

Federal policy has thus helped ensure that provincial governments have revenues which are broadly commensurate with their needs, which include municipal financing. I don't want to pretend that the provincial authorities do not believe that they require even more fiscal resources, both for their own needs and those of the municipalities. Nor do I suggest that we have reached a "once-and-for-all" solution. Clearly, circumstances are changing constantly at all levels of government, and a continuing reassessment of fiscal needs is required, which must take account of the emerging public problems and the level of government which is constitutionally responsible for the new priorities.

Nevertheless, enough fiscal resources are now available to the Canadian provinces to make the job of municipal financing much easier than it would otherwise be. Almost \$4 billion is transferred annually to the municipalities, which I can perhaps put further in context by pointing out that this is equal to more than 4 per cent of our gross national product. An equivalent transfer in the U.S. would be almost \$42 billion.

The effect of this is particularly dramatic in the financing of primary and secondary education. While there is considerable variation from one province to the next, provincial governments, as a group, now finance well over half of primary and secondary education -- that is, they bear more of the burden than local ratepayers. Twenty years ago, provincial governments accounted for less than a third of such financing.

Finally, leaving aside education, Canadian provinces, on the average, transfer more *per capita* to local government than do your states -- largely unconditional.

These large provincial transfers to municipalities have increased more or less in parallel with the transfer of fiscal resources from the Federal Government to the provinces. So, while we have not satisfied everyone, I can say with considerable confidence that the structure of tax sharing in Canada has helped to create a situation which serves the municipalities well.

Moreover, the system is flexible and can be adapted to changing needs and values. Let me cite a recent example. Two provincial governments, Ontario and Manitoba, requested that the Federal Government administer an arrangement under which the residents of those two provinces would be given a credit against their provincial income tax in respect of all or part of property tax, particularly those on low incomes. Individuals who did not pay income tax were to receive the credit in cash. An agreement was reached between the Federal Government and those two provinces and the proposal will apply in the current tax year.