

# The Reorganization of Provincial-Municipal Relations in Nova Scotia

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**S**INCE the war, provincial-municipal relations across Canada have been undergoing a rapid and significant change. Every province except Prince Edward Island has been engaged in altering its system of provincial-municipal administration and finance.

One of the most comprehensive of these revisions has taken place in British Columbia where two successive reports—one by the Royal Commission on Educational Finance in 1945, and one by the Royal Commission on Provincial-Municipal Relations in 1947—have been adopted by the Provincial Government and are being rapidly implemented.

In Alberta, too, the Government has conducted a formal study of provincial-municipal relations by the appointment of the Deputy Minister of Municipal Affairs, Mr. Judge, as a Royal Commission on Taxation. His recommendations were submitted in the spring of 1948, and during the 1949 Session the Government began their implementation.

The Government of Saskatchewan—in addition to carrying out far-reaching changes in the fields of assessment, education and health—initiated an enquiry into the entire municipal system, under the

direction of Dean Cronkite and Professor Britnell at the University of Saskatchewan, in collaboration with Mr. L. Jacobs, Director of Municipal Auditing and Accounting, Department of Municipal Affairs. The findings of this Committee were made public this fall and their complete report will soon be published.

Although the Government of Manitoba has conducted no formal inquiry, the City of Winnipeg submitted a brief in 1948 containing recommendations on provincial-municipal relations. Partly as a result, Manitoba, too, has been implementing measures designed to revise its arrangements with the municipalities.

In Ontario, a provincial-municipal conference, including representatives of the four municipal associations, was called by the Premier in the fall of 1948. Later, a municipally appointed committee, under the chairmanship of K. Grant Crawford, recommended that a provincial body of experts be appointed to study provincial-municipal relations. On 27 October, 1950, Premier Frost announced that a continuing committee would be set up in accordance with this recommendation.

Although Quebec and New Brunswick have not as yet initiated thorough-going

revisions of provincial-municipal relations, a review of recent changes in these provinces reveals that they, too, have been engaged in altering their systems of provincial-municipal organization and finance. In Quebec, for example, the Government has appointed a Committee of Inquiry to advise on a better apportionment of municipal and school taxation. In New Brunswick, a comprehensive report on Fredericton's tax system, completed in 1947 under the direction of Dr. Petrie of the University of New Brunswick, included recommendations on provincial-municipal relations, one of which was that the whole field should be thoroughly examined.

Newfoundland is a special case. Before 1938 there was no organized municipal government outside the City of St. John's. Since then, 21 municipalities have been created. Although 18 of these have been set up since 1945, over three-quarters of the population still live in unorganized areas. The Government of that Province is therefore anxious to learn what it can from the other Provinces of Canada.

In Nova Scotia, following provincial-municipal conferences held in 1947, the Government requested the Nova Scotia Municipal Bureau of the INSTITUTE OF

PUBLIC AFFAIRS, Dalhousie University, to make a study of provincial-municipal problems in that Province. Under the direction of the late Dr. Lothar Richter, former Director of the Institute, the present author began research on this study in 1947. He continued the study following Dr. Richter's death in 1948 and prepared for the Government a *Report on the Reorganization of Provincial-Municipal Relations in Nova Scotia*. This Report was released to the public in November, 1950.

From the foregoing survey, it is clear that provincial-municipal relations have become a serious problem in all of the Canadian Provinces. Proposals for a solution in one Province are therefore relevant to the problem in all Provinces.

The Report for Nova Scotia is the most recent of the provincial-municipal studies to appear. It contains far-reaching proposals which will be widely discussed in Nova Scotia and, in addition, will be of interest to the other Provinces. The following summary of this Report has been prepared therefore, at the request of the Editor of PUBLIC AFFAIRS, so that its main conclusions may be given nation-wide attention.

## *The Report—A Summary*

The Report's proposals are founded on two basic assumptions:

1. Strong local government is desirable in a democracy, and
2. Local government cannot be strong unless it administers a significant proportion of all governmental services.

The difficulty is that, as presently financed and organized, local governments cannot supply a large number of services to the citizens with reasonable adequacy and efficiency. The problem, then, is to devise a scheme which would allow them to do this. The author is more concerned that the assumptions should be whole-

heartedly accepted, and the proposed solution approved in principle, than he is with the detail of the recommendations. Persons with an intimate knowledge of local conditions are the best ones to decide such matters.

### *I—The Present Situation*

#### THE CHANGING ROLE OF THE SENIOR GOVERNMENTS

As a result of the revolution on social philosophy that has occurred in recent years, there has been a tremendous expansion in the social services. It is now realized that the community, through gov-



ernment, can do a host of things to improve the education, health and welfare of its members that would be impossible to accomplish through individual effort. Local government can play a vital part in this process provided it is equipped with the proper tools for the job.

The trend, however, has been toward the assumption by higher levels of government of an increasingly important role in administering and financing governmental services, particularly in this field. In 1948 the Federal share of total expenditures was 69 per cent, the provincial 18 per cent, and the municipal only 13 per cent. In 1930, on the other hand, the municipal share had been almost one-third.

The reasons for this trend are summed up as follows:

1. More and more governmental activities are coming to have a wider-than-local aspect;
2. Central administration is now quite possible and, in a technical sense, often appears to be relatively more efficient;
3. An increasing emphasis upon revenues requiring wider-than-local collection has placed the higher levels of government in a financial position superior to that of the municipalities;
4. The need for social and educational services continues to increase.

#### THE INADEQUACY OF JOINT EXPENDITURE

The present system of Joint Expenditure in Nova Scotia, whereby municipalities supply certain services jointly, is inadequate for three reasons:

1. The lack of a uniform standard of assessing property means that municipalities do not apportion joint costs properly. The freezing of proportions in 1947 prevented the situation from becoming more serious but did not remedy it.
2. As long as complete separation of urban and rural governments continues, each local community's feel-

ing of non-responsibility for the welfare of the surrounding area will remain.

3. Most of the present municipalities, both rural and urban, are individually too small and financially weak to provide the level of services and the efficiency of administration that the public now expects of modern government. The distribution of taxable wealth is very unequal and, generally speaking, it is the smallest municipalities that are least able to bear a heavy tax burden.

Joint expenditure in its present form does not solve these problems. At the same time, the shortcomings of the present system should not be allowed to stand in the way of constructive co-operation, or to obscure the fact that joint action can enable local representatives to administer services that would otherwise be lost to the higher levels of government.

## *II—Recent Developments in Other Provinces*

The most important of the recent or recommended changes in other Provinces have been the following:

1. The reform of municipal assessment;
2. The formation of regional administrative units involving municipal co-operation and, in some cases, joint provincial-municipal administration, especially for education and public health;
3. Increased provincial support for municipal services through general and/or specific grants, especially for education, health, welfare, and roads.

In Nova Scotia, the lack of uniform assessment as a basis for measuring fiscal need and the lack of suitable municipal units for the administration of health and welfare services have meant that the Province has been unable to make similar substantial general or specific grants toward

the support of these services. Instead, the Province has developed its own administration for expanding certain of the social services, like public health, and the municipalities have not shared to any extent in the added cost.

The municipalities, on the other hand, have remained wholly responsible for administering other services, such as welfare institutions, care of the harmless insane, and poor relief. As a result, these services have been inadequate, and at the same time municipal property taxes have remained about 30% below the Canadian average. Since no adequate means have been developed for inter-municipal sharing in the administration of health and welfare services, no opportunity has been provided for provincial-municipal sharing in their cost.

### ***III—Proposals for Reorganization***

#### PROVINCIAL EQUALIZATION GRANTS

In developing a system of provincial aid to municipal services there are two quite different needs which must be met. The one is that which has resulted from local dependence upon a tax whose revenue-raising ability has not grown in proportion to the growth in the demand for social services. In the past the Province has concerned itself primarily with easing this general burden.

The other is that created by differences between municipalities, both in the ease with which they can raise money and in their requirements for expenditure relative to population. This requires that some municipalities should be helped more than others. Otherwise, either the burden of taxes upon their citizens will be too great or they will be unable to supply adequate services. It is therefore proposed that the existing system of provincial aid, including both educational and unspecified grants, should be revised, and grants made on a generalized basis which would take account of these differences. Under such a scheme, detailed provincial supervision would not be necessary and municipal

bodies would be placed in a more autonomous position. The particular scheme proposed would allocate aid to municipalities on the basis of a formula which takes account of relative tax-raising ability through a comparison of taxable assessments and account of expenditure requirements through a comparison of population ages and densities.

Since this equalization would apply only to the social and educational services, it is also recommended that the Province pay the cost of urban streets forming parts of provincial highways and make a general grant (of about \$200,000) toward the support of other urban streets. This grant would also be made on an equalized basis, varying inversely with assessments.

In view of the substantial increase in aid to the municipalities over the past few years, any other additional aid should be made to depend upon whether the local units are reorganized so as to administer social services efficiently.

#### MUNICIPAL REGIONS

Most of the existing units of local government in Nova Scotia are too small, and the provisions for joint action are too inadequate for them to administer modern social services efficiently, regardless of what additional sources of municipal revenue they were granted or how great the provincial aid. One cannot expect citizens to endure patiently either the non-supplying or the inefficient supplying of these services merely for the sake of the theoretical and intangible objective of keeping democracy at home. Nor should provincial aid be used as a device for unnecessarily perpetuating uneconomic and inefficient administrative units. It is therefore submitted that both the Province and the municipalities should give serious consideration to so strengthening local government that, aided by provincial grants, it can efficiently carry a large share of the expanding social services.

The proposed method of achieving this is that the Province in cooperation with the municipalities should set up nine locally appointed *Regional Councils* to administer those services that require large



areas for efficient administration. It would not be necessary to uproot or alter the existing institutions of local government in Nova Scotia. Instead, a *second tier* of local government would be created to administer only *certain* of the municipal services, such as public health, welfare and possibly education, certain *regional* services, such as regional planning, the administration of justice, institutional care and libraries, for which inadequate provision is at present being made, and certain provincial services capable of being administered by municipal authorities on a regional basis. Taxes to pay the local share of the cost of these services would then be levied at a uniform rate over a whole Region, and the Province would contribute a substantial share on the proposed equalized basis.

The Province has already found it necessary to decentralize the administration of many of its health, welfare and education services into regions. It would therefore seem logical for the sake of coordination and efficiency to tie in the boundaries of the proposed municipal Regions with these administrative divisions, and to integrate the activities of both.

The benefits of the proposed system would be:

- (a) *Performance of services of regional concern.* Many services have become of wider-than-local concern, yet cannot be administered effectively on a province-wide basis. Both the burden of services which governments are being called upon to supply and the consequent need for increased participation by the citizens have been rapidly increasing. A second tier of government could lift a growing administrative burden from both the Province and the municipalities and at the same time open up a valuable avenue for citizen participation and a training ground for prospective officers at the higher levels of government.
- (b) *Efficient administration.* The services proposed to be administered on a regional basis require a population above 30,000 for efficient

administration and adequate finances. If the Municipal School Boards were lifted to this level, additional benefits would be derived planning and administering of integrated urban-rural school programs, and from spreading the school tax more uniformly. Municipal School Funds and Joint Expenditure Boards could be eliminated.

- (c) *More Equitable taxation.* That portion of the tax rate which helped support regional services would apply uniformly over a wide area and financially weak municipalities would not have their citizens overburdened as at present. Taxes paid by a large and prosperous industry, for example, would benefit the social services of a whole region. There would be an automatic equalizing of costs between rural and urban, large and small, wealthy and poor municipalities.
- (d) *Simplified provincial supervision.* The Department of Municipal Affairs must now deal with 66 separate municipal units. Many of the problems and much of the supervision and co-ordination could be cleared at the new regional level.
- (e) *More efficient assessment.* Municipal assessment could be revised and supervised on a regional basis, thus ensuring a high degree of uniformity.

In order to prevent any feeling of coercion, a method is proposed whereby the entry of municipalities into a Region would be voluntary. At the same time the financial advantage to municipalities that join would be so great that no group of them could afford to remain unorganized for long. This would be ensured by a generous system of provincial equalized and unspecified grants to organized Regions (totalling perhaps \$1 million annually after all Regions had become organized).

It is contended that the logical time for reorganization has now arrived. Though

the basic pattern of the social services has not yet crystallized, the present speed of expansion indicates that it soon will, and the question of municipalities sharing in their administration may be by-passed for want of suitable local units.

#### A METROPOLITAN REGION

In the past ten years the population surrounding Halifax and Dartmouth has grown so fast that the whole region, within about a ten-mile radius, must now be regarded for many purposes as a single economic and cultural unit with problems peculiarly its own. Between 1941 and 1947, while the population of the rural municipality outside the Fringe Area grew by less than 9%, the fringe population increased by almost 43%. Projects likely to accelerate this growth are the probable construction of the Halifax-Dartmouth bridge and possibly of a Halifax-Jolli-more bridge. As the fringe population grows and as the whole region becomes more closely integrated, the fields of service assuming a metropolitan-wide interest will increase in number.

A fundamental reason for the failure of badly-needed joint projects to materialize in the past is that the unity of interest existing in the metropolitan community has been submerged because of the lack of municipal boundaries marking out the community. The Metropolitan Area, including Halifax and Dartmouth, should therefore become organized as a separate municipal Region. The communities in the Area would be, as elsewhere in Nova Scotia, units for only *certain* purposes of local government. In this way they could retain their individuality and their autonomy for all other purposes. The Fringe Area would be separated from the Municipality of Halifax for these purposes, and the metropolitan services would be administered by a Metropolitan Council appointed by the participating municipalities.

The Report reviews in great detail the difficulties caused by the lack of integration of services in the Metropolitan Area, and concludes the following services could best be handled by a metropolitan authority:

1. Public health and welfare, including institutional services;
2. Water supply and sewage disposal; and
3. Garbage collection and disposal, and
4. Community planning, in their metropolitan aspects;
5. Community cultural undertakings;
6. Corrective institutions;
7. Supervision of assessment.

Moreover, metropolitan co-operation in the use of high schools would be immediately beneficial.

Services which are likely in future to become of sufficient metropolitan interest to be so handled are:

1. Fire protection;
2. Police service;
3. Low-rental housing projects.

#### REVISION OF ASSESSMENT

In the total scheme of provincial-municipal finance, the tax on property is still by far the most lucrative single source of tax revenue. That assessments should be equitable is therefore a fundamental consideration. Aside from this, proper assessment is of vital importance to the successful operation of the whole municipal system. Assessment is the basis for:

1. The voters' list;
2. The record of property and of the various types of municipal taxpayers;
3. Vital statistical knowledge;
4. Joint Expenditure;
5. The Municipal School Fund;
6. The Highway Tax.

Moreover, it could be used as an index of fiscal need for provincial grants, and as a basis for sharing the costs of many more co-operative services.

The Report describes in great detail the inadequacy and inefficiency of the present system of assessment in Nova Scotia, the action taken elsewhere either to control or to supervise assessment, and concludes that the key to an adequate system is full-time, trained local assessors. Where nothing was done to institute such a system, even elaborate schemes of provincial supervision and equalization have



proved unsatisfactory. Although the legislation passed in 1947 was a move in the right direction, steps must be taken to ensure that trained assessors will be made available to local governments.

The Report therefore proposes that the Province set up a Provincial Assessment Commission and a system of Regional Supervisors of Assessment for the purposes of establishing an equalization of assessments, regulating assessment procedure, and supervising local assessors. The Province should also assume responsibility for training and approving graduate engineers to be hired by municipalities as full-time Chief Assessors. These recommendations, while not going so far as to call for completely provincial administration, as is now the case in Western Canada, are designed to accomplish the same objective through voluntary procedures. Local units would still hire their own assessors, and though they would still be free to decide if and when they wished to do away with part-time untrained officials, the encouragement to do so would be great.

The system suggested would also fit into the Report's other proposals. It would provide a tentative equalization of assessment at an early date as a basis for provincial grants and for sharing the local cost of regional services.

#### ***IV—The Proposals in Detail***

Part IV of the Report gives detailed supporting data for the recommendations presented in Part III.

Thus, in regard to Assessment, Part IV sets forth certain proposals regarding the Provincial Assessment Commission and its functions, together with comment on training programs. Boundaries for the proposed Regional Units, including the Halifax Metropolitan Region, are suggested in terms of the existing boundaries of cities, towns, and rural municipalities and districts. Functions, administrative organization and methods of giving effect to the recommendations are also explored further on a tentative basis.

The vital question of establishing a firm basis for calculation of Provincial aid has

also been tackled in Part IV of the Report. Equalized aid, it is held, can only be achieved by means of an impartial formula. Accordingly, an Equalization Formula appropriate to the problems of provincial-municipal relations in Nova Scotia is advanced with full detail on development of the formula and its application.

### ***V—Supplementary Recommendations***

#### MUNICIPAL FINANCE

*Property Tax.* Property taxes in Nova Scotia should be improved and refined so as to conform more closely with the principle of ability to pay. It is suggested that this be done by fixing the tax rate upon business property at its present level in each municipality (except in Halifax, where the rate should be somewhat lower), and by introducing a mild progression in the rate upon residential property. Moreover, either the personal property tax should be abandoned, or a system should be developed for assessing business and household equipment more accurately and the proposals regarding real property made also to apply to the corresponding types of personal property.

*Exemptions.* The Province should adopt the principle that in a municipality where there is an exceptionally heavy concentration of Crown property a grant should be made in addition to a payment for municipal services supplied directly to the property. The Province should on the same principle appeal to the Federal Government for a satisfactory settlement in lieu of municipal taxes on federal properties. Since exemptions become increasingly more valuable as the costs of municipal government rise, all other exemptions should be carefully reviewed and reduced or eliminated wherever possible, and municipal reports should show the value of the indirect subsidy granted through exemption.

*Poll Tax.* In municipalities other than Halifax the poll tax takes no account of ability to pay. It is therefore recommended that the tax be extended, as in Halifax, to include women, that it be applied only to persons whose real or dollar income is

above a specified amount, except housewives and widows and children, and that it be made to vary from year to year directly in proportion with the tax rate.

*New Taxes.* The sales tax could perhaps be used by the cities, as is the case in a number of cities in the United States. However, it is highly regressive and local collection is administratively satisfactory only in large metropolitan areas. The amusement tax, on the other hand, is not as regressive and is well suited for local collection. The possibility of granting municipalities permission to levy such a tax should therefore be further investigated.

*Municipal School Fund and Provincial Highway Tax.* Since towns and cities today find it difficult to supply funds for their own educational needs, it is recommended that the Municipal School Fund be abolished, and that, as a substitute for the net benefit gained from this Fund by the rural Municipalities, the latter be allowed to retain the revenues from the Highway Tax for the support of education.

#### MUNICIPAL ORGANIZATION

*Rural Municipalities.* The largest Municipalities have Councils much too large for efficient administration. They should therefore be encouraged to reduce the number of Councillors to twelve. The consolidation of local Poor Districts should be made mandatory, and the organization of Village Commissions and the extension of their services should be encouraged.

*Towns.* In order to reduce administrative costs, rural Municipalities should assume responsibility for collecting taxes and assessing property within towns under 1,500 population. They would then become "non-separated" towns and would be privileged to appoint a representative to the rural Council. The term of office for mayors and councillors in towns should be extended to three years and the system of staggered elections should be abolished. The adoption of uniform accounting practices for municipal public utilities should be encouraged.

*Cities.* Halifax should adopt the City

Manager Plan. If the franchise in Halifax cannot be extended to all residents, at least the wives of taxpayers should be given a vote. The City should appoint a full-time Public Relations Officer, and towns should be encouraged to appoint existing officials to perform similar duties.

*Other Metropolitan Organization.* Legislation should be passed which would permit the setting up of City-zone Councils in the Glace Bay and New Glasgow areas, whose functions would be to organize and administer specified zone-wide services.

#### MUNICIPAL ADMINISTRATION

To promote efficient administration, the appointment of Town and City Managers should be permitted and appointments approved by the local Government Board suggested below.

#### PROVINCIAL ADMINISTRATION

*Local Government Board.* The province should create a Local Government Board whose duties would be: arranging for the training of prospective municipal officers and approving their qualifications; making recommendations to the Province for the improvement of the municipal public service, including a suitable province-wide retirement plan; and approving municipal borrowing.

*Department of Municipal Affairs.* Besides clerks and treasurers, other groups of full-time municipal officers should be included in the Department's in-service training program. Facilities for supplying advice, consultation, and information to the municipalities should be expanded. For example, the Department should employ a full-time planning consultant to promote the implementation of town plans. The Department should also prepare a manual of municipal legislation.

*Inter-Departmental Organization.* Because of the growing need for the co-ordination of provincial and municipal services, it is suggested that the Premier assume the portfolio of Minister of Municipal Affairs. The Government should also appoint an Interdepartmental Planning Com-



mittee, composed of the senior personnel of the departments concerned and including, as Regions become established, the proposed Regional Managers.

### **Conclusions**

The basic proposals made in the Report—the revision of assessment, the establish-

ment of municipal regions, and the equalization of provincial aid—would, if adopted, be far-reaching in their consequences and would require considerable time to implement. Nevertheless, even if only something short of this can be achieved within the next few years, it should be regarded as a desirable objective toward which to work.

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## *The Future*

The dynamic character of the Canadian economy makes it difficult to forecast with any accuracy the problems likely to confront industry, labour and government in the months and years ahead. The emergence of new patterns in industrial organizations, the tendency of the community to substitute public policies for the traditional concept of the market economy, the trend in Government circles toward using the taxing power to direct the national economy, the growth of state-financed social security measures,—all suggest a fundamental change in economic and social concepts—a change the impact of which will make itself felt most keenly at the point where industry, labour and government come in contact each with the other.

Against this background, the Institute of Public Affairs must provide a modest but nevertheless vital service in encouraging and assisting leaders in industry, labour and government to meet the challenge of the new economy in seeking solutions which will preserve intact our democratic heritage.

No more urgent task than this confronts Canadian society today.

—from *Ideas in Action—in Industry, Labour, Government*,  
a brochure on the programme and objectives of  
The Institute of Public Affairs.