

gives the Federal Government authority to raise taxes by any means whatever. Provincial governments can levy direct taxes only and can, of course, delegate to municipal governments all or part of that right. The Federal Government can delegate nothing directly to municipalities.

The heavy dependence of municipalities on the taxation of real property is something of a North American phenomenon. Canadian property taxes, for example, only a few years ago were providing well over half of local revenues. Even today, around 45 per cent of all municipal revenues come from this source, including revenues which are transferred from other governments. In absolute terms, revenues from property taxes in Canada appear to have increased more than fivefold over the past 20 years.

But there is also a growing recognition in Canada that there are limitations on the use of property tax as a revenue source. In part, this may reflect a feeling that relatively less dependence should be placed on regressive forms of taxation; in part, it may be based on a reluctance of elected municipal officials to overburden their rate-paying electorate. Whatever the motive, municipal governments are looking elsewhere for more and more of their needs.

At the same time, and despite the occasional exception, the wide range of other local taxes which has been collected at one time or other in the past -- amusement taxes, sales taxes, animal taxes, telephone taxes and so on -- have either disappeared or have been swallowed up by provincial governments. So most of our municipalities find little revenue from these sources. And, unlike some states, the Canadian provinces do not now provide Canadian municipalities with the authority to levy income taxes.

The other means whereby municipalities try to finance their needs is through borrowing, occasionally on the capital markets. Municipal borrowing is governed by provincial law and varies from one province to the next. In some provinces, municipal borrowing is facilitated by provincial agencies, which purchase debentures of smaller municipalities at better rates than the municipalities might otherwise obtain. Market-financing by municipalities has increased much more slowly than the growth in municipal expenditures in recent years, perhaps, in part, because of heavy provincial competition for debt capital and in part because of the growth in other forms of financial assistance provided to the municipalities, about which I shall have more to say in a few minutes.

There is thus, under the Canadian constitutional setting, and in view of the tendency of provincial governments to occupy tax fields which municipalities might wish to use, a severe limitation on the amount that the municipalities can raise from their own sources. The response of the Federal Government has been to help in three main ways:

*First*, grants in lieu of taxes are paid to municipalities on certain Federal Government properties, in view of the fact that the Canadian constitution explicitly exempts such property from taxation. These grants were started in 1950 and they constituted at that time the first significant