or per capita, geographic conditions, weather conditions), a differential amount of grant is warranted.

The formula can be rewritten as

$$G_i = m * (E_i/E_{NS}) * E_{NS}$$

where E_{NS} denotes aggregate eligible expenditure in Nova Scotia. This version of the formula can be read as allocating a fixed amount ($m*E_{NS}$) according to shares in aggregate eligible expenditures.

4dii. A Matching Grant Based on Standardized (Average) Expenditures

Such a grant could be based on either average eligible expenditures per dwelling unit or average eligible expenditures per capita. Based on dwelling units, it would be determined by

$$G_i = m * (E_{NS}/D_{NS}) * D_i$$

where D_{NS} denotes the total number of dwelling units in Nova Scotia.

If "m" were equal to 50%, those municipalities making below average expenditures would receive over half their costs,; those municipalities making above average expenditures would receive less than half their costs. Further, to the extent that low-expenditure municipalities also exhibit low ability to pay, an element of equalization would be incorporated into the grant.

Alternatively, this formula can be read as allocating a fixed amount ($m*E_{NS}$) according to shares in total dwelling units (D_i/D_{NS}).

Based on population, the formula would be

$$G_i = m * (E_{NS}/P_{NS}) * P_i$$

where P_{NS} denotes the provincial population, P_i denotes the population of municipality i. This amounts to allocating a fixed sum ($m*E_{NS}$) according to population shares.

4diii. Matching Grants: A Combination of the Two Approaches

Another possibility would be a grant based equally on, for example, actual expenditures per dwelling unit and standardized (provincial) expenditures per dwelling unit.[40] The advantage of equally weighting actual expenditures per dwelling unit and standardized expenditures per dwelling unit is that it reduces the incentive to spend problem associated with matching grants. On the other hand, if above average expenditures reflect above average need, actual expenditures should be reflected in the grant.

Below we present a formula which weights equally expenditures per dwelling unit and expenditures per capita. Again, the formula weights equally actual expenditures and standardized expenditures.

The formula is

[40] Such a formula is akin to the old hospital insurance grants from Ottawa to the provinces.

$$G_i = m * 0.25 * \left[\left(\frac{E_i}{D_i} + \frac{E_{NS}}{D_{NS}} \right) * D_i + \left(\frac{E_i}{P_i} + \frac{E_{NS}}{P_{NS}} \right) * P_i \right]$$

which reduces to:

$$G_i = \left(0.5 * \frac{E_i}{E_{NS}} + 0.25 * \frac{D_i}{D_{NS}} + 0.25 * \frac{P_i}{P_{NS}} \right) * m * E_{NS}$$

There are many ways of interpreting this formula. First and foremost, it is a formula which reflects actual municipal expenditure responsibilities (expenditure shares), dwelling unit shares and population shares. It weights expenditure shares twice as heavily as shares in dwelling units and population (which are equally weighted). The weights, of course, simply reflect the initial weights given to actual expenditures and standardized expenditures. Had the formula been based, initially, on expenditures per dwelling unit alone, populations shares would not have entered the formula and expenditure shares and dwelling unit shares would have been equally weighted. Had the formula been based, initially, on standardized expenditures alone, actual expenditure shares would not have entered the formula and dwelling unit shares and population shares would have been equally weighted. The initial weights are all subject to manipulation; changes in any would be reflected in the reduced form version of the equation.

4e. Mandated Levies and Standards

Where the Province mandates particular levies (such as the education levy in Nova Scotia), the revenues generated should be subject to equalization. Similarly, where the Province mandates standards for service provision, there ought to be cost-sharing arrangements in place to facilitate municipalities in meeting the required standard. Such cost sharing arrangements have been outlined above.

5. Federal-Municipal Grants (and Transfers)

Other than some conditional grant assistance from the Federal government to municipalities in the form of infrastructure grants, there has been little direct involvement between the Federal government and Canada’s municipalities. Typically, this has been in the form of Federal-Provincial-Municipal cost-shared infrastructure programs.

An example of direct federal assistance to municipalities (announced in the 2000 Federal Budget) was the establishment of two multi-million dollar funds to encourage investment in best practice and innovative municipal environmental projects. The $100 million Green Municipal Investment Fund (GMIF) and the $25 million Green Municipal Enabling Fund (GMEF) were designed to help municipal governments target initiatives that improve the eco-efficiency of their operations.

Municipal governments and/or their public or private sector partners were eligible to apply for these funds. An Enabling Fund covered up to 50 percent of the cost of feasibility studies, while the Investment Fund offered a range of financial services aimed at improving the financial performance of proposed projects. Fund initiatives were to focus on:

- Energy services such as community energy systems, waste heat capture or landfill gas recovery;
- Municipally-owned and/or operated buildings and facilities;
- Public transportation technologies and/or fleets;
- Renewable energy technologies;
- Solid waste management;
- Storm runoff management;
- Wastewater treatment services
- Water distribution and/or water conservation.

While financing was the responsibility of the Federal government but the Federation of Canadian Municipalities' (FCM) National Board of Directors had responsibility for approving all eligible projects and eligible pilot projects on the advice of a Council. The Board appointed Council was to oversee and to advise the Board.

Finally, the Council was to be composed of fifteen members including:

- One-third from a list of Government of Canada nominees;
- One-third comprising representatives of the public, academic, environment and private sectors with technical and financial expertise (for example, utilities, engineering firms, energy service companies, the financial sector, environmental services, environmental non-government organizations);
- One-third representatives of the FCM.

More recently, the municipal Goods and Services Tax (GST) rebate might be classed as a direct and unconditional transfer from the Federal government to municipalities. Under the GST, municipalities were classed as "tax exempt" As such, municipalities were not required to charge GST on services provided, with the quid pro quo that they were eligible to claim GST credits. In order to ensure no net increase in federal tax liability for municipalities with the introduction of the GST, special provision was made for 57.14% rebate of GST to municipalities. The 2004 Federal Budget extended rebate to 100%. In part, this was a response to municipal demands for increased infrastructure funding.

The key point is that the GST rebate opened up the door to direct revenue transfers from the federal government to the municipalities. The recent discussion about a plan to provide municipalities with a share of the federal gas tax (or its financial equivalent) provides a further example. With a start date in 2005, the amount of revenue transfer is to rise over a five year term to 5 cents per litre, or at least $2 billion. The intention of this revenue transfer is to provide municipalities with a source of funding for major new infrastructure projects. Some people, have argued that the Federal government might similarly transfer a share of its income tax and GST revenues to municipalities.

Finally, it should be noted that there is no particular reason why a transfer from the federal government to municipalities should be tied to a specific revenue source, either as a rebate, as in the case of the GST, or as some form of revenue sharing arrangement, as in the case of the Federal gas tax. Given the potential here, the key question is: To what extent should such revenue transfers be expanded?

Not only did the 2004 Federal Budget provide for full GST relief for municipalities of all sizes, there was also mention of

.

- Accelerated infrastructure funding.
- A stronger voice for municipalities.
- Support for cleaning up contaminated sites.
- Funding for immigration settlement and integration.
- Funding to improve programs and services for Aboriginal Canadians in urban areas.

One final point here is that, since municipal government responsibilities and powers are a clear area of provincial constitutional jurisdiction, only provincial governments could actually transfer tax power to municipalities. Some analysts, such as Kitchen and Slack (2003),[41] have advocated such a transfer of taxing powers, albeit by piggybacking municipal income, consumption and gasoline taxes on existing provincial levies. The federal government can do so only indirectly through revenue transfers.[42]

6. Municipal Expenditure Responsibilities and Revenues

Municipal responsibilities vary in some significant ways across provinces. Areas of common responsibility include policing, firefighting, local roads, water, sewer, and solid waste collection and disposal. In most provinces (notably excluding Ontario) social services are a provincial responsibility. In most provinces (notably excluding Nova Scotia) education funding is entirely a provincial responsibility.

In recent years, both Ontario and Nova Scotia have experimented with municipal amalgamations and undertaken service exchanges. In Ontario, the Province took over responsibility for funding of elementary and secondary public schools by imposing a province-wide education (property tax) levy. In a move to ensure revenue neutrality, responsibility for social housing, 50 percent of land ambulance, 50 percent of public health prevention and provincial highways was transferred to the municipal sector as well as responsibility for policing and property assessment. Municipalities continued to shoulder responsibility for delivering social services (cost-shared with the Province). At

---

[41] Harry M. Kitchen and Enid Slack, Special Study: New Finance Options for Municipal Governments. Canadian Tax Journal. Toronto: 2003. Vol. 51, Iss. 6; pg. 2216

[42] Should revenue transfers be made on an origin basis, as with the GST rebate, or should they be made on a needs basis, or equal per capita, or whatever?

the same time, grants to municipalities for public transit were phased out and municipal grants were replaced with the Community Reinvestment Fund, which, essentially, provided compensation to those municipalities for which expenditures following the local services realignment initiative exceeded revenues from the former municipal education levy (the education component of the municipal property tax). In that sense, simply put, the Community Reinvestment Fund was a top-up grant

In Nova Scotia, the principal realignment of responsibilities (service exchange) was to be the (gradual) transfer of responsibility for social services to the Province along with responsibility for public health, correction costs and the administration of justice. To preserve revenue neutrality, responsibility for policing (except highway patrols) and roads (other than arterial and collector highways) was to be transferred to the municipalities. Grants for transit, recreation and culture, and emergency funding were to be eliminated. In addition, the Operating Grant (the equalization grant) was to be reduced. The initial proposal (April 1992) is outlined in Table 1.

Table 1: Components of the April 1992 Proposal for Nova Scotia's Service Exchange

Transferred To Municipalities		**Transferred To the Province**	
Expenditure Responsibility	***Value***	***Expenditure Responsibility***	***Value***
Police Protection	$27,894,000	Justice	$1,962,000
Building Inspection	$400,000	Full Correction Costs	$12,298,000
Local Roads	$35,741,000	Public Health	$627,000
Public Transit Grants Cancelled	$3,310,000	Homes for Special Care	$36,330,000
Planning Assistance Cancelled	$1,800,000	Full Social Welfare Costs	$31,590,000
Community Development	$4,155,000	Other Health & Welfare	$4,600,000
Industrial Parks and Commissions	$665,000	Fiscal Services	$3,342,000
Recreation Grants Cancelled	$3,639,000	Full Grants-in-Lieu of Taxes	$3,000,000
Emergency Funding Eliminated	$4,298,000		
Operating Grant Reduction	$10,701,000		
Total Municipal	**$93,749,000**	**Total Provincial**	**$93,749,000**

In the end, only J-class roads and suburban roads were picked up by the rural municipalities. The failure to achieve full transfer of responsibility for roads resulted in a continuation of the municipal responsibility for public housing, social welfare and corrections as well as a rural road levy.

The subsequent (1997) Municipal/Provincial Roles and Responsibilities Review was tasked with examining four issues of fundamental concern to the municipalities: (1) Social services funding; (2) bridges; (3) the education levy; and, (4) full funding of the municipal equalization grant. The principal result was an undertaking by the Province to eliminate municipal financial contributions to social services over a period of 5 years.

6a. Expenditures and Revenue in Nova Scotia's Municipalities

Tables 2 and 3 provide a break down of expenditures by major category for all Nova Scotia municipalities for 2001-02 and the shares of the budget allocated to each category, respectively. The major categories are as follows:

- *General Government Services:* includes both legislative and general administrative services.

- *Protective Services:* includes policing, law enforcement, fire protection and emergency measures.

- *Transportation Services:* includes common services, road transport, air and water transport and public transit.

- *Environmental Health Services:* includes sewage collection and disposal and garbage and waste collection and disposal.

- *Public Health Services:* includes public health and hospital care.

- *Environmental Development Services:* includes environmental planning and zoning, community development, housing, natural resource development and industrial parks and commissions.

- *Cultural and Recreation Services:* includes recreation facilities and cultural buildings and facilities.

- *Fiscal Services:* includes debt charges, transfers to own reserve funds and agencies and unconditional and conditional transfers to other governments and agencies. Conditional transfers are primarily provincially mandated amounts in respect of education funding, public housing, assessments services, and correctional services.

Tables 4 and 5 provide a break down of revenues by major category for all Nova Scotia municipalities for 2001-02 and the shares of budget coming from each source, respectively. The major categories are as follows:

- *Taxes:* includes property taxes, special assessments and business occupancy taxes.

- *Grants in lieu of taxes:* includes grants in lieu with respect to both federal and provincial governments and agencies.

- *Services provided to other governments:* involves primarily services to other local governments, particularly land fill services.

- *Sales of services:* includes sales of general government services, protective services, transportation services, environmental health services, public health and welfare services, environmental development services, and recreation and cultural services.

- *Other revenue from own sources:* includes revenues from licenses and permits, fines, rentals, concessions and franchises, return on investments, and penalties and interest on taxes.

- *Unconditional transfers from other governments:* consists of entirely transfers from the provincial government to municipalities, including the equalization grant.

- *Conditional transfers:* includes transfers from both federal and provincial governments and agencies.

Table 2: Local Government Expenditures in Nova Scotia by Major Category and Community – 2001-2002 Fiscal Year

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health Services	Environmental Development Services	Recreation & Cultural Services	Fiscal Services	Other Including Surplus (Deficit)	Total Expenditure
Regions										
Cape Breton Reg	$8,229,538	$24,082,075	$18,041,931	$8,355,072		$747,767	$5,547,305	$27,965,271	$24,566	$92,993,525
Halifax Regional	$45,205,000	$99,438,000	$66,770,000	$53,098,000		$10,457,000	$19,975,000	$198,680,000	$1,709,000	$495,332,000
Region of Queens	$1,031,349	$1,743,087	$1,241,744	$1,163,802	$75,000	$345,202	$347,813	$5,784,352	$279,247	$12,011,596
Towns										
Amherst	$865,807	$3,072,138	$1,663,444	$520,190		$405,860	$990,602	$2,719,765	($138,352)	$10,099,454
Annapolis Royal	$222,065	$310,784	$104,373	$99,711	$745		$30,760	$218,281	$44,809	$1,031,528
Antigonish	$415,860	$1,293,417	$830,915	$533,785		$82,731	$276,471	$1,401,767	$297	$4,835,243
Berwick	$290,317	$532,900	$328,709	$414,586		$30,376	$138,540	$770,932	($6,164)	$2,500,196
Bridgetown	$180,104	$191,428	$173,104	$94,673		$15,541	$66,639	$284,424	($4,054)	$1,001,859
Bridgewater	$841,969	$2,469,340	$1,089,102	$1,063,125		$213,171	$809,696	$4,246,023	$143,219	$10,875,645
Canso	$238,340	$252,806	$147,439	$140,633		$34,738	$70,608	$340,672	($295,507)	$929,729
Clark's Harbour	$190,418	$120,272	$73,804	$153,979		$20,314	$53,915	$295,274	($15,913)	$892,063
Digby	$400,903	$782,097	$509,246	$250,544		$30,084	$132,693	$688,170	($51,180)	$2,742,557
Hantsport	$245,153	$405,281	$338,430	$115,631	$3,000	$16,675	$158,806	$417,265	($36,863)	$1,663,378
Kentville	$849,746	$2,026,434	$1,078,047	$888,279	$3,500	$238,524	$619,133	$2,742,814	$14,277	$8,460,754
Lockeport	$206,553	$128,977	$71,294	$127,326		$8,832	$74,537	$231,903	$5,110	$854,532
Lunenburg	$288,620	$904,185	$495,003	$270,543		$102,028	$446,116	$1,415,864	$28,309	$3,950,668
Mahone Bay	$119,725	$292,421	$155,299	$122,184		$12,719	$83,884	$613,376	$28,155	$1,427,763
Middleton	$222,612	$577,332	$303,839	$201,593		$55,888	$114,079	$816,891	($10,162)	$2,282,072
Mulgrave	$336,281	$196,273	$266,285	$54,509			$55,422	$510,405	($162,365)	$1,256,810
New Glasgow	$1,017,983	$2,797,640	$1,546,171	$746,237		$78,457	$520,676	$3,572,788	($159,237)	$10,120,715
Oxford	$161,501	$410,512	$146,222	$124,733	$24,870	$17,608	$184,882	$470,422	$20,012	$1,560,762
Parrsboro	$206,294	$329,897	$325,904	$12,931		$80,939	$40,931	$378,685	$6,315	$1,381,896
Pictou	$352,233	$852,280	$563,276	$168,823	$11,538	$31,734	$757,041	$1,031,268	($66,625)	$3,701,568
Port Hawkesbury	$574,219	$778,611	$919,620	$363,883		$78,088	$694,556	$963,366	$81,022	$4,453,365
Shelburne	$353,111	$517,250	$318,849	$233,105		$23,318	$154,422	$748,468	$2,701	$2,351,224
Springhill	$718,013	$1,235,290	$644,559	$114,217	$22,674	$98,533	$200,122	$1,056,131	$37,816	$4,127,355
Stellarton	$421,998	$1,251,816	$919,987	$327,715		$83,734	$217,177	$1,377,046	$2,391	$4,601,864

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health Services	Environmental Development Services	Recreation & Cultural Services	Fiscal Services	Other Including Surplus (Deficit)	Total Expenditure
Stewiacke	$237,531	$185,726	$178,714	$131,876		$2,569	$97,346	$290,402	$25,039	$1,149,203
Trenton	$348,132	$796,735	$589,334	$181,771		$11,178	$517,249	$537,936	($43,853)	$2,938,482
Truro	$1,861,347	$4,139,614	$1,609,055	$2,349,323	$5,500	$839,949	$845,454	$5,709,185	$10,588	$17,370,015
Westville	$353,755	$819,886	$477,103	$210,641		$895	$69,319	$739,188	($22,690)	$2,648,097
Windsor	$464,525	$1,005,218	$534,612	$330,243	$57,198	$50,650	$383,413	$1,236,921	($4,501)	$4,058,279
Wolfville	$675,979	$1,424,097	$713,248	$437,030	$12,936	$386,581	$214,276	$1,321,226	$25,596	$5,210,969
Yarmouth	$861,547	$2,585,991	$1,192,354	$1,200,050	$15,000	$779,686	$534,206	$4,190,660	$110,041	$11,469,535
Municipalities										
Annapolis	$1,541,918	$1,752,530	$515,984	$1,394,852	$4,736	$287,570	$240,312	$4,542,392	$9,346	$10,289,640
Antigonish	$958,354	$1,529,788	$178,743	$861,032		$100,486	$427,504	$2,620,568	$185,502	$6,861,977
Argyle	$716,424	$789,281	$34,632	$446,580		$14,246	$288,780	$2,035,882	$103,704	$4,429,529
Barrington	$731,537	$887,625	$189,485	$629,168		$56,565	$442,687	$1,911,204	($19,696)	$4,828,575
Chester	$1,013,639	$1,022,199	$283,896	$1,082,399		$56,432	$300,825	$4,835,242	($174,036)	$8,420,596
Clare	$652,348	$800,608	$32,340	$584,290	$28,852	$97,824	$156,538	$2,157,943	$105,890	$4,616,633
Colchester	$2,049,720	$4,032,453	$840,175	$5,175,194		$97,780	$312,785	$13,929,767	$532,055	$26,969,929
Cumberland	$962,949	$2,399,077	$308,084	$1,640,346	$284,500	$205,103	$105,044	$5,184,544	$136,198	$11,225,845
Digby	$703,157	$1,178,592	$252,692	$423,636		$36,634	$156,914	$2,704,740	($165,286)	$5,291,079
Guysborough	$926,776	$1,038,771	$109,803	$482,645		$160,224	$220,763	$7,182,022	$403,269	$10,524,273
Hants East	$1,443,449	$2,596,098	$487,200	$1,618,388		$411,385	$735,556	$4,827,020	$330,914	$12,450,010
Hants West	$693,117	$1,607,608	$147,396	$1,048,688		$1,365	$120,569	$2,723,320	($83,811)	$6,258,252
Inverness	$1,219,347	$1,999,178	$318,923	$1,524,311		$122,273	$385,084	$4,091,357	$46,853	$9,707,326
Kings	$2,068,700	$4,746,600	$1,084,600	$4,577,000		$590,800	$461,800	$12,369,600	$23,700	$25,922,800
Lunenburg	$1,482,056	$2,978,468	$619,756	$2,592,628		$207,909	$402,451	$7,509,879	($350,773)	$15,442,374
Pictou	$1,111,603	$2,729,488	$385,259	$1,364,602		$103,404	$154,713	$6,940,386	$3,025	$12,792,480
Richmond	$1,306,263	$1,400,068	$388,733	$895,515	$4,831	$254,229	$284,900	$5,092,368	($536,131)	$9,090,776
Shelburne	$529,474	$734,851	$172,003	$515,757		$12,211	$100,148	$1,538,638	$145,585	$3,748,667
St. Mary's	$411,344	$393,066	$102,165	$153,711		$32,323	$90,657	$1,529,524	$66,068	$2,778,858
Victoria	$1,014,344	$1,424,782	$320,507	$613,839		$38,766	$187,799	$2,605,650	$103,319	$6,309,006
Yarmouth	$822,164	$1,014,419	$515,457	$564,060		$74,000	$438,859	$3,664,777	$35,962	$7,129,698

Table 3: Local Government Expenditure Shares in Nova Scotia by Major Category and Community – 2001-2002 Fiscal Year

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health Services	Environmental Development Services	Recreation & Cultural Services	Fiscal Services	Other Including Surplus (Deficit)	Total Expenditure
Regions										
Cape Breton Reg	8.8%	25.9%	19.4%	9.0%	0.0%	0.8%	6.0%	30.1%	0.0%	$92,993,525
Halifax Regional	9.1%	20.1%	13.5%	10.7%	0.0%	2.1%	4.0%	40.1%	0.3%	$495,332,000
Region of Queens	8.6%	14.5%	10.3%	9.7%	0.6%	2.9%	2.9%	48.2%	2.3%	$12,011,596
Towns										
Amherst	8.6%	30.4%	16.5%	5.2%	0.0%	4.0%	9.8%	26.9%	-1.4%	$10,099,454
Annapolis Royal	21.5%	30.1%	10.1%	9.7%	0.1%	0.0%	3.0%	21.2%	4.3%	$1,031,528
Antigonish	8.6%	26.7%	17.2%	11.0%	0.0%	1.7%	5.7%	29.0%	0.0%	$4,835,243
Berwick	11.6%	21.3%	13.1%	16.6%	0.0%	1.2%	5.5%	30.8%	-0.2%	$2,500,196
Bridgetown	18.0%	19.1%	17.3%	9.4%	0.0%	1.6%	6.7%	28.4%	-0.4%	$1,001,859
Bridgewater	7.7%	22.7%	10.0%	9.8%	0.0%	2.0%	7.4%	39.0%	1.3%	$10,875,645
Canso	25.6%	27.2%	15.9%	15.1%	0.0%	3.7%	7.6%	36.6%	-31.8%	$929,729
Clark's Harbour	21.3%	13.5%	8.3%	17.3%	0.0%	2.3%	6.0%	33.1%	-1.8%	$892,063
Digby	14.6%	28.5%	18.6%	9.1%	0.0%	1.1%	4.8%	25.1%	-1.9%	$2,742,557
Hantsport	14.7%	24.4%	20.3%	7.0%	0.2%	1.0%	9.5%	25.1%	-2.2%	$1,663,378
Kentville	10.0%	24.0%	12.7%	10.5%	0.0%	2.8%	7.3%	32.4%	0.2%	$8,460,754
Lockeport	24.2%	15.1%	8.3%	14.9%	0.0%	1.0%	8.7%	27.1%	0.6%	$854,532
Lunenburg	7.3%	22.9%	12.5%	6.8%	0.0%	2.6%	11.3%	35.8%	0.7%	$3,950,668
Mahone Bay	8.4%	20.5%	10.9%	8.6%	0.0%	0.9%	5.9%	43.0%	2.0%	$1,427,763
Middleton	9.8%	25.3%	13.3%	8.8%	0.0%	2.4%	5.0%	35.8%	-0.4%	$2,282,072
Mulgrave	26.8%	15.6%	21.2%	4.3%	0.0%	0.0%	4.4%	40.6%	-12.9%	$1,256,810
New Glasgow	10.1%	27.6%	15.3%	7.4%	0.0%	0.8%	5.1%	35.3%	-1.6%	$10,120,715
Oxford	1.6%	4.1%	1.4%	1.2%	0.2%	0.2%	1.8%	4.6%	0.2%	$1,560,762
Parrsboro	14.9%	23.9%	23.6%	0.9%	0.0%	5.9%	3.0%	27.4%	0.5%	$1,381,896
Pictou	9.5%	23.0%	15.2%	4.6%	0.3%	0.9%	20.5%	27.9%	-1.8%	$3,701,568
Port Hawkesbury	12.9%	17.5%	20.7%	8.2%	0.0%	1.8%	15.6%	21.6%	1.8%	$4,453,365
Shelburne	15.0%	22.0%	13.6%	9.9%	0.0%	1.0%	6.6%	31.8%	0.1%	$2,351,224
Springhill	17.4%	29.9%	15.6%	2.8%	0.5%	2.4%	4.8%	25.6%	0.9%	$4,127,355
Stellarton	9.2%	27.2%	20.0%	7.1%	0.0%	1.8%	4.7%	29.9%	0.1%	$4,601,864

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health Services	Environmental Development Services	Recreation & Cultural Services	Fiscal Services	Other Including Surplus (Deficit)	Total Expenditure
Stewiacke	20.7%	16.2%	15.6%	11.5%	0.0%	0.2%	8.5%	25.3%	2.2%	$1,149,203
Trenton	11.8%	27.1%	20.1%	6.2%	0.0%	0.4%	17.6%	18.3%	-1.5%	$2,938,482
Truro	10.7%	23.8%	9.3%	13.5%	0.0%	4.8%	4.9%	32.9%	0.1%	$17,370,015
Westville	13.4%	31.0%	18.0%	8.0%	0.0%	0.0%	2.6%	27.9%	-0.9%	$2,648,097
Windsor	11.4%	24.8%	13.2%	8.1%	1.4%	1.2%	9.4%	30.5%	-0.1%	$4,058,279
Wolfville	13.0%	27.3%	13.7%	8.4%	0.2%	7.4%	4.1%	25.4%	0.5%	$5,210,969
Yarmouth	7.5%	22.5%	10.4%	10.5%	0.1%	6.8%	4.7%	36.5%	1.0%	$11,469,535
Municipalities										
Annapolis	15.0%	17.0%	5.0%	13.6%	0.0%	2.8%	2.3%	44.1%	0.1%	$10,289,640
Antigonish	14.0%	22.3%	2.6%	12.5%	0.0%	1.5%	6.2%	38.2%	2.7%	$6,861,977
Argyle	16.2%	17.8%	0.8%	10.1%	0.0%	0.3%	6.5%	46.0%	2.3%	$4,429,529
Barrington	15.2%	18.4%	3.9%	13.0%	0.0%	1.2%	9.2%	39.6%	-0.4%	$4,828,575
Chester	12.0%	12.1%	3.4%	12.9%	0.0%	0.7%	3.6%	57.4%	-2.1%	$8,420,596
Clare	14.1%	17.3%	0.7%	12.7%	0.6%	2.1%	3.4%	46.7%	2.3%	$4,616,633
Colchester	7.6%	15.0%	3.1%	19.2%	0.0%	0.4%	1.2%	51.6%	2.0%	$26,969,929
Cumberland	8.6%	21.4%	2.7%	14.6%	2.5%	1.8%	0.9%	46.2%	1.2%	$11,225,845
Digby	13.3%	22.3%	4.8%	8.0%	0.0%	0.7%	3.0%	51.1%	-3.1%	$5,291,079
Guysborough	8.8%	9.9%	1.0%	4.6%	0.0%	1.5%	2.1%	68.2%	3.8%	$10,524,273
Hants East	11.6%	20.9%	3.9%	13.0%	0.0%	3.3%	5.9%	38.8%	2.7%	$12,450,010
Hants West	11.1%	25.7%	2.4%	16.8%	0.0%	0.0%	1.9%	43.5%	-1.3%	$6,258,252
Inverness	12.6%	20.6%	3.3%	15.7%	0.0%	1.3%	4.0%	42.1%	0.5%	$9,707,326
Kings	8.0%	18.3%	4.2%	17.7%	0.0%	2.3%	1.8%	47.7%	0.1%	$25,922,800
Lunenburg	9.6%	19.3%	4.0%	16.8%	0.0%	1.3%	2.6%	48.6%	-2.3%	$15,442,374
Pictou	8.7%	21.3%	3.0%	10.7%	0.0%	0.8%	1.2%	54.3%	0.0%	$12,792,480
Richmond	14.4%	15.4%	4.3%	9.9%	0.1%	2.8%	3.1%	56.0%	-5.9%	$9,090,776
Shelburne	14.1%	19.6%	4.6%	13.8%	0.0%	0.3%	2.7%	41.0%	3.9%	$3,748,667
St. Mary's	14.8%	14.1%	3.7%	5.5%	0.0%	1.2%	3.3%	55.0%	2.4%	$2,778,858
Victoria	16.1%	22.6%	5.1%	9.7%	0.0%	0.6%	3.0%	41.3%	1.6%	$6,309,006
Yarmouth	11.5%	14.2%	7.2%	7.9%	0.0%	1.0%	6.2%	51.4%	0.5%	$7,129,698

Table 4: Local Government Revenues in Nova Scotia by Major Category and Community – 2001-2002 Fiscal Year

	Taxes	Grants-in-Lieu-of Taxes	Services to Other Governments	Sales of Services	Other Own Source Revenue	Unconditional Transfers	Conditional Transfers	Other Transfers	Total Revenue
Regions									
Cape Breton Reg	$63,064,588	$5,318,807	$60,000	$5,245,399	$3,124,418	$13,510,012	$60,999	$2,609,302	$92,993,525
Halifax Regional	$370,008,000	$24,034,000		$62,600,000	$17,672,000	$45,000	$3,105,000	$17,868,000	$495,332,000
Region of Queens	$9,123,648	$251,432	$847,305	$695,678	$410,519	$260,773		$407,195	$12,011,596
Towns									
Amherst	$7,376,104	$251,263	$96,000	$1,321,968	$210,423	$550,230	$34,067	$259,399	$10,099,454
Annapolis Royal	$777,841	$53,658	$100,173		$53,341	$3,317		$43,198	$1,031,528
Antigonish	$3,860,028	$268,981		$77,142	$156,245	$43,321		$429,526	$4,835,243
Berwick	$1,968,816	$13,765	$66,919	$296,022	$82,173	$1,012		$71,489	$2,500,196
Bridgetown	$761,505	$30,191	$52,056		$20,978	$82,415		$54,714	$1,001,859
Bridgewater	$9,291,416	$183,153		$463,341	$356,223	$204	$26,154	$547,654	$10,875,645
Canso	$564,057	$37,422		$43,576	$118,082	$128,170	$1,919	$36,503	$929,729
Clark's Harbour	$811,203	$7,046		$750	$18,135	$52,877	$2,052		$892,063
Digby	$2,060,785	$311,246	$45,626	$9,109	$153,136	$145,194	$5,755		$2,742,557
Hantsport	$1,371,406	$9,664	$65,037		$151,604	$14,590	$8,232	$42,845	$1,663,378
Kentville	$5,894,168	$420,795	$177,218	$325,253	$1,098,627	$493	$849	$543,351	$8,460,754
Lockeport	$645,797	$18,628	$37,000	$13,242	$34,224	$77,013	$6,706	$17,274	$854,532
Lunenburg	$3,050,521	$34,274		$350,333	$142,528	$27	$61,803	$206,282	$3,950,668
Mahone Bay	$971,642	$22,591	$42,974	$20,182	$29,091	$16		$341,267	$1,427,763
Middleton	$1,936,162	$107,729	$36,310	$82,317	$49,656	$27,870	$10,876	$31,152	$2,282,072
Mulgrave	$741,211	$40,361		$20,750	$209,872	$86,656	$5,153	$152,807	$1,256,810
New Glasgow	$9,032,113	$73,253		$55,265	$535,649	$423,739	$696		$10,120,715
Oxford	$1,197,292	$49,859	$24,825	$122,870	$63,604	$4,011	$3,000	$95,301	$1,560,762
Parrsboro	$794,514	$19,354	$33,831	$59,603	$48,440	$327,181	$59,093	$39,880	$1,381,896
Pictou	$2,389,041	$212,806		$298,326	$286,503	$425,568		$89,324	$3,701,568
Port Hawkesbury	$3,389,738	$205,124	$25,000	$227,492	$172,836	$5,813	$239,916	$171,446	$4,453,365
Shelburne	$1,799,639	$54,377	$34,000		$103,212	$158,514	$3,052	$196,430	$2,351,224
Springhill	$2,120,305	$1,038,238	$43,757	$96,197	$137,554	$467,236	$69,011	$155,057	$4,127,355
Stellarton	$3,694,727	$122,979		$17,712	$380,095	$361,954	$4,395	$20,002	$4,601,864

	Taxes	Grants-in-Lieu-of Taxes	Services to Other Governments	Sales of Services	Other Own Source Revenue	Unconditional Transfers	Conditional Transfers	Other Transfers	Total Revenue
Stewiacke	$836,690	$16,193		$157,181	$23,012	$78,020	$3,322	$34,785	$1,149,203
Trenton	$1,960,377	$13,316	$19,480	$414,024	$128,590	$312,628	$11,177	$78,890	$2,938,482
Truro	$13,511,005	$278,967	$48,243	$601,663	$714,754	$16,472	$466,930	$1,731,981	$17,370,015
Westville	$1,884,473	$12,455			$103,636	$638,643		$8,890	$2,648,097
Windsor	$3,414,436	$82,382	$25,101	$215,416	$218,341	$82,303	$8,646	$6,654	$4,058,279
Wolfville	$4,547,194	$284,622	$69,601	$92,781	$175,479	$943	$11,849	$28,500	$5,210,969
Yarmouth	$7,863,430	$405,707	$845,898	$55,276	$516,053	$262		$1,782,909	$11,469,535
Municipalities									
Annapolis	$7,184,342	$253,148		$476,823	$493,772	$931,726	$8,143	$941,686	$10,289,640
Antigonish	$5,677,729	$105,396	$124,345	$99,537	$298,439	$377,769	$9,528	$169,234	$6,861,977
Argyle	$3,803,065	$145,375	$1,200		$227,151	$229,901	$17,837	$5,000	$4,429,529
Barrington	$3,785,078	$91,649	$28,911	$285,210	$320,936	$207,613	$13,044	$86,134	$4,828,575
Chester	$5,945,633	$99,523	$1,139,634	$63,245	$202,036	$66,572	$34,602	$868,851	$8,420,596
Clare	$3,760,746	$66,483	$201,515		$186,485	$394,404		$7,000	$4,616,633
Colchester	$18,547,956	$380,208	$2,722,110		$1,785,136	$908,803	$22,060	$1,534,135	$26,969,929
Cumberland	$9,023,594	$233,955	$51,316	$102,847	$321,462	$916,638		$576,033	$11,225,845
Digby	$3,379,121	$83,594		$28,178	$275,608	$642,358	$586,133	$296,087	$5,291,079
Guysborough	$9,066,782	$258,382	$253,308	$148,540	$155,822	$37,049	$109,590	$494,800	$10,524,273
Hants East	$10,459,262	$83,390		$433,814	$489,439	$538,840	$47,490	$395,062	$12,450,010
Hants West	$4,778,863	$68,062	$590,350		$221,746	$364,286	$6,199	$228,746	$6,258,252
Inverness	$7,316,135	$401,975		$253,881	$451,992	$800,416	$13,226	$469,701	$9,707,326
Kings	$21,066,400	$1,865,200	$193,300	$67,300	$914,900	$220,900		$669,100	$25,922,800
Lunenburg	$11,930,852	$157,102	$1,572,170		$984,516	$299,817	$29,637	$468,280	$15,442,374
Pictou	$11,639,260	$140,773			$632,464	$132,427	$1,830	$245,726	$12,792,480
Richmond	$8,299,411	$118,431			$263,495	$4,128	$71,632	$333,679	$9,090,776
Shelburne	$2,666,076	$152,064	$47,850	$38,013	$214,284	$228,374	$29,617	$372,389	$3,748,667
St. Mary's	$2,326,050	$181,712			$74,660	$47,740	$11,051	$134,333	$2,778,858
Victoria	$4,834,956	$586,594	$76,024		$128,094	$214,658		$468,680	$6,309,006
Yarmouth	$5,077,081	$27,000	$237,578	$57,219	$409,649	$345,817	$25,447	$949,907	$7,129,698

Table 5: Local Government Revenue Shares in Nova Scotia by Major Category and Community – 2001-2002 Fiscal Year

	Taxes	Grants-in-Lieu-of Taxes	Services to Other Governments	Sales of Services	Other Own Source Revenue	Unconditional Transfers	Conditional Transfers	Other Transfers	Total Revenue
Regions									
Cape Breton Reg	67.8%	5.7%	0.1%	5.6%	3.4%	14.5%	0.1%	2.8%	$92,993,525
Halifax Regional	74.7%	4.9%	0.0%	12.6%	3.6%	0.0%	0.6%	3.6%	$495,332,000
Region of Queens	76.0%	2.1%	7.1%	5.8%	3.4%	2.2%	0.0%	3.5%	$12,011,596
Towns									
Amherst	73.0%	2.5%	1.0%	13.1%	2.1%	5.4%	0.3%	2.6%	$10,099,454
Annapolis Royal	75.4%	5.2%	9.7%	0.0%	5.2%	0.3%	0.0%	4.2%	$1,031,528
Antigonish	79.8%	5.6%	0.0%	1.6%	3.2%	0.9%	0.0%	8.9%	$4,835,243
Berwick	78.7%	0.6%	2.7%	11.8%	3.3%	0.0%	0.0%	2.9%	$2,500,196
Bridgetown	76.0%	3.0%	5.2%	0.0%	2.1%	8.2%	0.0%	5.5%	$1,001,859
Bridgewater	85.4%	1.7%	0.0%	4.3%	3.3%	0.0%	0.2%	5.1%	$10,875,645
Canso	60.7%	4.0%	0.0%	4.7%	12.7%	13.8%	0.2%	3.9%	$929,729
Clark's Harbour	90.9%	0.8%	0.0%	0.1%	2.0%	5.9%	0.2%	0.0%	$892,063
Digby	75.1%	11.3%	1.7%	0.3%	5.6%	5.3%	0.2%	0.4%	$2,742,557
Hantsport	82.4%	0.6%	3.9%	0.0%	9.1%	0.9%	0.5%	2.6%	$1,663,378
Kentville	69.7%	5.0%	2.1%	3.8%	13.0%	0.0%	0.0%	6.4%	$8,460,754
Lockeport	75.6%	2.2%	4.3%	1.5%	4.0%	9.0%	0.8%	2.6%	$854,532
Lunenburg	77.2%	0.9%	0.0%	8.9%	3.6%	0.0%	1.6%	7.9%	$3,950,668
Mahone Bay	68.1%	1.6%	3.0%	1.4%	2.0%	0.0%	0.0%	23.9%	$1,427,763
Middleton	84.8%	4.7%	1.6%	3.6%	2.2%	1.2%	0.5%	1.4%	$2,282,072
Mulgrave	59.0%	3.2%	0.0%	1.7%	16.7%	6.9%	0.4%	12.2%	$1,256,810
New Glasgow	89.2%	0.7%	0.0%	0.5%	5.3%	4.2%	0.0%	0.0%	$10,120,715
Oxford	76.7%	3.2%	1.6%	7.9%	4.1%	0.3%	0.2%	6.1%	$1,560,762
Parrsboro	57.5%	1.4%	2.4%	4.3%	3.5%	23.7%	4.3%	2.9%	$1,381,896
Pictou	64.5%	5.7%	0.0%	8.1%	7.7%	11.5%	0.0%	2.4%	$3,701,568
Port Hawkesbury	76.1%	4.6%	0.6%	5.1%	3.9%	0.1%	5.4%	4.2%	$4,453,365
Shelburne	76.5%	2.3%	1.4%	0.0%	4.4%	6.7%	0.1%	8.4%	$2,351,224
Springhill	51.4%	25.2%	1.1%	2.3%	3.3%	11.3%	1.7%	3.8%	$4,127,355
Stellarton	80.3%	2.7%	0.0%	0.4%	8.3%	7.9%	0.1%	0.4%	$4,601,864

	Taxes	Grants-in-Lieu-of Taxes	Services to Other Governments	Sales of Services	Other Own Source Revenue	Unconditional Transfers	Conditional Transfers	Other Transfers	Total Revenue
Stewiacke	72.8%	1.4%	0.0%	13.7%	2.0%	6.8%	0.3%	3.0%	$1,149,203
Trenton	66.7%	0.5%	0.7%	14.1%	4.4%	10.6%	0.4%	2.7%	$2,938,482
Truro	77.8%	1.6%	0.3%	3.5%	4.1%	0.1%	2.7%	10.0%	$17,370,015
Westville	71.2%	0.5%	0.0%	0.0%	3.9%	24.1%	0.0%	0.3%	$2,648,097
Windsor	84.1%	2.0%	0.6%	5.3%	5.4%	2.0%	0.2%	0.3%	$4,058,279
Wolfville	87.3%	5.5%	1.3%	1.8%	3.4%	0.0%	0.2%	0.5%	$5,210,969
Yarmouth	68.6%	3.5%	7.4%	0.5%	4.5%	0.0%	0.0%	15.5%	$11,469,535
Municipalities									
Annapolis	69.8%	2.5%	0.0%	4.6%	4.8%	9.1%	9.2%	9.2%	$10,289,640
Antigonish	82.7%	1.5%	1.8%	1.5%	4.3%	5.5%	2.5%	2.5%	$6,861,977
Argyle	85.9%	3.3%	0.0%	0.0%	5.1%	5.2%	0.1%	0.1%	$4,429,529
Barrington	78.4%	1.9%	0.6%	5.9%	6.6%	4.3%	2.0%	1.8%	$4,828,575
Chester	70.6%	1.2%	13.5%	0.8%	2.4%	0.8%	10.3%	10.3%	$8,420,596
Clare	81.5%	1.4%	4.4%	0.0%	4.0%	8.5%	0.2%	0.2%	$4,616,633
Colchester	68.8%	1.4%	10.1%	0.0%	6.6%	3.4%	9.7%	5.7%	$26,969,929
Cumberland	80.4%	2.1%	0.5%	0.9%	2.9%	8.2%	5.1%	5.1%	$11,225,845
Digby	63.9%	1.6%	0.0%	0.5%	5.2%	12.1%	5.6%	5.6%	$5,291,079
Guysborough	86.2%	2.5%	2.4%	1.4%	1.5%	0.4%	4.7%	4.7%	$10,524,273
Hants East	84.0%	0.7%	0.0%	3.5%	3.9%	4.3%	3.2%	3.2%	$12,450,010
Hants West	76.4%	1.1%	9.4%	0.0%	3.5%	5.8%	3.7%	3.7%	$6,258,252
Inverness	75.4%	4.1%	0.0%	2.6%	4.7%	8.2%	4.8%	4.8%	$9,707,326
Kings	81.3%	7.2%	0.7%	0.3%	3.5%	0.9%	6.2%	2.6%	$25,922,800
Lunenburg	77.3%	1.0%	10.2%	0.0%	6.4%	1.9%	3.0%	3.0%	$15,442,374
Pictou	91.0%	1.1%	0.0%	0.0%	4.9%	1.0%	1.9%	1.9%	$12,792,480
Richmond	91.3%	1.3%	0.0%	0.0%	2.9%	0.0%	3.7%	3.7%	$9,090,776
Shelburne	71.1%	4.1%	1.3%	1.0%	5.7%	6.1%	9.9%	9.9%	$3,748,667
St. Mary's	83.7%	6.5%	0.0%	0.0%	2.7%	1.7%	5.0%	4.8%	$2,778,858
Victoria	76.6%	9.3%	1.2%	0.0%	2.0%	3.4%	7.4%	7.4%	$6,309,006
Yarmouth	71.2%	0.4%	3.3%	0.8%	5.7%	4.9%	13.3%	13.3%	$7,129,698

6b. The Education Levy

The provincially mandated education levy is calculated as the value of the provincially set education rate times the previous year's uniform assessment. For 2004-05, the education rate was set at $0.351 per $100 of uniform assessment. This same rate will apply for 2005-06. Given rising assessments across the province over the past four years, even a constant mandatory education rate has resulted in increasing education contributions from the province's municipalities. This amount is paid to the relevant school board. In addition, municipalities may provide supplementary funding to school boards.

6c. The Equalization Grant

The current equalization grant is based on a measure of local expenditure need and local revenue base. Details may be found in the Municipal Grants Act.[43] Municipalities are grouped into one of the two classes. Class I includes regional municipalities and towns. Class II includes county and district municipalities. Expenditure need is measured by standard expenditure per dwelling unit by class of municipality for basic services per dwelling unit multiplied by the number of dwelling units.

The standard expenditure per dwelling unit for each class of property is calculated as the average operating expenditure estimates per dwelling unit for each class. This standard is based on the estimated operating cost of providing the following services – police protection, fire protection, other protective inspections, transportation services excluding public transit, and 50% of garbage collection and disposal, and storm sewage collection and disposal, excluding sanitary sewerage. The remaining municipal expenditures such as spending on recreation and culture, fiscal services including the provincially mandated education levy, and debt service are excluded. The separation of these services into two components was designed to equalize for services that are essentially non-discretionary and necessary for a functioning municipality.

The revenue base is calculated by taking uniform assessment per dwelling unit and multiplying it by a standard tax rate and then by the number of units. The standard tax rate for each class equals the total standard expenditures for all municipalities within the class divided by the total uniform assessment for the same municipalities within each class.

As part of the service exchange exercise, funding for the equalization grant was significantly reduced in the attempt to preserve fiscal neutrality. The equalization grant pool has been gradually restored since that time. It was topped up by $8.25 million in 2002-03 along with changes to the equalization program itself. It was further topped up by $2.8 million in 2004-05. Both of these increases were funded out of increased payments from NSPI to the province's municipalities. The NSPI levy is discussed more fully below.

---

[43] See Municipal Grants Act, Chapter 302, revised Statutes, 1989, Province of Nova Scotia, available at http://www.gov.ns.ca/legi/legc/statutes/muncpgrt.htm

In addition, towns are paid a foundation grant. This grant is also financed through the NSPI levy. Finally, some rural municipalities were eligible for additional equalization payments following the 2002-03 reforms to ensure that their grant was not reduced. These payments were also financed through the NSPI levy.[44]

6d. The HST Offset

The HST Offset provides another source of unconditional transfer from the provincial government to the municipalities. Prior to Nova Scotia signing on to the Harmonized Sales Tax (HST) Agreement with the federal government, the municipalities were exempt from paying the provincial sales tax. Also, through rebates, the municipalities received partial exemption from the federal Goods and Services tax (GST) and were exempt from paying sales taxes on automobiles, truck and heavy equipment. Since municipalities were expected to pay HST on all purchases, it was estimated that the additional cost would amount to somewhere between $6 million and $11 million.

At the same time, NSPI was expected to benefit from input tax credits through the new HST. The UNSM had long taken the position that NSPI was not paying appropriate levels of payments-in-lieu of taxes. These two factors, combined with the the fact that municipalities were to see cost increases from the HST, prompted the creation of the HST Offset Program. The program was to increase NSPI payments-in-lieu of taxes over an eight year period in $2 million increments to a maximum of $10 million annually. This was to be distributed to Nova Scotia municipalities on the basis of HST costs, to offset the impact of the new harmonized tax. The $10 million goal was never reached, ending at $6 million in 2002-03.

6e. Grants in Lieu of Taxes[45]

Grants in lieu of taxes are payable in respect of provincial property and provincially-occupied federal property and are set equal to the full taxes that would be payable in respect of the property and business occupancy assessment if it were not exempt from taxation.

The grant payable in respect of property of supported institutions, such as university residences, is set equal to forty per cent of the full taxes that would be payable in respect of the property and business occupancy assessment if it were not exempt from taxation. The 2005 Provincial Budget has raised this amount to fifty percent.

---

[44] The practice of “red-circling” certain municipalities is now to be phased out.

[45] Municipal Grants Act, *Op. cit.* We note that, while the Act refers to Grants in Lieu, the municipalities prefer the term Payments in Lieu.

6f. Exemptions from Property Assessment

Municipalities may provide tax exemptions for low-income taxpayers and may provide for tax deferral.[46] The Assessment Act, section 5, lists properties that are exempt, including churches, cemeteries, schools, jails, court house, public lands, municipal lands, Legions and property of the Army, Navy and Air Force Veterans, property used for boy scouts, girl guides.

All property of not-for profit and charitable organizations is taxable. Municipalities may, however, enact by-laws to provide complete or partial tax exemptions for such properties where they are used for the public benefit.

6g. Low Income Tax Exemption

The low-income exemption, also known as the widow's and orphan's exemption, applies to everyone whose income is below an amount set by the municipality.

6h. Property Taxes

Nova Scotia municipalities are authorized to levy a commercial tax rate against the assessed value of taxable commercial property and business occupancy assessment; as well as a residential tax rate against the assessed value of taxable residential property and resource property. In addition, municipalities can set separate commercial and residential tax rates for the areas of the municipality determined to be rural areas and receiving a rural level of services, suburban areas receiving a suburban level of services; and urban areas receiving an urban level of services.

Municipalities may also set a minimum tax per dwelling unit and the minimum tax may be set at different levels for different areas of the municipality.

Municipalities can set area rates and uniform charges in respect of expenditures in an area, or for the benefit of an area, for any specific purpose. In lieu of levying an area rate, municipalities can levy a uniform charge on each taxable property assessment or dwelling unit, in the area.

Recreational property is subject to a levy, known as the recreational property tax, equal to a fixed amount per acre, or part of an acre, for all of the land assessed as recreational property.

Farm property is exempt from taxation. In lieu of taxes, the municipality in which the farm property is situated is paid a grant equal to a fixed amount per acre. This grant is to be increased in each fiscal year by the same percentage increase as the Consumer Price Index.

---

[46] See section 69 and 70of the Municipal Government Act.

Land used for forestry purposes is subject to the Forest property tax, set at twenty-five cents per acre, if the forest property is classified as resource property; and forty cents per acre, if the forest property is classified as commercial property. In addition, where an area, village or commission rate is levied for fire protection, the owner of the forest property is liable to pay an additional annual tax not exceeding one cent per acre.

Finally, municipalities may levy a fire protection rate against the value of all assessable property and business occupancy assessment in the area served by a water system in the municipality in order to recover that part of the cost of the water system that is attributable to fire protection.

6i. Taxes on Business Property

Municipalities can levy a business occupancy tax. This tax is presently under review and, subject to the passage of Provincial legislation, is expected to be phased out.

Taxation of Aliant property (buildings) is based on assessment time rate. Aliant also makes payments to each municipality based on 4% of revenues derived from local service supplied in each municipality.

During 2003-04 Nova Scotia Power Inc. (NSPI) made payments of $31 million. Of this, a portion was to be used to finance the municipal equalization program, a portion was to be used to offset municipal HST liabilities and the balance was to be paid out as a grant in lieu of taxes. The HST offset is distributed proportionately to each municipality's HST liabilities. A total of $6 million is set aside for this purpose in each year. Grants in lieu are distributed in accordance with each municipality's share in total NSPI assessment.

Table 6: NSPI and Aliant Grant Information

	Grants in Lieu		HST Offset		Aliant
Municipality	**2002/03**	**2003/04**	**2002/03**	**2003/04**	**2002/03**
Cape Breton	$1,394,568	$2,018,408	$757,021	$655,249	$945,576
Halifax Reg.	$2,509,677	$2,509,677	$3,142,514	$3,354,837	$4,016,000
Queens	$822,022	$1,304,128	$96,517	$79,921	$112,543
Amherst	$57,794	$57,794	$73,372	$63,153	$119,417
Annapolis Royal	$363,242	$574,037	$6,715	$8,330	$13,560
Antigonish	$1,680	$2,665	$35,344	$35,114	$83,324
Berwick	$0	$0	$19,721	$17,619	$27,888
Bridgetown	$6,916	$6,916	$6,777	$13,185	$15,342
Bridgewater	$80,214	$80,214	$150,146	$106,728	$112,980
Canso	$111	$139	$9,208	$15,105	$9,425
Clark's Harbour	$6,631	$6,631	$7,201	$6,185	$10,022
Digby	$16,422	$16,422	$33,070	$20,182	$32,248
Hantsport	$25,732	$25,732	$18,894	$17,818	$15,555
Kentville	$48,644	$78,233	$122,342	$88,275	$95,799
Lockeport	$5,075	$5,075	$5,525	$7,485	$7,737
Lunenburg	$0	$0	$40,126	$29,326	$35,276
Mahone Bay	$415	$658	$10,823	$10,128	$14,169
Middleton	$13,114	$13,114	$25,742	$14,627	$27,694
Mulgrave	$3,834	$3,834	$24,988	$24,863	$9,388
New Glasgow	$55,486	$55,486	$103,533	$72,842	$127,713
Oxford	$18,504	$18,504	$16,631	$37,086	$12,916

Municipality	Grants in Lieu 2002/03	Grants in Lieu 2003/04	HST Offset 2002/03	HST Offset 2003/04	Aliant 2002/03
Parrsboro	$5,957	$5,957	$13,142	$13,279	$16,068
Pictou	$16,659	$16,659	$34,700	$25,774	$36,492
Port Hawkesbury	$23,464	$23,464	$69,184	$46,302	$46,630
Shelburne	$13,492	$13,492	$12,191	$16,553	$25,540
Springhill	$21,638	$21,638	$29,073	$34,099	$33,175
Stellarton	$25,254	$25,254	$33,080	$29,908	$45,860
Stewiacke	$5,879	$5,879	$11,807	$13,140	$11,508
Trenton	$483,613	$766,944	$21,825	$21,807	$19,735
Truro	$100,367	$100,367	$83,433	$136,796	$186,266
Westville	$12,155	$12,155	$16,182	$17,042	$29,500
Windsor	$22,805	$22,805	$32,766	$50,700	$53,823
Wolfville	$25,554	$25,554	$47,426	$41,815	$49,857
Yarmouth	$51,360	$51,360	$55,134	$71,596	$117,299
Annapolis County	$117,513	$213,312	$60,643	$45,113	$137,572
Antigonish Co.	$45,862	$45,862	$55,621	$42,194	$79,807
Argyle	$33,063	$33,063	$14,134	$15,810	$71,000
Barrington	$36,538	$36,538	$14,609	$27,273	$68,906
Chester	$61,717	$61,717	$39,727	$33,092	$105,863
Clare	$36,538	$36,538	$26,342	$28,841	$82,934
Colchester	$162,318	$162,318	$72,951	$67,689	$276,815
Cumberland	$74,717	$74,717	$31,691	$44,872	$136,172
Digby	$90,429	$139,969	$47,665	$42,737	$69,988
Guysborough	$24,705	$24,705	$26,335	$34,461	$43,598
Hants East	$77,606	$77,606	$64,027	$70,294	$153,400
Hants West	$61,832	$61,832	$24,870	$21,378	$95,363
Inverness	$66,052	$66,052	$32,042	$46,463	$138,272
Kings County	$216,633	$216,633	$132,986	$100,189	$366,300
Lunenburg District	$85,812	$85,812	$43,496	$35,022	$191,687
Pictou County	$143,932	$143,932	$34,136	$33,692	$155,658
Richmond County	$414,248	$414,248	$42,883	$43,802	$81,703
Shelburne Dist.	$23,524	$23,524	$15,660	$16,571	$41,539
St. Mary's	$10,706	$10,706	$7,951	$6,184	$23,527
Victoria	$39,038	$39,038	$23,109	$24,509	$81,834
Yarmouth	$38,941	$62,684	$22,968	$22,944	$82,510
Total	**$8,100,000**	**$9,900,000**	**$6,000,000**	**$6,000,000**	**$9,000,773**

Source: Service Nova Scotia and Municipal Relations

That a portion of the NSPI levy is used to finance municipal equalization is somewhat problematic. This means that, in part, the funding of equalization is distributed in proportion to shares in NSPI assessments. Moreover, that a portion of the NSPI levy is used to finance the HST offset means that municipalities contribute to the cost of the HST offset in proportion to shares in NSPI assessments.

6j. A Detour on Roads

Roads were the stumbling block of the service exchange initiative. Rural municipalities were not prepared to take on such a responsibility. As part of the Roles and Responsibilities Review, the idea of “urban core areas” was articulated. Urban core areas were:[47]

> *“Areas which are built up and developed….[that] tend to have dense development and often curbs and sidewalks as well as municipal services such as sewer and water, regardless of whether or not they are contained inside rural or regional*

[47] Municipal-Provincial Roles and Responsibilities Review: Roads Ownership, Maintenance and Improvements, Version 1.1, November 1999.

> *municipalities…[that] function as towns, have significant tax bases per kilometer of road and often have Works Departments."*

In other words, the idea was to separate out the urbanized areas of the rural municipalities. What this meant was communities with comparable urban density in terms of dwelling units (minimum two hundred and fifty dwelling units per square mile) situated adjacent to a city or a town or separate but with urban character (provision of water and sewer and other urban facilities) or planned urban character would be comparable to towns in terms of their expenditure responsibilities.

Also a clear delineation of responsibilities was articulated as follows:

- Controlled access high speed roadways should be owned and operated by the Province.
- Arterial roads (those with relatively high speed and with the main purpose of moving traffic through) and collectors (those that have a relatively equal balance between moving traffic through and local land access) should be owned and operated by the Province in rural areas (other than urban core areas) and owned and operated by the municipality (with appropriate cost-sharing provisions) where they run through regions, towns and urban core areas.
- Local roads (those that have land access as their primary function) should be owned and operated by the municipality including those in urban core areas of rural municipalities.

From the perspective of the cities and towns, which already owned their roads, this came down to the matter of defining appropriate cost-sharing arrangements. From the perspective of rural municipalities, the distinction between roads that are local and those that are arterial or collectors was central as well as concern over the cost implications of assuming full responsibility for roads. The ultimate decision was that rural municipalities would assume ownership only of J-class roads. The elimination of cost-sharing arrangements for roads with the Province resulted in cities and towns being forced to assume an additional fiscal burden, while this was not so for the rural municipalities. Moreover, higher tax costs for urban municipalities promoted growth in the rural municipalities.

Treating urban core areas in rural municipalities on an equal footing with urban municipalities would eliminate this source of unfairness. In addition, fairness dictates that appropriate cost-sharing arrangements in respect of arterial and collector roads should be reinstated.

Having urban core areas in rural municipalities assume full responsibility for roads on par with urban municipalities would have implications for equalization. The increased expenditures would be reflected in municipal equalization entitlements. Provision would have to be made to ensure that such additional entitlements be reflected in the budgets pertaining to the urban core areas. Alternatively, and perhaps more appropriately, urban core areas could be treated like towns for purposes of equalization calculations, much as the rural areas of the regional municipalities were treated as rurals prior to 2002. Again, provision would have to be made to ensure that such additional entitlements be reflected in the budgets pertaining to the urban core areas.

7. Comparison with Other Provinces and Territories[48]

It is instructive to compare municipal government in Nova Scotia with that in other provinces[49] Table 7 provides data on the distribution of municipal government revenues and expenditures measured as a percent of their respective totals for the year 2003.[50] Revenues are broken down by own sources and by transfers from the federal and provincial/territorial governments. Nationally, 84 percent of municipal government revenue is generated from own sources, with the remaining 16 percent coming from transfers. Property and related taxes are the principal own revenue source of municipal governments. Related taxes can include lot levies, special assessments and grants in lieu of taxes, land transfer taxes and business taxes. Revenue from sales of goods and services (user charges) accounts for 23.4 percent of municipal revenues nationally.

Transfers are split into general purpose and specific purpose categories. General purpose transfers from provincial/territorial governments amount to 3 percent of municipal revenues nationally. Specific purpose transfers amount to 13 percent of municipal revenues nationally—1.4 percent by way of federal transfers, the remaining 11.6 percent by way of provincial/territorial transfers. Specific purpose transfers are made in respect of general services, protection of persons and property (policing and fire protection), transportation and communication, public health, social services, resource conservation and industrial development, environment (waste disposal and recycling), recreation and culture, housing, and regional planning and development..

Nova Scotia is among the top three provinces (along with PEI and BC) in terms of reliance on own-source revenues (92%). In particular, NS has the greatest reliance on property and related taxes (73%); it is one of the lowest in terms of reliance on user charges (sales of goods and services) (16%); and it is one of the lowest in terms of the use of transfers (8%).

---

[48] Various authors have undertaken comparisons among provinces. See, for example, Melville McMillan, "Municipal Relations with the Federal and Provincial Governments: A Fiscal Perspective" prepared for the Municipal-Provincial-Federal Relations Conference, Queen's University, Kingston, May 2003, available at http://www.iigr.ca/conferences/090503/pdfs_090503/McMillan.pdf

[49] Parts of this section draw on and update material contained in Harry Kitchen and Paul Hobson, "Municipal Unconditional Grant and Governance Models: A Review and Evaluation" prepared for Ontario Ministry of Finance, August 2000. See also Melville McMillan, "Municipal Relations with the Federal and Provincial Governments: A Fiscal Perspective" prepared for the Municipal-Provincial-Federal Relations Conference, Queen's University, Kingston, May 2003, available at http://www.iigr.ca/conferences/090503/pdfs_090503/McMillan.pdf

[50] All data used in this paper is derived from the Statistics Canada Financial Management Series available at http://www.statcan.ca:8096/bsolc/english/bsolc?catno=68C0004

Prior to the service exchange, NS had less reliance on own-source revenues than in other jurisdictions; with the gradual shift of responsibility for social services to the provincial government, however, specific purpose transfers in the area of social services fell correspondingly as did transportation and communication transfers, reducing the share of transfers overall in municipal revenues.

In some provinces, there are explicit revenue sharing arrangements.[51] Manitoba explicitly shares the value of 2.2 percentage points of the personal income tax and 1 percentage point of the corporate income tax as well as 10 percent of net VLT revenues with its municipalities. Other provinces—Quebec, Alberta and British Columbia—explicitly share some portion of fuel taxes to subsidize urban transportation.

In Quebec, 1.5 cents per litre of provincial fuel taxes collected in the greater Montreal area is shared with the transit authority. In Alberta, the cities of Edmonton and Calgary receive 5 cents per litre of provincial fuel taxes levied within their boundaries for transportation infrastructure projects. In British Columbia, the Greater Vancouver Transportation Authority receives 11 cents per litre of provincial fuel tax revenues for both transportation capital and operating expenditures. The greater Victoria area transit system receives 2.5 cents per litre.

[51] This sdiscussion draws on Harry M. Kitchen and Enid Slack, Special Study: New Finance Options for Municipal Governments. Canadian Tax Journal. Toronto: 2003. Vol. 51, Iss. 6; pg. 2216

Table 7: Local General Government Revenue and Expenditure by Province/Territory and Canada, 2003

	NL	PEI	NS	NB	PQ	ON	MAN	SASK	ALTA	BC	YUK	NWT	NU	CAN
	Dollars													
Per Capita Revenue	799	454	1,164	903	1,351	1,968	1,210	1,170	1,806	1,286	1,796	2,510	4,626	1,591
	Percent of Total													
Own source revenue	80.4	93.4	92.2	83.6	86.3	79.2	77.4	89.7	89.8	95.8	62.5	59.7	40.1	84.0
Property and related taxes	56.5	68.0	72.7	56.3	65.6	49.0	44.0	53.4	45.3	56.8	39.9	25.7	4.9	53.2
Consumption taxes	0.0						1.4	5.5		0.2				0.2
Other taxes	1.1	0.8	0.5	0.5	0.3	1.3	1.0	0.7	1.8	2.6	1.1	1.7	0.3	1.2
Sales of goods and services	20.7	22.2	16.4	25.8	16.2	23.6	23.5	25.2	31.7	27.9	19.0	29.9	33.5	23.4
Investment income	1.3	0.9	1.9	0.6	2.1	4.0	6.6	3.9	9.1	7.8	2.1		1.2	4.5
Other own source revenue	0.7	1.4	0.6	0.4	2.2	1.4	0.8	1.0	1.9	0.5	0.4		0.3	1.4
Transfers	19.6	6.6	7.8	16.4	13.7	20.8	22.6	10.3	10.2	4.2	37.5	40.3	59.9	16.0
General purpose transfers	5.0	3.2	2.9	11.2	3.1	2.8	13.4	5.6	0.7	1.3	15.6	15.5	13.1	3.0
Specific purpose transfers	14.6	3.4	4.9	5.2	10.6	17.9	9.2	4.6	9.5	3.0	21.8	24.9	46.8	13.0
Federal government	0.6	0.5	0.8	1.1	0.2	2.0	1.4	1.9	1.0	0.8	6.8	1.0	0.9	1.4
Provincial & territorial gov.	14.0	2.9	4.1	4.1	10.3	15.9	7.8	2.7	8.5	2.1	15.1	23.8	45.8	11.6
	Dollars													
Per Capita Expenditure	520.0	549	1,071	932	1,380	2,009	1,234	1,195	1,646	1,363	1,775	2,387	4,827	1,608
	Percent of Total													
General government services	18.0	14.4	11.7	8.4	14.4	5.0	16.5	15.0	11.5	10.8	18.9	18.0	13.1	9.1
Protection of persons & property	5.9	15.5	20.1	22.3	17.4	16.0	19.2	18.3	15.9	18.8	9.6	5.7	2.9	16.7
Transportation & communication	27.7	20.5	12.4	22.0	22.9	15.9	20.6	28.8	25.4	15.8	21.2	18.6	15.0	18.9
Health	0.1	0.2	0.0	0.3	0.2	4.5	2.6	0.6	1.9	1.7		0.9	1.4	2.7
Social services	0.2	0.0	4.4		0.8	20.9	0.3	0.5	1.7	0.1		0.6	5.0	10.6
Education	0.0		14.4	0.0	0.1	0.2	0.0	0.1	0.3	0.0	0.7			0.4
Resource cons. and indust. devel.	0.9	1.1	1.3	1.7	2.8	1.5	2.4	2.4	3.3	1.4	1.2	1.1	0.4	2.0
Environment	22.0	32.8	19.7	26.2	15.3	15.7	18.6	17.1	14.2	21.2	15.2	28.5	25.4	16.5
Recreation and culture	13.3	12.7	10.0	13.4	12.6	9.8	10.4	13.5	15.4	20.2	28.2	19.9	13.9	12.3
Housing	0.5	0.0	0.0	0.1	3.4	6.6	0.6	0.2	1.4	0.8	0.1	3.3	17.7	4.2
Regional plan & development	1.0	1.3	1.9	1.9	2.3	1.2	2.1	2.1	2.5	2.1	2.7	1.5	4.1	1.7
Debt charges	10.4	1.3	3.6	3.6	7.7	2.1	6.7	1.3	6.4	6.4	1.4	1.7	0.3	4.4
Other expenditures	0.1	0.0	0.3	0.1	0.0	0.7	0.2	0.1	0.1	0.5		0.1	0.8	0.4

Authors' calculations using Statistics Canada data

Table 8 pursues the issue of transfers to municipalities further. Nova Scotia is at the low end among provinces/territories in terms of the share of municipal revenues attributable to general purpose transfers, although consistent with the national average. In particular, Nova Scotia is in line with municipalities in Quebec and Ontario, which dominate the national average. Among provinces/territories, there is a wide range in the share of municipal revenues attributable to general purpose transfers—16 % in the Yukon and Northwest Territories; 13% in Manitoba and Nunavut; 11% in New Brunswick; 6% in Saskatchewan; 5% in Newfoundland and Labrador; 3% in Prince Edward Island, Nova Scotia, Quebec, and Ontario; and 1% in Alberta and British Columbia.

In terms of specific purpose transfers, federal grants are primarily cost-sharing arrangements for infrastructure. These are relatively uniform as a percentage of municipal revenues across provinces/territories (other than the Yukon). The share of municipal revenues attributable to specific purpose transfers from provincial/territorial governments appears to vary in accordance with the separation of responsibilities between levels of government. For example, service exchange in Nova Scotia was accompanied by the elimination of several shared-cost programs—such as policing and roads. In Ontario, on the other hand, the continuation of cost-sharing for social services, land ambulance and public health accounts for the relatively high share of municipal revenues attributable to specific purpose transfers (16%).

It is not, therefore, surprising that Nova Scotia records a relatively low share of municipal revenues attributable to transfers (8%) compared to a national average of 16%.

Table 8: Revenue Shares from General and Specific Purpose Grants for Canada and by Province

Area	General Purpose	Specific Purpose		Total
		Federal	Provincial	
Newfoundland and Labrador	5.0%	0.6%	14.0%	19.6%
Prince Edward Island	3.2%	0.5%	2.9%	6.6%
Nova Scotia	2.9%	0.8%	4.1%	7.8%
New Brunswick	11.2%	1.1%	4.1%	16.4%
Quebec	3.1%	0.2%	10.3%	13.7%
Ontario	2.8%	2.0%	15.9%	20.8%
Manitoba	13.4%	1.4%	7.8%	22.6%
Saskatchewan	5.6%	1.9%	2.7%	10.3%
Alberta	0.7%	1.0%	8.5%	10.2%
British Columbia	1.3%	0.8%	2.1%	4.2%
Yukon	15.6%	6.8%	15.1%	37.5%
Northwest Territories	15.5%	1.0%	23.6%	40.3%
Nunavut	13.1%	0.9%	45.8%	59.9%
Canada	3.0%	1.4%	11.6%	16.0%

Expenditures are broken down into the following major categories:[52] general government services — primarily municipal administration (9% nationally); protection of persons and property — primarily policing and firefighting, but also including administration of justice (17% nationally); transportation and communication — including roads and streets, snow and ice removal, public transit and parking (19% nationally); health (3% nationally); social services (11% nationally); education (0.4 % nationally); resource conservation and industrial development — including tourism promotion and industrial development (2% nationally); environment — including water purification and supply, sewage collection and disposal, garbage and waste collection and disposal (17% nationally); recreation and culture (12% nationally); housing (4% nationally); regional planning and development (2% nationally); and debt charges (4% nationally).

Nova Scotia is conspicuous by its high percent of municipal expenditures for education. In Prince Edward Island, New Brunswick, Manitoba, Saskatchewan and British Columbia, education funding is entirely a provincial responsibility. Prince Edward Island levies a uniform provincial property tax and New Brunswick and Alberta levy uniform provincial non-residential property taxes for education purposes. Through the distribution of revenues across school boards there is implicit equalization. In Nova Scotia, municipalities levy a provincially mandated property tax on behalf of local school boards. These levies are subject to equalization through the (limited) provincial-municipal equalization program.

Again as a result of the service exchange, Nova Scotia is at the high end among provinces/territories in terms of the share of expenditures devoted to protection of persons and property (20%). Noticeably, it is the lowest among provinces/territories in terms of the share of expenditures devoted to transportation and communications (12%). By 2003, along with Ontario and Nunavut, Nova Scotia was unique among provinces/territories in its remaining responsibility for social services (4%) (the transfer of this responsibility to the Province is now complete). Finally, Nova Scotia remains unique among provinces/territories in terms of the significant responsibility of municipalities for education financing (14% of municipal expenditures).

7a. Nova Scotia—1995-2003

Table 9 provides revenue and expenditure data for Nova Scotia by year from 1995 through 2003. Table 10 provides comparable data for Canada. Since 1995, NS municipal governments' reliance on own-source revenues has increased from 70% to 92.2% in 2003. For Canada as a whole, the increase has been from 74.3% to 84%. Indeed, at 92.2%, Nova Scotia's municipalities rank as number 1 in terms of reliance on own-source revenues. For Nova Scotia, property and related taxes accounted for 56.1% of municipal revenues in 1995 and 72.7% in 2003. Comparable figures for Canada were 46.6% and 53.2%, respectively. For Nova Scotia, user charges accounted for 9.7% of municipal revenues in 1995, compared with 19.2% for Canada as a whole. By 2003, user charges accounted for 16.4% of municipal revenues for Nova Scotia, compared with 23.4% for Canada as a whole. In part, this may be accounted for by the rural nature of Nova Scotia,

[52] Percentages may not add to 100 due to rounding.

where water is by well and sewer by septic system, rather than being provided for through the municipality.

Table 9: Local General Government Revenue and Expenditures – Nova Scotia

	1995	1996	1997	1998	1999	2000	2001	2002	2003
	(thousands)								
Population	928	931	932	932	934	934	932	934	936
	(thousands of dollars)								
Total revenue	1,058,445	894,783	903,315	923,996	934,561	972,193	996,399	1,073,074	1,089,881
Total Per Capita Revenue ($)	1,141	961	969	991	1,001	1,041	1,069	1,149	1,164
Own source revenue	70.0	85.8	86.5	89.8	90.9	92.1	93.3	91.3	92.2
Property and related taxes	56.1	67.6	68.5	70.0	71.0	71.7	73.4	71.7	72.7
Real property taxes	43.7	52.9	53.9	54.6	55.7	56.1	57.1	56.1	56.9
Consumption taxes									
Other taxes	0.4	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5
Sales of goods and services	9.7	14.8	14.8	16.1	15.8	15.6	16.4	16.3	16.4
Investment income	3.0	2.9	2.7	3.3	3.5	3.5	2.3	2.0	1.9
Other revenue from own sources	0.7	0.3	0.3	0.2	0.5	0.7	0.7	0.7	0.6
Transfers	30.0	14.2	13.5	10.2	9.1	7.9	6.7	8.7	7.8
General purpose transfers	2.0	2.1	2.3	3.3	3.5	3.0	2.7	2.8	2.9
Specific purpose transfers	28.0	12.1	11.2	7.0	5.6	4.9	4.0	6.0	4.9
Federal government	2.4	1.4	1.4	1.1	0.4	0.3	0.3	1.4	0.8
Provincial and territorial governments	25.6	10.7	9.8	5.9	5.2	4.6	3.7	4.6	4.1
Total expenditures	1,077,493	910,905	979,567	964,754	927,713	927,137	985,847	987,217	1,002,411
Total Per Capita Expenditure ($)	1,161	978	1,051	1,035	993	993	1,058	1,057	1,071
General government services	7.1	6.9	6.3	9.3	10.1	10.3	10.0	10.3	11.7
Protection of persons and property	14.6	15.9	14.4	16.9	17.7	19.0	18.8	20.0	20.1
Transportation and communication	10.7	18.1	17.3	15.5	13.9	15.4	16.2	13.2	12.4
Health	0.2	0.1	0.0	0.2	0.1	0.2	0.1	0.0	0.0
Hospital care	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Medical care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preventive care	0.2	0.0	0.0	0.1	0.1	0.2	0.1	0.0	0.0
Other health services									
Social services	25.7	12.6	9.9	7.5	7.4	5.0	4.3	4.4	4.4
Social assistance	12.7	7.8	7.3	1.3	1.5	0.0	0.2	0.2	0.2
Other social services	13.0	4.8	2.6	6.2	5.9	5.0	4.1	4.2	4.2
Education	12.9	15.2	14.3	15.1	16.0	16.2	15.5	14.4	14.4
Resource conservation and industrial development	0.6	0.7	1.6	0.7	1.1	1.2	0.6	1.0	1.3
Environment	14.3	14.7	20.8	16.3	16.3	16.3	18.4	19.7	19.7
Recreation and culture	7.6	8.0	7.1	10.7	10.3	10.3	10.2	11.0	10.0
Housing	1.6	0.7	0.6	0.6	0.7	0.2	0.0	0.0	0.0
Regional planning and development	1.0	3.0	2.8	1.3	1.5	1.3	1.7	1.9	1.9
Debt charges	3.2	4.1	3.7	4.6	4.7	4.2	3.8	3.7	3.6
Other expenditures	0.6	0.1	1.3	1.2	0.2	0.3	0.3	0.4	0.3

Source: Statistics Canada

Table 10: Local General Government Revenue and Expenditures – Canada

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Population	29,302	29,611	29,907	30,157	30,404	30,689	31,021	31,362	31,630
	(thousands of dollars)								
Total revenue	41,133,761	39,340,577	39,830,426	44,329,474	46,681,044	45,707,480	47,078,007	49,137,707	50,338,824
Per Capita Revenue	1,404	1,329	1,332	1,470	1,535	1,489	1,518	1,567	1,591
Own source revenue	74.3	77.6	79.4	80.0	80.4	84.2	84.6	84.2	84.0
Property and related taxes	46.6	49.7	50.6	52.3	51.8	53.3	53.7	53.1	53.2
Real property taxes	33.8	36.3	36.9	41.2	40.6	41.7	42.6	42.2	43.9
Consumption taxes	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Other taxes	0.9	1.0	1.1	1.0	1.1	1.1	1.2	1.3	1.2
Sales of goods and services	19.2	20.2	21.3	20.6	21.4	23.0	23.4	23.5	23.4
Investment income	6.5	5.5	5.1	4.8	4.7	5.2	4.7	4.7	4.5
Other revenue from own sources	1.0	1.1	1.1	1.1	1.2	1.4	1.4	1.5	1.4
Transfers	25.7	22.4	20.6	20.0	19.6	15.8	15.4	15.8	16.0
General purpose transfers	3.3	3.9	3.1	3.2	2.5	2.5	2.8	2.9	3.0
Specific purpose transfers	22.3	18.6	17.5	16.8	17.1	13.3	12.6	13.0	13.0
Federal government	1.4	1.3	0.9	0.7	0.5	0.5	0.8	1.3	1.4
Provincial and territorial governments	21.0	17.3	16.6	16.2	16.6	12.8	11.8	11.7	11.6
Total expenditures	41,422,310	39,531,850	40,005,727	42,247,792	43,396,277	44,911,636	47,065,397	48,544,581	50,861,809
Per Capita Expenditure	1,414	1,335	1,338	1,401	1,427	1,463	1,517	1,548	1,608
General government services	9.7	9.8	10.0	10.0	10.9	8.5	9.3	8.9	9.1
Protection of persons and property	14.6	15.5	15.5	16.0	15.7	16.0	16.4	16.8	16.7
Transportation and communication	20.3	20.1	21.0	20.1	20.3	19.9	19.7	19.5	18.9
Health	2.0	1.8	1.7	2.0	1.8	2.0	2.5	2.6	2.7
Hospital care	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Medical care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preventive care	1.2	1.1	1.1	1.0	1.0	1.1	1.2	1.2	1.4
Other health services	0.3	0.3	0.4	0.8	0.6	0.8	1.2	1.2	1.2
Social services	12.5	10.8	10.5	12.2	11.5	12.3	11.3	10.8	10.6
Social assistance	8.9	7.3	7.1	9.0	8.1	8.3	7.4	6.9	6.6
Other social services	3.6	3.4	3.4	3.3	3.4	4.0	3.9	3.9	4.0
Education	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Resource conservation and industrial development	2.0	1.8	2.0	1.9	2.1	2.1	1.9	2.1	2.0
Environment	15.5	15.9	16.1	14.8	14.7	15.1	15.4	15.3	16.5
Recreation and culture	11.6	12.3	11.6	11.2	11.5	12.3	12.4	12.3	12.3
Housing	1.4	1.4	1.4	2.6	2.6	3.3	3.4	4.2	4.2
Regional planning and development	1.7	1.6	1.6	1.6	1.7	1.7	1.8	1.8	1.7
Debt charges	7.8	7.9	7.3	6.6	6.1	5.5	5.1	4.7	4.4
Other expenditures	0.6	0.8	0.8	0.3	0.6	0.8	0.5	0.4	0.4

Source: Statistics Canada Data

General government services accounted for 7.1% of municipal expenditures for Nova Scotia municipalities in 1995. This figure fell to 6.9% and 6.3% in each of the two subsequent years, following amalgamation and service exchange. By 1998, however, it had risen to 9.3%, continuing through to 2003 at 11.7%. For the rest of Canada, the share of municipal expenditures attributable to general government services rose from 9.7% in 1995 to a high of 10.9% on 1999. By 2003, this value was 9.1%. Generally, Nova Scotia is above the rest of Canada in terms of the share of municipal expenditures attributable to protection of persons and property and the environment; it is below the rest of Canada in terms of the share of municipal expenditures attributable to transportation and communications and social services.

Table 11 provides a summary comparison between Nova Scotia and the rest of Canada for each year from 1995 through 2003.

One measure of the "size" of municipal government is municipal expenditures as a percentage of GDP. Table 12 provides data on size for Canada and Nova Scotia. In 1995, municipal expenditures constituted 5.6% of GDP for Nova Scotia, compared with 5.1% for Canada as a whole. By 2003, Nova Scotia was at 3.5% of GDP compared with 4.2% for Canada as a whole. Another measure of "size" is expenditure per capita. These data are found by referring back to Tables 9 and 10. For Nova Scotia this was $1,161 per capita in 1995; it fell to $978 per capita in 1996; by 2003 it was at $$1,071 per capita. These numbers are well below those for the rest of Canada--$1,422 per capita in 1995, $1,624 per capita in 2003.

Table 11: Local General Government Revenue and Expenditures Nova Scotia and Canada Less Nova Scotia (ROC)--1995

	1995		1996		1997		1998		1999		2000		2001		2002		2003	
	NS	ROC	NS	ROC	NS	ROC	NS	ROC	NS	ROC	NS	ROC	NS	ROC	NS	ROC	NS	ROC
Per Capita Revenue ($)	1,141	1,412	961	1,341	969	1,343	991	1,485	1,001	1,552	1,041	1,503	1,069	1,531	1,149	1,579	1,164	1,604
	Percent																	
Own source revenue	70.0	74.5	85.8	77.4	86.5	79.2	89.8	79.8	90.9	80.1	92.1	84.0	93.3	84.4	91.3	84.0	92.2	83.8
Property and related taxes	56.1	46.3	67.6	49.3	68.5	50.2	70.0	52.0	71.0	51.4	71.7	52.9	73.4	53.3	71.7	52.7	72.7	52.8
Real property taxes	43.7	33.5	52.9	35.9	53.9	36.5	54.6	40.9	55.7	40.3	56.1	41.3	57.1	42.3	56.1	41.9	56.9	43.6
Consumption taxes		0.1		0.1		0.1		0.1		0.2		0.2		0.2		0.2		0.2
Other taxes	0.4	0.9	0.2	1.0	0.2	1.1	0.2	1.1	0.2	1.1	0.5	1.1	0.5	1.2	0.5	1.3	0.5	1.3
Sales of goods and services	9.7	19.4	14.8	20.3	14.8	21.5	16.1	20.7	15.8	21.6	15.6	23.1	16.4	23.6	16.3	23.6	16.4	23.6
Investment income	3.0	6.6	2.9	5.5	2.7	5.1	3.3	4.8	3.5	4.8	3.5	5.2	2.3	4.7	2.0	4.7	1.9	4.6
Other revenue from own sources	0.7	1.0	0.3	1.1	0.3	1.1	0.2	1.1	0.5	1.2	0.7	1.5	0.7	1.5	0.7	1.5	0.6	1.5
Transfers	30.0	25.5	14.2	22.6	13.5	20.8	10.2	20.2	9.1	19.9	7.9	16.0	6.7	15.6	8.7	16.0	7.8	16.2
General purpose transfers	2.0	3.3	2.1	3.9	2.3	3.1	3.3	3.2	3.5	2.5	3.0	2.5	2.7	2.8	2.8	2.9	2.9	3.0
Specific purpose transfers	28.0	22.2	12.1	18.7	11.2	17.7	7.0	17.0	5.6	17.3	4.9	13.5	4.0	12.8	6.0	13.1	4.9	13.1
Federal government	2.4	1.3	1.4	1.3	1.4	0.9	1.1	0.7	0.4	0.5	0.3	0.5	0.3	0.8	1.4	1.3	0.8	1.4
Provincial and territorial governments	25.6	20.9	10.7	17.5	9.8	16.8	5.9	16.4	5.2	16.9	4.6	13.0	3.7	12.0	4.6	11.8	4.1	11.8
Per Capita Expenditure	1,161	1,422	978	1,346	1,051	1,347	1,035	1,412	993	1,441	993	1,478	1,058	1,531	1,057	1,563	1,071	1,624
	Percent																	
General government services	7.1	9.7	6.9	9.9	6.3	10.1	9.3	10.0	10.1	10.9	10.3	8.5	10.0	9.2	10.3	8.9	11.7	9.1
Protection of persons and property	14.6	14.6	15.9	15.5	14.4	15.5	16.9	16.0	17.7	15.7	19.0	16.0	18.8	16.4	20.0	16.8	20.1	16.7
Transportation and communication	10.7	20.6	18.1	20.1	17.3	21.1	15.5	20.2	13.9	20.5	15.4	20.0	16.2	19.8	13.2	19.6	12.4	19.0
Health	0.2	2.0	0.1	1.9	0.0	1.7	0.2	2.1	0.1	1.8	0.2	2.1	0.1	2.5	0.0	2.6	0.0	2.7
Social services	25.7	12.2	12.6	10.7	9.9	10.5	7.5	12.4	7.4	11.6	5.0	12.5	4.3	11.4	4.4	10.9	4.4	10.7
Education	12.9	0.0	15.2	0.0	14.3	0.1	15.1	0.1	16.0	0.1	16.2	0.1	15.5	0.1	14.4	0.1	14.4	0.1
Resource conservation and indust. development	0.6	2.0	0.7	1.8	1.6	2.0	0.7	2.0	1.1	2.1	1.2	2.1	0.6	1.9	1.0	2.1	1.3	2.0
Environment	14.3	15.5	14.7	16.0	20.8	16.0	16.3	14.8	16.3	14.7	16.3	15.1	18.4	15.3	19.7	15.2	19.7	16.5
Recreation and culture	7.6	11.7	8.0	12.4	7.1	11.7	10.7	11.2	10.3	11.6	10.3	12.4	10.2	12.5	11.0	12.4	10.0	12.4
Housing	1.6	1.4	0.7	1.4	0.6	1.4	0.6	2.6	0.7	2.7	0.2	3.4	0.0	3.4	0.0	4.3	0.0	4.3
Regional planning and development	1.0	1.7	3.0	1.5	2.8	1.6	1.3	1.7	1.5	1.7	1.3	1.7	1.7	1.8	1.9	1.8	1.9	1.7
Debt charges	3.2	7.9	4.1	8.0	3.7	7.4	4.6	6.7	4.7	6.2	4.2	5.5	3.8	5.1	3.7	4.7	3.6	4.4
Other expenditures	0.6	0.6	0.1	0.8	1.3	0.8	1.2	0.3	0.2	0.6	0.3	0.8	0.3	0.5	0.4	0.4	0.3	0.4

Source: Statistics Canada Data

Table 12: Expenditure Relative to GDP – Nova Scotia and Canada

	1995	1996	1997	1998	1999	2000	2001	2002	2003
NOVA SCOTIA									
Total expenditures (E) ($000)	1,077,493	910,905	979,567	964,754	927,713	927,137	985,847	987,217	1,002,411
GDP ($000)	19,296,000	19,512,000	20,368,000	21,401,000	23,059,000	24,770,000	26,070,000	27,102,000	28,813,000
E/GDP (NS)	0.056	0.047	0.048	0.045	0.040	0.037	0.038	0.036	0.035
CANADA									
Total expenditures (E) ($000)	41,422,310	39,531,850	40,005,727	42,247,792	43,396,277	44,911,636	47,065,397	48,544,581	50,861,809
GDP ($000)	810,426,000	836,864,000	882,733,000	914,973,000	982,441,000	1,075,566,000	1,107,459,000	1,154,949,000	1,214,601,000
E/GDP (CAN)	0.051	0.047	0.045	0.046	0.044	0.042	0.042	0.042	0.042

Source: Author's calculations based on Statistics Canada data

8. Analysis and Analytics of Equalization

In simple terms, the equalization entitlement (EE_j) for a representative Class I community[53] that will hereafter be denoted by the subscript "j", is equal to the difference between its standard expenditure (SE_j) and its standard revenue (SR_j). This can be represented as:

$$EE_j = SE_j - SR_j$$

The standard expenditure for municipality j is derived by multiplying the standard expenditure per dwelling unit for Class I municipalities (SE^I/D^I) by the number of dwelling units in municipality j (D_j) . The standard revenue estimated for municipality j is determined by multiplying the standard tax rate for Class I municipalities by the uniform assessment in municipality j (UA_j), where the standard tax rate for Class I (t^I) is derived and the ratio of the aggregate of the standard expenditures for Class I municipalities (SE^I) and the aggregate of the uniform assessed value for Class I municipalities (UA^I). Incorporating these definitions allows us to rewrite municipality j's equalization entitlement as:

$$EE_j = \frac{SE^I}{D^I} * D_j - t^I * UA_j \qquad (1)$$

Equation (1) conforms precisely to the language of the Municipal Grants Act. Standard expenditure per dwelling unit for each class is defined in s.12(2) of the Act, uniform assessment for a municipality is defined in s.14, and the standard tax rate for each class is defined in s.16(2). In the language of the Act (s.17(1)) "The equalization entitlement is equal to the standard expenditure for the municipality less the standard tax rate multiplied by the uniform assessment for the municipality."

Equation (1) illustrates that municipality j's equalization entitlement is in the first instance determined by the estimate of standard expenditure per dwelling unit. Those municipalities with standard revenue below the estimate of standard expenditure are equalized up accordingly. However, communities with standard revenue in excess of expenditures are not equalized downward. Instead, these communities receive a zero entitlement.

Since $t^I = SE^I/UA^I$, equation (1) can be rewritten as:[54]

---

[53] In the current version of the Nova Scotia municipal equalization formula, there are two classes of communities – Class I communities consisting of regions and towns and Class II communities consisting of rural municipalities.

[54] Since there are only two classes of communities and the standard tax rate is calculated for each class, this is correct. But, prior to 2002, there were four classes of communities and a common standard tax rate was calculated for Class I to III. In that case, the standard tax rate was sum of standard expenditures across the three class communities divided by the sum of uniform assessed value across the same three classes of

$$EE_j = \frac{SE^I}{D^I} * D_j - \frac{SE^I}{UA^I} * UA_j \qquad (2)$$

Simple algebra allows us to rewrite equation (2) as:[55]

$$EE_j = t^I * \left(\frac{UA^I}{D^I} - \frac{UA_j}{D_j} \right) * D_j \qquad (3)$$

Equation (3) implies that the equalization entitlement for municipality j is the difference between class average assessment per dwelling unit and municipality's own-assessment per dwelling unit evaluated at the standard tax rate for the class and multiplied by the number of dwelling units. In other words, the formula equalizes standard revenues per dwelling unit up to the average for the class. We refer to this as the standard revenues version of the formula. This version of the formula demonstrates that only those municipalities with uniform assessment per dwelling unit below the class average will be eligible for equalization payments. The greater the gap, the greater will be the payment.

Another perspective on the equalization formula in equation (2) is obtained by factoring out the common SE^I term. Accordingly,

$$EE_j = SE^I * \left(\frac{D_j}{D^I} - \frac{UA_j}{UA^I} \right) \qquad (4)$$

This version of the formula illustrates that only those municipalities for which their share of dwelling units within the class exceeds their share of uniform assessment within the class will be eligible for equalization payments. The greater the gap, the greater will be the payment. We refer to this as the shares version of the formula.

Alternatively, equation (4) can be rewritten as:[56]

---

communities. Consequently, equation (2) holds for the current version of the formula and would have to be modified accordingly for earlier versions of the formula.

55 Factor out the common SE^I term, multiply and divide the first term on the right hand side by UA^I, multiply and divide the second term on the right hand side by D_j, then factor out the common $1/UA^I$ term and the common D_j term and set $SE^I/UA^I = t^I$,

56 Multiply and divide the second term on the right hand side by D^I, factor out the common $1/D^I$ term, multiply and divide the second term on the right hand side by D_j, factor out the common D_j term and rearrange what remains of the second term on the right hand side.

$$EE_j = \frac{SE^I}{D^I} * \left[1 - \frac{UA_j / D_j}{UA^I / D^I} \right] * D_j \qquad (5)$$

This version of the equalization formula shows that only those municipalities for which uniform assessment per dwelling unit is less than the class average will be eligible for equalization payments. We refer to this as the relative shares version of the formula. Equation (5) illustrates that municipality j's equalization entitlement is in the first instance determined by the estimate of standard expenditure per dwelling unit. Those municipalities with uniform assessment per dwelling unit that is below the average for the class are equalized up to a standard level of expenditure, which is determined by the product of the number of dwelling units in the community and the standard expenditure per dwelling unit determined for that class of communities. The size of the grant is reduced as the uniform assessed value in the community rises relative to that which exists on average across all communities in the class. It is evident from this version of the formula that whatever change might be made to the standard for equalization, eligibility to receive equalization will be unchanged for those municipalities with above average (for the class) uniform assessment per dwelling unit.

The total entitlement (TE) estimated for a given year is derived by summing the positive entitlements for all Class I and Class II communities (denoted by the subscript "i") and substituting zero for any negative entitlements. This can be represented as:

$$TE = \sum_j EE_j + \sum_i EE_i \qquad (6)$$

If the program is not fully funded, then the actual grant received by municipality j (EG_j) under the formula-determined part of the equalization program is equal to its share (ES_j) of the grant pool (GP).[57] Municipality j's share of the grant pool is the ratio of its entitlement (EE_j) to total entitlements and the grant pool is the total amount allocated by the provincial government to municipal equalization (MEF) minus the amount that gets allocated through the Top-up grant (TG) and Foundation grant (FG).[58] An eligible municipality's equalization grant is, therefore, given by the following equation:

[57] S.17(3) of the Municipal Grants Act states "The equalization grant for a municipality is equal to the proportion that the equalization entitlement for the municipality is of the total equalization entitlements for all municipalities times the total equalization grants."

[58] A top-up grant is a grant which ensures that no community receives a lower equalization payment than it had received prior to implementing the 2002 changes to the equalization program. The communities for which the revised program would have generate a lower equalization than was received prior to 2002 are referred to as "red-circled" communities and their equalization grant is topped up to bring them up to their pre-2002 level. The Foundation grant is a fixed payment to towns, currently set at $50,000.

$$EG_j = ES_j * GP = \frac{EE_j}{TE} * (MEF - TG - FG) \qquad (7)$$

One consequence of scaling back entitlements in this manner is that recipient municipalities are left with standardized revenues per dwelling unit that are unequal—that is, unequal to standardized expenditures per dwelling unit. Two municipalities with the same equalization entitlements because they have identical uniform assessments may have very different levels of uniform assessment per dwelling unit. One may have a relatively low assessment per dwelling unit (generating a relatively high equalization entitlement per dwelling unit) along with a relatively small number of dwelling units, the other a relatively high assessment per dwelling unit (generating a relatively low equalization entitlement per dwelling unit) along with a relatively large number of dwelling units. Equal cuts would then amount to more per dwelling unit for the former than for the latter, leaving them with unequal standardized revenues per dwelling unit inclusive of equalization. To preserve the integrity of the equalization program, municipalities should be scaled back on an equal per dwelling unit basis.[59]

Tables 13-16 below simulate the existing municipal equalization program in Nova Scotia using 2000-01 data.[60] Table 13 shows the calculations according to equation (1) above. Table 14 shows these same calculations on a per-dwelling-unit basis. Table 15 shows the calculations according to equation (3). Table 16 shows the calculations according to equation (5).

[59] This is the manner in which provincial entitlements were scaled back in the presence of the ceiling on growth in entitlements—equal per capita reductions across recipient provinces.
[60] The detailed methodology accompanying Tables 13 to 19 is attached as Appendix 3.

Table 13: Simulation of Nova Scotia Municipal Equalization Grants Using Standard Calculation Applied to 2000/01 and Reconfiguring Municipal Classes in Class I (Regions, Small Towns and Large Towns) and Class II (Rural Communities)

Municipal Units	Standard Expenditure Per Dwelling Unit	2000 Dwelling Units	Total Standard Expenditure	2000/01 Uniform Assessment	Standard Tax Rate	Standard Tax Rate Times Assessment	Equalization Entitlement Including Negatives	Equalization Entitlement Excluding Negatives
Cape Breton Regional	$1,093	27,584	$30,159,136	$1,598,556,137	1.1804%	$18,869,357	$11,289,780	$11,289,780
Cape Breton County	$415	18710	$7,764,650	$1,302,784,750	0.5098%	$6,641,597	$1,123,053	$1,123,053
CBRM	$819	46,294	$37,923,786	$2,901,340,887	0.8793%	$25,510,953	$12,412,833	$12,412,833
Halifax Regional	$1,093	96,360	$105,355,800	$10,417,326,116	1.1804%	$122,966,117	-$17,610,318	$0
Halifax	$415	57964	$24,055,060	$5,688,795,640	0.5098%	$29,001,480	-$4,946,420	$0
HRM	$839	154,324	$129,410,860	$16,106,121,756	0.9435%	$151,967,598	-$22,556,738	$0
Liverpool	$1,093	1,298	$1,419,176	$91,840,502	1.1804%	$1,084,085	$335,091	$335,091
Queens	$415	5270	$2,187,050	$512,709,446	0.5098%	$2,613,793	-$426,743	$0
Reg Queens	$549	6,568	$3,606,226	$604,549,948	0.6117%	$3,697,878	$335,091	$335,091
Amherst	$1,093	4,273	$4,671,911	$311,018,976	1.1804%	$3,671,268	$1,000,643	$1,000,643
Annapolis Royal	$1,093	352	$384,861	$28,789,449	1.1804%	$339,831	$45,031	$45,031
Antigonish	$1,093	2,440	$2,667,789	$251,498,658	1.1804%	$2,968,690	-$300,901	$0
Berwick	$1,093	889	$971,994	$93,590,437	1.1804%	$1,104,742	-$132,748	$0
Bridgetown	$1,093	490	$535,745	$32,605,967	1.1804%	$384,881	$150,864	$150,864
Bridgewater	$1,093	3,453	$3,775,359	$394,877,334	1.1804%	$4,661,132	-$885,773	$0
Canso	$1,093	449	$490,917	$26,023,786	1.1804%	$307,185	$183,732	$183,732
Clark's Harbour	$1,093	412	$450,463	$30,548,407	1.1804%	$360,593	$89,869	$89,869
Digby	$1,093	1,103	$1,205,972	$75,616,308	1.1804%	$892,575	$313,397	$313,397
Hantsport	$1,093	545	$595,879	$59,620,186	1.1804%	$703,757	-$107,878	$0
Kentville	$1,093	2,532	$2,768,378	$277,978,083	1.1804%	$3,281,253	-$512,875	$0
Lockeport	$1,093	341	$372,834	$21,285,020	1.1804%	$251,248	$121,586	$121,586
Lunenburg	$1,093	1,201	$1,313,121	$116,031,510	1.1804%	$1,369,636	-$56,515	$0
Mahone Bay	$1,093	516	$564,172	$50,871,198	1.1804%	$600,484	-$36,312	$0
Middleton	$1,093	924	$1,010,261	$74,911,320	1.1804%	$884,253	$126,008	$126,008
Mulgrave	$1,093	381	$416,569	$22,816,113	1.1804%	$269,321	$147,247	$147,247
New Glasgow	$1,093	4,343	$4,748,446	$326,196,980	1.1804%	$3,850,429	$898,017	$898,017
Oxford	$1,093	584	$638,520	$49,314,494	1.1804%	$582,108	$56,412	$56,412
Parrsboro	$1,093	835	$912,952	$38,739,278	1.1804%	$457,278	$455,674	$455,674
Pictou	$1,093	1,641	$1,794,197	$94,500,576	1.1804%	$1,115,485	$678,713	$678,713
Port Hawkesbury	$1,093	1,509	$1,649,874	$134,246,453	1.1804%	$1,584,645	$65,229	$65,229
Shelburne	$1,093	984	$1,075,862	$66,226,993	1.1804%	$781,743	$294,119	$294,119
Springhill	$1,093	1,767	$1,931,960	$103,635,635	1.1804%	$1,223,315	$708,645	$708,645
Stellarton	$1,093	2,074	$2,267,621	$141,214,291	1.1804%	$1,666,893	$600,727	$600,727
Stewiacke	$1,093	557	$608,999	$40,308,976	1.1804%	$475,807	$133,192	$133,192
Trenton	$1,093	1,141	$1,247,519	$60,418,873	1.1804%	$713,184	$534,335	$534,335
Truro	$1,093	5,801	$6,342,559	$532,802,857	1.1804%	$6,289,205	$53,354	$53,354
Westville	$1,093	1,559	$1,704,542	$69,869,917	1.1804%	$824,745	$879,798	$879,798
Windsor	$1,093	1,673	$1,829,185	$129,706,721	1.1804%	$1,531,058	$298,127	$298,127
Wolfville	$1,093	2,243	$2,452,398	$199,220,579	1.1804%	$2,351,600	$100,798	$100,798
Yarmouth	$1,093	3,392	$3,708,664	$307,368,889	1.1804%	$3,628,182	$80,482	$80,482
Total Class I	**$1,093**	**175,646**	**$192,043,636**	**$16,269,577,019**	**1.1804%**	**$192,046,087**	**-$2,451**	**$19,640,869**

Annapolis	$415	9,528	$3,954,120	$613,276,440	0.5098%	$3,126,483	$827,637	$827,637
Antigonish	$415	6,050	$2,510,750	$441,342,967	0.5098%	$2,249,966	$260,784	$260,784
Argyle	$415	3,977	$1,650,455	$289,788,206	0.5098%	$1,477,340	$173,115	$173,115
Barrington	$415	3,515	$1,458,725	$245,678,248	0.5098%	$1,252,468	$206,257	$206,257
Chester	$415	6,246	$2,592,090	$573,197,489	0.5098%	$2,922,161	-$330,071	$0
Clare	$415	4,598	$1,908,170	$311,593,816	0.5098%	$1,588,505	$319,665	$319,665
Colchester	$415	15,938	$6,614,270	$1,180,092,703	0.5098%	$6,016,113	$598,157	$598,157
Cumberland	$415	10,247	$4,252,505	$588,199,532	0.5098%	$2,998,641	$1,253,864	$1,253,864
Digby	$415	4,378	$1,816,870	$222,393,530	0.5098%	$1,133,762	$683,108	$683,108
Guysborough	$415	3,385	$1,404,775	$186,790,658	0.5098%	$952,259	$452,516	$452,516
Hants, East	$415	8,288	$3,439,520	$661,935,673	0.5098%	$3,374,548	$64,972	$64,972
Hants, West	$415	6,011	$2,494,565	$438,092,942	0.5098%	$2,233,398	$261,167	$261,167
Inverness	$415	7,854	$3,259,410	$500,326,858	0.5098%	$2,550,666	$708,744	$708,744
Kings	$415	19,639	$8,150,185	$1,975,650,685	0.5098%	$10,071,867	-$1,921,682	$0
Lunenburg	$415	13,130	$5,448,950	$1,054,586,119	0.5098%	$5,376,280	$72,670	$72,670
Pictou	$415	10,787	$4,476,605	$819,905,903	0.5098%	$4,179,880	$296,725	$296,725
Richmond	$415	5,005	$2,077,075	$530,711,306	0.5098%	$2,705,566	-$628,491	$0
Shelburne	$415	2,861	$1,187,315	$190,479,287	0.5098%	$971,063	$216,252	$216,252
St. Mary's	$415	2,012	$834,980	$96,974,663	0.5098%	$494,377	$340,603	$340,603
Victoria	$415	4,456	$1,849,240	$338,873,168	0.5098%	$1,727,575	$121,665	$121,665
Yarmouth	$415	4,984	$2,068,360	$351,603,657	0.5098%	$1,792,475	$275,885	$275,885
Total Class II	**$415**	**234,833**	**$97,455,695**	**$19,115,783,686**	**0.5098%**	**$97,452,265**	**$3,430**	**$8,256,837**
Total all classes		**410,479**	**$289,499,331**	**$35,385,360,705**		**$289,498,352**	**$979**	**$27,897,706**

Table 14: Simulated 2000/01 Equalization Entitlements Using Standard Expenditure per Dwelling Unit, Standard Revenue Per Dwelling Unit, and Dwelling Units

Municipal Units	2000 Dwelling Units	Standard Expenditure Per Dwelling Unit	2000/01 Uniform Assessment Per Dwelling Unit	Standard Tax Rate	Standard Revenue Per Dwelling Unit	Equalization Entitlement Per Dwelling Unit Inc. Negatives	Equalization Entitlement Per Dwelling Unit Exc. Negatives	Total Equalization Entitlement
Cape Breton Regional	27,584	$1,093	$57,952	1.1804%	$684	$409	$409	$11,289,780
Cape Breton County	18710	$415	$69,630	0.5098%	$355	$60	$60	$1,123,053
CBRM	46,294	$819	$62,672	0.8793%	$551	$268	$268	$12,412,833
Halifax Regional	96,360	$1,093	$108,108	1.1804%	$1,276	-$183	$0	$0
Halifax	57964	$415	$98,144	0.5098%	$500	-$85	$0	$0
HRM	154,324	$839	$104,366	0.9435%	$985	-$146	$0	$0
Liverpool	1,298	$1,093	$70,755	1.1804%	$835	$258	$258	$335,091
Queens	5270	$415	$97,288	0.5098%	$496	-$81	$0	$0
Reg Queens	6,568	$549	$92,045	0.6117%	$563	-$14	$0	$0
Amherst	4,273	$1,093	$72,787	1.1804%	$859	$234	$234	$1,000,643
Annapolis Royal	352	$1,093	$81,788	1.1804%	$965	$128	$128	$45,031
Antigonish	2,440	$1,093	$103,073	1.1804%	$1,217	-$123	$0	$0
Berwick	889	$1,093	$105,276	1.1804%	$1,243	-$149	$0	$0
Bridgetown	490	$1,093	$66,543	1.1804%	$785	$308	$308	$150,864
Bridgewater	3,453	$1,093	$114,358	1.1804%	$1,350	-$257	$0	$0
Canso	449	$1,093	$57,959	1.1804%	$684	$409	$409	$183,732
Clark's Harbour	412	$1,093	$74,147	1.1804%	$875	$218	$218	$89,869
Digby	1,103	$1,093	$68,555	1.1804%	$809	$284	$284	$313,397
Hantsport	545	$1,093	$109,395	1.1804%	$1,291	-$198	$0	$0
Kentville	2,532	$1,093	$109,786	1.1804%	$1,296	-$203	$0	$0
Lockeport	341	$1,093	$62,419	1.1804%	$737	$357	$357	$121,586
Lunenburg	1,201	$1,093	$96,612	1.1804%	$1,140	-$47	$0	$0
Mahone Bay	516	$1,093	$98,588	1.1804%	$1,164	-$70	$0	$0
Middleton	924	$1,093	$81,073	1.1804%	$957	$136	$136	$126,008
Mulgrave	381	$1,093	$59,885	1.1804%	$707	$386	$386	$147,247
New Glasgow	4,343	$1,093	$75,109	1.1804%	$887	$207	$207	$898,017
Oxford	584	$1,093	$84,443	1.1804%	$997	$97	$97	$56,412
Parrsboro	835	$1,093	$46,394	1.1804%	$548	$546	$546	$455,674
Pictou	1,641	$1,093	$57,587	1.1804%	$680	$414	$414	$678,713
Port Hawkesbury	1,509	$1,093	$88,964	1.1804%	$1,050	$43	$43	$65,229
Shelburne	984	$1,093	$67,304	1.1804%	$794	$299	$299	$294,119
Springhill	1,767	$1,093	$58,651	1.1804%	$692	$401	$401	$708,645
Stellarton	2,074	$1,093	$68,088	1.1804%	$804	$290	$290	$600,727
Stewiacke	557	$1,093	$72,368	1.1804%	$854	$239	$239	$133,192
Trenton	1,141	$1,093	$52,953	1.1804%	$625	$468	$468	$534,335
Truro	5,801	$1,093	$91,847	1.1804%	$1,084	$9	$9	$53,354
Westville	1,559	$1,093	$44,817	1.1804%	$529	$564	$564	$879,798
Windsor	1,673	$1,093	$77,529	1.1804%	$915	$178	$178	$298,127

Wolfville	2,243	$1,093	$88,819	1.1804%	$1,048	$45	$45	$100,798
Yarmouth	3,392	$1,093	$90,616	1.1804%	$1,070	$24	$24	$80,482
Total Class I	**175,646**	**$1,093**	**$92,627**	**1.1804%**	**$1,093**	**$0**	**$0**	**$19,640,869**
Annapolis	9,528	$415	$64,366	0.5098%	$328	$87	$87	$827,637
Antigonish	6,050	$415	$72,949	0.5098%	$372	$43	$43	$260,784
Argyle	3,977	$415	$72,866	0.5098%	$371	$44	$44	$173,115
Barrington	3,515	$415	$69,894	0.5098%	$356	$59	$59	$206,257
Chester	6,246	$415	$91,770	0.5098%	$468	-$53	$0	$0
Clare	4,598	$415	$67,767	0.5098%	$345	$70	$70	$319,665
Colchester	15,938	$415	$74,043	0.5098%	$377	$38	$38	$598,157
Cumberland	10,247	$415	$57,402	0.5098%	$293	$122	$122	$1,253,864
Digby	4,378	$415	$50,798	0.5098%	$259	$156	$156	$683,108
Guysborough	3,385	$415	$55,182	0.5098%	$281	$134	$134	$452,516
Hants, East	8,288	$415	$79,867	0.5098%	$407	$8	$8	$64,972
Hants, West	6,011	$415	$72,882	0.5098%	$372	$43	$43	$261,167
Inverness	7,854	$415	$63,703	0.5098%	$325	$90	$90	$708,744
Kings	19,639	$415	$100,598	0.5098%	$513	-$98	$0	$0
Lunenburg	13,130	$415	$80,319	0.5098%	$409	$6	$6	$72,670
Pictou	10,787	$415	$76,009	0.5098%	$387	$28	$28	$296,725
Richmond	5,005	$415	$106,036	0.5098%	$541	-$126	$0	$0
Shelburne	2,861	$415	$66,578	0.5098%	$339	$76	$76	$216,252
St. Mary's	2,012	$415	$48,198	0.5098%	$246	$169	$169	$340,603
Victoria	4,456	$415	$76,049	0.5098%	$388	$27	$27	$121,665
Yarmouth	4,984	$415	$70,546	0.5098%	$360	$55	$55	$275,885
Total Class II	**234,833**	**$415**	**$81,402**	**0.5098%**	**$415**	**$0**	**$0**	**$8,256,837**
Total all classes								**$27,897,706**

Table 15: Expenditures, Dwelling Unit Shares, Uniform Assessment Shares and Entitlement

Municipal Units	Standard Tax Rate	2000/01 Uniform Assessment per Dwelling Unit	Class Average Minus Uniform Assessment	Standard Tax Rate Times Class Average Minus Uniform Assessment	2000 Dwelling Units	Equalization Entitlement Including Negatives	Equalization Entitlement Excluding Negatives
Cape Breton Regional	1.1804%	$57,952	$34,675	$409	27,584	$11,290,165	$11,290,165
Cape Breton County	0.5098%	$69,630	$11,771	$60	18710	$1,122,780	$1,122,780
CBRM	0.8793%	$62,672		$469	46,294	$12,412,945	$12,412,945
Halifax Regional	1.1804%	$108,108	-$15,481	-$183	96,360	-$17,608,973	$0
Halifax	0.5098%	$98,144	-$16,742	-$85	57964	-$4,947,267	$0
HRM	0.9435%	$104,366		-$268	154,324	-$22,556,240	$0
Liverpool	1.1804%	$70,755	$21,872	$258	1,298	$335,109	$335,109
Queens	0.5098%	$97,288	-$15,887	-$81	5270	-$426,820	$0
Reg Queens	0.6117%	$92,045		$177	6,568	$335,109	$335,109
Amherst	1.1804%	$72,787	$19,840	$234	4,273	$1,000,703	$1,000,703
Annapolis Royal	1.1804%	$81,788	$10,839	$128	352	$45,036	$45,036
Antigonish	1.1804%	$103,073	-$10,446	-$123	2,440	-$300,867	$0
Berwick	1.1804%	$105,276	-$12,649	-$149	889	-$132,735	$0
Bridgetown	1.1804%	$66,543	$26,084	$308	490	$150,871	$150,871
Bridgewater	1.1804%	$114,358	-$21,731	-$257	3,453	-$885,725	$0
Canso	1.1804%	$57,959	$34,668	$409	449	$183,738	$183,738
Clark's Harbour	1.1804%	$74,147	$18,480	$218	412	$89,875	$89,875
Digby	1.1804%	$68,555	$24,072	$284	1,103	$313,412	$313,412
Hantsport	1.1804%	$109,395	-$16,768	-$198	545	-$107,870	$0
Kentville	1.1804%	$109,786	-$17,159	-$203	2,532	-$512,840	$0
Lockeport	1.1804%	$62,419	$30,208	$357	341	$121,591	$121,591
Lunenburg	1.1804%	$96,612	-$3,985	-$47	1,201	-$56,498	$0
Mahone Bay	1.1804%	$98,588	-$5,961	-$70	516	-$36,305	$0
Middleton	1.1804%	$81,073	$11,554	$136	924	$126,021	$126,021
Mulgrave	1.1804%	$59,885	$32,742	$386	381	$147,253	$147,253
New Glasgow	1.1804%	$75,109	$17,518	$207	4,343	$898,077	$898,077
Oxford	1.1804%	$84,443	$8,184	$97	584	$56,420	$56,420
Parrsboro	1.1804%	$46,394	$46,233	$546	835	$455,686	$455,686
Pictou	1.1804%	$57,587	$35,040	$414	1,641	$678,736	$678,736
Port Hawkesbury	1.1804%	$88,964	$3,663	$43	1,509	$65,250	$65,250
Shelburne	1.1804%	$67,304	$25,323	$299	984	$294,133	$294,133
Springhill	1.1804%	$58,651	$33,976	$401	1,767	$708,670	$708,670
Stellarton	1.1804%	$68,088	$24,539	$290	2,074	$600,756	$600,756
Stewiacke	1.1804%	$72,368	$20,259	$239	557	$133,200	$133,200
Trenton	1.1804%	$52,953	$39,675	$468	1,141	$534,351	$534,351
Truro	1.1804%	$91,847	$780	$9	5,801	$53,435	$53,435
Westville	1.1804%	$44,817	$47,810	$564	1,559	$879,820	$879,820
Windsor	1.1804%	$77,529	$15,098	$178	1,673	$298,150	$298,150
Wolfville	1.1804%	$88,819	$3,808	$45	2,243	$100,829	$100,829

Yarmouth	1.1804%	$90,616	$2,011	$24	3,392	$80,529	$80,529
Class I	**1.1804%**	**$92,627**	**$0**	**$0**	**175,646**	**$0**	**$19,641,814**
Annapolis	0.5098%	$64,366	$17,036	$87	9,528	$827,498	$827,498
Antigonish	0.5098%	$72,949	$8,452	$43	6,050	$260,695	$260,695
Argyle	0.5098%	$72,866	$8,536	$44	3,977	$173,057	$173,057
Barrington	0.5098%	$69,894	$11,507	$59	3,515	$206,206	$206,206
Chester	0.5098%	$91,770	-$10,369	-$53	6,246	-$330,162	$0
Clare	0.5098%	$67,767	$13,634	$70	4,598	$319,598	$319,598
Colchester	0.5098%	$74,043	$7,359	$38	15,938	$597,925	$597,925
Cumberland	0.5098%	$57,402	$23,999	$122	10,247	$1,253,714	$1,253,714
Digby	0.5098%	$50,798	$30,604	$156	4,378	$683,044	$683,044
Guysborough	0.5098%	$55,182	$26,220	$134	3,385	$452,467	$452,467
Hants, East	0.5098%	$79,867	$1,535	$8	8,288	$64,851	$64,851
Hants, West	0.5098%	$72,882	$8,520	$43	6,011	$261,079	$261,079
Inverness	0.5098%	$63,703	$17,698	$90	7,854	$708,629	$708,629
Kings	0.5098%	$100,598	-$19,197	-$98	19,639	-$1,921,969	$0
Lunenburg	0.5098%	$80,319	$1,083	$6	13,130	$72,478	$72,478
Pictou	0.5098%	$76,009	$5,393	$27	10,787	$296,567	$296,567
Richmond	0.5098%	$106,036	-$24,635	-$126	5,005	-$628,564	$0
Shelburne	0.5098%	$66,578	$14,824	$76	2,861	$216,210	$216,210
St. Mary's	0.5098%	$48,198	$33,203	$169	2,012	$340,574	$340,574
Victoria	0.5098%	$76,049	$5,353	$27	4,456	$121,600	$121,600
Yarmouth	0.5098%	$70,546	$10,855	$55	4,984	$275,812	$275,812
Class II	**0.5098%**	**$81,402**	**$0**	**$0**	**234,833**	**$0**	**$8,254,782**
Total all classes					**410,479**	**$0**	**$27,896,596**

Table 16: Expenditures, Dwelling Unit Shares, Uniform Assessment Shares and Entitlement

Municipal Units	Standard Expenditure Per Dwelling Unit	2000 Dwelling Units	Total Standard Expenditure	2000/01 Uniform Assessment	2000/01 Uniform Assessment per Dwelling Unit	One Minus UA per Dwelling Unit to Class Average	Equalization Entitlement Including Negatives	Equalization Entitlement Excluding Negatives
Cape Breton Regional	$1,093	27,584	$30,159,136	$1,598,556,137	$57,952	37.4%	$11,290,020	$11,290,020
Cape Breton County	$415	18710	$7,764,650	$1,302,784,750	$69,630	14.5%	$1,122,820	$1,123,053
CBRM	$819	46,294	$37,923,786	$2,901,340,887	$62,672		$12,412,840	$12,413,074
Halifax Regional	$1,093	96,360	$105,355,800	$10,417,326,116	$108,108	-16.7%	-$17,608,748	$0
Halifax	$415	57964	$24,055,060	$5,688,795,640	$98,144	-20.6%	-$4,947,441	$0
HRM	$839	154,324	$129,410,860	$16,106,121,756	$104,366		-$22,556,189	$0
Liverpool	$1,093	1,298	$1,419,176	$91,840,502	$70,755	23.6%	$335,105	$335,105
Queens	$415	5270	$2,187,050	$512,709,446	$97,288	-19.5%	-$426,835	$0
Reg Queens	$549	6,568	$3,606,226	$604,549,948	$92,045		$335,105	$335,105
Amherst	$1,093	4,273	$4,671,911	$311,018,976	$72,787	21.4%	$1,000,690	$1,000,690
Annapolis Royal	$1,093	352	$384,861	$28,789,449	$81,788	11.7%	$45,035	$45,035
Antigonish	$1,093	2,440	$2,667,789	$251,498,658	$103,073	-11.3%	-$300,863	$0
Berwick	$1,093	889	$971,994	$93,590,437	$105,276	-13.7%	-$132,734	$0
Bridgetown	$1,093	490	$535,745	$32,605,967	$66,543	28.2%	$150,869	$150,869
Bridgewater	$1,093	3,453	$3,775,359	$394,877,334	$114,358	-23.5%	-$885,714	$0
Canso	$1,093	449	$490,917	$26,023,786	$57,959	37.4%	$183,736	$183,736
Clark's Harbour	$1,093	412	$450,463	$30,548,407	$74,147	20.0%	$89,874	$89,874
Digby	$1,093	1,103	$1,205,972	$75,616,308	$68,555	26.0%	$313,408	$313,408
Hantsport	$1,093	545	$595,879	$59,620,186	$109,395	-18.1%	-$107,869	$0
Kentville	$1,093	2,532	$2,768,378	$277,978,083	$109,786	-18.5%	-$512,834	$0
Lockeport	$1,093	341	$372,834	$21,285,020	$62,419	32.6%	$121,589	$121,589
Lunenburg	$1,093	1,201	$1,313,121	$116,031,510	$96,612	-4.3%	-$56,498	$0
Mahone Bay	$1,093	516	$564,172	$50,871,198	$98,588	-6.4%	-$36,304	$0
Middleton	$1,093	924	$1,010,261	$74,911,320	$81,073	12.5%	$126,019	$126,019
Mulgrave	$1,093	381	$416,569	$22,816,113	$59,885	35.3%	$147,251	$147,251
New Glasgow	$1,093	4,343	$4,748,446	$326,196,980	$75,109	18.9%	$898,066	$898,066
Oxford	$1,093	584	$638,520	$49,314,494	$84,443	8.8%	$56,419	$56,419
Parrsboro	$1,093	835	$912,952	$38,739,278	$46,394	49.9%	$455,680	$455,680
Pictou	$1,093	1,641	$1,794,197	$94,500,576	$57,587	37.8%	$678,727	$678,727
Port Hawkesbury	$1,093	1,509	$1,649,874	$134,246,453	$88,964	4.0%	$65,250	$65,250
Shelburne	$1,093	984	$1,075,862	$66,226,993	$67,304	27.3%	$294,129	$294,129
Springhill	$1,093	1,767	$1,931,960	$103,635,635	$58,651	36.7%	$708,661	$708,661
Stellarton	$1,093	2,074	$2,267,621	$141,214,291	$68,088	26.5%	$600,748	$600,748
Stewiacke	$1,093	557	$608,999	$40,308,976	$72,368	21.9%	$133,198	$133,198
Trenton	$1,093	1,141	$1,247,519	$60,418,873	$52,953	42.8%	$534,344	$534,344
Truro	$1,093	5,801	$6,342,559	$532,802,857	$91,847	0.8%	$53,434	$53,434
Westville	$1,093	1,559	$1,704,542	$69,869,917	$44,817	51.6%	$879,808	$879,808
Windsor	$1,093	1,673	$1,829,185	$129,706,721	$77,529	16.3%	$298,146	$298,146
Wolfville	$1,093	2,243	$2,452,398	$199,220,579	$88,819	4.1%	$100,828	$100,828

Yarmouth	$1,093	3,392	$3,708,664	$307,368,889	$90,616	2.2%	$80,528	$80,528
Class I	**$1,093**	**175,646**	**$192,043,636**	**$16,269,577,019**	**$92,627**	0.0%	**$0**	**$19,641,563**
Annapolis	$415	9,528	$3,954,120	$613,276,440	$64,366	20.9%	$827,527	$827,527
Antigonish	$415	6,050	$2,510,750	$441,342,967	$72,949	10.4%	$260,704	$260,704
Argyle	$415	3,977	$1,650,455	$289,788,206	$72,866	10.5%	$173,063	$173,063
Barrington	$415	3,515	$1,458,725	$245,678,248	$69,894	14.1%	$206,213	$206,213
Chester	$415	6,246	$2,592,090	$573,197,489	$91,770	-12.7%	-$330,174	$0
Clare	$415	4,598	$1,908,170	$311,593,816	$67,767	16.7%	$319,609	$319,609
Colchester	$415	15,938	$6,614,270	$1,180,092,703	$74,043	9.0%	$597,946	$597,946
Cumberland	$415	10,247	$4,252,505	$588,199,532	$57,402	29.5%	$1,253,758	$1,253,758
Digby	$415	4,378	$1,816,870	$222,393,530	$50,798	37.6%	$683,068	$683,068
Guysborough	$415	3,385	$1,404,775	$186,790,658	$55,182	32.2%	$452,483	$452,483
Hants, East	$415	8,288	$3,439,520	$661,935,673	$79,867	1.9%	$64,853	$64,853
Hants, West	$415	6,011	$2,494,565	$438,092,942	$72,882	10.5%	$261,089	$261,089
Inverness	$415	7,854	$3,259,410	$500,326,858	$63,703	21.7%	$708,654	$708,654
Kings	$415	19,639	$8,150,185	$1,975,650,685	$100,598	-23.6%	-$1,922,037	$0
Lunenburg	$415	13,130	$5,448,950	$1,054,586,119	$80,319	1.3%	$72,481	$72,481
Pictou	$415	10,787	$4,476,605	$819,905,903	$76,009	6.6%	$296,578	$296,578
Richmond	$415	5,005	$2,077,075	$530,711,306	$106,036	-30.3%	-$628,586	$0
Shelburne	$415	2,861	$1,187,315	$190,479,287	$66,578	18.2%	$216,217	$216,217
St. Mary's	$415	2,012	$834,980	$96,974,663	$48,198	40.8%	$340,586	$340,586
Victoria	$415	4,456	$1,849,240	$338,873,168	$76,049	6.6%	$121,604	$121,604
Yarmouth	$415	4,984	$2,068,360	$351,603,657	$70,546	13.3%	$275,821	$275,821
Class II	**$415**	**234,833**	**$97,455,695**	**$19,115,783,686**	**$81,402**	0.0%	**$0**	**$8,255,306**
Total all classes		**410,479**	**$289,499,331**	**$35,385,360,705**	**$86,205**		**$0**	**$27,896,869**

8a. Drivers of Nova Scotia's Municipal Equalization Entitlements

With this mathematical framework, it is now possible to examine the factors that influence equalization entitlements for any given Nova Scotia municipality. The key parameters that we will focus on in this formula are the standard expenditure per dwelling unit estimated for each class, the measure of relative ability to pay or the uniform assessed value per dwelling unit, and the number of dwelling units.

Core Expenditures: The main problem with the standard expenditure estimate utilized in the formula as currently implemented is that is accounts for only 40% of the expenditures normally undertaken by Nova Scotia municipalities. Consequently, it should not be surprising to find that the equalization system utilized in Nova Scotia, which equalizes up to a standard that consists of 40% of normal municipal expenditures, does not enable Nova Scotia's municipalities to provide reasonably comparable local expenditures at reasonably comparable tax rates. In other words, the equalization standard used in the Nova Scotia formula is too low to allow equalization-receiving municipalities to have the resources to ensure that their residents have access to comparable services at reasonable rates of taxation. That is, the core expenditures utilized in the Nova Scotia formula represent an incomplete share of annual costs incurred by municipalities in Nova Scotia.

Calculation of ability to pay: Uniform assessed value, the proxy for ability to pay, is not adjusted for the fact that a municipality's ability to raise revenue from commercial property is different than its ability to raise revenue from residential property. In fact, the actual taxing practice of municipalities in Nova Scotia has been to tax commercial property at approximately twice the rate imposed on residential property. Consequently, two municipalities with the same uniform assessed value may not have the same ability to fund local services, but would be treated as if they did under the Nova Scotia formula. For example, suppose two municipalities each have $100 million in assessed value. Municipality A's assessment base consists of $10 million in commercial assessment and $90 million in residential assessment and municipality B has an equal split between residential and commercial property in its assessment base. Municipality A should be able to raise about $1.7 million to fund local expenditures while municipality B could raise $2.3 million, assuming a residential rate of 1.5 per $100 of assessment and a commercial rate of 3.0 per $100 of assessment.[61] In other words, even though the Nova Scotia equalization formula would treat both municipalities as if they had the same ability to pay, municipality B actually has the ability to raise 35% more revenue at the same rates of taxation.

Not all revenue sources included: Not all revenue sources are included in the revenue categories. One has to be careful here to the extent that fees for services reflect the expenditures on the goods and services provided. This requires that the actual expenditures be reduced by these fees for services.

---

[61] The average residential rate in Nova Scotia in 2003/04 was 1.5 per $100 of assessment while the average commercial rate was 2.9 per $100 of assessment.

Strategic manipulation: Finally, when only a subset of the expenditures is included in the definition of expenditure to be used for equalization purposes, it opens up the possibility that accounting practices can be used strategically to manipulate the distribution of equalization entitlements. This point was raised previously in The Municipal Indicators Study Committee report: *The Equalization Grant Report and Recommendation January 23, 2000.*

8b. The Consequences of Moving to a Fully-Funded Program

A fully funded program would calculate entitlements based on all expenditures. As equation (3) above illustrates, municipality j's equalization entitlement is in the first instance determined by the estimate of the standard tax rate for the class. In turn, this hinges on what is included in the calculation of standard expenditures for each class of community.

Table 17 provides a simulation of equalization entitlements that would prevail under the current Nova Scotia formula (i.e., two classes of communities only)[62] to Nova Scotia municipal statistics data for fiscal year 2000-01. For this simulation, to fully fund the program would cost roughly $74.9 million, while entitlements using core expenditures only would have amounted to $27.9 million. This implies that the current or core-expenditures version of the formula produces a shortfall in equalization spending of $47 million or the current formula generate only 37% of the support needed to allow Nova Scotia municipalities to provide comparable levels of services at comparable levels of taxation. In fact, only $24.2 million was paid out in equalization grants in that year, bringing the funding shortfall to $50.7 million or 32% of what was needed.

[62] The detailed financial information from the Nova Scotia municipal statistics was not available to the authors for more recent years. As such, 2000/01 was used for the purpose of this simulation exercise. This detailed expenditure data was adjusted to be in line with the current equalization formula. This required recalculating equalization from this data set as if there were only two classes of communities: Class I communities consisting of regional municipalities, large towns and small towns and Class II communities consisting of rural communities.

Table 17: Simulation of Nova Scotia Municipal Equalization Grants Replacing Core Expenditures With All Expenditures Applied to 2000/01 and Reconfiguring Municipal Classes in Class I (Regions, Small Towns and Large Towns) and Class II (Rural Communities)

Municipal Units	Standard Expenditure Per Dwelling Unit	2000 Dwelling Units	Total Standard Expenditure	2000/01 Uniform Assessment	Standard Tax Rate	Standard Tax Rate Times Assessment	Equalization Entitlement Including Negatives	Equalization Entitlement Excluding Negatives
Cape Breton Regional	$2,734	27,584	$75,403,606	$1,598,556,137	2.9512%	$47,176,397	$28,227,209	$28,227,209
Cape Breton County	$1,297	18710	$24,268,098	$1,302,784,750	1.5934%	$20,758,771	$3,509,327	$3,509,327
CBRM[1]	$2,153	46,294	$99,671,704	$2,901,340,887	2.3415%	$67,935,167	$31,736,536	$31,736,536
Halifax Regional	$2,734	96,360	$263,409,639	$10,417,326,116	2.9512%	$307,434,877	-$44,025,237	$0
Halifax	$1,297	57964	$75,183,112	$5,688,795,640	1.5934%	$90,646,137	-$15,463,025	$0
HRM[1]	$2,194	154,324	$338,592,751	$16,106,121,756	2.4716%	$398,081,014	-$59,488,263	$0
Liverpool	$2,734	1,298	$3,548,212	$91,840,502	2.9512%	$2,710,386	$837,826	$837,826
Queens	$1,297	5270	$6,835,536	$512,709,446	1.5934%	$8,169,590	-$1,334,055	$0
Reg Queens[1]	$1,581	6,568	$10,383,748	$604,549,948	1.7997%	$10,879,976	$837,826	$837,826
Amherst	$2,734	4,273	$11,680,670	$311,018,976	2.9512%	$9,178,755	$2,501,916	$2,501,916
Annapolis Royal	$2,734	352	$962,227	$28,789,449	2.9512%	$849,631	$112,596	$112,596
Antigonish	$2,734	2,440	$6,669,983	$251,498,658	2.9512%	$7,422,198	-$752,216	$0
Berwick	$2,734	889	$2,430,170	$93,590,437	2.9512%	$2,762,030	-$331,860	$0
Bridgetown	$2,734	490	$1,339,464	$32,605,967	2.9512%	$962,263	$377,200	$377,200
Bridgewater	$2,734	3,453	$9,439,119	$394,877,334	2.9512%	$11,653,572	-$2,214,454	$0
Canso	$2,734	449	$1,227,386	$26,023,786	2.9512%	$768,011	$459,375	$459,375
Clark's Harbour	$2,734	412	$1,126,243	$30,548,407	2.9512%	$901,541	$224,702	$224,702
Digby	$2,734	1,103	$3,015,160	$75,616,308	2.9512%	$2,231,579	$783,581	$783,581
Hantsport	$2,734	545	$1,489,812	$59,620,186	2.9512%	$1,759,504	-$269,692	$0
Kentville	$2,734	2,532	$6,921,474	$277,978,083	2.9512%	$8,203,656	-$1,282,182	$0
Lockeport	$2,734	341	$932,157	$21,285,020	2.9512%	$628,161	$303,996	$303,996
Lunenburg	$2,734	1,201	$3,283,053	$116,031,510	2.9512%	$3,424,308	-$141,255	$0
Mahone Bay	$2,734	516	$1,410,537	$50,871,198	2.9512%	$1,501,305	-$90,767	$0
Middleton	$2,734	924	$2,525,846	$74,911,320	2.9512%	$2,210,774	$315,072	$315,072
Mulgrave	$2,734	381	$1,041,501	$22,816,113	2.9512%	$673,346	$368,155	$368,155
New Glasgow	$2,734	4,343	$11,872,022	$326,196,980	2.9512%	$9,626,686	$2,245,336	$2,245,336
Oxford	$2,734	584	$1,596,422	$49,314,494	2.9512%	$1,455,363	$141,059	$141,059
Parrsboro	$2,734	835	$2,282,556	$38,739,278	2.9512%	$1,143,269	$1,139,287	$1,139,287
Pictou	$2,734	1,641	$4,485,837	$94,500,576	2.9512%	$2,788,890	$1,696,947	$1,696,947
Port Hawkesbury	$2,734	1,509	$4,125,002	$134,246,453	2.9512%	$3,961,865	$163,136	$163,136
Shelburne	$2,734	984	$2,689,862	$66,226,993	2.9512%	$1,954,483	$735,379	$735,379
Springhill	$2,734	1,767	$4,830,270	$103,635,635	2.9512%	$3,058,482	$1,771,788	$1,771,788
Stellarton	$2,734	2,074	$5,669,485	$141,214,291	2.9512%	$4,167,499	$1,501,986	$1,501,986
Stewiacke	$2,734	557	$1,522,615	$40,308,976	2.9512%	$1,189,594	$333,021	$333,021
Trenton	$2,734	1,141	$3,119,037	$60,418,873	2.9512%	$1,783,075	$1,335,962	$1,335,962
Truro	$2,734	5,801	$15,857,610	$532,802,857	2.9512%	$15,724,014	$133,596	$133,596
Westville	$2,734	1,559	$4,261,681	$69,869,917	2.9512%	$2,061,993	$2,199,689	$2,199,689
Windsor	$2,734	1,673	$4,573,312	$129,706,721	2.9512%	$3,827,889	$745,423	$745,423

Wolfville	$2,734	2,243	$6,131,463	$199,220,579	2.9512%	$5,879,374	$252,090	$252,090
Yarmouth	$2,734	3,392	$9,272,369	$307,368,889	2.9512%	$9,071,034	$201,335	$201,335
Class I		**175,646**	**$480,145,802**	**$16,269,577,019**	**2.9512%**	**$480,145,802**	**$0**	**$49,107,663**
Annapolis	$1,297	9,528	$12,358,441	$613,276,440	1.5934%	$9,772,040	$2,586,401	$2,586,401
Antigonish	$1,297	6,050	$7,847,247	$441,342,967	1.5934%	$7,032,426	$814,821	$814,821
Argyle	$1,297	3,977	$5,158,430	$289,788,206	1.5934%	$4,617,529	$540,901	$540,901
Barrington	$1,297	3,515	$4,559,186	$245,678,248	1.5934%	$3,914,675	$644,511	$644,511
Chester	$1,297	6,246	$8,101,472	$573,197,489	1.5934%	$9,133,416	-$1,031,944	$0
Clare	$1,297	4,598	$5,963,908	$311,593,816	1.5934%	$4,964,983	$998,924	$998,924
Colchester	$1,297	15,938	$20,672,632	$1,180,092,703	1.5934%	$18,803,777	$1,868,855	$1,868,855
Cumberland	$1,297	10,247	$13,291,031	$588,199,532	1.5934%	$9,372,461	$3,918,570	$3,918,570
Digby	$1,297	4,378	$5,678,553	$222,393,530	1.5934%	$3,543,652	$2,134,901	$2,134,901
Guysborough	$1,297	3,385	$4,390,567	$186,790,658	1.5934%	$2,976,351	$1,414,216	$1,414,216
Hants, East	$1,297	8,288	$10,750,080	$661,935,673	1.5934%	$10,547,384	$202,696	$202,696
Hants, West	$1,297	6,011	$7,796,661	$438,092,942	1.5934%	$6,980,640	$816,022	$816,022
Inverness	$1,297	7,854	$10,187,153	$500,326,858	1.5934%	$7,972,284	$2,214,869	$2,214,869
Kings	$1,297	19,639	$25,473,072	$1,975,650,685	1.5934%	$31,480,319	-$6,007,247	$0
Lunenburg	$1,297	13,130	$17,030,472	$1,054,586,119	1.5934%	$16,803,936	$226,536	$226,536
Pictou	$1,297	10,787	$13,991,447	$819,905,903	1.5934%	$13,064,506	$926,941	$926,941
Richmond	$1,297	5,005	$6,491,813	$530,711,306	1.5934%	$8,456,435	-$1,964,621	$0
Shelburne	$1,297	2,861	$3,710,905	$190,479,287	1.5934%	$3,035,126	$675,779	$675,779
St. Mary's	$1,297	2,012	$2,609,696	$96,974,663	1.5934%	$1,545,209	$1,064,487	$1,064,487
Victoria	$1,297	4,456	$5,779,724	$338,873,168	1.5934%	$5,399,657	$380,068	$380,068
Yarmouth	$1,297	4,984	$6,464,575	$351,603,657	1.5934%	$5,602,506	$862,069	$862,069
Class II		**234,833**	**$304,593,811**	**$19,115,783,686**	**1.5934%**	**$304,593,811**	**$0**	**$25,800,893**
Total All Classes		**410,479**	**$784,739,613**	**$35,385,360,705**		**$784,739,613**	**$0**	**$74,908,556**

1. For the fiscal year 2000-01, the rural parts of the regional municipalities were grouped with the rural communities. This convention is maintained in this simulation. The regional totals are calculated as the sum of the rural and non-rural parts of the region. The two exceptions are: (1) that standard expenditure per dwelling unit is a weighted average of the estimates in the rural and non-rural parts of the region and weights used for this purpose are the share of dwelling units that rural and non-rural parts make up of the region and (2) the standard tax rate is a weighted average of the tax rates in the rural and non-rural parts of the region and the weights used are the regional shares of uniformed assessed value that comes from the rural and non-rural parts of the region.

Since the formula pertains to expenditures financed out of property taxes, it would seem appropriate to exclude expenditures financed from user fees. By the same token, it would seem appropriate to exclude expenditures financed in part or in whole by conditional grants/payments from other governments, the federal GST rebate, and the provincial HST offset. Table 18 calculates equalization entitlements based on adjusted total expenditures. With this adjustment, it would cost $62.1 million to fully fund the program. Therefore, using core expenditures rather than net expenditure or adjusted expenditure suggests a shortfall of $33.3 million or the current structure of the Nova Scotia program provides only 46% of the funds needed to enable comparable services and tax burdens across the municipal sector.

Table 18: Simulation of Nova Scotia Municipal Equalization Grants Replacing Core Expenditures With All Expenditures Net of Revenues Applied to 2000/01 and Reconfiguring Municipal Classes in Class I (Regions, Small Towns and Large Towns) and Class II (Rural Communities)

Municipal Units	Net Standard Expenditure Per Dwelling Unit	2000 Dwelling Units	Total Standard Expenditure	2000/01 Uniform Assessment	Standard Tax Rate	Standard Tax Rate Times Assessment	Equalization Entitlement Including Negatives	Equalization Entitlement Excluding Negatives
Cape Breton Regional	$2,191	27,584	$60,438,562	$1,598,556,137	2.3655%	$37,813,491	$22,625,071	$22,625,071
Cape Breton County	$1,097	18710	$20,519,120	$1,302,784,750	1.3473%	$17,551,920	$2,967,200	$2,967,200
CBRM	$1,749	46,294	$80,957,682	$2,901,340,887	1.9083%	$55,365,411	$25,592,271	$25,592,271
Halifax Regional	$2,191	96,360	$211,131,810	$10,417,326,116	2.3655%	$246,419,539	-$35,287,729	$0
Halifax	$1,097	57964	$63,568,693	$5,688,795,640	1.3473%	$76,642,963	-$13,074,270	$0
HRM	$1,780	154,324	$274,700,503	$16,106,121,756	2.0058%	$323,062,502	-$48,361,999	$0
Liverpool	$2,191	1,298	$2,844,013	$91,840,502	2.3655%	$2,172,467	$671,546	$671,546
Queens	$1,097	5270	$5,779,570	$512,709,446	1.3473%	$6,907,538	-$1,127,968	$0
Reg Queens	$1,313	6,568	$8,623,583	$604,549,948	1.5019%	$9,080,005	$671,546	$671,546
Amherst	$2,191	4,273	$9,362,456	$311,018,976	2.3655%	$7,357,085	$2,005,371	$2,005,371
Annapolis Royal	$2,191	352	$771,258	$28,789,449	2.3655%	$681,008	$90,250	$90,250
Antigonish	$2,191	2,440	$5,346,219	$251,498,658	2.3655%	$5,949,145	-$602,926	$0
Berwick	$2,191	889	$1,947,864	$93,590,437	2.3655%	$2,213,861	-$265,997	$0
Bridgetown	$2,191	490	$1,073,626	$32,605,967	2.3655%	$771,287	$302,339	$302,339
Bridgewater	$2,191	3,453	$7,565,776	$394,877,334	2.3655%	$9,340,736	-$1,774,960	$0
Canso	$2,191	449	$983,792	$26,023,786	2.3655%	$615,587	$368,205	$368,205
Clark's Harbour	$2,191	412	$902,722	$30,548,407	2.3655%	$722,616	$180,106	$180,106
Digby	$2,191	1,103	$2,416,754	$75,616,308	2.3655%	$1,788,687	$628,067	$628,067
Hantsport	$2,191	545	$1,194,135	$59,620,186	2.3655%	$1,410,302	-$216,167	$0
Kentville	$2,191	2,532	$5,547,797	$277,978,083	2.3655%	$6,575,510	-$1,027,713	$0
Lockeport	$2,191	341	$747,156	$21,285,020	2.3655%	$503,492	$243,664	$243,664
Lunenburg	$2,191	1,201	$2,631,479	$116,031,510	2.3655%	$2,744,700	-$113,221	$0
Mahone Bay	$2,191	516	$1,130,594	$50,871,198	2.3655%	$1,203,347	-$72,753	$0
Middleton	$2,191	924	$2,024,552	$74,911,320	2.3655%	$1,772,011	$252,541	$252,541
Mulgrave	$2,191	381	$834,799	$22,816,113	2.3655%	$539,710	$295,089	$295,089
New Glasgow	$2,191	4,343	$9,515,831	$326,196,980	2.3655%	$7,716,117	$1,799,714	$1,799,714
Oxford	$2,191	584	$1,279,587	$49,314,494	2.3655%	$1,166,523	$113,063	$113,063
Parrsboro	$2,191	835	$1,829,546	$38,739,278	2.3655%	$916,369	$913,177	$913,177
Pictou	$2,191	1,641	$3,595,551	$94,500,576	2.3655%	$2,235,390	$1,360,161	$1,360,161
Port Hawkesbury	$2,191	1,509	$3,306,329	$134,246,453	2.3655%	$3,175,570	$130,759	$130,759
Shelburne	$2,191	984	$2,156,016	$66,226,993	2.3655%	$1,566,585	$589,431	$589,431
Springhill	$2,191	1,767	$3,871,626	$103,635,635	2.3655%	$2,451,478	$1,420,148	$1,420,148
Stellarton	$2,191	2,074	$4,544,286	$141,214,291	2.3655%	$3,340,393	$1,203,893	$1,203,893
Stewiacke	$2,191	557	$1,220,428	$40,308,976	2.3655%	$953,500	$266,928	$266,928
Trenton	$2,191	1,141	$2,500,014	$60,418,873	2.3655%	$1,429,195	$1,070,819	$1,070,819
Truro	$2,191	5,801	$12,710,415	$532,802,857	2.3655%	$12,603,333	$107,082	$107,082
Westville	$2,191	1,559	$3,415,883	$69,869,917	2.3655%	$1,652,757	$1,763,126	$1,763,126
Windsor	$2,191	1,673	$3,665,665	$129,706,721	2.3655%	$3,068,184	$597,482	$597,482

Wolfville	$2,191	2,243	$4,914,577	$199,220,579	2.3655%	$4,712,519	$202,058	$202,058
Yarmouth	$2,191	3,392	$7,432,120	$307,368,889	2.3655%	$7,270,743	$161,377	$161,377
Class I		**175,646**	**$384,853,236**	**$16,269,577,019**	**2.3655%**	**$384,853,236**	**$0**	**$39,361,467**
Annapolis	$1,097	9,528	$10,449,288	$613,276,440	1.3473%	$8,262,438	$2,186,849	$2,186,849
Antigonish	$1,097	6,050	$6,634,991	$441,342,967	1.3473%	$5,946,045	$688,946	$688,946
Argyle	$1,097	3,977	$4,361,547	$289,788,206	1.3473%	$3,904,205	$457,341	$457,341
Barrington	$1,097	3,515	$3,854,875	$245,678,248	1.3473%	$3,309,929	$544,946	$544,946
Chester	$1,097	6,246	$6,849,942	$573,197,489	1.3473%	$7,722,470	-$872,528	$0
Clare	$1,097	4,598	$5,042,593	$311,593,816	1.3473%	$4,197,984	$844,609	$844,609
Colchester	$1,097	15,938	$17,479,088	$1,180,092,703	1.3473%	$15,898,937	$1,580,151	$1,580,151
Cumberland	$1,097	10,247	$11,237,810	$588,199,532	1.3473%	$7,924,587	$3,313,223	$3,313,223
Digby	$1,097	4,378	$4,801,320	$222,393,530	1.3473%	$2,996,223	$1,805,098	$1,805,098
Guysborough	$1,097	3,385	$3,712,305	$186,790,658	1.3473%	$2,516,559	$1,195,746	$1,195,746
Hants, East	$1,097	8,288	$9,089,389	$661,935,673	1.3473%	$8,918,006	$171,383	$171,383
Hants, West	$1,097	6,011	$6,592,220	$438,092,942	1.3473%	$5,902,258	$689,961	$689,961
Inverness	$1,097	7,854	$8,613,424	$500,326,858	1.3473%	$6,740,712	$1,872,712	$1,872,712
Kings	$1,097	19,639	$21,537,947	$1,975,650,685	1.3473%	$26,617,184	-$5,079,237	$0
Lunenburg	$1,097	13,130	$14,399,575	$1,054,586,119	1.3473%	$14,208,035	$191,540	$191,540
Pictou	$1,097	10,787	$11,830,024	$819,905,903	1.3473%	$11,046,278	$783,746	$783,746
Richmond	$1,097	5,005	$5,488,947	$530,711,306	1.3473%	$7,150,070	-$1,661,123	$0
Shelburne	$1,097	2,861	$3,137,638	$190,479,287	1.3473%	$2,566,254	$571,383	$571,383
St. Mary's	$1,097	2,012	$2,206,546	$96,974,663	1.3473%	$1,306,502	$900,043	$900,043
Victoria	$1,097	4,456	$4,886,862	$338,873,168	1.3473%	$4,565,508	$321,354	$321,354
Yarmouth	$1,097	4,984	$5,465,916	$351,603,657	1.3473%	$4,737,021	$728,895	$728,895
Class II		**234,833**	**$257,539,627**	**$19,115,783,686**	**1.3473%**	**$257,539,627**	**$0**	**$21,815,126**
Total All Classes		**410,479**	**$642,392,863**	**$35,385,360,705**		**$642,392,863**	**$0**	**$61,176,593**

Finally, if the Province were to assume full responsibility for funding education, correctional services and public housing, municipal expenditures would fall accordingly. This, in turn, would reduce the need for equalization payments. Table 19 illustrates the estimated reduction in equalization entitlements that would prevail if the provincial government assumed responsibility for funding these mandated expenditures. Total entitlements fall to $43 million. In this case, the funding shortfall associated with a program based on core expenditures is $15.1 million. Or, relative to what was actually paid out in equalization grants in 2000-01, the additional cost to the provincial treasury would be $18.8 million.

Table 19: Simulation of Nova Scotia Municipal Equalization Grants Replacing Core Expenditures With All Expenditures Net of Revenues and Mandated Fiscal Services Applied to 2000/01 and Reconfiguring Municipal Classes in Class I (Regions, Small Towns and Large Towns) and Class II (Rural Communities)

Municipal Units	Net Standard Expenditure Per Dwelling Unit	2000 Dwelling Units	Total Standard Expenditure	2000/01 Uniform Assessment	Standard Tax Rate	Standard Tax Rate Times Assessment	Equalization Entitlement Including Negatives	Equalization Entitlement Excluding Negatives
Cape Breton Regional	$1,597	27,584	$44,050,960	$1,598,556,137	1.7241%	$27,560,559	$16,490,400	$16,490,400
Cape Breton County	$721	18710	$13,482,307	$1,302,784,750	0.8852%	$11,532,677	$1,949,631	$1,949,631
CBRM	$1,243	46,294	$57,533,267	$2,901,340,887	1.3474%	$39,093,236	$18,440,031	$18,440,031
Halifax Regional	$1,597	96,360	$153,884,515	$10,417,326,116	1.7241%	$179,604,160	-$25,719,645	$0
Halifax	$721	57964	$41,768,490	$5,688,795,640	0.8852%	$50,359,080	-$8,590,589	$0
HRM	$1,268	154,324	$195,653,006	$16,106,121,756	1.4278%	$229,963,239	-$34,310,234	$0
Liverpool	$1,597	1,298	$2,072,874	$91,840,502	1.7241%	$1,583,414	$489,460	$489,460
Queens	$721	5270	$3,797,529	$512,709,446	0.8852%	$4,538,672	-$741,143	$0
Reg Queens	$894	6,568	$5,870,402	$604,549,948	1.0127%	$6,122,085	$489,460	$489,460
Amherst	$1,597	4,273	$6,823,874	$311,018,976	1.7241%	$5,362,250	$1,461,625	$1,461,625
Annapolis Royal	$1,597	352	$562,135	$28,789,449	1.7241%	$496,356	$65,779	$65,779
Antigonish	$1,597	2,440	$3,896,619	$251,498,658	1.7241%	$4,336,065	-$439,446	$0
Berwick	$1,597	889	$1,419,711	$93,590,437	1.7241%	$1,613,584	-$193,873	$0
Bridgetown	$1,597	490	$782,518	$32,605,967	1.7241%	$562,156	$220,361	$220,361
Bridgewater	$1,597	3,453	$5,514,355	$394,877,334	1.7241%	$6,808,044	-$1,293,689	$0
Canso	$1,597	449	$717,042	$26,023,786	1.7241%	$448,674	$268,368	$268,368
Clark's Harbour	$1,597	412	$657,954	$30,548,407	1.7241%	$526,682	$131,271	$131,271
Digby	$1,597	1,103	$1,761,463	$75,616,308	1.7241%	$1,303,694	$457,770	$457,770
Hantsport	$1,597	545	$870,351	$59,620,186	1.7241%	$1,027,906	-$157,555	$0
Kentville	$1,597	2,532	$4,043,541	$277,978,083	1.7241%	$4,792,595	-$749,054	$0
Lockeport	$1,597	341	$544,568	$21,285,020	1.7241%	$366,973	$177,595	$177,595
Lunenburg	$1,597	1,201	$1,917,967	$116,031,510	1.7241%	$2,000,489	-$82,522	$0
Mahone Bay	$1,597	516	$824,039	$50,871,198	1.7241%	$877,066	-$53,027	$0
Middleton	$1,597	924	$1,475,605	$74,911,320	1.7241%	$1,291,539	$184,066	$184,066
Mulgrave	$1,597	381	$608,447	$22,816,113	1.7241%	$393,371	$215,077	$215,077
New Glasgow	$1,597	4,343	$6,935,663	$326,196,980	1.7241%	$5,623,932	$1,311,731	$1,311,731
Oxford	$1,597	584	$932,633	$49,314,494	1.7241%	$850,227	$82,407	$82,407
Parrsboro	$1,597	835	$1,333,474	$38,739,278	1.7241%	$667,900	$665,574	$665,574
Pictou	$1,597	1,641	$2,620,636	$94,500,576	1.7241%	$1,629,276	$991,360	$991,360
Port Hawkesbury	$1,597	1,509	$2,409,835	$134,246,453	1.7241%	$2,314,531	$95,305	$95,305
Shelburne	$1,597	984	$1,571,423	$66,226,993	1.7241%	$1,141,813	$429,610	$429,610
Springhill	$1,597	1,767	$2,821,855	$103,635,635	1.7241%	$1,786,772	$1,035,082	$1,035,082
Stellarton	$1,597	2,074	$3,312,126	$141,214,291	1.7241%	$2,434,663	$877,464	$877,464
Stewiacke	$1,597	557	$889,515	$40,308,976	1.7241%	$694,963	$194,552	$194,552
Trenton	$1,597	1,141	$1,822,149	$60,418,873	1.7241%	$1,041,676	$780,472	$780,472
Truro	$1,597	5,801	$9,264,052	$532,802,857	1.7241%	$9,186,005	$78,047	$78,047
Westville	$1,597	1,559	$2,489,684	$69,869,917	1.7241%	$1,204,621	$1,285,063	$1,285,063

Windsor	$1,597	1,673	$2,671,739	$129,706,721	1.7241%	$2,236,262	$435,478	$435,478
Wolfville	$1,597	2,243	$3,582,015	$199,220,579	1.7241%	$3,434,744	$147,271	$147,271
Yarmouth	$1,597	3,392	$5,416,939	$307,368,889	1.7241%	$5,299,319	$117,621	$117,621
Class I		**175,646**	**$280,502,278**	**$16,269,577,019**	**1.7241%**	**$280,502,278**	**$0**	**$28,688,809**
Annapolis	$721	9,528	$6,865,816	$613,276,440	0.8852%	$5,428,924	$1,436,893	$1,436,893
Antigonish	$721	6,050	$4,359,592	$441,342,967	0.8852%	$3,906,912	$452,679	$452,679
Argyle	$721	3,977	$2,865,801	$289,788,206	0.8852%	$2,565,300	$300,501	$300,501
Barrington	$721	3,515	$2,532,887	$245,678,248	0.8852%	$2,174,824	$358,062	$358,062
Chester	$721	6,246	$4,500,828	$573,197,489	0.8852%	$5,074,132	-$573,304	$0
Clare	$721	4,598	$3,313,290	$311,593,816	0.8852%	$2,758,330	$554,959	$554,959
Colchester	$721	15,938	$11,484,822	$1,180,092,703	0.8852%	$10,446,567	$1,038,255	$1,038,255
Cumberland	$721	10,247	$7,383,923	$588,199,532	0.8852%	$5,206,935	$2,176,989	$2,176,989
Digby	$721	4,378	$3,154,759	$222,393,530	0.8852%	$1,968,700	$1,186,059	$1,186,059
Guysborough	$721	3,385	$2,439,210	$186,790,658	0.8852%	$1,653,532	$785,678	$785,678
Hants, East	$721	8,288	$5,972,280	$661,935,673	0.8852%	$5,859,671	$112,609	$112,609
Hants, West	$721	6,011	$4,331,488	$438,092,942	0.8852%	$3,878,142	$453,346	$453,346
Inverness	$721	7,854	$5,659,543	$500,326,858	0.8852%	$4,429,057	$1,230,486	$1,230,486
Kings	$721	19,639	$14,151,739	$1,975,650,685	0.8852%	$17,489,106	-$3,337,367	$0
Lunenburg	$721	13,130	$9,461,395	$1,054,586,119	0.8852%	$9,335,541	$125,853	$125,853
Pictou	$721	10,787	$7,773,044	$819,905,903	0.8852%	$7,258,075	$514,969	$514,969
Richmond	$721	5,005	$3,606,571	$530,711,306	0.8852%	$4,698,030	-$1,091,459	$0
Shelburne	$721	2,861	$2,061,618	$190,479,287	0.8852%	$1,686,185	$375,433	$375,433
St. Mary's	$721	2,012	$1,449,834	$96,974,663	0.8852%	$858,451	$591,383	$591,383
Victoria	$721	4,456	$3,210,965	$338,873,168	0.8852%	$2,999,816	$211,149	$211,149
Yarmouth	$721	4,984	$3,591,439	$351,603,657	0.8852%	$3,112,511	$478,928	$478,928
Class II		**234,833**	**$169,219,169**	**$19,115,783,686**	**0.8852%**	**$169,219,169**	**$0**	**$14,333,862**
Total All Classes		**410,479**	**$449,721,447**	**$35,385,360,705**		**$449,721,447**	**$0**	**$43,022,671**

The calculations of under-funding are of no consequence for municipalities with above average assessment per dwelling unit for their class. As is evident from equations (3) and (5) above, all such municipalities would have zero entitlements under the program. Table 20 shows relevant calculation based on 2004-05 data.

In addition, the calculations do not account for differences in types of assessment across municipalities. This omission, of course, can have significant implications for ability to pay. Table 21 provides various indicators of ability to pay by municipality. Of particular significance is the percent of taxes on business property relative to total taxes.

Table 20: Uniform Assessment Relative to Class Average

Community	2004 Dwelling Units	2004/05 Uniform Assessment	2004/05 Uniform Assessment per Dwelling Unit	Uniform Assessment per Dwelling Unit Relative to Average for Class
Cape Breton Regional	46,571	$2,939,288,597	$63,114	58.7%
Halifax Regional	164,716	$20,663,008,048	$125,446	116.7%
Region of Queens	6,644	$630,040,263	$94,828	88.2%
Amherst	4,370	$336,873,642	$77,088	71.7%
Annapolis Royal	349	$47,571,271	$136,307	126.8%
Antigonish	2,589	$285,905,600	$110,431	102.7%
Berwick	939	$104,095,650	$110,858	103.1%
Bridgetown	488	$34,885,123	$71,486	66.5%
Bridgewater	3,638	$437,755,395	$120,329	111.9%
Canso	442	$22,485,339	$50,872	47.3%
Clark's Harbour	413	$32,377,251	$78,395	72.9%
Digby	1,092	$78,155,766	$71,571	66.6%
Hantsport	554	$67,877,208	$122,522	114.0%
Kentville	2,607	$308,382,087	$118,290	110.0%
Lockeport	335	$23,875,683	$71,271	66.3%
Lunenburg	1,190	$144,450,698	$121,387	112.9%
Mahone Bay	517	$69,816,332	$135,041	125.6%
Middleton	970	$79,817,952	$82,287	76.5%
Mulgrave	383	$30,769,164	$80,337	74.7%
New Glasgow	4,411	$385,599,553	$87,418	81.3%
Oxford	579	$65,182,905	$112,578	104.7%
Parrsboro	829	$41,124,646	$49,608	46.1%
Pictou	1,652	$104,420,133	$63,208	58.8%
Port Hawkesbury	1,543	$157,397,023	$102,007	94.9%
Shelburne	966	$70,785,566	$73,277	68.2%
Springhill	1,758	$110,819,882	$63,037	58.6%
Stellarton	2,101	$166,886,837	$79,432	73.9%
Stewiacke	585	$43,923,136	$75,082	69.8%
Trenton	1,161	$83,851,136	$72,223	67.2%
Truro	5,827	$587,827,702	$100,880	93.8%
Westville	1,586	$77,503,849	$48,867	45.5%
Windsor	1,707	$148,565,058	$87,033	81.0%

Community	2004 Dwelling Units	2004/05 Uniform Assessment	2004/05 Uniform Assessment per Dwelling Unit	Uniform Assessment per Dwelling Unit Relative to Average for Class
Wolfville	2,327	$238,438,224	$102,466	95.3%
Yarmouth	3,415	$327,228,659	$95,821	89.1%
Class I	**269,254**	**$28,946,985,378**	**$107,508**	**100%**
Annapolis	9,663	$671,935,188	$69,537	79.2%
Antigonish	6,421	$534,532,822	$83,248	94.8%
Argyle	4,066	$331,981,411	$81,648	93.0%
Barrington	3,573	$295,656,456	$82,747	94.2%
Chester	6,469	$704,839,217	$108,956	124.1%
Clare	4,773	$363,833,047	$76,227	86.8%
Colchester	16,493	$1,421,858,611	$86,210	98.2%
Cumberland	10,396	$753,244,465	$72,455	82.5%
Digby	4,404	$259,844,739	$59,002	67.2%
Guysborough	3,401	$282,986,326	$83,207	94.8%
Hants East	8,726	$769,142,802	$88,144	100.4%
Hants West	6,209	$512,734,603	$82,579	94.1%
Inverness	8,073	$568,774,359	$70,454	80.2%
Kings	20,314	$2,182,216,170	$107,424	122.3%
Lunenberg	13,578	$1,278,114,788	$94,131	107.2%
Pictou	11,011	$994,965,263	$90,361	102.9%
Richmond	5,112	$739,151,645	$144,591	164.7%
Shelburne	2,900	$215,935,569	$74,461	84.8%
St. Mary’s	2,006	$146,270,217	$72,916	83.0%
Victoria	4,625	$381,482,395	$82,483	93.9%
Yarmouth	5,112	$404,093,388	$79,048	90.0%
Class II	**157,325**	**$13,813,593,481**	**$87,803**	**100.0%**

Table 21: Indicators of Ability to Pay for Nova Scotia Municipalities 2000/01

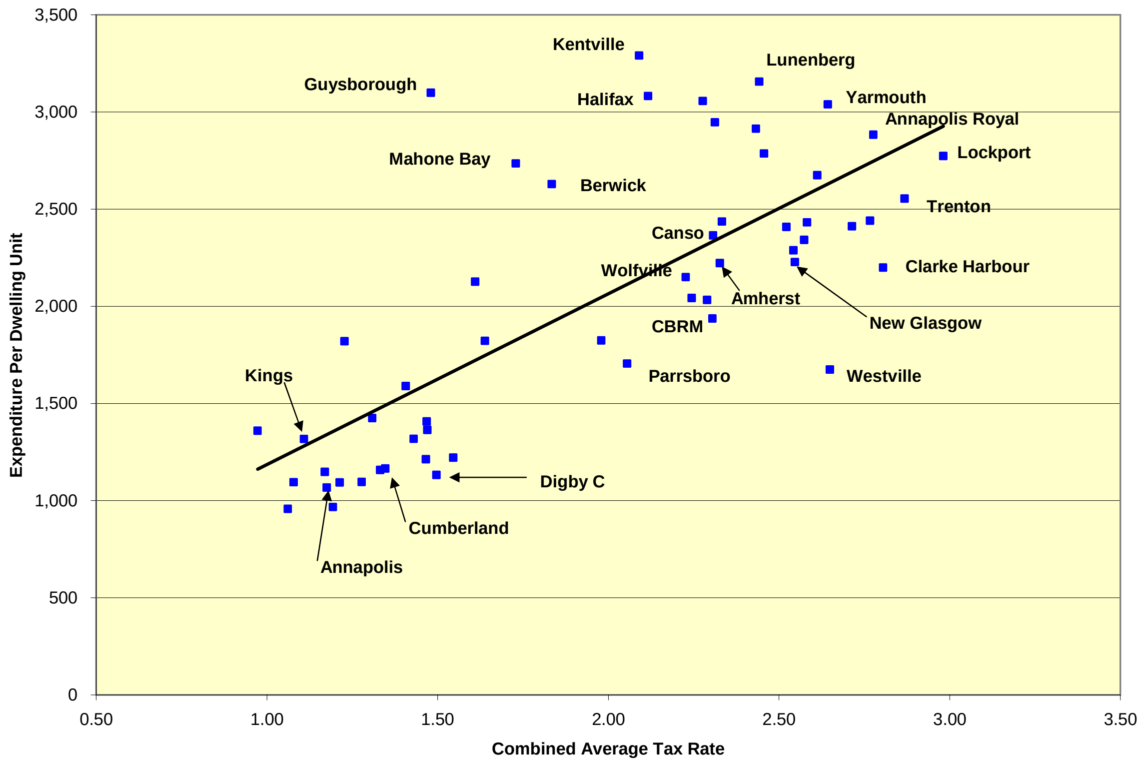
Community	Residential Taxable Assessment per Dwelling	Resource Taxable Assessment per Dwelling	Commercial Taxable Assessment per Dwelling	Commercial Equipment Taxable Assessment per Dwelling	Business Occupancy Taxable Assessment per Dwelling	Total Taxable Assessment per Dwelling	Commercial Assessment as a Percent of Total Assessment	Taxes on Business Property as a Percent of Total Taxes
Cape Breton Regional Municipality	$46,867	$701	$8,243	$49	$2,951	$58,811	19.1%	11.7%
Halifax Regional Municipality	$79,733	$920	$17,163	$258	$7,191	$105,265	23.4%	13.0%
Region of Queens	$50,573	$5,632	$14,525	$4,447	$6,070	$81,247	30.8%	9.1%
Regions	**$71,465**	**$1,020**	**$15,086**	**$344**	**$6,208**	**$94,124**	**23.0%**	**12.8%**
Town of Amherst	$47,110	$172	$16,461	$171	$7,024	$70,938	33.3%	17.8%
Town of Annapolis Royal	$51,689	$659	$20,170	$3	$6,483	$79,004	33.7%	13.5%
Town of Antigonish	$65,883	$43	$22,941	$32	$8,961	$97,860	32.6%	16.0%
Town of Berwick	$67,696	$1,262	$30,297	$412	$11,860	$111,527	38.2%	16.6%
Town of Bridgetown	$50,777	$333	$11,064	$6	$3,802	$65,982	22.5%	11.9%
Town of Bridgewater	$62,247	$335	$33,120	$3,895	$13,893	$113,490	44.9%	17.5%
Town of Canso	$36,143	$510	$13,287	$258	$3,970	$54,168	32.3%	13.4%
Town of Clark's Harbour	$43,879	$942	$16,348	$2,600	$7,817	$71,586	37.4%	16.7%
Town of Digby	$40,393	$358	$16,260	$59	$5,906	$62,977	35.3%	16.0%
Town of Hantsport	$59,071	$267	$29,572	$5,976	$13,355	$108,242	45.2%	18.5%
Town of Kentville	$71,360	$1,034	$25,668	$526	$10,034	$108,622	33.4%	10.7%
Town of Lockeport	$39,159	$1,055	$15,107	$387	$4,512	$60,220	33.2%	13.4%
Town of Lunenburg	$71,347	$159	$20,903	$71	$6,512	$98,992	27.8%	11.4%
Town of Mahone Bay	$76,038	$1,238	$18,234	$234	$6,549	$102,294	24.5%	10.0%
Town of Middleton	$55,027	$208	$17,418	$88	$6,866	$79,607	30.6%	13.0%
Town of Mulgrave	$42,944	$1,348	$15,545	$252	$4,517	$64,605	31.4%	14.1%
Town of New Glasgow	$50,287	$396	$18,407	$74	$6,916	$76,080	33.4%	15.1%
Town of Oxford	$46,526	$2,620	$21,954	$339	$9,862	$81,301	39.6%	10.7%
Town of Parrsboro	$38,054	$468	$5,246	$0	$1,625	$45,393	15.1%	9.6%
Town of Pictou	$44,385	$545	$7,793	$39	$2,505	$55,267	18.7%	11.0%
Town of Port Hawkesbury	$53,336	$717	$23,007	$0	$9,873	$86,932	37.8%	17.2%
Town of Shelburne	$42,784	$1,018	$15,338	$272	$5,577	$64,989	32.6%	12.4%
Town of Springhill	$38,371	$73	$5,248	$255	$1,845	$45,792	16.0%	11.1%
Town of Stellarton	$48,405	$214	$12,234	$128	$7,502	$68,483	29.0%	17.7%
Town of Stewiacke	$55,506	$1,469	$10,735	$15	$3,317	$71,042	19.8%	8.3%
Town of Trenton	$44,630	$504	$9,123	$259	$3,534	$58,049	22.2%	14.6%
Town of Truro	$52,779	$118	$28,244	$842	$10,449	$92,432	42.8%	17.4%
Town of Westville	$38,969	$659	$3,613	$130	$1,083	$44,455	10.9%	6.3%
Town of Windsor	$53,836	$451	$15,059	$119	$6,727	$76,191	28.7%	14.7%
Town of Wolfville	$69,703	$293	$9,738	$0	$3,330	$83,065	15.7%	7.9%
Town of Yarmouth	$47,541	$114	$28,413	$139	$10,524	$86,731	45.1%	16.2%
Towns	**$53,068**	**$422**	**$19,388**	**$568**	**$7,591**	**$81,037**	**34.0%**	**14.8%**
Municipality of Annapolis	$51,834	$3,385	$5,429	$124	$1,333	$62,106	11.1%	7.4%
Municipality of Antigonish	$59,288	$5,795	$6,014	$17	$1,902	$73,016	10.9%	5.7%
Municipality of Argyle	$56,606	$5,972	$6,559	$334	$2,279	$71,751	12.8%	7.8%
Municipality of Barrington	$52,672	$3,471	$10,405	$214	$4,824	$71,585	21.6%	11.7%
Municipality of Chester	$80,314	$3,017	$6,949	$215	$2,186	$92,680	10.1%	7.2%
Municipality of Clare	$48,910	$6,614	$7,256	$212	$2,918	$65,909	15.8%	10.3%
Municipality of Colchester	$57,795	$2,513	$10,996	$202	$5,342	$76,848	21.5%	11.8%
Municipality of Cumberland	$45,682	$2,616	$11,784	$257	$5,034	$65,374	26.1%	15.1%
Municipality of Digby	$38,753	$2,659	$6,067	$36	$2,128	$49,644	16.6%	8.4%
Municipality of Guysborough	$34,265	$5,345	$92,616	$157	$45,376	$177,759	77.7%	27.7%
Municipality of Hants East	$66,323	$4,995	$5,599	$213	$2,327	$79,456	10.2%	6.8%
Municipality of Hants West	$61,621	$4,701	$4,962	$118	$1,660	$73,063	9.2%	6.8%
Municipality of Inverness	$44,541	$8,027	$6,553	$45	$1,803	$60,969	13.8%	7.3%

Community	Residential Taxable Assessment per Dwelling	Resource Taxable Assessment per Dwelling	Commercial Taxable Assessment per Dwelling	Commercial Equipment Taxable Assessment per Dwelling	Business Occupancy Taxable Assessment per Dwelling	Total Taxable Assessment per Dwelling	Commercial Assessment as a Percent of Total Assessment	Taxes on Business Property as a Percent of Total Taxes
Municipality of Kings	$71,284	$4,792	$12,803	$1,228	$5,259	$95,366	20.2%	11.8%
Municipality of Lunenburg	$70,022	$4,529	$4,837	$144	$1,594	$81,126	8.1%	5.9%
Municipality of Pictou	$48,963	$3,568	$20,099	$3,483	$9,557	$85,670	38.7%	15.5%
Municipality of Richmond	$43,550	$8,282	$50,205	$5,318	$23,689	$131,043	60.4%	26.5%
Municipality of Shelburne	$48,526	$8,052	$5,356	$110	$1,558	$63,603	11.0%	5.7%
Municipality of St. Mary's	$32,851	$4,548	$25,134	$53	$11,938	$74,524	49.8%	19.9%
Municipality of Victoria	$48,033	$10,125	$9,476	$235	$2,228	$70,097	17.0%	7.4%
Municipality of Yarmouth	$58,838	$5,158	$4,889	$154	$1,464	$70,503	9.2%	6.5%
Municipalities	**$56,981**	**$4,698**	**$12,472**	**$703**	**$5,311**	**$80,165**	**23.1%**	**11.7%**
Total	**$63,812**	**$2,317**	**$14,641**	**$505**	**$6,043**	**$87,318**	**24.3%**	**12.8%**

1. Includes any surplus or deficit and extraordinary expenditure items.
Source: Annual Report of Municipal Statistics, for fiscal year ended March 31, 2001, Government of Nova Scotia

Finally, Figure 1 provides a useful perspective on municipal finance in Nova Scotia, inclusive of equalization. Again, the calculations are based on 2000-01 data. The trend line illustrates, on average, the level of expenditures per dwelling unit corresponding to a given tax rate. The tax rate is a weighted average of residential and commercial rates. That is, the trend line can be interpreted as representing reasonably comparable services at reasonably comparable tax rates. To the extent that a municipality which receives equalization is below the trend line, it can be interpreted as being unable (perhaps unwilling) to provide reasonably comparable services at a given level of taxation. Part of the explanation here is due to under-funding of equalization.

Figure I: Municipal Finance, Inclusive of Equalization



8c. Municipal Indicators – Their Implication for Equalization Entitlements

The Nova Scotia Government has been collecting and publishing on their website municipal indicators since 2001. Currently, the provincial government has made available indicators for fiscal years 2000, 2001 and 2002. For the most recent fiscal year there are 41 different indicators that cover 16 distinct categories, ranging from revenue indicators to various types of performance indicators. The complete list of indicators and the provincial government's description of each is attached as Appendix 4.

While the available of municipal indicators are interesting in their own right, they are particularly germane to the current study because of the Government of Nova Scotia's stated plans for these indicators in the context of municipal equalization entitlements.

Specifically, at the November 27, 2002 meeting of the Nova Scotia Standing Committee on Public Accounts, Mr. David Darrow, the then Executive Director of Municipal Services, Government of Nova Scotia, indicated that the system of municipal indicators being collected by the provincial government could be used at the discretion of the government to question the level of provincial funds flowing from the provincial government to the municipal governments. The relevant excerpts from that meeting are:

> *MR. BARNET: … Does the department have in place some form of performance criteria to ensure that funds that are received through equalization are best utilized or are utilized to the best ability of municipal units? …*
>
> *MR. DARROW: We have in place a system that we refer to as municipal indicators … The ones that may be most relevant in respect of how a municipality is doing relative to other municipalities and are they worthy, if you will, of the equalization allocation that they receive annually …To this point in time we have not set hard and fast benchmarks of performance that municipalities must meet in order to get their equalization allocation. We wanted to put the system in place. It's been in place now for less than a year. We want it put it in place, collect some information over a period of two or three years and then we would look at the issue of benchmarks and what process we might put in place to ensure that municipalities are at least meeting those benchmarks or at least are able to explain why they're not meeting those benchmarks, or have credible reasons why they're not meeting those benchmarks. The short answer - I've given you a long answer - is that we have a system in place. We don't have hard and fast benchmarks to this point in time. We will have to collect information for two or three years in order to put us in the position to do that.*

Given that the provincial government is considering utilizing the municipal indicators statistics to potentially modify the grants to Nova Scotia municipalities that they might otherwise qualify under the equalization program, it is important to analyze the municipal indicators that are currently being collected to determine whether these are best suited for this purpose in the future.

It is not at all clear why the Government of Nova Scotia feels that it may be appropriate to utilize these indicators as a way of modifying the equalization entitlements that various communities qualify under the municipal equalization program. Moreover, it is neither clear why these specific indicators could be used in this fashion nor is it obvious what weighting scheme one would attach to the specific indicators listed. Presumably, the provincial officials have some kind of adjustment for need in mind when they suggest that the indicators might be utilized to adjust equalization entitlements.

However, before any needs-based adjustments or performance-based adjustments are contemplated for the current equalization program, a more formal and rigorous analysis is required. This will necessitate that a detailed econometric analysis and modeling exercise be undertaken to ensure that needs and cost drivers are appropriately identified and to allow a separation of discretionary from non-discretionary expenditures undertaken at the municipal level. An ad hoc application of an incomplete list of municipal indicators would be an inappropriate way of adjusting equalization entitlements determined under the Nova Scotia formula.

9. Conclusion and Recommendations

Municipal governance in Nova Scotia has moved in the right direction. However, it still has a way to go. This report highlights the kinds of changes that are required to enable the local government sector within Nova Scotia to optimize its contribution to the Province. As highlighted in this report, future reforms to intergovernmental fiscal relations between the provincial government and the local governments need to be based on accepted principles. Should this approach be adopted, then the needed additional reforms are more likely to be forthcoming and accepted by all parties involved. With this in mind, this report makes three specific recommendations to facilitate this process.

Our recommendations are framed within three guiding principles: (1) That each level of government should fund expenditures in its respective jurisdictions from its own revenues; (2) the Province should ensure that municipalities have access to sufficient revenues to finance their spending responsibilities; and (3) that Nova Scotia's municipal equalization program should be fully funded and paid for out of the Province's general revenues.

There remain significant unresolved issues from the initial service exchange and the subsequent roles and responsibilities review. In particular, the issue of school board funding remains unresolved. The Graham Commission had recommended that it be taken over entirely by the Province. The initial service exchange had the transfer of full responsibility for education funding to the Province tied to municipalities taking over full responsibility for funding roads. At the present time, this mandated levy poses serious problems for municipal budgeting. In particular, it encroaches on municipalities' ability to raise revenues from property taxation to finance municipal services. Also, changes in the rate made outside the municipal budget process can distort municipal budget priorities and can be used as an instrument to claw-back benefits to municipal governments arising from such initiatives as the GST rebate. In addition, corrections services and public housing should be entirely funded by the Province. The simple principle here is that the Province's spending responsibilities should be funded out of the Province's revenues.

In addition, it is a clear responsibility of the Province (and the federal government) to ensure that municipalities have the financial ability to provide essential municipal services of reasonable quality. In particular, this responsibility includes the financing of an appropriately designed municipal equalization program.

Where this involves municipalities conforming to provincially mandated standards, the Province has an obligation to ensure that appropriate funding arrangements are in place. The issue of mandated standards, especially with regard to environmental services, poses problems for municipalities in terms of ability to pay in conforming to such standards.

Finally, since what is not financed out of user fees and other levies must be financed out of property taxes, municipalities should be encouraged to exploit user fees to pay for relevant services.

At the core of fair and equitable funding for Nova Scotia's municipalities is the equalization program. It is this which provides the mechanism though which municipalities across the province have the fiscal capacity to provide reasonably comparable levels of municipal services for a reasonably comparable tax burden. Yet the functioning of this program has been compromised by chronic under-funding. This under-funding has arisen both because of the limited categories of expenditure included in the calculation of standard expenditure for each class of municipality and because the size of the grant pool is habitually less than the total entitlements generated by the formula. Moreover, the provision of top-up grants and foundation grants as well as the practice of pro-rating equalization entitlements according to shares in total entitlements has distorted outcomes from the program. Specifically, if the objective of the program is recognized to be equalization of standard revenues per dwelling unit up to the class average, then this is the outcome that should be reflected in municipal revenues.

Recommendation 1: Each level of government, provincial and municipal, should be responsible for funding its respective areas of jurisdiction out of its own revenue sources.

- Funding of Nova Scotia's school boards should be entirely a provincial responsibility, funded out of provincial general revenues.
- The Province should assume full responsibility for funding provincial services, including corrections services and public housing.
- Appropriate cost-sharing arrangements should be reinstated for arterial and collector roads owned by municipalities in which the Province has an interest.
- Rural municipalities should assume ownership of all roads in designated urban areas—areas that have similar density and service characteristics as urban municipalities—with appropriate cost-sharing arrangements for the arterial and collector roads located within these areas.

Recommendation 2: Consistent with the principle of subsidiarity and the constitutional commitment to the principle of equalization, the Province should ensure that municipalities have access to the broad property tax powers and revenues sufficient to enable them to carry out their mandated responsibilities.

- All forms of property tax and levies should remain exclusively a municipal levy; that is, the Province should not encroach on or restrict the use of this tax base and should devolve all such powers to the municipalities.
- Setting tax rates for all municipal properties should be exclusively a municipal function, including farm, forest and recreation properties.
- Payments/grants in lieu of property taxes should be equal to the full taxes that would be paid if the property were not exempt from taxation.
- NSPI and Aliant and all commercial properties should be subject to property taxation within each municipality on an equal footing with other non-residential properties.
- The HST Offset program should be eliminated in favour of a 100% rebate of the provincial component of the HST, as with the federal component of the HST.

- Property tax revenues should be equalized up to the class average per dwelling unit.
- The Province should enter into appropriate cost-sharing arrangements with municipalities to facilitate the transition to mandated standards.
- Nova Scotia's municipalities should continue to utilize the efficiency properties of paying for relevant local services through the imposition of user charges.

Recommendation 3: Municipal equalization should adhere to the principle that municipalities across the province have the fiscal capacity to provide reasonably comparable levels of municipal services for a reasonably comparable tax burden. Nova Scotia's municipal equalization program should be fully funded[63] and paid for out of general revenues of the Province.[64]

- The municipal equalization program should be re-specified as calculating per dwelling unit entitlements according to the difference between class average standardized revenues per dwelling unit and actual standardized revenues per dwelling unit by municipality.[65]
- The standard tax rate should be re-specified as class total revenues from property taxation (inclusive of payments in lieu and equalization payments) divided by class total uniform assessment.[66]
- All top-up and foundation grants should be eliminated
- Nova Scotia's municipal equalization program should continue to be based on a system of two classes of municipalities, reflecting the different responsibilities of urban and rural municipalities.

---

[63] Fully funded means that amount which is the sum of positive equalization entitlements as determined by the formula.

[64] This would imply that revenues from the NSPI levy presently used to fund enrichments to the equalization program would revert to the municipalities on the basis of assessment location as grants in lieu of taxes.

[65] We repeat that this does not change the nature of the program, it simply restates the formula in a way that is more transparent.

[66] The standard tax rate therefore reflects those municipal expenditures that are financed out of the property tax base. (At present, it reflects only expenditures on protective services and basic transportation financed out of the property tax base.)

Appendix 1
Types of Unconditional Grant Programs by Province[67]

There is a vast diversity and range of provincial-municipal grant programs across provinces. Some are very simple while others are more complicated. Some provinces provide per capita grants while others allocate grants to municipalities with inadequate or insufficient fiscal capacity. Still others take into consideration both expenditure needs and the municipality's ability to raise its own revenues. Some provinces pool municipalities into different groups – arranged by population, functions or services provided, rural versus urban and so on. Finally, some provinces have more than one unconditional grant program.

Before we lay out details by province, we would make the strong assertion that the equalization grant schemes in New Brunswick and Nova Scotia are the most sophisticated and appropriate. Each of them includes a measure of expenditure need and fiscal capacity. As well, each of these provinces groups municipalities according to their size, spending responsibilities and location. As well, each of these grants can handle a weighting factor to capture higher costs incurred in some municipalities; costs that are beyond the municipality's capacity to control.

i. Newfoundland and Labrador:

There are four components to the operating grants program for municipalities.

1. Equalization – this is tied to the municipal assessment base relative to the provincial average. If a municipality's assessment base is less than the provincial average, a grant is given to bring revenue up to some percentage of the provincial average.
2. Local revenue need – based on revenue per household. If a municipality's revenue per household is below the threshold, the municipality gets a percentage of the difference.
3. Household grant – a fixed amount per household.
4. Road subsidy – a fixed amount per kilometre.

ii. Prince Edward Island:

The province has an equalization scheme—the Municipal Support Grant Program.[68] It is based on per capita assessment. Each municipality with an assessment base per capita that is below the average receives grant funding to bring it up to the average. Rural municipalities also receive additional grants that are determined on the basis of a fixed dollar per kilometer of roads and fixed dollar per capita for police, although the money is not tied to specific expenditures. Urban municipalities do not receive the grant for roads

---

[67] Parts of this section draw on and update material contained in Harry Kitchen and Paul Hobson, "Municipal Unconditional Grant and Governance Models: A Review and Evaluation" prepared for Ontario Ministry of Finance, August 2000.

[68] Details can be found at http://www.gov.pe.ca/infopei/index.php3?number=61400

or for police. Instead, the Province rebates to each urban municipality a portion of the provincial property tax – this rebate is not available to the rural municipalities.

iii. New Brunswick

The unconditional grant formula is based on the following features:[69]

- *Categories of municipalities* – municipalities are divided into six groups configured to reflect their characteristics, expenditure pressures and service requirements. For example, group A includes three metropolitan centres (Moncton, Saint John and Fredericton). These municipalities have a full range of municipal services and have a strong non-residential and residential tax base. Group B includes the remaining urban centres (six smaller cities and towns ranging in population from 5,000 to 20,000) with per capita spending patterns and service responsibilities that are similar to that in group A and with both a relatively strong non-residential and residential tax base. Group C includes large towns (population from 5,000 to 10,000) that are not located close to urban centres identified in groups A and B. Here, the level of service provided is lower that group A and B municipalities. As well, the tax base is characterized by a much stronger residential than commercial base although both exist. Group D includes suburban communities. These are located near a metropolitan or urban centre (ranging in population from 700 to 10,000) and often serve as a residential district or suburb to the larger neighboring community. Because residents of these communities benefit from services provided by the larger urban neighbors, their per capita expenditures tend to be lower and their tax base is primarily residential. Group E represents growing communities that can offer a full range of services to residents but have a small population base (600 to 3,500). They also tend to spread out over a large geographic area. Group F covers the smallest communities (population from 225 to 1,900), but this group includes the largest number of municipalities. For the most part, they offer a limited number of services to their residents and they are spread over large geographic areas. They have a very small commercial tax base and many of their services are contracted out or provided by another order of government. Finally, they are often removed from any larger community and surrounded by a large unincorporated area.
- *Expenditure need* – the grant formula uses average expenditure for each group of municipalities to reflect expenditure need.
- *Fiscal capacity equalization* – the formula uses the tax base of individual municipalities with an average tax rate for the group to determine the amount of funds required to achieve the standard level of expenditures.
- *Density measure* – a weighting factor is incorporated into the formula to account for specific characteristics of a municipality in terms of its density as measured by population per kilometers of road.
- *Tax rate threshold* – to ensure that the unconditional grant does not provide funding to an individual municipality that may establish its tax rate at an unreasonably low rate, a threshold (or average) tax rate is incorporated into the formula.

---

[69] See Municipal Assistance Act, Chapter M-19, New Brunswick Acts and Regulations, available at http://www.gnb.ca/acts/acts/m-19.htm.

In summary, the unconditional grant formula is designed to enable each municipality (regardless of the size of its tax base) to provide an average level of service (when compared with other municipalities within each group) without levying a tax rate that is higher than the average for the group. Where a municipality spends more than the average for standard expenditures, its grant funding is based on the average. Conversely, if a municipality's expenditure is below the average, it is awarded a grant based on the average. Inclusion of the actual tax base of the municipality in the calculation provides equalization on fiscal capacity. The density measure ensures that those municipalities with a large geographic area and dispersed properties are provided additional funding to reflect greater expenditure pressures arising from this density. This factor is particularly significant in some of the smaller villages with very large geographic areas.

iv. Quebec

About two-thirds of the unconditional grants in Quebec are used for equalization purposes. The equalization grant for a municipality is determined by a formula that provides funds to municipalities whose tax base is lower than a standard tax base as determined by the Province. Within this grant formula, municipalities are grouped by population into four categories with a different standard tax base for each category. Finally, a weighting factor is applied to the grant formula with the weight varying by the poverty level of the regional municipality (the higher the poverty level, the larger the weight).

There is no expenditure component in the equalization formula and no standard tax rate is applied.

v. Manitoba:

There are two unconditional grant programs to municipalities in Manitoba, both in the form of revenue-sharing arrangements. Winnipeg is treated differently than the rest of Manitoba under each of these grants.[70]

Provincial-Municipal tax sharing:

The total amount of money is determined by Manitoba Finance (in this sum is the revenue from two percentage points of provincial personal income tax revenue and one percentage point of corporate income tax revenue—a revenue sharing arrangement). The amount of this total that goes to Winnipeg is determined by taking the population of Winnipeg as a percent of the total population in the Province. If, for example, Winnipeg's population is 27% of the provincial population, Winnipeg gets 27% of this sum. The residual is distributed to the remaining municipalities in Manitoba on a per capita basis.

[70] Details may be found at http://www.gov.mb.ca/ia/programs/grants_payments_city.html and http://www.gov.mb.ca/ia/programs/grants_payments_rural.html.

In addition, the Province provides Winnipeg with an unconditional operating grant (General Support Grant) to assist in meeting the City's general financial obligations, by providing an approximate offset to the Provincial Health and Post-Secondary Education Levy (payroll tax). The calculation is based on a percentage of the City's eligible payroll costs in the previous year. The Province provides municipalities outside Winnipeg that have payrolls exceeding $1,000,000 with an unconditional Municipal Support Grant, to assist in meeting general financial obligations.

Video Lottery Terminal (VLT) revenue:

Winnipeg gets 10% of net VLT revenue generated within Winnipeg ((Urban Community Development Grant). Municipalities in the rest of the province get 10% of net VLT revenue generated in the remainder of the province (Rural Community Development Grant). This sum of money for the remainder of the province is distributed in two parts – first, a fixed sum of $5,000 per municipality and second, a per capita grant for the remainder. An additional 25% of VLT revenues generated in Winnipeg are used to further economic development in Winnipeg through the Urban Economic Development Initiatives (UEDI) Fund. Approximately $1.0 million is available from the Rural Economic Development Initiative (REDI), for unconditional distribution to address the needs of smaller communities.

There are conditional grants for municipalities, but there are no incentive based grants that are conditional on amalgamation or that are provided to secure cost savings at the local level.

vi. Saskatchewan:

Three categories of grant are available: grants to urban municipalities; grants to rural municipalities; and grants to organized hamlets.[71]

Grants to Urban Municipalities

There are three components: A basic grant – a fixed amount for each community; a per capita grant – a fixed amount per capita; and a foundation grant – this is an equalization grant.

The foundation grant is calculated by comparing recognized revenues and recognized expenditures in each municipality. These data are adjusted to provide standardized figures for municipalities of similar size. Recognized revenues include taxes, grants in lieu of taxes, licences and fees, electrical surcharges, utility surplus (or deficit) and other own source revenues. Recognized expenditures include the cost of providing policing,

[71] See The Municipal Revenue Sharing Act, Chapter M-32.1, Revised Statutes of Saskatchewan, 1978, available at http://www.qp.gov.sk.ca/documents/English/Statutes/Statutes/M32-1.pdf. The associated regulations are available at http://www.qp.gov.sk.ca/documents/english/Regulations/Regulations/M32-1r12.pdf.

transportation, environmental health, public health and welfare, environmental development and culture and recreation.

If recognized expenditures exceed recognized revenues, a foundation grant component is paid. The size of the grant depends on the shortfall and is a percentage of the shortfall. If recognized revenues exceed recognized expenditures, no foundation grant component is paid.

Grants to Rural Municipalities

The unconditional grant has 2 components: A transportation component and a services component. The transportation component is directed at rural roads. A road classification system is used and adjustments are made based on the taxable assessment per kilometer and the relative cost of road construction in each rural municipality—that is, there is an adjustment based on expenditure need relative to fiscal capacity among rural municipalities. Conditional grants are also available for heavy haul-high volume road construction, bridge construction and maintenance, signs, and traffic counting.

The services component is based on a three-year rolling average of the actual net expenditures (gross expenditure less associated revenues) of each rural municipality for protective services, environmental health services, environmental development services, recreational and cultural services and public health and welfare services. An adjustment is made based on the taxable assessment per capita, to equalize the fiscal capacity of each rural municipality to provide such services.

Grants to Organized Hamlet s

This grant comprises a basic grant and a per capita grant like those paid to urban municipalities. If an organized hamlet is located within a rural municipality, such payments do not affect the grant eligibility of the rural municipality.

vii Alberta

The unconditional municipal grant was established in 1994 by combining a number of grant programs from other departments into one grant. The portions of the now existing grant include Police Assistance Grant, Public Transit Operating Assistance Grant and the Urban Parks Operating Grant. The grant components are based on per capita formulas.[72]

In 1998, the Province introduced the Municipal 2000 Sponsorship Program to promote innovation, cooperation and excellence in local government. As well, there are grants available for restructuring and amalgamation of municipalities.

[72] See http://www.municipalaffairs.gov.ab.ca/ms/grantslink.cfm#T4.

viii. British Columbia:

There are three unconditional grants available to municipalities in British Columbia.[73] They are:

The Small Community Protection Grant. Grant amounts are based on a formula that factors in base amount, population and assessment values. These grants generally apply to municipalities with populations up to 18,000.

The Regional District Basic Grant. This grant is available to regional districts to assist with administration costs. The grant is based on regional district population; Those with fewer than 50,000 populations receive $120,000; those with 50,000 to 100,000 population receive $110,000; those with above 100,000 population receive nothing. Each regional district receives an additional $2,500 for each local community in the regional district.

The Traffic Fine Revenue Sharing Grant. The total amount available is a budget allocation and its distribution is based on a municipality's policing costs as a percent of total municipal policing costs for the province. The Ministry of the Attorney General is responsible for documenting the police costs and providing them to the Ministry of Municipal Affairs.

There are also incentive based grants (shared) but these are essentially conditional in nature – for implementation of regional growth strategies; for management of growth and development. As well, there are three types of restructuring assistance: Restructuring planning grants are provided to assist communities wishing to study the implications of municipal incorporation/restructure and to undertake the associated public consultation process; municipal restructuring assistance grants are provided to assist communities that approve incorporation or restructuring—the grant amount is based on population and transitional assistance is also provided to help with police costs where the new or restructured municipality has over 5,000 people and there is also a program through the Ministry of Transportation and Highways which provides transitional assistance to municipalities who assume responsibility for roads; restructuring implementation grants are provided to assist communities with the implementation of incorporations, restructures and significant changes in local service structure, such as interim or transfer of improvement districts to local government.

ix. Nunavut and Northwest Territories

The governments of Nunavut and the Northwest Territories both provide operating grants and contributions to assist municipal corporations in the delivery of services.[74] The

[73] See http://www.mcaws.gov.bc.ca/lgd/pol_research/grants.html

[74] Details are available at http://www.gov.nu.ca/Nunavut/policies/moa.pdf and http://www.maca.gov.nt.ca/resources/dogs-ditches-dumps/Documents/opassist.pdf.

policy statements are essentially identical. Non-tax-based municipal corporations (i.e., hamlets) are funded based on a credit units formula. Credit units are representative equivalents of the cost of providing specific municipal programs and services, with an adjustment for additional costs associated with remote northern location. Such municipalities receive their proportionate share of available funds based on their share of total credit units.

Tax-based municipal corporations are eligible for equalization grants. The amount of equalization grant available to each tax-based municipality is based on a measure of fiscal capacity. Those with below average fiscal capacity (with an adjustment for the differential costs of providing services in remote northerly locations) are eligible for equalization payments. The total amount of equalization funding available is then apportioned according to each eligible municipality's share in total entitlements.

x. Yukon

The Yukon provides operating assistance to its municipalities under the Comprehensive Municipal Financial Assistance Grant Fund.[75] The comprehensive municipal grant has three components: The base grant; the local cost of service adjustment; and the assessment equalization grant.

Base Grant. The base grant specifies amounts to be paid to different cities, towns and villages by name.

Local Cost of Services Adjustment. This adjustment is based percentage by which a municipality's price index differs from that for Whitehorse. 50 percent of the grant fund is then allocated in accordance with population, adjusted for cost differentials.

Assessment Equalization Adjustment. Average assessment variance is calculated as the difference between average assessment per dwelling unit for Yukon and that for the municipality. Total assessment variance for a municipality is this amount times the number of adjusted dwelling units. The dwelling units count is adjusted downwards for multiple (in excess of 4 unit) dwelling units. The assessment equalization adjustment is proportional to total assessment variance (at present .015 times total assessment variance).

Any balance remaining in the fund is to be distributed across municipalities in two parts: 50 percent in accordance with population shares; 50 percent in accordance with adjusted dwelling unit shares.

[75] This is contained in the Municipal Finance and Community Grants Act, Chapter 155 Consolidated Statutes of Yukon, available at http://www.canlii.org/yk/sta/doc/ch155.doc.

Appendix 2
Equalization Grants to Local Governments – International Experience

The following provides a brief review of some of the local government equalization systems that exists internationally. It may provide a framework from which the Nova Scotia equalization formula can be adjusted to better enable CBRM to provide, reasonable levels of taxation, levels of local services that are comparable with those that exists elsewhere in Nova Scotia.

Australia – In Australia, the federal government provides financial assistance in the form of local government general purpose assistance grants and local government road funding grants, with the former representing approximately 70% of the total grant and the latter representing 30% of the grant. The general purpose grants are distributed so as to contribute to the achievement of horizontal equalization and each local governing body is entitled to a minimum grant equal to its population share of 30% of the total grants to the state.[76]

Denmark – The equalization system consists of three elements:

- a general purpose grant to all municipalities and counties based on their proportion of the total municipal tax base;
- a revenue equalization feature – local authorities above the average per capita potential transfer funds to those below the average per capita tax potential but the equalization is less than 100%;
- an expenditure equalization feature – local government with below average expenditure needs per capita transfer funds to those with above average per capita needs…The calculation of the cost equalization feature is based on age-derived expenditure needs (for example, the number of school-aged children)…and on socially determined needs (for example, the number of children of single parent families).[77]

England – The grants system is designed to ensure that if all authorities budgeted to spend according to their Standard Spending Assessment (SSA), local tax rates would be the same in every area. The grant takes into account differences in need and resources between local authorities. Specifically, an authority's grant is its Standard Spending Assessment, less its share of national total business rates, less revenue it could raise if it charged an assumed standard national rate of council tax.[78]

---

[76] Pricewaterhouse Coopers, 2000, Local Government Grant Distribution: An International Comparative Study, a paper prepared for the Department of Environment, Transport and the Regions, Government of the United Kingdom, www.local.dtlr.gov.uk/review/oseasrep.pdf , p. 21.

[77] Institute on Governance, 1998, Intergovernmental Fiscal Relations: An International Perspective, a report prepared for the Department of Indian and Northern Affairs, Government of Canada, http://www.ainc-inac.gc.ca/pr/ra/ifr_ip/intgov_e.pdf, p. 28.

[78] Pricewaterhouse Coopers (2000, p.17). The standard Spending Assessment formula is an assessment of an areas expenditure needs and it takes account of reasons for variations in authorities spending, such as population, number of pupils, number of elderly, density of population, length of roads, indicators of

Finland – The grants received to local authority contain both a needs and a resource equalization component. Needs equalization takes into account a number of factors including the size of the population, its demographic structure, the number of users of municipal services and special circumstances such as a small or scarcely disperse population, the level of unemployment, bilingualism and a large number of islands. The resource equalization component seeks to equalize economic differences between local governments and is based on the total taxable income in each municipality.[79]

Italy – Grants to local governments and provinces under the Italian system are divided into two components. The first is distributed each year according to the amount spent in previous year by the authority. The second component is the equalization grant (which accounts for one-third of total grants). It takes into account two factors: the size of the municipality and their wealth; 70% of the equalization grant goes to correct the disparities between local governments of different size and 30% to correct for disparities in wealth and income. As well it takes into account the cost of service weighted by coefficients including the size of the authority area, the extent of the road network, the school population and the population of the municipality.[80]

Japan – The Local Allocation Tax, the main method of equalization in Japan, attempts to enable local government to provide a standard level of service solely with this general grant and local tax revenue. The amount of LAT payable is the difference between an authority's expenditure needs and its revenues, with expenditure needs determined item by item on a formula basis.[81]

Norway – In Norway, the equalization of tax revenues is achieved by 'topping up' revenues in municipalities with tax revenue shortfalls. All municipalities with per capita tax revenues below a certain reference line receive grants to compensate them for 90% of the difference between their own revenue and the reference level. The equalization scheme also provides for a reduction in revenue in certain municipalities with particularly high tax revenues. As well, equalization of spending needs is based on the distribution of grants according to variations in spending needs for individual municipalities.[82]

Portugal – General grants from the central government to the municipalities in Portugal are distributed to ensure a fair distribution of public resources between local governments

deprivation, and variations in labour costs. The formulae are largely based on statistical (regression) analysis of past expenditure.

[79] Pricewaterhouse Coopers (2000, p.38).

[80] Pricewaterhouse Coopers (2000, p.53).

[81] Pricewaterhouse Coopers (2000, p.56).

[82] Pricewaterhouse Coopers (2000, p.65).

by correcting socio-economic and financial imbalances between financial capacity and spending needs of local governments.[83]

Sweden – The equalization grant in Sweden is based on three elements:

- a grant from the central government to all municipalities , base on population;
- a revenue equalization feature – local governments above the average per capita tax potential transfer funds (through the central government) to those below the average per capita tax potential;
- a cost equalization feature – local governments with below average 'standard' costs per capita transferred funds to those with above average 'standard' costs per capita. (involves calculating 15 indices with 4 and 5 variables per index and may involve regression analysis.[84]

[83] Pricewaterhouse Coopers (2000, p.67).
[84] Institute on Governance (1998, p.17).

Appendix 3:
Methodology Utilized in Equalization Simulations

In simulating equalization entitlements in this report, we have endeavoured to utilize the more recent data set that was both available electronically and comprehensive enough to include the expenditure details that were needed. This turned out to be the Nova Scotia Municipal Statistics for the fiscal year 2000-01. We also attempted to use as much of the data available from the Government of Nova Scotia in the exact form in which we had received it. Furthermore, we wanted to simulate the current version of the equalization formula that has only two classes of communities: Class I communities (regions, large towns and small towns) and Class II communities (rural municipalities). To help with our methodological explanation, we have included Table A1, which contains the data format used to calculating actual municipal equalization entitlements in Nova Scotia for fiscal year 2000-01.

Given this conceptual framework, simulating equalization entitlements for this report (see Table 13 of the main body of this report) first required that the data set available from the Government of Nova Scotia be collapsed four classes of communities into two classes. To do this we maintained the rural communities (previously Class IV) as a single entity with no changes, except to re-label the communities as belonging to Class II rather than Class IV. No other changes were required of this data set. At this point, however, it worth highlighting that for the fiscal year 2000-01, the rural parts of the regional municipalities were grouped with Class IV communities for the purpose of calculation equalization entitlements in 2000-01 and we maintain that convention by including rural CBRM, HRM and Queens with the re-labeled Class II communities. The next step involves grouping all other communities (regions, large towns and small towns) under the one category, which we refer to as Class I communities and is consistent with the current approach utilized in calculating municipal equalization entitlements in Nova Scotia.

The first parameter needed to simulate equalization is standard expenditure per dwelling unit. In the first series of simulations undertaken, we maintain the definition of core expenditures utilized by the Government of Nova Scotia in its calculation of entitlements. Therefore, no changes were required to the standard expenditures per dwelling unit for the rural communities. This estimate stayed at $415 per dwelling unit. To estimate the standard expenditure per dwelling unit for the revised Class I communities, the standard expenditure for regions, small towns and large towns were summed ($192 million) and divided by the total number of dwelling units in the corresponding communities (175,646 dwelling units). This yielded the estimated $1,093 of standard expenditure per dwelling unit for the Class I communities utilized in our simulations. Since the rural parts of the regional municipalities were treated separately from the more urban parts, we have also included an estimate for the region as a whole. For standard expenditure, this is derived simply as a weighted average of the standard expenditure in the rural and non-rural parts of the region, with the regional share of dwelling units within each part of the region being used as the weights. By way of illustration, the non-rural parts of CBRM had a standard expenditure per dwelling unit of $1,093, while the rural part had a standard

Table A1: Municipal Equalization Entitlements in Nova Scotia Utilizing Actual Data and Format Employed by the Government of Nova Scotia.

Municipal Units	2000-01 Class of Community Designation	Standard Expenditure Per Dwelling Unit	2000 Dwelling Units	Total Standard Expenditure	2000/01 Uniform Assessment	Standard Tax Rate	Standard Tax Rate Times Assessment	Equalization Entitlement Including Negatives	Equalization Entitlement Excluding Negatives
Cape Breton Regional	I	$1,143	27,584	$31,528,512	$1,598,556,137	1.1804%	$18,869,357	$12,659,155	$12,659,155
Cape Breton County	IV	$415	18710	$7,764,650	$1,302,784,750	0.5098%	$6,641,597	$1,123,053	$1,123,053
CBRM		$849	46,294	$39,293,162	$2,901,340,887	0.8793%	$25,510,953	$13,782,209	$13,782,209
Halifax Regional	I	$1,143	96,360	$110,139,480	$10,417,326,116	1.1804%	$122,966,117	-$12,826,637	$0
Halifax	IV	$415	57964	$24,055,060	$5,688,795,640	0.5098%	$29,001,480	-$4,946,420	$0
HRM		$870	154,324	$134,194,540	$16,106,121,756	0.9435%	$151,967,598	-$17,773,058	$0
Liverpool	III	$969	1,298	$1,257,762	$91,840,502	1.1804%	$1,084,085	$173,677	$173,677
Queens	IV	$415	5270	$2,187,050	$512,709,446	0.5098%	$2,613,793	-$426,743	$0
Reg Queens		$524	6,568	$3,444,812	$604,549,948	0.6117%	$3,697,878	$173,677	$173,677
Amherst	II	$982	4,273	$4,196,086	$311,018,976	1.1804%	$3,671,268	$524,818	$524,818
Annapolis Royal	III	$969	352	$341,088	$28,789,449	1.1804%	$339,831	$1,257	$1,257
Antigonish	III	$969	2,440	$2,364,360	$251,498,658	1.1804%	$2,968,690	-$604,330	$0
Berwick	III	$969	889	$861,441	$93,590,437	1.1804%	$1,104,742	-$243,301	$0
Bridgetown	III	$969	490	$474,810	$32,605,967	1.1804%	$384,881	$89,929	$89,929
Bridgewater	II	$982	3,453	$3,390,846	$394,877,334	1.1804%	$4,661,132	-$1,270,286	$0
Canso	III	$969	449	$435,081	$26,023,786	1.1804%	$307,185	$127,896	$127,896
Clark's Harbour	III	$969	412	$399,228	$30,548,407	1.1804%	$360,593	$38,635	$38,635
Digby	III	$969	1,103	$1,068,807	$75,616,308	1.1804%	$892,575	$176,232	$176,232
Hantsport	III	$969	545	$528,105	$59,620,186	1.1804%	$703,757	-$175,652	$0
Kentville	III	$969	2,532	$2,453,508	$277,978,083	1.1804%	$3,281,253	-$827,745	$0
Lockeport	III	$969	341	$330,429	$21,285,020	1.1804%	$251,248	$79,181	$79,181
Lunenburg	III	$969	1,201	$1,163,769	$116,031,510	1.1804%	$1,369,636	-$205,867	$0
Mahone Bay	III	$969	516	$500,004	$50,871,198	1.1804%	$600,484	-$100,480	$0
Middleton	III	$969	924	$895,356	$74,911,320	1.1804%	$884,253	$11,103	$11,103
Mulgrave	III	$969	381	$369,189	$22,816,113	1.1804%	$269,321	$99,868	$99,868
New Glasgow	II	$982	4,343	$4,264,826	$326,196,980	1.1804%	$3,850,429	$414,397	$414,397
Oxford	III	$969	584	$565,896	$49,314,494	1.1804%	$582,108	-$16,212	$0
Parrsboro	III	$969	835	$809,115	$38,739,278	1.1804%	$457,278	$351,837	$351,837
Pictou	III	$969	1,641	$1,590,129	$94,500,576	1.1804%	$1,115,485	$474,644	$474,644

Port Hawkesbury	III	$969	1,509	$1,462,221	$134,246,453	1.1804%	$1,584,645	-$122,424	$0
Shelburne	III	$969	984	$953,496	$66,226,993	1.1804%	$781,743	$171,753	$171,753
Springhill	III	$969	1,767	$1,712,223	$103,635,635	1.1804%	$1,223,315	$488,908	$488,908
Stellarton	III	$969	2,074	$2,009,706	$141,214,291	1.1804%	$1,666,893	$342,813	$342,813
Stewiacke	III	$969	557	$539,733	$40,308,976	1.1804%	$475,807	$63,926	$63,926
Trenton	III	$969	1,141	$1,105,629	$60,418,873	1.1804%	$713,184	$392,445	$392,445
Truro	II	$982	5,801	$5,696,582	$532,802,857	1.1804%	$6,289,205	-$592,623	$0
Westville	III	$969	1,559	$1,510,671	$69,869,917	1.1804%	$824,745	$685,926	$685,926
Windsor	III	$969	1,673	$1,621,137	$129,706,721	1.1804%	$1,531,058	$90,079	$90,079
Wolfville	III	$969	2,243	$2,173,467	$199,220,579	1.1804%	$2,351,600	-$178,133	$0
Yarmouth	II	$982	3,392	$3,330,944	$307,368,889	1.1804%	$3,628,182	-$297,238	$0
Annapolis	IV	$415	9,528	$3,954,120	$613,276,440	0.5098%	$3,126,483	$827,637	$827,637
Antigonish	IV	$415	6,050	$2,510,750	$441,342,967	0.5098%	$2,249,966	$260,784	$260,784
Argyle	IV	$415	3,977	$1,650,455	$289,788,206	0.5098%	$1,477,340	$173,115	$173,115
Barrington	IV	$415	3,515	$1,458,725	$245,678,248	0.5098%	$1,252,468	$206,257	$206,257
Chester	IV	$415	6,246	$2,592,090	$573,197,489	0.5098%	$2,922,161	-$330,071	$0
Clare	IV	$415	4,598	$1,908,170	$311,593,816	0.5098%	$1,588,505	$319,665	$319,665
Colchester	IV	$415	15,938	$6,614,270	$1,180,092,703	0.5098%	$6,016,113	$598,157	$598,157
Cumberland	IV	$415	10,247	$4,252,505	$588,199,532	0.5098%	$2,998,641	$1,253,864	$1,253,864
Digby	IV	$415	4,378	$1,816,870	$222,393,530	0.5098%	$1,133,762	$683,108	$683,108
Guysborough	IV	$415	3,385	$1,404,775	$186,790,658	0.5098%	$952,259	$452,516	$452,516
Hants, East	IV	$415	8,288	$3,439,520	$661,935,673	0.5098%	$3,374,548	$64,972	$64,972
Hants, West	IV	$415	6,011	$2,494,565	$438,092,942	0.5098%	$2,233,398	$261,167	$261,167
Inverness	IV	$415	7,854	$3,259,410	$500,326,858	0.5098%	$2,550,666	$708,744	$708,744
Kings	IV	$415	19,639	$8,150,185	$1,975,650,685	0.5098%	$10,071,867	-$1,921,682	$0
Lunenburg	IV	$415	13,130	$5,448,950	$1,054,586,119	0.5098%	$5,376,280	$72,670	$72,670
Pictou	IV	$415	10,787	$4,476,605	$819,905,903	0.5098%	$4,179,880	$296,725	$296,725
Richmond	IV	$415	5,005	$2,077,075	$530,711,306	0.5098%	$2,705,566	-$628,491	$0
Shelburne	IV	$415	2,861	$1,187,315	$190,479,287	0.5098%	$971,063	$216,252	$216,252
St. Mary's	IV	$415	2,012	$834,980	$96,974,663	0.5098%	$494,377	$340,603	$340,603
Victoria	IV	$415	4,456	$1,849,240	$338,873,168	0.5098%	$1,727,575	$121,665	$121,665
Yarmouth	IV	$415	4,984	$2,068,360	$351,603,657	0.5098%	$1,792,475	$275,885	$275,885
Total all classes			**410,479**	**$289,499,331**	**$35,385,360,705**		**$289,498,352**	**$979**	**$25,715,314**

Source: Government of Nova Scotia

expenditure per dwelling unit of $415. The share of dwelling units in the non-rural parts of CBRM was 59.6% and the share of the regions dwelling units located in the rural parts of the region was 40.4%. Combining this information yields $819 (i.e., 59.6%*$1,093 + 40.4%*$415) reported in Table 13.

With one exception, the regional total for all other categories are simply derived by taking the sum of the rural and non-rural parts of the region. For example, the number of dwelling units reported for CBRM, 46,294, is simple the sum of the dwelling units in the non-rural parts of CBRM (27,584) and the rural parts (18,710). The one exception to this summation exercise is the standard tax rate calculated for the region as a whole. This is a weighted average of the tax rates in the rural and non-rural parts of the region. The weights used for this purpose is the regional share of uniform assessed value located in each part of the region. Again, to illustrate for CBRM: the standard tax rate for the non-rural areas of CBRM was 1.1804%, while the rural parts had a standard tax rate of 0.5098%. The shares of uniform assess values were 55.1% ($1.6 billion/$2.9 billion) and 44.9% ($1.3 billion/$2.9 billion) for the non-rural and rural parts of CBRM, respectively. Hence, 55.1% of 1.1804% and 44.9% of 0.5098% gives the 0.8793% found in Table 13.

The next parameter utilized in this simulation is the number of dwelling units in each community. This is taken without change from Table A1 above (i.e., directly from the data utilized by the Government of Nova Scotia). Standard expenditure for each community is calculated as the product of the number of dwelling units in the community and the standard expenditure per dwelling unit for the class, which for the non-rural part of CBRM, as indicated in Table 13, is $30.2 million (27,584 dwelling units * $1,093 standard expenditure per dwelling unit).

Data for uniform assessment for each community is taken directly from Table A1 above (i.e., directly from the Government of Nova Scotia data set without modification). To calculate the standard tax rate for each community in the class, the sum of standard expenditure is divided by the sum of uniform assessed value for all communities in the class. For Class I communities, we have 1.1804% ($192 million aggregate standard expenditure/ $16,270 million aggregate uniform assessed value). Applying the class standard tax rate to the uniform assessed value in each community in the class yields the standardized revenue for each community that is utilized for the purpose of calculating equalization entitlements. For the non-rural parts of CBRM, we get a standard revenue estimate of $18.9 million (1.1804%*$1.6 billion uniform assessed value).

The next step is to subtract standard revenue from standard expenditure to yield the equalization entitlements that are derived from the Nova Scotia formula. For the non-rural parts of CBRM, we have $11.3 million. Since for some communities, this calculated entitlement could be negative, the last step is to set all negative entitlements to zero.

One final point of clarification, the equalization entitlements calculated in Table 13 are not identical to the equalization entitlement actually calculated by the Government of Nova Scotia in 2000-01 because we have reduced the number of classes from four to two.

To illustrate, CBRM would receive an entitlement in Table 13 of $12.4 million. However, as illustrated in Table A1, the actual entitlement was $13.8 million. The reason why the simulated entitlement is lower than the actual entitlement is explained by the fact that the standard expenditure per dwelling unit for CBRM fell from $849 to $819 when the regional municipalities are combined with the towns or $30 per dwelling unit times 46,294 dwelling units explains the $1.4 million difference in entitlement.

Table 14 draws on the information in Table 13, but express all calculations in per dwelling unit terms. Likewise, Table 15 is simply derived from Table 13, with uniform assessed value per dwelling unit and the standard tax rate times the difference between the uniform assessed value for the class and the community calculated from information within Table 13. Again, the information from Table 16 is simply extracted from Table 13, with one minus the uniform assessed value per dwelling unit to the class average being calculated directly.

Table 17 replicates Table 13, but all municipal expenditures replace core expenditures in calculating the standard expenditure per dwelling unit. For example, regions and towns as group spent $704 million in 2000-01 and this was allocated to the 257,590 dwelling units that were found in these areas. This implies that the expenditure per dwelling unit is $2,734 for Class I communities. The corresponding estimate for Class II communities is $1,297 per dwelling unit ($198 million/152,889 dwelling units). All other calculations and information are identical to that found in Table 13. Similarly, Table 18 is identical to Table 17 except that revenues other than property tax revenues, grants in lieu of taxes and equalization grants are deducted from actual expenditures before standard expenditures per dwelling unit are calculated. Table 19 is also identical to Table 18, but mandated fiscal expenditures have been removed from the actual expenditures as well.

Appendix 4
Municipal Indicators Collected by the Government of Nova Scotia[85]

The municipal indicators collected by the provincial government and their associated explanation are:

1. Financial Indicators on the Revenue Side
   a. Taxes as a percent of total revenue
      - Shows the amount of taxes as a percent of total revenue. A low percentage may indicate a reliance on transfers from other governments. A high percentage indicates that a municipality is more self sufficient. This indicator is calculated by dividing total taxes including special assessments, business taxes, area rates and deed transfer taxes by total revenue.
   b. Transfers from other governments
      - This indicator measures the reliance of a municipality on revenues from other levels of government (i.e. Equalization Grant). It is calculated by dividing transfers from other governments by total revenue. A high ratio probably indicates an over-reliance on transfers as compared to property tax revenue.
   c. Residential Tax Burden
      - This indicator shows the average cost, to each dwelling unit, of municipal government services. When comparing municipalities, it is a more accurate reflection of residential property taxes than tax rates. It is calculated by dividing total residential property tax revenue, excluding area rates, by the number of dwelling units in the municipality. A high RTB may indicate that a municipality is reaching a ceiling on tax rates. A low RTB may indicate that a municipality has a relatively large commercial tax base to share the tax burden. While this indicator provides information on the cost of municipal government per dwelling unit, care must be exercised in comparing municipalities. Municipalities with user charges for services such as garbage collection will tend to have lower RTB's than municipalities that fund all services through tax revenue.
   d. Uniform Assessment per Dwelling Unit
      - This indicator provides broad information on a municipality's ability to fund municipal services. It is calculated by dividing uniform assessment by dwelling units. A high Uniform Assessment per Dwelling Unit may indicate that the municipality is relatively well off compared to other municipalities.

2. Financial Indicators on the Expenditure Side
   a. Mandatory Expenditures

[85] This information is taken directly from the Government of Nova Scotia website. www.gov.ns.ca/snsmr/muns/indicators/

- Shows the amount of expenditures that council has little or no control over as a percent of total expenditures. It is calculated by dividing the sum of education, assessment, corrections, housing, debt charges, library and social services by total expenditures. It may be argued that debt charges are controlled by councils, however once the decision to incur debt is made, future debt payments become a legal liability and future councils may not reduce or eliminate them. In addition to these items there are other expenditures that limit what could be termed "discretionary expenditures" of current councils. Union contracts, leases and other legal liabilities combined with mandatory expenditures limit the flexibility of councils to deal with expenditure pressures and revenue declines. Municipalities, because of differing conditions, would define "non-discretionary expenditures" differently. Therefore an indicator for discretionary expenditures is not calculated here. Municipalities are encouraged to complete the exercise of calculating a "discretionary expenditures" indicator for themselves.

b. Expenditures per Dwelling Unit

- Shows the amount that is spent on municipal services per dwelling unit. It is easily comparable across municipalities. It is calculated by dividing total expenditures by the number of dwelling units. The reasons for a high or low expenditure per dwelling unit should be explored before any conclusions are reached. Services may be more expensive to deliver in one municipality as opposed to another. For example, snow clearing costs are higher for a municipality with hilly terrain than a municipality that is relatively flat and has fewer roads.

3. Financial Indicators with respect to the Operating Position
   a. Liquidity ratio

      - This indicator measures the short-term ability of a municipality to meet its current obligations. It is calculated by dividing short-term operating assets by short-term operating liabilities.

   b. Deficits last 5 years

      - Indicates the ability of a municipality to meet operating expenditures with revenues. Continuing deficits may indicate that there are ongoing budgetary problems that should be addressed through the budget process. This indicator is expressed as a number from zero to five for the number of operating deficits incurred in the last five years.

   c. Uncollected taxes

      - Indicates the ability of taxpayers to pay taxes on time and may indicate the strength of collection policies in place and the economic strength of a municipality. It is calculated by dividing total uncollected taxes at year end by total tax levy.

   d. Reserves as a percent of expenditures

- May indicate the relative health of a municipality and council's willingness to "put money away for a rainy day". Generally, municipalities that have higher levels of reserves than average are considered financially healthier and may be more advanced in their strategic planning. A low indicator here may not necessarily indicate a financially weak municipality. It may simply reflect council policy to keep tax rates at a minimum rather than building reserves. This indicator is calculated by dividing equity of reserves by total expenditures.

4. Financial Indicators with respect to Debt
    a. Debt Service Ratio

        - Indicates the amount of the current operating expenditures incurred for debt servicing and therefore not available for other services. It is calculated by dividing total long term debt servicing costs including lease payments, temporary financing and other debt charges by total own source revenue. Total own source revenue is total revenue less transfers. Care must be used in evaluating this indicator. A high debt service ratio may indicate a municipality that has taken on too much debt but it may also indicate that the municipality has taken an aggressive approach to debt repayment and is paying down their debt quickly to avoid interest costs. Similarly, a low debt service ratio could indicate a municipality is strong financially and can finance most capital projects through their operating budget. It may also indicate that a municipality is financially weaker and has deferred capital projects and allowed important infrastructure to deteriorate. Debt Service Ratio is a key indicator currently used by Service Nova Scotia and Municipal Relations prior to recommending Ministerial approval of Temporary Borrowing Resolutions.
    b. Debt Outstanding/Uniform Assessment

        - This indicates the level of total outstanding long term debt as a percentage of a municipality's ability to pay. Typically a growing municipality with new development has a greater need for new infrastructure and will therefore incur higher capital costs. This indicator is calculated by dividing long term commitments by uniform assessment.

5. Financial Indicators with respect to Capital
    a. Capital from Reserve

        - Indicates a municipality's investment in capital infrastructure through the operating fund. A high percentage may indicate financial strength. It is calculated by dividing the total amount of current capital expenditures funded through the operating budget by total expenditures.
    b. Total Capital from Operating

- Indicates the total amount of operating budget funds dedicated to past, present or future infrastructure of the municipality through debt charges (past capital), capital from revenue (current capital) and future capital (transfers to capital reserve). It is calculated by dividing the sum of capital expenditures funded through the operating budget, debt charges for capital projects and transfers to capital reserves by total expenditures.

6. Community Economic Indicators
    a. Increase in Uniform Assessment
        - Indicates the increase in a municipality's ability to pay over the last three years and may reflect the change in economic well-being of the municipality. Calculated as current U.A. minus U.A. of three years ago divided by current U.A. This indicator should also be viewed in combination with the increase in uniform assessment for the province as a whole because uniform assessment is used in cost sharing and equalization grant formulas. For example, a higher than average increase in U.A. may indicate that expenditures for cost sharing programs will increase.
    b. Commercial/Total Assessment
        - Shows the relative strength of the municipality's tax base. A higher percentage indicates higher revenue raising ability because commercial tax rates are higher than residential tax rates and therefore generate more tax revenue. This is calculated by dividing total taxable commercial assessment including business occupancy assessment and machinery and equipment assessment by total taxable assessment.

7. Community Social Indicators
    a. Average Household Income
        - Indicates average household income that may be available to pay taxes in a municipality. A comparison across municipalities may indicate the relative economic well-being of residents. This information is obtained from Statistics Canada.
    b. Residential tax Burden/Average Household Income
        - This indicates the percentage of household income that is used to pay municipal property taxes. It is calculated by dividing residential tax burden by average household income. It expands on the RTB indicator to give a picture of the relative ability of taxpayers in a municipality to pay taxes.

8. Community Demographic Indicators
    a. Change in Population
        - Shows the changes in population over the past four years. It is calculated by dividing the difference between population estimates of the current year and four years ago by current year's estimated

population. Continual decreases in population may indicate serious structural problems in the economy of the municipality.

b. Age Profile
   - These three percentages show the percentage of the population of a municipality that is 0 - 19 years of age; 20 - 65 years of age; and over 65 years of age. The three percentages may indicate where expenditure pressures for a municipality will be. For example a young population may demand more playgrounds and ballfields while an older population may want more resources invested in police services and walking trails.

9. Governance Indicators
   a. Voter Turnout
      - This indicator is the percentage of voter turnout for an election. It is intended to indicate the level of citizen interest in the electoral process at the municipal level. It is calculated by dividing the actual voter turnout by the total eligible number of voters. A high voter turnout could mean either a high level of citizen interest in the affairs of the municipality or a high level of dissatisfaction. A low voter turnout could mean either a high level of satisfaction with municipal government or voter apathy. It may also indicate the election of a candidate by acclamation.
   b. Municipal Elections Candidates
      - This indicates the willingness of residents to serve in an elected capacity. Municipal Councils need individuals with leadership skills to provide overall direction and to serve the interests of the community. Contested elections provide opportunities for important issues to be debated in public. This indicator is calculated by dividing the total number of election candidates by the total number of council seats.
   c. Training Costs per Employee
      - This indicator calculates the investment of the municipality in its most important asset, human capital. A high indicator shows the municipality recognizes that training and development are important in maintaining a capable and motivated workforce. This indicator is calculated by dividing the total training and development expenditures by total full time equivalent staff.
   d. Succession Planning
      - Municipalities today recognize demographic trends and that staff turnover will become a greater issue. When staff leave the organization a certain amount of corporate history is lost and with it some efficiency and effectiveness. Succession planning can minimize the losses the organization experiences when staff leave. This indicator is calculated by dividing the number of full time positions with a succession plan by the number of full time equivalent positions.

e. Strategic Planning

- The environment that municipalities face today is ever changing. This indicator identifies which municipalities have recognized this fact and have developed plans that recognize their strengths and weaknesses while taking into consideration their opportunities and threats. This is a yes or no indicator. Either the municipality maintains a strategic plan or it doesn't.

10. Performance Indicators for General Government

a. Documentation

- This measure will indicate yes - all documentation was received by the Department by the deadline for submission or no - not all documentation was received by the Department, by the stipulated date. Timely reporting and submission of reports to Councils and the provincial government is a sign of an efficient municipal administration. It provides stakeholders, including taxpayers, with important information on the well-being and plans of the municipality. Reports and submissions required by Service Nova Scotia and Municipal Relations are: 1. Estimates Forms 2. Capital Budgets 3. General Return 4. Financial Statements including Auditor's Report 5. Management Letter

b. Legislative/Capita

- This indicator shows the amount that a municipality spent for legislative services per capita. This can be compared to a municipality's previous years' spending on this service or can be compared to other municipalities of similar size and structure.

c. Administration/Capita

- This indicator shows the amount that a municipality spent for administrative services per capita and measures the efficiency of administration. It is calculated by dividing general administrative services less tax rebates and expenses related to properties acquired at tax sales by population. It can used to compare with previous years and with similar municipalities. A high indicator may indicate high expenditures in this area or higher service levels. A low indicator may indicate efficient operations or an insufficient number of qualified employees.

11. Performance Indicators for Police

a. Police Services/$1,000 Assessment

- This indicates the efficiency of police services. It is calculated by dividing total costs of police services by thousands of dollars of assessment. Assessment less business occupancy is used as a measure because part of police services mandate is to protect property. Police services in Nova Scotia are delivered by a municipality's own force, the RCMP or a combination of both.

Differences between municipalities should be researched before conclusions are made, service levels may be different.

b. Police Services/Capita

- This indicates the efficiency of police services. It is calculated by dividing total costs of police services by population. Population is used as a measure because part of police services mandate is protection to people. Police services in Nova Scotia are delivered by a municipality's own force, the RCMP or a combination of both. Differences between municipalities should be researched before conclusions are made, service levels may be different.

12. Performance Indicators for Fire

a. Fire Services/$1,000 Assessment

- This indicates the efficiency of fire services. It is calculated by dividing total costs of fire services by thousands of dollars of assessment. Assessment less business occupancy is used as a measure because part of fire services responsibility is to protect property. Fire services in Nova Scotia are delivered by a municipality's own force, volunteer fire departments or a combination of both. Differences between municipalities should be researched before conclusions are made, service levels may be different.

b. Fire Services/Capita

- This indicates the efficiency of fire services. It is calculated by dividing total costs of fire services by population. Population is used as a measure because part of fire services responsibility is protection of people. Fire services in Nova Scotia are delivered by a municipality's own force, volunteer fire department or a combination of both. Differences between municipalities should be researched before conclusions are made, service levels may be different.

13. Performance Indicators for Transportation

a. Roads and Streets

- This indicator measures the efficiency of road and street maintenance services per kilometre of roads owned by the municipality. Costs included in this measure are operating costs for roads and streets, sidewalks, snow and ice removal, bridges, street lighting, traffic services and parking. A higher or lower indicator for this indicator may have many different explanations. For example, municipalities that have hilly streets or more annual snowfall may have a higher "Roads and Streets" indicator.

14. Performance Indicators for Wastewater

a. Storm and Wastewater/km

- This indicator measures the efficiency of storm sewer and sanitary sewer systems. It is calculated by dividing storm and sanitary sewer collection and treatment expenditures by total kilometres of sewer line. A high result may indicate old, deteriorating sewer lines. A low indicator may be the result of new or updated sewer lines.

b. Sewer Main Backup/km

   - Municipal wastewater management practices prevent environmental and human health hazards. This indicator measures the efficiency of the sewer system. It is calculated by dividing the number of sewer main backups in a year by the kilometres of sewer line. A sewer main backup is defined as an obstruction or hydraulic overload in a municipal system (separated sanitary and storm sewer systems as well as a combined sanitary/storm system) which results in a backup of wastewater which may enter a house. This should be distinguished from an obstruction in a lateral line from a house to the sewer main. Included are municipal system flushing activities which cause a backup in residential basements. Sewer lines on private property are not measured.

15. Performance Indicators for Solid Waste Resource Management

a. Solid Waste Collection/Ton

   - This indicator measures the efficiency of municipal solid waste collection services. A municipality with large collection areas such as counties may have a higher solid waste collection cost per ton indicator than a town that has a shorter collection route.

b. Solid Waste Disposal/Ton

   - This indicator measures the efficiency of municipal solid waste disposal services. It is calculated by dividing the costs of disposal including landfills and incinerators less revenues received from other municipalities by total tons collected. A high indicator may be the result of the higher costs of running a second generation landfill. A low indicator may result from a higher than average recyclables diversion rate.

c. Recycling Costs/Ton

   - This indicator measures the efficiency of municipal solid waste recycling services. The definition for operating costs for recycling applies to material collected from all property classes which are diverted for recycling or composting.

16. Performance Indicators for Water

a. Water Treatment & Distribution

   - This indicator measures the efficiency of municipal water treatment and distribution services. It is calculated by dividing operating costs for water including: source of supply, pumping, water treatment, transmission and distribution, administration, depreciation and taxes by millions of litres of water treated.

b. Water Tests

- This indicator measures the percentage of water test results that showed adverse water quality or exceeded maximum concentrations as prescribed. This effectiveness measure indicates whether water is safe and meets local needs. It is calculated by dividing the number of adverse water quality tests by the total number of water quality tests.

c. Water Main Breaks/km

- This indicator measures the effectiveness of the water main system in the municipality. It is calculated by dividing the number of breaks in water mains in a year by the total number of kilometres of water main pipe.

Average Municipal Indicators by Class			
Municipal Indicator	**Regionals**	**Towns**	**Rurals**
Taxes as a % of Total Revenue	**73%**	**75%**	**78%**
Transfers as a % of Total Revenue	**6%**	**6%**	**6%**
Residential Tax Burden	**776**	**897**	**509**
U.A. per Dwelling Unit	**89,188**	**79,912**	**84,873**
Mandatory Expenditures	**32%**	**22%**	**34%**
Expenditures per Dwelling Unit	**2,318**	**2,556**	**1,347**
Liquidity Ratio	**1.17**	**1.21**	**1.64**
Deficits - Last 5 years	**1**	**1**	**1**
Uncollected Taxes	**12%**	**13%**	**9%**
Reserves as a % of Expenditures	**26%**	**21%**	**33%**
Debt Service Ratio	**9.2%**	**7.6%**	**4.1%**
Debt Outstanding/U.A.	**0.9%**	**1.1%**	**0.3%**
Capital from Revenue/Expenditures	**2.3%**	**2.5%**	**3.7%**
Total Capital From Operating	**12.4%**	**10.3%**	**8.7%**
Increase in Uniform Assessment	**5.7%**	**6.8%**	**32.5%**
Commercial/Total Assessment	**25%**	**32%**	**23%**
Average Household Income	**45,926**	**41,959**	**43,660**
Tax Burden/Household Income	**1.7%**	**2.2%**	**1.2%**
Change in Population	**-2.0%**	**-0.6%**	**-3.2%**
Age Profile 0 - 19	**23%**	**23%**	**24%**
Age Profile 20 - 65	**62%**	**57%**	**61%**
Age Profile over 65	**15%**	**20%**	**15%**
Training Costs per Employee	**388**	**863**	**602**
Legislative/Capita	**10**	**23**	**15**

Administration/Capita	**75**	**120**	**57**
Police/$1,000 Assessment	**4**	**6**	**2**
Police/Capita	**121**	**175**	**72**
Fire/$1,000 Assessment	**2**	**3**	**1**
Fire/Capita	**82**	**94**	**40**
Roads & Streets/Km	**20,080**	**8,702**	**119,080**
Storm & Wastewater/Km	**7,194**	**4,491**	**9,654**
Sewer Main Backups/Km	**0.34**	**0.21**	**0.08**
Solid Waste Collection/Ton	**63**	**132**	**108**
Solid Waste Disposal/Ton	**57**	**59**	**85**
Recycling Costs/Ton	**43**	**42**	**12**
Water T & D/millions of litres	**787**	**53,564**	**1,145,340**
Adverse Water Tests/Total Tests	**0.25%**	**1.45%**	**1.74%**
Water Main Breaks/Km	**0.25**	**0.26**	**0.05**