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Newfoundland and Labrador

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Municipal Fiscal Sustainability:

Alternative Funding Arrangements to Promote Fiscal Sustainability of Newfoundland and Labrador Municipalities - The Role of Income and Sales Taxes

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Alternative Funding Arrangements to Promote
Fiscal Sustainability of Newfoundland and Labrador
Municipalities - The Role of Income and Sales Taxes

by

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Municipalities
Newfoundland and Labrador

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Executive Summary

This study, commissioned by Municipalities Newfoundland and Labrador, was undertaken to:

- Provide a review of the national and international literature pertaining to municipal finance, with a particular focus on various fiscal instruments that have been proposed or used to address municipal financial and economic issue;
- Model the current financial and taxation situation of municipalities in Newfoundland and Labrador, utilizing existing and available data (MNL's 2007 municipal census, municipal budgetary data available from the Department of Municipal Affairs and the Community Accounts data available from the Department of Finance). This model will also simulate the implication of adding alternative fiscal instruments to the funding sources currently available to Newfoundland and Labrador communities;
- Evaluate the fiscal implications of establishing new financial instruments such as a municipal income tax or a municipal sales tax;
- Examine the existing and alternative approaches to managing municipal debt and a municipal equalization program; and
- Consider the financial implications of implementing a system of regional government as envisioned in MNL's Regional Government paper, with specific reference to the benefits, detriments and challenges of a regional government having direct taxation authority and the financial implications of transferring certain service responsibilities from municipal government to regional governments.

This report provides a review of the literature on municipal fiscal instruments, develops a simulation model of local government finance in Newfoundland and Labrador, and utilizes the model to simulate the impact of supplementing the property tax with a municipal income tax and/or a municipal sales tax. It also reviews existing approaches utilized worldwide to fund municipal expenditures and suggest a set of municipal fiscal indicators for use in Newfoundland and Labrador. As well, an illustrative municipal equalization system is developed and simulated for Newfoundland and Labrador municipalities. Finally, an evaluation of MNL's regional government initiative is considered.

The principle result of this analysis is an illustration of how a municipal income tax or a municipal sales tax could be implemented within Newfoundland and Labrador by adding one percentage point to either the existing provincial personal income tax rate or to the provincial portion of the Harmonized Sales Tax (HST). Another important result is a demonstration of the impact that these alternative funding instruments would have on municipal fiscal sustainability within the Newfoundland and Labrador context.

The municipal income tax simulated in this analysis, if adopted, would increase average municipal fiscal capacity by 20.7% for the entire sample of communities. The increment in average fiscal capacity by community size would be:

- 19.1% for municipalities with a population of less than 250 people;
- 17.1% for municipalities with a population between 250 and 500 people;
- 21.9% for municipalities with a population of between 500 and 1,000 people;
- 25.2% for municipalities with a population between 1,000 and 2,500 people;
- 22.1% for municipalities with a population between 2,500 and 5,000 people;
- 25.5% for municipalities with a population between 5,000 and 10,000 people;
- 21.9% for municipalities with a population between 10,000 and 100,000 people; and
- 16.9% for St. John's.

Likewise, if it is adopted, the municipal sales tax simulated in this analysis would increase average municipal fiscal capacity by 15.7% for the entire sample of communities. The increment in average fiscal capacity by community size would be:

- 20.0% for municipalities with a population of less than 250 people;
- 17.7% for municipalities with a population between 250 and 500 people;
- 22.6% for municipalities with a population of between 500 and 1,000 people;
- 22.4% for municipalities with a population between 1,000 and 2,500 people;
- 20.6% for municipalities with a population between 2,500 and 5,000 people;
- 17.5% for municipalities with a population between 5,000 and 10,000 people;
- 15.8% for municipalities with a population between 10,000 and 100,000 people; and
- 10.9% for St. John's.

As well, an equalization system is proposed that would be funded out of the municipal income tax. Specifically, for the purposes of illustration, it was assumed that 20% of the municipal income tax collected would be available to fund the equalization program. Given this assumption and the data utilized in this analysis, $23.3 million would be available to fund the equalization program.

When smaller communities (i.e., all communities with less than 2,500 people) were separated from larger communities (i.e., all communities with more than 2,500 people), $23.3 million is paid out in equalization payments, with $11.5 million (49.5%) to going to the larger communities and $11.8 million (50.5%) going to the smaller communities. For the communities that received equalization payments, the average payment to the smaller communities is $107 per capita. The corresponding estimate for the larger communities that qualify for any payment is $104 per capita.

Equalization is also calculated for municipalities in Newfoundland and Labrador under the assumption that there is no split between larger and smaller communities. A comparison of the difference between the equalization entitlements with and without the split between large and small communities reveals that none of the larger communities now qualified for equalization, while some of the small communities that previous did not qualify, now qualify.

Municipalities Newfoundland and Labrador's regional government initiative is also considered. While there are obvious benefits from the implementation of the regional government concept, there will be financial and taxation issues that will need to be resolved. Until there is a full debate and consultation on the options and issues and a formal system is outlined, it is impossible to evaluate its revenue and funding implications. However, it is a good idea whose time has come and it is worthy of further consideration and discussion.

1.0 Introduction

This study, commissioned by Municipalities Newfoundland and Labrador, was undertaken to:

- Provide a review of the national and international literature pertaining to municipal finance, with a particular focus on various fiscal instruments that have been proposed or used to address municipal financial and economic issue;
- Model the current financial and taxation situation of municipalities in Newfoundland and Labrador, utilizing existing and available data (MNL's 2007 municipal census, municipal budgetary data available from the Department of Municipal Affairs and the Community Accounts data available from the Department of Finance). This model will also simulate the implication of adding alternative fiscal instruments to the funding sources currently available to Newfoundland and Labrador communities;
- Evaluate the fiscal implications of establishing new financial instruments such as a municipal income tax or a municipal sales tax;
- Examine the existing and alternative approaches to managing municipal debt and a municipal equalization program; and
- Consider the financial implications of implementing a system of regional government as envisioned in MNL's Regional Government paper, with specific reference to the benefits, detriments and challenges of a regional government having direct taxation authority and the financial implications of transferring certain service responsibilities from municipal government to regional governments.

Municipalities, in general, and cities, in particular, are the engines of growth in the new, knowledge-based economy. They contribute to both the level of wellbeing and prosperity enjoyed by their residents. Municipal services have had, and continue to have, the most direct, immediate and dramatic impact on the quality of life experienced by Canadians.   Our municipalities both shape and reflect the social nature of the communities in which we live. They help to define and reinforce the values that identify us as Canadians. Moreover, the importance of the role of municipalities is expected to increase overtime.

Yet, municipalities all over the world are facing fiscal difficulties. They are having problems meeting their increasing expenditure mandates from their traditional and main revenue source – the property tax, which has both desirable and undesirable characteristics.

While municipal governments in Canada are currently excluded from levying income taxes and general sales and consumption taxes, this was not always the case.   Up until World War II, municipalities had access to income tax revenue. There are calls from many quarters to provide municipalities in Canada with access to either an income tax or a sales tax to ensure their

sustainability because an adequate financial condition for municipalities is a precondition for the effective, efficient and economic delivery of public services.

Including the introduction and the conclusion, this paper has 17 sections plus two appendixes – Appendix A is a data appendix that presents the detailed data utilized in this analysis and Appendix B lists the municipal indicators currently adopted by Nova Scotia. Section 2 describes the role of municipalities in today's economy. Drawing on the principle of subsidiarity, Section 2 also considers why local goods and services are provided at the municipal level rather than being produced provincially and distributed to the resident of each municipality through some type of allocation formula such as per capita shares. The positive and negative features of the property tax are evaluated in Section 3. Interestingly, this section explores how the same characteristics can be simultaneously interpreted as both strengths and weaknesses of the property tax. A brief review of municipal expenditures in Newfoundland and Labrador is provided in Section 4. A discussion of potential revenue instruments that can be employed to finance municipal expenditure is contained in Section 5. This includes an assessment of municipal income taxes, municipal sales taxes, grants-in-lieu of property taxes, and several other fiscal instruments that could be considered. The issue of fiscal sustainability is addressed in Section 7. This discussion encompasses how to define it, how to recognize it, and how to measure it. This is followed, in Section 7, by an assessment of the need for fiscal indicators. Section 8 outlines the approach adopted in this study to designing a municipal income tax and a municipal sales tax, while Sections 9 and 10 profiles the data and describes the sample utilized in the simulation exercise. The municipal income tax and the municipal sales tax analyses are provided in Sections 11 and 12, respectively. A listing and description of select municipal fiscal indicators are found in Section 13. Section 14 examines the conceptual issues around a municipal equalization program and Section 15 proposes an illustrative municipal equalization system in Newfoundland and Labrador that is loosely based on the Nova Scotia program. The results for the proposed equalization program are simulated under two scenarios —the first in which there is a distinction between large and small communities and the second where there is no such distinction. Section 16 reflects of MNL's regional government initiative.

2.0   The Role of Municipalities in Today's Economy

While it has been argued, and correctly so, that cities are the engines of growth in the new, knowledge-based economy, contributing to both the level of wellbeing and prosperity by its residents,[1] it is equally important to appreciate that municipal services, independent of the size

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[1] Bradford (2002, p. 5 and 58) and Government of Ontario et al. (2008, p. 18) highlight that municipal infrastructure is "important to economic competitiveness and quality of life in every municipality and the province

of the community, have had, and continue to have, the most direct, immediate and dramatic impact on the quality of life experienced by Canadians.[2] Our municipalities, as suggested by Slack (2006, p. 65), both shape and reflect the social nature of the communities in which we live. They help to define and reinforce the values that identify us as Canadians.

For instance, when winter embraces Canada for significant periods of time each year, snow clearing and ice control, normal municipal functions, are essential to enhance both individual and business productivity. If winter roads are not quickly and effectively made safe, then it would be difficult to get to work and earn a living. Moreover, if the roadways are not of an appropriate standard or maintained properly and at a capacity sufficient to handle the volume of traffic in our cities, or if the roadways and bridges are not safe, then productivity would be diminished—some citizens would have difficulty getting and maintaining a job that best suits their experience, while others would lose time commuting on congested roadways. Additionally, the failure to deal effectively with solid waste and water and sewer issues would degrade environmental quality and reduce the economies of scale that can be obtained through providing services to more densely populated areas.[3] As well, municipalities are on the frontline, developing and implementing policies to tackle homelessness, social housing, urban land use planning, economic development, tourism and social services[4] All of these services shape the sharing and caring ideals that define us as Canadians and facilitate how we move forward as a community. The protection of persons and property (e.g., fire and police services), street lighting, the provision of recreation (e.g., sport programs and facilities) and the facilitation of cultural development (e.g., community libraries) are key ingredients in the quality of life that we have grown to expect in today's society.[5] Furthermore, some municipalities also assume the responsibility for immigration settlement programs, emergency preparedness, and day care.[6] And, last but not least, municipalities, through the provision and maintenance of

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as a whole." Bradford (2004, p. 2) notes that with their population density, robust labour markets and organizational synergies, cities "represent the natural home for clusters of innovative firms dependent on intensive, personalized networking."

[2] EACCC (2006, p. 23) and BCMC (2006, p. 14-5) lists the role and responsibilities of municipalities in Canada in 2006. The types of services provided by municipalities is impressive and too numerous to list in this study.

[3] In the absence of water and sewer, there are health constraints on the density housing developments. The per unit costs of local public goods increase with a more spread out development. This latter effect constitutes the main rationale for planning to avoid urban sprawl.

[4] For instance, social services in Ontario are still delivered by local governments. Mintz and Roberts (2006, p. 7) report that municipalities administer social assistance, the province covers 80 percent of the program costs and 50 percent of the administrative costs through conditional grants.

[5] In some provinces, such as Newfoundland and Labrador, police services are a provincial responsibility.

[6] FCM (2006, p. 2) and BCMC (2006, p. 10).

infrastructure, are important contributors to the sustainability of communities and their quality of life.[7]

With the passage of the Baldwin Act (Municipal Incorporation Act) of 1849, municipalities were established in Canada with the power to raise taxes and enact laws. Interestingly, this occurred even before the Canadian confederation was officially formed.[8] Yet, within the Canadian confederation, municipal/local governments have no separate constitutional status.[9] Specifically, section 92(2) of the Constitution Act, 1982, and the British North American Act that preceded it specifies that the provinces have the power to impose direct taxes to undertake provincial responsibilities and section 92(8), delegates to each province exclusive legislative responsibility for making laws pertaining to the municipal institutions that exist within the province.[10] Since there is no specific provision or constitutional identity for local governments, municipalities are legally subordinate to provincial governments. They have neither constitutionally defined responsibilities nor rights to use any particular revenue instrument. Consequently, the provinces have the right to:

- devolve powers and responsibilities to municipal governments as deemed appropriate;
- specify the use or prohibition of particular revenue-raising instruments by the municipalities;
- define their geographic boundaries;
- mandate the expenditures of the municipalities;
- determine minimum standards of service;
- preclude municipalities from budgeting for deficits;[11] and
- restrict their use of debt to finance their infrastructure needs.[12]

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[7] In particular, FCM (2006, p.3) suggests that the municipal infrastructure deficit "compromises Canada's competitiveness, lowers the community's quality of life, and hampers the efforts of Canada's cities and communities to attract and retain educated and skilled professionals." As well, Kitchen (2004a, p. vi) recommends that "Given the importance of infrastructure for improving Canadians' quality of life and enhancing Canada's ability to be competitive, cities should borrow to finance infrastructure that benefits future generations."

[8] Collin et al. (2003, p. 1) and Slack et al. (2007, p.6).

[9] Bradford (2001, p. 10) and Collin et al. (2003, p. 3).

[10] Dewing et al (2006).

[11] FCM (2006, p. 14) notes that in Canada, at least, "municipal governments are prohibited from running deficits." This is also true in Newfoundland and Labrador, at least in an expectation sense. For example, Keenan and Whelan (2010b, p.12) note that "the property tax rate be set to be sufficient, together with all anticipated revenue from other sources, to cover all the expenditures of the council for the financial year."

[12] Hobson et al. (2005, p. 19), FCM (2008, p. 3) and FCM (2006, p. 14). Collin et al. (2003, p. 18) note that municipal debt is ultimately guaranteed by the provincial government, which is why the provincial government monitors and closely regulates municipal debt. Alm (2010, p. 5) points out that local government borrowing has "sometimes created, or at least contributed to, significant problems."

In addition, through the provision of various types of grants, the provincial government can shape the expenditure profiles adopted by municipalities.

It is in this context that municipalities are often referred to as "creatures of the province"[13] or "agents of the province."[14] That is, local governments are created by their respective provincial legislatures. Their continued existence is determined by the provincial government. Their ability to utilize new or any revenue instruments would have to be approved by the province. Furthermore, if the municipalities did not exist, then the province would be constitutionally responsible for providing services normally provided by local governments.

In the context of a discussion of possible alternative funding arrangements for local government within Newfoundland and Labrador, this is an important point to recognize. Even if there is unanimous support at the municipal level for such an initiative, the provincial government is not compelled to accept any proposed revision to the existing funding arrangements. Hence, it is important to ensure that all stakeholders involve understand fully the benefits to themselves and to others from any funding arrangements that are proposed to supplement the property taxes.

In the standard theory of fiscal federalism, economic welfare can be enhanced by decentralizing local public good provision to the level of government that is both closest to individuals who demand those services and possesses the capability to effectively and efficiently delivery these goods and services that best match the diverse demands that exist.[15] According to Oates (2007, p. 2), local governments can tailor the types and levels of public goods and services to match the preferences,[16] needs and environmental conditions faced by their constituents.[17] With local

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[13] See Bird and Slack (1983, p. 9), Slack (1994, p. 3), Marshall and Douglas (1997, p. 35), Kitchen (2002, p. 156), or Collin et al. (2003, p. 14). As Dewing et al. (2006) explains: while certain cities within a province may be covered by a separate Act of the provincial legislature, most come under the provincial Municipal Act and the provincial legislature can alter municipalities' boundaries, powers and available financial resources. The provincial government, at its discretion, can abolish individual municipalities through amalgamation or change how they are governed by adding a layer of regional government.

[14] Bird (2010, p. 18) suggests that "local governments are viewed to a significant extent as agents to whom central governments have delegated certain functions." In this context, Kitchen (2003, p. 16) suggests that ", local governments are the agents while the state is the principal. The latter has the power to alter jurisdictional boundaries, to change revenue and expenditure responsibilities of the agent, and to change intergovernmental fiscal arrangements to overcome differing objectives between the principal and the agent...the role of the agent is to provide and fund services that benefit local constituents; hence, financing of each service is best addressed on the basis of benefits received from local services."

[15] As Slack et al (2006, p.67) points out, this is commonly referred to as the "subsidiarity" principle. She goes on to highlight that with few exceptions, almost all public services should be provided at the local or regional level with local policy-makers deciding what services to provide, how much to provide, and who should pay for them.

[16] Bahl and Bird (2008, p. 2) indicate that people's preferences for government services can vary as a result of "religion, language, ethnic mix, climate, economic base, or just because of their inclinations or those of the local political leadership."

public goods being provided by the central or provincial government, it is unlikely that the central government officials will have precise, or even adequate, information on the variability of local demands for public services by community and, as such, there will be a tendency to provide similar service levels across communities.[18]

Another important characteristic of local service provision is the choice it provides to citizens when different municipalities provide a variety of public service/taxation packages so that mobile households can match local service/taxation packages with their preferences by moving between jurisdictions. This coordination of preferences with a local service/taxation mix, commonly referred to as the Tiebout effect, enhances the efficiency of local public good provision[19] and increases economic welfare.[20] That is, the Tiebout effect enhances the likelihood that the local public goods and local taxes can be matched, and in so doing, local taxes would become benefit taxes.[21] This point is echoed by Bird (2001, p. 119) when he conveys the idea that the "matching principle" is a prerequisite for efficient and effective local government. This concept of matching leads to "the benefit model of local finance," where expenditure responsibilities are matched with revenue resources; revenue capacities are

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[17] Bradford Malt and Oates (1969) and Hamilton (1983) propose that the socioeconomic characteristics of the community enter the local production function and, as such, influence both the average and marginal cost of public goods provision. Hence, one would expect the demand for local public goods to vary across communities.
[18] Equal service provision would be both administratively simpler and perceived to be fairer in terms of allocation.
[19] Local public goods are goods which have the characteristics of being non-rival and non-excludable, but these characteristics have a limited geographic dimension. A limited geographic dimension implies that to benefit from the good or service, you have to be within a relatively close proximity. For example, residents of Corner Brook receive no benefit from the presence of the fire stations in St. John's. The residents of Corner Brook need to build their own fire stations in order to benefit from fire protection services. Non-excludable is a technical term which implies that if the good is provided to one resident, it is provided to all. It is not possible to exclude some people from enjoying the good if it is made available to others. Non-rivalness is another technical term which indicates that if one person consumes the service, it does not diminish the ability of another person to enjoy the same good. By way of illustration, if weather data is collected and reported on the news, one person choosing to take an umbrella does not stop another person from using the same information (i.e., the weather forecast) to decide to take an umbrella. In other words, the incremental cost of providing the good to second person is zero, if it has already been provided to the first person.
[20] Specifically, Tiebout (1956) hypothesized that people would "vote with their feet" for their most preferred tax-expenditure package and, as such, they would voluntarily move to those communities which provide the level of public goods most in line with their preferences. It is also important to realize that the Tiebout effect requires that fiscal consideration dominate job commitments, family ties, financial costs associated with moving, etc. in the household`s migration decision. Thus, Tiebout sorting is more likely to be operational in a metropolitan area where individual can work in one community and live in another that provides a closer match between tax and expenditures and their demands. In addition, Alm (2010, p. 4) emphasized that the existence of multiple local jurisdictions provide people with the opportunity to move to the jurisdiction that best meets their demands for the appropriate mix of public services and taxes.
[21] Communities that offer a better service package relative to the taxes that prevail in their communities will find that properties within their jurisdiction will increase in demand, while those that have less preferred packages will experience lower demand. Through the capitalization of theses expenditure/tax differentials into housing values, the local tax effectively becomes a benefit tax. That is, each resident of a community pay for the local public services that they receive.

matched with political accountability and benefits distribution is matched with financing responsibility.

In addition to being able to better match service provision with preference, the existence of numerous municipalities should encourage competition amongst adjacent municipalities so that no one government entity is in a monopoly position.[22] The presence of competition at the local level will constrain the potential for budgetary growth[23] and should foster enhanced efficiency.[24] Moreover, with more than one level of government providing goods and services, the likelihood of experimentation and innovation in service delivery will be enhanced.[25]

Furthermore, in addition to providing local public goods and services, municipalities provide leadership and vision, undertake various types of regulation and impose taxes within their jurisdiction.[26] Slack et al. (2006, p. 65) also emphasize that local governments through direct access to political representatives enhance the democratic process; share political power with upper tier governments, represent their constituents; and reflect and shape the views of their communities. As well, local government can be a training ground for aspiring politician who eventually participate in the provincial or federal arenas.

Clearly, municipalities perform an extremely important role in Canadian society, and one that is expected to increase in significance over time. As much as municipalities matter and despite their considerable impact are, Bird (2001, p. 113-4) highlights that from a worldwide perspective, "few countries permit local governments to levy taxes capable of yielding sufficient revenue to meet expanding local needs" and that even adjusting for intergovernmental transfers, "resources are often inadequate to provide even the most minimal level of many of the services with which such governments are charged." At a minimum, Bird (2011, p. 1) indicates own-source revenues should be sufficient to enable the more affluent communities to finance all locally-provided services that primarily benefit local residents. If that condition is met, then equalization grants from the upper tier governments can be used to supplements

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[22] If all decisions on public good provision is allocated to the province, then an effective monopoly exists which could have its own efficiency consequences.

[23] Niskanen (1971) suggested that budgets maximizing bureaucrats would tend to push public expenditure beyond the efficiency level. Romer and Rosenthal (1978) extended this theory by allowing that bureaucrats control the agenda for expenditure votes and, in so doing, are able to increase expenditure above the efficient level by an "all or nothing" offer. In other words, an inefficiently high level of the public goods is preferred to the situation of no public goods.

[24] Robotti and Dollery (2008, p. 1), in particular, emphasize that the benefits of decentralization can stem from the comparison of governmental units' performances and the resulting competition between different jurisdictions.

[25] Different groups of people try different ways of doing things, some of which lower cost or improve productivity and are available for adoption by other communities. For example, the one-man garbage truck is an innovation over the three-man operation that existed previously. While not always the case, the one-man garbage truck is now the standard of operations in the cities of St. John's and Mount Pearl.

[26] EACCC (2006, p. ix).

own-source revenues for the communities that have a lower revenue-raising capacity than the more fiscally-advantaged communities.

The main sources of revenue for municipalities in Canada, and Newfoundland and Labrador, are property taxes, user fees and grants from upper-tier governments (mainly from their respective provincial government).[27] While municipal governments in Canada are excluded levying income taxes and general sales and consumption taxes,[28] that was not always the case.[29] Up until the Second World War, Canadian municipalities had access to income taxes.[30]

A review of the literature reveals the importance of property taxes as a revenue source for local government.[31] As a further illustration, Table 1 shows that property taxes are the largest local tax for OECD countries, accounting for 40% of local taxes. This is followed closely by income taxes which represent 38% of local taxes and sales taxes that constitute 18% of local taxes in OECD countries. Interestingly, while 10 of the 33 countries get more than 50% of their taxes from property taxes, 14 countries get more than 50% of their local taxes from income taxes and only three countries get more than 50% of their local taxes from sales taxes..

Table 1: Taxes as a Percentage of Total Local Taxes in OECD Countries - 2008

	Taxes on Property	Taxes on Income, Profits and Capital Gains	Taxes on Goods and Services	Other Taxes
Australia	100.0%	0.0%	0.0%	0.0%
Ireland	100.0%	0.0%	0.0%	0.0%
United Kingdom	100.0%	0.0%	0.0%	0.0%
Canada	97.8%	0.0%	2.1%	0.1%
Israel	95.1%	0.0%	4.9%	0.0%

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[27] Slack et al. (2006, p. 33), FCM (2006, p. 2), and FCM (2009).

[28] FCM (2006, p. 14) and Collin et al. (2003, p. 14) report that municipalities in Canada do not impose an income tax or general sales tax. Yet, as described below, municipalities in Canada have limited access to selective sales and consumption based taxes such as hotel occupancy and fuel taxes.

[29] As noted in Slack et al. (2007, p. 7-8), although it was never an important revenue sources, the origin of the municipal income tax can be traced back to the 1850s, which pre-dated the adoption of the income tax at the provincial level countrywide in 1937. As pointed out in Kitchen and Slack (2003, p. 2234-5), this also preceded the adoption of the federal income tax in 1917. Silver (1968, p. 398-9) also suggested that Canadian municipal income taxes have been in existence since the middle of the nineteenth century, operating for more than 100 years before they ceased. Mintz and Roberts (2006, p. 3-5) also reference the historical presence of municipal income taxes in Canada.

[30] Lazar and Seal (2005, p. 35-6) noted the withdraw from the income tax bases and that after the war, the provinces reoccupied the income tax fields, but did not extend that right to municipalities when they re-entered the tax field. This point is corroborated by Slack et al (2007, fn 10).

[31] For example, Dollery et al (2005, p. 7) report that the property tax is the sole source of local government taxation in Australia and Wu (2009, p. 78) emphasizes that the property tax is the most important single source tax under the discretion of municipal governments in the US. Other illustrations of the types of taxes utilized by municipal governments around the world are found in Kitchen (2003, Table 1, p. 5), Slack (2010, Table 3, p. 7), and FCM (2006, Table 1, p. 23). In addition, Vander Ploeg (2002, Figure 2, p. 41) present municipal tax instruments for select US and Canadian cities.

	Taxes on Property	Taxes on Income, Profits and Capital Gains	Taxes on Goods and Services	Other Taxes
New Zealand	89.5%	0.0%	10.5%	0.0%
Mexico	87.9%	0.0%	1.6%	10.5%
United States	71.4%	5.4%	23.2%	0.0%
Greece	56.1%	0.0%	43.9%	0.0%
France	50.5%	0.0%	20.2%	29.3%
Portugal	47.8%	28.3%	23.0%	1.0%
Korea	47.0%	17.9%	21.6%	13.5%
Netherlands	46.8%	0.0%	50.9%	2.2%
Chile	43.4%	0.0%	56.6%	0.0%
Spain	30.6%	23.4%	42.3%	3.7%
Japan	26.7%	55.2%	17.1%	0.9%
Poland	26.6%	62.1%	7.0%	4.4%
Hungary	21.3%	0.0%	78.5%	0.2%
Belgium	18.9%	69.1%	11.7%	0.4%
Iceland	18.4%	75.3%	6.3%	0.0%
Slovenia	17.4%	75.7%	6.9%	0.0%
Switzerland	14.7%	85.1%	0.2%	0.0%
Germany	14.1%	80.5%	5.3%	0.1%
Turkey	12.3%	30.9%	44.4%	12.4%
Slovak Republic	10.9%	76.6%	12.5%	0.0%
Norway	10.7%	87.5%	1.8%	0.0%
Austria	10.6%	32.4%	32.3%	24.8%
Italy	10.5%	25.2%	31.2%	33.1%
Denmark	10.4%	89.4%	0.1%	0.1%
Luxembourg	6.6%	91.2%	1.6%	0.6%
Finland	5.2%	94.6%	0.0%	0.1%
Czech Republic	2.7%	50.1%	47.2%	0.0%
Sweden	2.4%	97.6%	0.0%	0.0%
OECD - Total	39.5%	38.0%	18.3%	4.2%

Source: OECD Revenue Statistics

While Canada depends almost exclusively on property taxes as the primary tax source for local governments, there are various combinations of tax instruments available to local government around the world. As the data for OECD countries show, there is a mixture of taxes used to finance local goods and services. For instance, Australia, Ireland, the United Kingdom, Canada, Israel, New Zealand, and Mexico depend almost exclusively (75% or higher) on property taxes to fund local public goods and services. Although the United States, Greece and Portugal use taxes on property to fund local goods and services, they also rely on a mixture of taxes. For example, 5.4% of local government revenues in the US are generated by taxes on income, profits and capital gains, while 23.2% comes from taxes on goods and services.

At the other extreme, Sweden, Finland, Luxembourg, Denmark, Norway, Switzerland, Germany, Slovak Republic, Slovenia and Iceland fund 75% or more of their local revenues from taxes on income, profits and capital gains. As well, although Belgium, Poland, Japan, Czech Republic and Austria fund the majority of their local government revenues from income, profit and capital gains taxation, they utilize a diverse suite of revenue instruments.

While Hungary is the only country to use taxes on goods and services to fund more than 75% of local government revenues, Chile and the Netherlands use taxes on goods and services to fund more than 50% of their local governments' revenue needs. For other countries, there is more diversity in the revenue instrument used to fund local governments.

Recognizing that there are a suite of revenue instruments to fund local governments, Bird (2011, p. 3) suggests that local governments should, if they tax mobile households and factors of production, rely on benefit taxation. That is, the taxes that apply at the local level are in relation to the benefits received. The rationale being that the presence of local benefit taxation would avoid tax induced distortions. In addition, non-benefit taxes should be levied only on relatively immobile tax bases. Under these circumstances, the local government can vary the tax rate without fear of substantial reductions in the tax base.[32] This further implies that the tax instrument should be sufficient to yield adequate revenues to meet local needs in that the tax rate can be adjusted to balance the budget.

Given this discussion, it is important to consider whether the property tax is a benefit tax or whether other revenue instruments are better suited to fund local public services. The strengths and weaknesses of the property tax in meeting local expenditure needs are now considered in more detail.

3.0   Property taxes – The Good, The Bad and the Confusing

The property tax[33] is often portrayed as a good[34] and an attractive[35] tax. It is even considered by some to be the most appropriate tax with which to fund local government. [36] Yet, others

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[32] Rao and Bird (2010, p. 24).

[33] While most of the discussion is around "the" property tax, it is important to appreciate that the property tax consists of two components, a residential and a nonresidential tax, each of which can be taxed at a different rate. For example, Brett and Tardif (2008, p. 444) report that non-residential property in New Brunswick is taxed at one-and-one-half times the residential rate. As Slack (2001, p. 274) proposes, there might be good reasons for taxing different types of property differently. One might be, for instance, that the costs of providing services to different types of properties vary. Another could be that the benefits received by each type of property differ. Accepting this proposition would imply that nonresidential properties should be taxed at a lower rate than residential properties because the benefits received by the non-residential property are typically lower than those received by residential property. Furthermore, business-type property should be taxed at a lower rate than residential property because business capital tends to be more mobile than residential capital. As such, business property should be taxed more lightly than residential property to avoid distortions.

describe the property tax as being unfair,[37] as distortionary[38] and as the most disliked or hated tax.[39] Surprisingly, and confusingly, its greatest strengths can be, and have been, simultaneously portrayed as its biggest weaknesses.

The strengths of the property tax are:

- the property tax is a visible[40] and transparent[41] tax that promotes local government autonomy[42] and accountability.[43] Specifically, people do not have to review their pay stubs to determine the tax portion of their paycheque or keep track of all their expenditures to identify the tax component of their purchases. Instead, property owners get a property tax bill from the municipality once or twice a year so they know exactly what they pay. Likewise, municipal goods and services, such as roads, garbage collection, snow removal, fire protection, police services, and neighbourhood parks, etc., are highly visible.[44] Given the visibility of both the property tax and the goods and services that it funds, people can see, understand and connect the two. That is, they can match the expenditure implications of an increased demand for local public goods to the corresponding increase in local taxes or they are in a better position to weight the increased benefits of local public services to the incremental costs of new service requests. This, in turn, facilitates government accountability, or so the argument goes.

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[34] Slack et al. (2007, p. 33) and Oates (1999).

[35] Alm (2010, p. 17).

[36] Rao and Bird (2010, p. 24).

[37] Vander Ploeg (2002, p.3)

[38] Zodrow (2007, p.3) explains that some economists, espousing "the new view" or "capital tax view" of the property tax, see the property tax as a distortionary tax on the use of capital within a jurisdiction. Other economists, who ascribe to the benefit view of the property tax, see the property tax as a non-distortionary user charge. Still others, who hold to the traditional view of the property tax, see the property tax as an excise tax that gets shifted to the consumers of housing in the form of higher prices. Being borne by households in proportion to their consumption of housing makes it a regressive tax with respect current income and roughly proportional to lifetime income.

[39] Slack (2010, p. 8), Brunori (2003, p. 7), Slack et al (2007, 32), Alm (2010, p. 18), Oates (1999), Gravelle and Wallace (2007, p. 3) and Chapman (2008, p. s125) address the unpopularity of the property tax. As Gravelle and Wallace (2007, p. 3) submit, the unpopularity of the property tax has led to property tax limitations such as Proposition 13 in California and Proposition 2 ½ in Massachusetts.

[40] Slack (2001, p. 269) and Oates (1999) emphasize the positive aspect of the property tax being visible. On the other hand, FCM (2006, p. 27) highlighted that the tax has a low visibility among renters of all classes of property, which, in their opinion, makes "it a natural target for tax increases."

[41] Carroll and Goodman (2011, p. 78-9).

[42] The ability to promote accountability and autonomy was highlighted by Slack (2010, p. 1). Autonomy becomes important in that to match local preferences to tax and services, local government need the independence to make local taxation and expenditure decisions.

[43] Accountability is a prerequisite for the efficient allocation of goods and services within an economy. In particular, Oates (1999) advances the proposition: "For local fiscal choice to have real meaning, it is essential that local residents bear the costs of their decisions to adjust levels of local services. The populace must be in a position to weigh the benefits of public programs against their costs."

[44] People know when garbage is collected or whether the streets have been cleared of snow, for instance.

- The property tax is a benefit tax[45] and, as such, it is considered both to be neutral (nondistortionary)[46] and fair.[47] According to this view, local taxes are in effect fees that constituents pay for the local public services that, in turn, increase the value of their property. In this context, local property taxes perform the same function as prices for private goods and services in the marketplace. People who value more public services, and are willing to pay for them, can choose communities that offer both higher public services and charge corresponding higher prices (i.e., higher local property taxes). Just as in the case of private goods and services, the beneficiaries pay for the services they receive and, in this sense, the property tax is considered fair.[48] However, it is important to appreciate that to act as a benefit tax, local services must be reflected in the value of property that prevails within the community.[49] In other words, local taxes and benefits must get capitalized into local property values. In fact, capitalization is a prerequisite for the property tax acting as a benefit tax.[50] Although there is evidence that capitalization does occur,[51] it is important to appreciate that there is not a real close correspondence between the value of services received by a particular piece of property and the specific taxes for which that property owner is responsible.[52]
- The property tax is stable and predictable.[53] Specifically, the property tax increases with growth,[54] albeit slowly,[55] but predictably. This predictable growth facilitates local

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[45] Under a benefit tax, a voter's tax liability is tied to the benefits he or she receives, with higher tax share being allocated to those who receive a greater share of the benefits. In other words, you get what you pay for.

[46] A tax is neutral or nondistortionary if it does not distort or change relative economic decisions. For example, this might relate to whether to establish a residence or a business in community A rather than community B.

[47] Slack (2010, p. 1) and Kitchen (2003, p. 19) draw the connection between fairness and the benefit interpretation of the property tax in that those who receive the benefits from local public goods pay for them.

[48] Even if prices are tied to benefits, the consumption of the service can be regressive in terms of its implication for the distribution of income. As discussed below, there may be more appropriate ways to deal with the income distributional effects of the property tax, if they exist.

[49] Rao and Bird (2010, p. 24), and Vander Ploeg (2002, p. 3).

[50] Zodrow (2007, p. 6).

[51] See, for example, Gravel, Michelangeli and Trannoy (2006, p. 1945), Hamilton (1979, p. 169), and Sirmans, Gatzlaff and Macpherson (2008, p. 327). On the other hand, Charlot et al (2008, p. 23) found that local public expenditure and the tax rate had almost no effect on property prices, but the amount of tax they had to pay did impact buyers behaviour.

[52] For example, Slack (2010, p. 8) indicates that some taxpayers find that it is unfair that their property tax bills can change even if neither the value of services received nor the value of their property does not change. This perception has been suggested as part of the rationale for the push to impose assessment limits to prevent large property tax increases. HRM (2009, p. 4-5) reports that some property owners in Halifax find it difficult to see the link between municipal services provided and the property taxes they pay.

[53] See, for example, Carroll and Goodman (2011, p. 78), FCM (2006, p. 19), Fisher (2009, p. 10) and FCM (2006, p. 25). Dye and Reschovsky (2008, p. 109-110) claim that the property tax is more stable than alternative local taxes such as income and sales taxes. Edgerton et al. (2004, p. 147) find that the smaller the share of local revenues coming from the property tax, the less stable (more variable) is the municipality's revenue stream. Edgerton et al. (2004, p. 148) also highlight that the City of New York's increase reliance on personal income taxes has made the city susceptible to large changes in revenues associated with changes in economic activity. Of course, those

government budgetary planning. Being able to forecast revenues with some precision is a necessity for local government, especially since municipalities in Canada and Newfoundland and Labrador cannot budget for deficits.[56]

- The property tax is a simple, easily administered tax. In particular, the municipality determines the tax rate that will balance its budget,[57] given its expenditure needs, assessed property values[58] and other revenues sources. The municipality then sends out a property tax bill to each property owner based on his/her property tax assessment. Being a tax on an immobile factor,[59] it is easy to levy and collect;[60] it is difficult to evade;[61] and local officials have a strong motivation to collect the tax.[62] However, it must be recognized that in the context of Newfoundland and Labrador, the property tax may not be as easy to collect as some analysts suggest. By way of illustration, Municipalities Newfoundland and Labrador's 2007 Census of Municipalities indicates that 80% of Newfoundland and Labrador communities experienced problems with delinquent taxpayers in 2006, resulting in 78% of the communities resorting to the use a collection service.[63] When looking only at smaller communities, the problem was worse, with 88% of municipalities experiencing problems with delinquent taxpayers.

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postions are not necessarily inconsistent in that property tax can increase with economic growth, albeit not as quickly as the economy grows

[54] Alm (2010, p. 17). On the other hand, Vander Ploeg (2002, p. 2) reports that municipal revenues for western Canadian cities have not kept pace with population growth or inflation.

[55] Dollery et al. (2005, p. 7).

[56] Collin et al. (2003, p. 18).

[57] As reported by Keenan and Whelan (2010b, p. 12) Newfoundland and Labrador communities are required to set the property tax rate so as to be sufficient, together with all anticipated revenue from other sources, to balance the expenditure requirements of the council for the financial year.

[58] It is important to appreciate that the Governments of Canada and Newfoundland and Labrador have large amounts of property throughout Newfoundland and Labrador which make use of local services. While these properties may show up in the assessment base, they are exempt from property taxation. Nevertheless the Payments in Lieu of Taxes Act (www.tpsgc-pwgsc.gc.ca/biens-property/peri-pilt/index-eng.html) enables the federal government to payments or grants to municipalities upon application for this purpose. While most provinces have similar legislation for their own public properties, Newfoundland and Labrador does not. As well, municipalities can exempt properties from property taxation.

[59] Rao and Bird (2010, p. 24). If real property is immobile, then it will not be distorted by the imposition of the tax. However, there is no consensus that the property tax base is an immobile base. This contingent on whether the property tax is a benefit tax or a capital tax or a tax on the consumption of housing.

[60] Slack et al. (2007, p. 33).

[61] Slack et al. (2007, p. 33), Alm (2010, p. 17), and Slack (2001, p. 1).

[62] Alm (2010, p. 17) highlights that some analysts feel "the property tax is most appropriately administered at the local government level because officials there have a better motivation to collect the tax."

[63] Keenan and Whelan (2010c, p. 12) report that the vast majority of Newfoundland and Labrador municipalities have a difficult time collecting property taxes, with 80 percent reporting having serious property tax-collection issues. The authors offer that this is evidence that "either property taxes are too high, the population is unable to pay or, most likely, a combination of both."

- The local property tax is sufficiently flexible[64] to provide municipalities with the capacity to generate adequate revenue to meet their expenditure needs, obligations, and commitments. Consequently, from a fiscal sustainability perspective, no new revenue sources are needed. This was one of the conclusions of Mintz and Roberts (2006, p. 3). These economists argue that new revenue instruments are not needed for municipalities in Canada because local government just need to make better use of existing revenue instruments, such as property taxes and users charges.[65] This position tends to be supported by Kneebone (2006, p. 1) where it is advanced that current evidence does not support the view that fiscal sustainability is challenged at the local level. At the very least, Kneebone (2006) corroborates this view that more empirical work is needed before any changes are implemented or contemplated. Likewise, Kitchen (2002, p. 164) concurs that local revenue instruments in Canada are adequate to meet the current needs of the municipalities. The property tax is sufficiently flexible[66] to allow municipalities to meet their expenditure responsibilities, implying that local governments appear to be at least temporarily stable from a fiscal perspective.[67] By way of illustration, with the exception of capital expenditures, local expenditures must balance revenues, which can be represented as:[68]

$$EXPEND_t = m_t * AV_t + GILT_t + GRANTS_t + OTHER_t$$

<div align="right">Equation 1</div>

Property taxes must equal expenditure needs minus other revenues available or

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[64] Dye and Reschovsky (2008, p. 110) found that property tax rate are sufficiently flexible so that local property tax revenues can be increased to offset reductions in state aid. That is, even though state aid was reduced, local government in the US were able to make up the shortfall in state funding. Wu (2009, p. 74) finds that municipal governments offset about 9 cents of each dollar of net state aid cut through the increase of their property tax rates. Brett and Tardif (2008, p. 443) find that more local revenue can be raised by increasing the local tax rate in New Brunswick, but they warn that "municipalities in New Brunswick are edging closer to the point where increases in tax rates will bring no increase in revenue."

[65] Mintz and Roberts (2006) do concede that a special case can be made for providing local governments in Alberta and Ontario with additional revenue instruments.

[66] That is, the local tax rate can be increased to raise any additional revenues needed.

[67] Fiscal stability at the municipal level may be temporary in that Kitchen (2002, p. 170) warns that municipalities in many, if not all, provinces could face a future that will be more challenging than anything experienced in the recent past. In particular, Kitchen (2004a, p. 21) highlights that it is inefficient, unfair, impractical and unreasonable to expect cities to fund their increased spending responsibilities from a single tax.

[68] EXPEND is local government expenditures, "m" represents the mill rate, "AV" is the assessed value, GILT represents grants-in-lieu of taxes or payments-in-lieu of taxes. GRANTS are federal and provincial grant revenues and OTHER corresponds to any other revenues that are received by the municipality.

$$m_t * AV_t = EXPEND_t - GILT_t - GRANTS_t - OTHER_t$$

This implies that the local tax rate can be solved residually to balance the budget (at least in theory) as follows:

$$m_t = \frac{EXPEND_t - GILT_t - GRANTS_t - OTHER_t}{AV_t}$$

So what is the problem? If the municipality needs more money to address its needs, then it simply has to raise the mill rate to the appropriate level. It is in this sense that people argue that the local revenue instruments are adequate.

The weaknesses of the local property tax are:

- The property tax is an inelastic source of revenue[69] – that is, property taxes do not increase directly with the growth in the economy, as do income and sales taxes. Although property values do increase when the economy grows,[70] assessed values increase with a lag.[71] For instance, the FCM (2006, p. 14) warns that municipal revenues are not keeping up with either the cost of living or the additional expenditure responsibilities faced by Canadian municipalities.[72] This, in their opinion, has left

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[69] Elasticity in this context typically refers to the buoyancy of the tax revenue. While the assessed value of property increases overtime, it may grow faster than the growth in general economic activity and would be considered elastic or it may grow slower than the economy and would be consider inelastic. Alternatively, elasticity, in a more formal sense, refers to how responsive property revenue is to changes in the tax rate. In that context, an inelastic base would imply that an increase in the local tax rate would yield an increase in tax revenue because the base will decline less in percentage terms than the percentage increase in the tax rate. In this context, Brett and Tardif (2008, p. 443) find that the property tax base for New Brunswick municipalities is inelastic with respect to the property tax rate. Likewise, Ladd and Bradbury (1988, p. 520-1) find that an inelastic property tax base in both the short and long run for US municipalities. Stine (1988, p. 35) determined that the property tax base was inelastic in the short run, but elastic in the longer run.

[70] As income increases, people demand more goods and services, one of which would be housing. An increase demand for housing will cause the value of housing to rise. This will eventually lead to higher assessed values and higher property taxes, ceteris paribus.

[71] Slack et al. (2006, p. 33), Slack (2010, p. 9), FCM (2006, p. 19), Bird and Slack (2004, p. 3), EACCC (2006, p. 24), Vander Ploeg (2002, p. 2) raise the inelastic tax base as an issue. As well, Lutz (2008, p. 2) finds that in the United States collections of property tax revenues lag behind changes in house prices by three years. That is, the base grows more slowly than the overall economy.

[72] Interestingly, Dye and Reschovsky (2008, p. 104) found that local government property tax revenue and expenditures have grown at approximately the rate of growth of personal income in the US. That is, revenues have kept up with expenditures, at least in their study. Similarly, Murray, (2006, p. 2) found that over the long run, the property tax has an elasticity of about 1, which he interprets as "if public-service demands grow roughly commensurate with the economy, the local property tax can meet local government financing needs."

municipalities with limited options — delaying services to residents, postponing infrastructure investment and delaying required maintenance.[73] The real concern, as expressed by Bird (2009, p. 2), is that local governments' expenditure needs increase as the economy and population grow, but property taxes grow more slowly, requiring "a more elastic source of general revenue than is usually provided by property taxation."

- The combination of the visibility of the property tax and the dislike that people have for the tax implies that politicians are reluctant to increase local property tax rate even when there is a demonstrated expenditure need within the community. For example, an increase in property assessments usually results in a reduction in property tax rates so that voters will not see the property tax burden increase significantly.[74] According to Slack (2001, p. 269), the visibility of the property tax constrains the ability of local governments to raise the tax. Consequently, even if municipality can technically increase property tax rate to meet increased revenue needs, politically, it may be difficult to do.

- The property tax, when combined with user fees, does not generate sufficient revenue to enable municipalities to meet their expenditure responsibilities.[75] This is supported, in an international context, by the analysis of Bird (2010b, p. 17) which emphasizes that local property taxes seldom yield enough to finance all local services. It is a commonly held view that local governments do not have sufficient resources to meet all of their needs. This shortfall is typically attributed to the limitations of the property tax. Although the mill rate is adjustable, making it is easy, in theory or technically, to balance the budget, Bradbury and Zhoa (2009, p. 29-30) stress that the income levels of the constituents constrains the ability of municipalities to pay for local public goods. In

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[73] Keenan and Whelan (2010c, p. 13) report for Newfoundland and Labrador that "more than 80 percent of all municipalities have water and sewer systems that are more than 20 years old"…"combined with an inability to perform preventative maintenance is that the vast majority of municipalities wait until this infrastructure fails or almost fails before improvement is made". As well, Keenan and Whelan (2010c, p. 15) note that "many municipalities are having an increasingly difficult time managing the service needs of their residents. Though many municipalities have drinking water systems, most are not new and require significant repairs or need to be replaced. Many of these systems now produce water that does not meet the Canadian guidelines for drinking water quality. In fact, according to MNL's Municipal Self-Assessment survey, only 67% of municipalities have a water quality that meets the established provincial water quality index."

[74] Slack et al. (2006, p. 33).

[75] In Canada, FCM (2006, p. 2), FCM (2009), EACCC (2006, p. 24), Slack and Bird (2004, p. 3), Zhang and Walters (2010, p. 2), AMO (2007, p. 2) and Slack et al (2006, p. 2) raise concerns with municipal sustainability. Rose (2008, p. 808) finds that the sustainability of local US government is threatened. Beckett-Camarata (2004, p. 615) discovered that fiscal emergencies in Ohio are caused in part by inadequate fiscal resources. Zhao (2010) notes that municipalities in Massachusetts have experienced difficulty raise sufficient revenues to meet their expenditure needs. Plerhoples and Scorsone (2010, p. 1) report that Michigan communities are facing unprecedented levels of fiscal stress. Internationally, Bird (2011, p. 2) finds that local government expenditures exceed their capacity to raise own-source revenues and PWC (2006, p. 12) estimates that between 10 to 30 percent of Australian municipalities have sustainability issues.

particular, this constraints imposed by income levels reduce the willingness of the voters to absorb increased property taxes to support higher expenditures on needed public goods and services.

- The property tax is unfair because it is unrelated to ability to pay.[76] It is perceived to be regressive and there is evidence to support this position.[77] For instance, Chawla and Wannell (2003) found that Canadian families with greater than $100,000 income pay 1.8% of their income in property taxes. Yet, families with less $20,000 in income pay only 10% of their income in property tax. That is, the share of income going to pay property taxes in Canada falls with annual family income. This finding of regressivity was corroborated by Palameta and Macredie (2005) who found that property taxes in Canada were "regressive relative to income in every municipality studied." Alternatively, Alm (2010, p. 17) indicates that there is other evidence which that the property tax is proportional or progressive with respect to income. Another aspect of unfairness uncovered by Fisher (2009, p. 11) was that even though property values may increase with economic activity, this increase in wealth will not be realized until the property is sold. However, the property tax liability will commence as soon as the house is reassessed. In fact, this may be a particular problem for low income individuals who may not have additional income to pay the extra taxes. On the other hand, the impacts of property taxes for lower income individuals can be mitigated through the use of property tax credits,[78] circuit-breakers or deferred property tax payments.[79]

- The property tax is particularly unfair to elderly residents who may be forced to move from their homes because of liquidity constraints[80] imposed by increases in the property

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[76] Vander Ploeg (2002, p. 3) accepts that the property tax could be regressive, but he recognizes that the jury is still out on the regressivity of the tax because income distributional implications of the tax will depends on the type of property, the assessment practices in place, and the availability of tax credits, deferrals, exemptions, reductions, or refunds. Oates (1999) review of the literature indicates that housing expenditure is proportional to permanent income. This supports the view that property taxes are proportional (i.e., neither regressive nor progressive) when measured against lifetime income.

[77] Skidmore et al. (2010, p. 529) and Edelstein (1979, p. 753) find a regressive relationship between income and effective property tax rates.

[78] Slack (2010, P. 13) notes the use of property tax credits in Ontario for this specific purpose.

[79] In Canada, UNSM (2011, p. 2) reports that in 2005, Nova Scotia introduced the Capped Assessment Program (CAP) in an effort to protect property tax payers from sudden and dramatic increases in assessment, with the cap set at the rate of change in the Consumer Price Index. In the United States, Baer (2003, p. ii) reports that 14 states and the District of Columbia use homestead credits; 35 states and the District of Columbia has circuit breaker programs; 40 states and the District of Columbia provide homestead exemptions; 42 states and the District of Columbia freeze or limit assessed property values, property tax rates, or property taxes. As well, Fisher (2009, p. 12) describes how circuit breakers provide tax credits or rebates when property tax amounts exceed some threshold of income. He also explains another solution where households are permitted to defer property tax payments until the house is sold. This might work well for elderly voter who are house wealthy but liquidity constrained.

[80] Elderly people who also may be retired may be relatively "house rich" but cash poor and with higher property taxes, they may be forced to turn part of their house wealth into cash by selling their principle residence.

tax.[81] Slack (2010, p. 13) suggests that some form of tax deferral would be appropriate for elderly taxpayers who have seen their property values increase while their incomes remain fixed. As well, HRM (2009, p. 4-5) finds that some property owners who are on fixed incomes (i.e., pensioners) feel as if they are being pressured to sell when their incomes are unchanged but the value of their home and the property tax obligations have increased.

- The property tax is not a benefit tax. Rather, a tax on capital which is highly distortionary.[82] Furthermore, Vander Ploeg (2002, p. 5) suggests that the property tax cannot be a benefit tax for commuters and visitors who use local services because they do not pay local property tax within the communities in which they use these services.

- The property tax causes urban sprawl[83]because land is cheaper at the periphery of a municipality and consumers are rewarded for locating away from the core. This increases the cost of delivering local public goods and services and erodes environmental sustainability. There is, however, evidence that the implications of the property tax for urban sprawl are overestimated.[84]

- The property tax promotes tax competition for mobile businesses and can generate inefficiently low taxes on business, resulting in lower public services than optimal.[85] The evidence of detrimental tax competition at the municipal level is far from clear.[86]

- The property tax applied to commercial and industrial property leads to tax exporting to the residents of other jurisdictions through prices and the return to owners of capital.[87] This, in turn, leads to an inefficient provision of public goods and services because residents are implicitly subsidized by those jurisdictions to which the property tax is exported.

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[81] Boldt et al. (2010, p. 33) and Shan (2010, p. 194) provide statistically significant support for the claim that older home owners move in response to increases in property taxes. On the other hand, Skidmore et al (2010, p. 529) find that older homeowners enjoy a tax benefit over younger homeowners of approximately 11%, which would tend to reduce mobility of older homeowners.

[82] Vander Ploeg (2002, p. 3) suggests that the property tax really amounts to a tax on capital, which drives growth, innovation, and productivity. Slack (2001, p. 270) also recognizes the possibility that the property tax is a distortionary tax on capital, borne primarily by owners of capital. As well, as Rosen et al. (2003, p. 325-332) notes, the deadweight loss or excess burden of a tax is a function the tax rate squared. That is, the higher the tax rate, the bigger the impact on excess burden or the greater the distortion.

[83] FCM (2006, p. 27), Slack (2002, p. 8), BCMC (2006, p.27) and FCM Policy (2009).

[84] For example, Dye and McGuire (2010) find that property tax differentials between the core and the suburbs have no impact on sprawl, while Nechyba and Walsh (2004) provide evidence that the economic cost of sprawl is overestimated

[85] Slack (2010, p. 10).

[86] For instance, Brett and Tardif (2008, p. 441) found that in New Brunswick, tax competition was not a major factor in municipal decisions. Geys and Revelli (2009, p. 2) analysis discovered that tax competition was not an issue in Flemish municipalities. On the other hand, Wasylenko (1980), Fox (1980), Charney (1983), McGuire (1985), and Dye et al. (2001, p. 776) find that differences in property taxes affect the size of the nonresidential tax base.

[87] Slack (2010, p. 3).

- Non-residential property is overtaxed.[88] The current practice in most jurisdictions is to impose higher tax rates on nonresidential properties than on single-unit residential properties.[89] This cannot be justified on the basis of benefits received because commercial and nonresidential property taxes typically exceed the cost of servicing these properties.[90]

4.0   Municipal Expenditures and Revenues – The Newfoundland and Labrador Context

When comparing the municipal sector in Newfoundland and Labrador to other provinces, one has to appreciate that the service package and the revenue mix are not identical across provinces. However, after controlling for these differences, there are many features that are similar and define the fiscal circumstance under which municipalities operate. By way of illustration, Newfoundland and Labrador municipalities are not responsible for education, policing, social services or health.[91] Additionally, with the exception of St. John's, municipalities in Newfoundland and Labrador do not have a substantive role in housing[92] and many fire departments are staffed by volunteer fire department. Finally, Newfoundland and Labrador municipalities were not given the ability to pursue economic development matters until 1999.[93]

As shown in Table 2, the primary source of revenue for Newfoundland and Labrador municipalities in 2010 was the taxation of residential properties, which comprised 46% of the municipal revenue collected in that year. This was followed by taxes from commercial sources with 26% and provincial transfers,[94] which accounted for 14%. Sales of goods and services accounted for 6% of local government revenues, other revenue from own sources (4%), federal transfers (3%) and transfers from own reserves and other funds (1%) made up the rest of municipal revenues in 2010. The total revenue available to Newfoundland and Labrador communities in 2010 was $572 million.

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[88] Slack (2010, p. 1-3) and Mintz and Roberts (2006, p. 9)
[89] Kitchen (2004a, p. 13)
[90] Kitchen and Slack (1993) and Oakland and Testa (1995b)
[91] Feehan et al. (2009, p. 460 and 464).
[92] Feehan et al. (2009, p. 464).
[93] Keenan and Whelan (2010b, p. 16).
[94] Feehan et al. (2009, p, 467) describe municipal operating grants as having four components: (1) an equalization component whereby municipalities that collect property taxes at a lower rate than the provincial average are funded so they research the provincial average. The value of the property taxes are based on the preceding year`s assessments. Municipalities that do not impose property taxes are provided $40 per house. (2) A local revenue incentive based on local revenues in the community. If a municipality is below the provincial average, its finances are raised. (3) A household-living component that is calculated at $85 a house. (4) A road component that is based on $500 per kilometre in the municipality.

Table 2: Revenue by Category for Newfoundland and Labrador Municipalities in 2010

Category	Amount	Share
Federal Government Grants and Subsidies	$17,929,263	3.1%
Provincial Government Grants and Subsidies	$82,262,754	14.4%
Other Revenue from Own Sources	$20,048,423	3.5%
Transfers from Own Reserves and Other Funds	$6,442,679	1.1%
Sales of Goods and Services	$31,206,513	5.5%
Taxes From Commercial Sources	$150,694,740	26.4%
Taxes from Residential Sources	$262,612,253	46.0%
	$571,803,986	**100.0%**

Source: Department of Municipal Affairs, Government of Newfoundland and Labrador

Table 3: Expenditure by Category and Function for Newfoundland and Labrador Municipalities in 2010

Category	Function	Amount	Share
Environmental Health	Garbage and Waste Collection and Disposal	$29,564,589	5.1%
	Other Environmental Health Services	$1,453,491	0.3%
	Sewage Collection and Disposal	$18,287,600	3.2%
	Water Supply	$42,800,171	7.4%
	Subtotal	**$92,105,851**	**16.0%**
Fiscal Services	Debt Charges From All Sources	$102,215,295	17.7%
	Other Fiscal Services	$1,849,991	0.3%
	Transfers to Own Reserves and Other Funds	$71,509,622	12.4%
	Subtotal	**$175,574,908**	**30.4%**
General Government	Common Services (Engineering Services)	$11,665,140	2.0%
	Common Services (General Maintenance)	$7,032,761	1.2%
	Common Services (Professional Development & Training)	$1,014,888	0.2%
	Common Services (Public Relations)	$1,541,336	0.3%
	Council	$5,580,040	1.0%
	General Administration	$66,651,336	11.5%
	Municipal Elections	$107,224	0.0%
	Property Assessment Services	$6,271,379	1.1%
	Subtotal	**$99,864,104**	**17.3%**
Other Function Expenditures	Other Program Expenditures	$171	0.0%
	Subtotal	**$171**	**0.0%**
Planning and Development	Community Improvement and Development	$3,443,320	0.6%
	Other Planning and Development	$859,690	0.1%
	Planning and Zoning	$5,459,962	0.9%
	Regional Development	$806,939	0.1%
	Tourism and Marketing	$3,842,690	0.7%

Category	Function	Amount	Share
	Subtotal	**$14,412,601**	**2.5%**
Protective Services	Animal and Pest Control	$2,051,589	0.4%
	Emergency Preparedness and Response	$873,344	0.2%
	Fire Protection	$39,787,903	6.9%
	Municipal Enforcement	$3,861,286	0.7%
	Other Protective Services and Inspections	$8,156,982	1.4%
	Subtotal	**$54,731,104**	**9.5%**
Recreation & Cultural Services	Cultural Facilities (Library)	$153,885	0.0%
	Cultural Facilities (Museum)	$926,364	0.2%
	Other Recreation and Cultural Services	$2,440,585	0.4%
	Recreation Administration	$5,000,105	0.9%
	Recreation and Cultural Programs, Activities and Community Events	$4,949,903	0.9%
	Recreation Facilities (Parks, Playgrounds & Playing Fields)	$10,519,404	1.8%
	Recreation Facilities (Recreation & Community Centres)	$6,910,476	1.2%
	Recreation Facilities (Stadium)	$7,638,571	1.3%
	Recreation Facilities (Swimming Pool)	$3,158,971	0.5%
	Subtotal	**$38,539,293**	**6.7%**
Transportation Services	Other Transportation Services	$1,623,100	0.3%
	Public Transit	$9,151,540	1.6%
	Road Transport (Snow Removal)	$27,066,405	4.7%
	Road Transport (Street Lighting)	$12,590,599	2.2%
	Road Transport (Streets, Roads, Sidewalks & Bridges)	$24,918,621	4.3%
	Road Transport (Traffic Services)	$2,220,600	0.4%
	Vehicle and Fleet Operation and Maintenance	$20,910,997	3.6%
	Subtotal	**$77,570,865**	**13.4%**
Total		**$577,077,721**	**100.0%**

Source: Department of Municipal Affairs, Government of Newfoundland and Labrador

The 2010 expenditure pattern of Newfoundland and Labrador municipalities is profiled in Table 3. In that year, local expenditures totalled $577 million. Fiscal Services, with 30.4% of expenditure, accounted for the largest share of municipal expenditure in that year. This was followed by expenditures on General Government (17.3%), Environmental health (16.0%), Transportation Services (13.4%), Protective Services (9.5%), Recreation and Culture Services (6.7%) and Planning and Development (2.5%).

Interestingly, debt charges accounted for the largest share (17.7%) of expenditures by Newfoundland and Labrador municipalities in 2010.[95] The top twenty functional expenditures by relative size are:

1. Debt Charges – 17.7%;
2. Transfers to Own Reserves and Other Funds – 12.4%;
3. General Administration – 11.5%;
4. Water Supply – 7.4%;
5. Fire Protection – 6.9%;
6. Garbage and Waste Collection – 5.1%;
7. Snow Removal – 4.7%;
8. Streets, Roads, Sidewalks and Bridges – 4.3%;
9. Vehicle and Fleet Operation and Maintenance – 3.6%;
10. Sewage Collection and Disposal – 3.2%;
11. Street Lighting – 2.2%;
12. Common Services (Engineering) – 2.0%;
13. Parks, Playgrounds and Playing Fields – 1.8%;
14. Public Transit – 1.6%;
15. Other Protective Services and Inspections – 1.4%;
16. Stadium – 1.3%;
17. Common Services (General Maintenance) – 1.2%;
18. Recreation and Community Centres – 1.2%;
19. Property Assessment Service s – 1.1%; and
20. Council – 1.0%.

The remaining functions each comprise less than one percent of municipal expenditures in 2010.

While there are strong controls on borrowing at the local level in Newfoundland and Labrador, the local government cost for servicing debt is one of the highest in Canada. In response to these high debt levels, the provincial government initiated a debt reduction program aimed at municipalities that spent more than 30% of their revenue servicing their debts.[96] Keenan and Whelan (2010c, p. 12) point out that while only a relatively small number of municipalities currently have debt servicing levels outside of the provincial benchmark of 30%, debt reduction

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[95] Kitchen (2004a, Table 2, p. 4) shows that Newfoundland and Labrador municipalities had 11.1% of their expenditures on debt servicing in 2001. This was the largest percentage of all the provinces in that year.
[96] Feehan et al. (2009, p. 468) report that for municipalities with large amounts of debt and to help compensate for reductions in the municipal operating grants, the provincial government initiated a debt-relief program in 1997-98. This program was aimed municipalities that spend more than 30 per cent of their revenue on financing their debts and are in arrears. The program has helped ninety-four municipalities address their financial predicaments.

assistance was given to 94 municipalities. This implies that nearly "one-third of all towns in the province had debt servicing levels above the limit set out in the Municipalities Act."

Moreover, many small rural communities face difficult situations and according to Feehan et al. (2009, p. 465), these municipalities need financial assistance to survive. This fiscal stress is exacerbated by out-migration, cessation or a reduction of economic activity and employment, an aging population and a crippling debt burden. In addition, Feehan et al. (2009, p. 468) highlight that many, if not most, of the smaller communities need long-term government assistance for survival. Finally, Keenan and Whelan (2010c, p. 13-4) suggest that the municipal Capital Works program does help, but many municipalities still have a difficult time meeting their cost obligations under the program. They also point out that "most municipalities neither have the base nor the capacity to adopt further debt to fund higher capital projects."

5.0   Alternative Revenue Instruments

While the focus of this paper is on whether a municipal income tax or a municipal sales tax can be piggy-backed[97] on the existing provincial income rate or the provincial component of the Harmonized Sales Tax in Newfoundland and Labrador to supplement the existing property tax system, there are many different fiscal instruments that have been used by municipalities around the world and could, at least hypothetically, be considered for adoption in Newfoundland and Labrador. The revenue raising instruments discussed below are:

1. Personal Income Taxes;
2. General Sales Tax or a General Tax on Goods and Services;
3. Grants-in-Lieu of Taxes or Payments-in-Lieu of Taxes;
4. Corporation Income Taxes;
5. Special Assessments, Development Charges or Local Improvement Levies;
6. Entertainment and Amusement Taxes;
7. Hotel and Accommodation Taxes;
8. Property or Deed Transfer Taxes
9. Business Occupancy Tax;
10. Fuel or Gas Taxes;
11. User Fees;
12. Miscellaneous Taxes, including
    o Motor Vehicle Taxes;

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[97] Many economists and analysts who recommend a municipal income or sales tax typical also recommend that it be piggy backed on an existing provincial or state tax, which may or may not involve the tax rate being set at the municipal level or being predetermined at the provincial or state level. This will reduce distortions and administrative costs. See, for example, Rao and Bird (2010, p. 24 and 27), Kitchen (2004a, p. vi), Bird (2001, p. 121), Kitchen (2003, p. 8), Emes (2005, p. 47-8), and Kitchen (2002, p. 175).

- o   Franchise Fees or Taxes;
- o   Utility Taxes;
- o   Gross Receipt Business Taxes;
- o   Employee or Payroll Taxes;
- o   Meals Taxes; and
- o   Vending Machine Taxes.

Personal Income Taxes

Personal Income Taxes – The substantive appeal of having access to a personal income tax at the municipal level is that it will supplement the primary tax resource for local governments, the property tax. Access to additional revenue will enhance fiscal sustainability by enabling municipalities to better meet their expenditure responsibilities.[98]

Another positive feature of a municipal income tax is that it is a buoyant or an elastic revenue source, one that will grow with economic activity.[99] In other words, as the economy prospers both the demand for local services and the cost of local service provision increase. Yet, with a growing economy and a municipal income tax, local revenues will also increase because income taxes keep pace with the increased incomes.[100] On the other hand, a buoyant tax implies that revenues become more volatile as they respond to both increases and decreases in economic activity. In other words, the stability of the local tax base can be compromised.[101] Despite having a more diversified revenue base,[102] municipalities may find themselves with a less predictable and more volatile revenue source.[103]This, in turn, will constrain their ability to

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[98] While not often mentioned in the discussion of the benefits of local income tax, Lyons Inquiry (2007, p. 267) emphasizes that the introduction of an income tax will make municipalities less dependent on grants from upper tier governments. This, in turn, should increase accountability and efficiency.

[99] Slack (2004, p. 2).

[100] In a heated, fast-growing economy, the demand for labour and other goods and services will be increasing. This gets manifested in terms of higher local incomes and higher wages, which, in turn, simultaneously increase the costs of production for the general economy and for the local government sector. With an income tax, the revenue available to the municipalities will at least grow with the improved economic circumstances.

[101] It should be noted that BCMC (2006, p. 37) has portrayed both the income and sales taxes as both "stable and predictable." Yet, if compared to the property tax revenues, these tax sources have to be more variable as they respond directly to changes in economic activity, which itself is variable.

[102] Morgan and Wagner (2008, p. 69) emphasize that the more diversified revenue system, the more stable it should be. This, of course, makes sense in that increases in some of the revenue sources can offset decreases in other revenue sources so long as there is not a perfect correspondence between the various revenue sources available to municipalities.

[103] Edgerton et al. (2004, p. 147-8) highlight that in New York City, for example, an increased reliance on personal income taxes has "made the city's tax revenues significantly less stable and more sensitive to fluctuations in the city's economy" and "more susceptible to large changes in direction." Carroll (2009, p. 48) argues that "when a tax revenue structure is both diversified and complex, the likely outcome is greater revenue volatility rather than stability." Interestingly, Morgan and Wagner (2008, p. 79) and Pagano and Johnston (2000) find that revenue diversification improve the fiscal stability of cities, while Shamsub and Akoto (2004) found that "diversification leads to a greater reliance on nontax revenue" and a reduction in tax effort.

either maintain a balanced budget on an annual basis or plan precisely for the longer-term expenditure requirements associated with local infrastructure investments.

Additionally, since the distribution of annual income is likely to be more unevenly distributed across communities than is the distribution of residential property,[104] the variance in revenue-raising capacity between municipalities will become more exaggerated if personal income taxes assume more prominence as a municipal revenue source. That is, a movement to a municipal income tax may magnify horizontal inequities across communities. Although an increase in horizontal fiscal imbalance across municipalities is a legitimate concern that requires a policy response, it does not minimize the role of a municipal income tax; rather, it reinforces the need for a municipal equalization system to mitigate the horizontal imbalance. Put differently, it does not imply that the positive aspects of adopting a municipal income tax should be foregone in order to mitigate horizontal inequities at the municipal level.

On a positive note, the introduction of an income tax that supplements the property tax will reduce the regressivity of municipal revenue-raising system in that a portion of the taxes will now correspond more directly to ability to pay. In particular, since the amount of income tax paid increases directly with income and a property tax is less closely tied to ability to pay, an increase in the proportion of the local revenue source from a municipal income tax will result in the overall system being less regressive or more responsive to ability to pay. This also will help reduce the liquidity crunch on the elderly from property taxes. The liquidity constraint is sometimes blamed for forcing the elderly to sell their home in order to pay their property tax bill. Therefore, one positive aspect of introducing an income tax to supplement the property tax is that should increase the perceived fairness of local government finance.[105]

Alternatively, Mintz and Roberts (2006, p. 3) recognize the need to ensure municipalities have sufficient revenues to meet their expenditure responsibilities and that an additional tax may inject additional flexibility in how local governments decide to distribute the burden of paying for local public services, they argue that new revenue instruments are not needed at the local level in Canada. Mintz and Roberts (2006) argue further that an income tax or general sales taxes would be difficult to implement properly and may harm Canada's economic growth.[106] Although the concerns are raised, the evidence in support of these positions is not provided. Another implementation challenge comes from Emes (2005, p. 48) indicates that there may be political challenges in Canada to the adoption of a municipal income tax. Specifically, Emes (2005) suggests that upper levels governments would be "reluctant to create competition in

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[104] It is expected that the demand for housing services increase with income, but the increase is not expected to be one-for-one.

[105] Lyons Inquiry (2007, p. 262) listed the improved fairness as one of the potential benefits of a local income tax.

[106] Mintz and Roberts (2006) do acknowledge that a special case can be made for Alberta and Ontario municipalities having access to an income tax.

their tax jurisdictions by enacting any tax reform that moves substantially away from the status quo in municipal finance" and "any effort to significantly increase local taxes would be political suicide."

Other issues that need to be considered in implementing a personal income tax at the municipal level is whether the tax is to be a truly independent tax, where the individual municipalities define the tax base; set the tax rate that may or may not vary by community; administer the tax; and collect the revenue. Even though an independent tax would enhance political accountability at the local level,[107] it would also have a number of other negative features that would preclude its adoption in the Newfoundland and Labrador context. The cost of collection and administration can be prohibitively high. It could even negate the positive revenue gains associated with having access to a buoyant tax source. Moreover, to the extent that local governments have different local income tax rates in adjacent jurisdictions, then individual location decisions can be distorted as people incorporate the tax differentials in their decision of where to establish a residence.

Issues around administrative and collection costs can be avoided by piggy-backing the municipal tax on the existing provincial tax[108] and have the province or, in the case of Newfoundland and Labrador, the federal government collect the tax on behalf of the provincial government who would then allocate it to the municipalities. If the tax rates are simply added to the provincial rate (for example, one percentage point could be added to the existing provincial personal income tax rate) and allocated to each municipality on a derivation basis,[109] then the distortions and the cost of administration and collection would be substantially reduced. Yet, this will be at the cost of reduced accountability and autonomy. It is a tradeoff and the best decision will depend upon how one weighs the legitimate objectives for implementing a municipal income tax.

A precedent already exists in Canada for a tax-sharing mechanism applied to provincial personal income tax.[110] For instance, through their "Building Manitoba Fund," the Government of Manitoba[111] currently shares provincial income (and other) taxes with their municipalities

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[107] Kitchen (2002, p. 173) argues that the flexibility and independence in rate setting is important if municipalities are to be held accountable for their expenditure and funding decisions.

[108] Kitchen (2002, p. 173) indicates that municipalities could piggyback onto the existing provincial income tax by adding additional percentage points to the provincial income tax base or they could operate their own system.

[109] Under the derivation principle, the tax revenue allocated to each municipal would equal only the municipal tax revenue collected from the residents within that municipality.

[110] Kitchen (2004a, p. 22) notes that Canadian analysts that propose a municipal income tax typical promote a form of revenue sharing rather than a tax for which municipalities set their own rate.

[111] FCM (2006, p. 16), FCM (2008, p. 10), Kitchen (2002, p. 173), Kitchen (2004a, p. 22) According to the Government of Manitoba's website (http://web5.gov.mb.ca/mfas/grants_payments_fund.aspx), for 2011, revenue sharing structure, as set out in legislation is the greater of one percentage point of the provincial sales tax or 4.15%

through unconditional grants. As well, as shown in Table 1 previously, there are many international precedents for the use of income taxes to fund local government. These include, for example, Germany, Denmark, Finland, Italy, [112] Norway, Sweden,[113] Luxembourg, and the Czech Republic.[114] On the other hand, there are many countries in which local governments do not have access to income taxes. These include:[115] Australia, Canada, Mexico, France, Greece, Hungary, Ireland, Netherlands, New Zealand and the United Kingdom.

General Sales Taxes or General Taxes on Goods and Services – Another often proposed tax for municipal governments in Canada[116] that is actually utilized in many countries worldwide[117] is a general municipal tax on the sales of goods and services. Currently, a municipal sales tax does not exist in Canada and is not permitted,[118] but selective sales taxes,[119] such as accommodation and fuel taxes, do exist and through the "Building Manitoba Fund," the Government of Manitoba shares some of its provincial sales taxes with its municipalities.[120]

On a positive note, a municipal sales tax would have many of the same desirable features of the income tax discussed above, except that it would tend to be more regressive than the income tax. For instance, it would buoyant (i.e., responsive to growth),[121] it would supplement property taxes and enhance fiscal sustainability at the municipal level,[122] and it would, if it were

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of provincial personal and corporate income taxes estimated for the year; 2 cents per litre of provincial gasoline tax estimated for the fiscal year; and 1 cent per litre of provincial diesel fuel tax estimated for the fiscal year.

[112] Indecon International Economic (2005, p. 43) reports that a municipal surcharge on personal income tax was introduced in Italy in 1998. As well, in 1997, Italian municipalities also began to receive a share in IRAP (Imposta regionale sulle attività productive – a regional production tax based on the value of net production or value added derived from activity performed locally).

[113] Loughlin and Martin (2006, p. 36) indicate that local income tax is the only source of local revenue in Sweden.

[114] Kitchen (2003, p. 4, 14 and 15) notes that the income tax is the only local tax of any significance in Sweden, Norway, Finland, Denmark and that local governments in Belgium rely almost entirely on local income taxes.

[115] Kitchen (2003, p. 14 - 5).

[116] For example, Emes (2005, p. 48) proposes that grants be cut in Alberta and be replaced with a province-wide sales tax. EACCC (2006, p. 24 and 37) highlights the need for municipalities to have access to growth-responsive taxes and suggests that one possibility is having tax points on GST revenue

[117] Kitchen (2003, p. 4) reports that local sales taxes generate between 20% and 76% of local tax revenue in ten of the countries he studied and were nonexistent or generated less than 10% of local government revenue in another 17 countries. Zhao and Hou (2008) indicates that local option sales taxes are imposed in 36 states, with the share of local tax revenues derived from the local sales tax ranging from 1% in Pennsylvania to 52% in Louisiana in FY 2006.

[118] Kitchen (2002, p. 174).

[119] Selective sales taxes are discussed separately below.

[120] According to the Government of Manitoba's website, in 2001, they share one percentage point of provincial sales tax if it is greater than the income and fuel tax share. (http://web5.gov.mb.ca/mfas/grants_payments_fund.aspx).

[121] Vander Ploeg (2002, p. 5) emphasizes this point.

[122] Zhao and Jung (2008, p. 52-3 and 69) report that local sales taxes in the US was intended to provide a means of funding additional service delivery and/or to diversify local revenue systems. In some states, the local sales taxes were also perceived as a way of providing property tax relief. They found that a dollar of sales revenue provided

an independent, non-piggy-backed tax, increase autonomy and accountability. Additionally, an independent sales tax administered on sales within a community has an added advantage that it collects tax revenue from people who commute to the community, and use local public services while in the community, but do not directly pay property taxes to fund those services.[123]

Some of the negative impacts would also be very similar to those outlined for the municipal income tax. Different tax rates that vary across municipal borders could distort decisions regarding where to shop; it could result in inefficient tax competition across municipalities; and it could increase the likelihood of inefficient and unfair tax exporting.[124] Compounding the negative impact of a sales tax is the fact that the sales tax base would be unevenly distributed across communities[125] and the revenue-raising capacity across communities would generate horizontal fiscal imbalances.   For example, McGuire (2001) shows that revenue-raising capacity of local sales taxes bases yields greater disparities than the distribution of local property taxes. Zhao and Hou (2008, p. 40) point out that the introduction of local sales taxes may introduce a new source of fiscal disparities among jurisdictions and their empirical findings confirm that the dispersion of local sales tax revenue is greater than that of property tax revenue, and that this dispersion grows over time.[126] As discussed below, an increase in fiscal disparities may require the simultaneous adoption of some sort of municipal fiscal equalization system.

It is important to recognize that tax sharing reduces many of these negative problems associated with adopting a municipal sales tax.[127] Because the tax is imposed, administered, and collected centrally, tax sharing will not produce the same level of distortions as an independent municipal sales tax. Additionally, with the adoption of the Harmonized Sales Tax (HST) by Ontario and British Columbia, the Government of Newfoundland and Labrador now has the flexibility to increase or decrease the provincial portion of the HST. Hence, if the provincial government wants to increase the tax rate by one percentage point to share with its municipalities, then it can. How this might work is discussed in detail below.

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about 17 cents of property tax relief, while about 76 cents was used to increase the expenditure level, but the property tax relief was not permanent as it supplements revenues in the longer term.

[123] Kitchen (2002, p. 172) and Kitchen (2004a, p. vi).

[124] Oates (1999) emphasizes that sales tax base likely to vary across jurisdictions, distort choices of where to shop based on differences in sales tax rates, and are not good in terms of the ability to pay principle.

[125] For example, not every community has a Walmart or a Costco. As such, people are likely to commute across jurisdictions to take advantage of the consumption opportunities provided by these stores. Consequently, a sales tax based on actual sales within a community will not be shared amongst the communities in relation to ability to pay or population for that matter. Zhao (2010) and Rubenstein and Freeman (2003) show that sales tax bases are more concentrated in heavily populated urban and suburban areas and aggravates existing disparities in local property tax capacity.

[126] Zhao and Hou (2008, p. 56).

[127] Vander Ploeg (2002, p. 7).

Grants-in-Lieu of Tax or Payments-in-Lieu of Taxes - The Government of Canada owns large amounts of property, which are located throughout the country and within the province of Newfoundland and Labrador. Although these properties may show up in the assessment base, they are non-taxable or exempt. Specifically, government properties are exempt from property taxation at the municipal level as one level of government, in this case the province through its municipalities, cannot tax another, the federal government.[128] Yet, the federal Payments in Lieu of Taxes Act[129] enables the federal government to make payments or grants to municipalities upon application for this purpose. For example, the Town of Happy Valley-Goose Bay receives significant payments under this provision because of CFB 5-Wing Goose Bay. While most provinces have similar legislation for their own public properties,[130] Newfoundland and Labrador does not provide grants-in-lieu of property taxes and it does exempt a number of properties from property taxation.[131] As Muniscope (2010, p. 16) and Feehan et al. (2009, p. 465) highlight, Newfoundland and Labrador does not pay grants-in-lieu of taxes, but it does pay water tax "on public buildings, education facilities, and healthcare facilities at the rates currently applied to commercial enterprises."[132] The implication of this, as shown in Muniscope (2010, p. 4), is that in 2008, municipalities in Newfoundland and Labrador received $1.1 million provincial funding from this source. The amounts paid for grants-in-lieu of taxes in other provinces were substantially higher. Specifically,

- o Nova Scotia paid $48 million to its municipalities in 2008;
- o New Brunswick budgeted nearly $125 million in 2010/11;
- o Prince Edward Island allocated $1.6 million in 2010/11;
- o The Northwest Territories allocated $5 million in 2010/11;
- o Nunavut budgeted $2.5 million in 2010/11;
- o Yukon budgeted $5.2 million in 2010/11;
- o Quebec budgeted $166.5 million in 2010;
- o Ontario paid out $567 in 2007;
- o Manitoba budgeted $15.7 million in 2010/11;

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[128] Kitchen (2003, p. 11).

[129] www.tpsgc-pwgsc.gc.ca/biens-property/peri-pilt/index-eng.html.

[130] Muniscope (2010, p. 3) Across the country, nearly every grant-in-lieu program pays a grant equal to the taxes that would have otherwise been paid if the property was not exempt from taxes.

[131] Muniscope (2010, p. 16) Section 118 of the Municipalities Act (1999) exempts from property taxation the following: (1) property that belongs to the Governments of Canada and Newfoundland; (2) property that belongs to a municipality or its agents; (3) churches and other places of worship, buildings and land in active use; (4) cemeteries operated by the church or not-for-profit organizations; (5) hospitals, buildings and land, including student residences; (6) public schools, colleges and universities, buildings and land, including student residences and recreational facilities; and (7) any property exempted by an Act of the Legislature. As well, Section 135 of the Municipalities Act enables the municipal council to property owners and tenants from paying municipal taxes.

[132] As well, Keenan and Whelan (2010b, p. 11) note that section 52(1)(a) of the Local Government Act entrenched the exemption of Crown land from municipal taxation, which the authors suggest continues to be a sore point with local government or "a distinction that continues to frustrate municipalities."

- o Saskatchewan budgeted $12.8 million in 2010/11;
- o Alberta budgeted $43.4 million in 2010/11; and
- o British Columbia provided $15.9 million in 2009.

Implementing a full set of grants-in-lieu of taxes at the provincial level in Newfoundland and Labrador would be relatively easy to accomplish in that the mechanics are already in place — the assessed value of government property is already recorded by the provincial Municipal Assessment Agency. Whether the political will to pursue this approach is there at the provincial level is another matter, but it is one mechanism through which fiscal sustainability at the municipal level can be enhanced within Newfoundland and Labrador.

Corporation Income Taxes – While the Government of Manitoba shares part of its provincial corporation income taxes with its municipalities[133] and some countries permit a municipal corporation income tax,[134] the corporation income tax is not a good candidate for consideration in Newfoundland and Labrador. As Slack (2004, p. 2) stresses, the corporation income taxes are not an appropriate as an independent revenue source for municipalities for a number of reasons.[135] Specifically, Slack (2004) emphasizes that:

- it would difficult to determine where revenues are collected,[136]
- the tax base is mobile,
- revenues are volatile, and
- the tax bears no relationship to benefits received from municipal services.

Special Assessments,[137] Development Charges[138] or Local Improvement Levies[139] - This involves applying an additional levy on specific properties benefiting from municipal

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[133] See the discussion above on the "Building Manitoba Fund."

[134] Kitchen (2003, p. 15) observes that municipal governments in Japan can tax corporations. He describes the Japanese system as follows: "the rate is set locally and it applies largely to national corporate taxes paid in the previous year with the tax base in each jurisdiction determined by the proportion of employees working in that jurisdiction. Corporations are also subject to a progressive municipal enterprise tax based directly on income – here, the rate varies with the category of business activity. He also notes that France also has a local tax of this type. As well, Kitchen (2003, p. 15) mentions that local governments in Germany have access to a "tax on corporate profits whose base is determined by the central government with the local rate set by individual municipal governments." This tax apparently accounts for about 40% of local tax revenue.

[135] Although Slack (2004) does point out the limitations of the corporation income tax as an independently administered tax at the local level, she does accept that some form of tax sharing with the upper tier government is possible.

[136] Since corporation income is defined on a national basis and the share of the base is allocated across provinces based on an average of the share of wages and salaries and the share of sales in each province, it would be extremely difficult to implement this at the local level.

[137] According to Kitchen (2006, p. 4-5) "a special assessment is a specific charge added to the existing property tax to pay for improved capital facilities that border them. The charge is based on a specific capital expenditure in a particular year, but may be spread over a number of years."

infrastructure such as drinking water treatment plants and water supply systems, wastewater treatment plants and sewer systems, streets and sidewalks, street lighting, etc. Kitchen (2006, p. 5) suggests that municipalities impose a specific dollar value per lot on developers to finance the off-site capital costs of new development. This includes the extension of certain infrastructures[140] and additional public services necessitated by urban development.[141] As well, municipalities typically require developers to develop on-site services, such as local roads, sidewalks, and street lighting. Larger communities in Newfoundland and Labrador already levy these types of charges.

Entertainment and Amusement Taxes – While these taxes will not be huge revenue generators for municipalities, they are part of the suite of revenue instruments available to Canadian municipalities. For instance, amusement and entertainment taxes are available for use to municipalities in Newfoundland and Labrador, Quebec, Manitoba and Saskatchewan.[142] In Winnipeg, this tax is used to fund arts and culture. The Entertainment Funding Tax in Winnipeg is set at 10% of the admission price for events that have a price in excess of $5 and are held in a venue with at least 5,000 seats and cinemas.[143]

Hotel and Accommodation Taxes – While they do not raise a large amount of the revenue for municipalities, some Canadian municipalities have access to hotel and motel taxes.[144] These taxes provide compensation to municipalities for local public services utilized by visitors. According to the Hotel Association of Canada's website,[145] British Columbia allows a 1-2% supplementary room tax for municipal and regional district governments.[146] The Halifax Regional Municipality has a 2% levy for hotels with more than 20 rooms; St. John's imposes a 3% room tax, 2% of which is used to fund the Avalon Visitors and Convention Bureau and 1% contributes to the debt on the Convention Centre in St. John's.

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[138] Slack (1994, p. vii) describes and evaluates the use of development charges across Canada. Altus Clayton (2008, p. 3) analyzed development charges in Toronto.

[139] Vander Ploeg (2002, p. 3).

[140] For example, Halifax imposes a Capital Cost Contribution on new home builders to pay for the offsite services for new development (www.halifax.ca/taxrefor/Background.html).

[141] As an illustration, Halifax imposes Local Improvement Charges which are levied to pay for the first-time installation of sewer and water installation, sidewalks or paving of gravel roads in Halifax (www.halifax.ca/taxrefor/Background.html). Altus Clayton (2008, p. 15) indicates that Winnipeg does not use development charges, but negotiates a "Development Agreement" with developers which may require the developer to pay "a share of the off-site infrastructure cost deemed related to the development. This share differs depending on the type and location of the development project."

[142] www.halifax.ca/taxrefor/Background.html.

[143] www.winnipegassessment.com.

[144] Slack (2004, p. 14) states that taxes on hotel/motel occupancy is allowed in 43 states as well.

[145] www.hotelassociation.ca.

[146] The Municipal and Regional District tax is assist municipalities and regional district with promoting tourism and with funding new tourist facilities or programs. (http://www.sbr.gov.bc.ca)

Property or Deed Transfer Taxes – Some municipalities utilize a real estate or deed transfer tax. This is levied as a percentage tax of the sale price or a deed tax which applies to the registered amount of the principal portion of the mortgage.[147]One example is the Municipal Land Transfer Tax in the City of Toronto to be applied to purchases on all properties within the City of Toronto. The tax is charged on a graduated basis depending on the value of the of consideration paid for the property (0.5% to 1%)[148] Another example is the Deed Transfer Tax in Nova Scotia, which is levied at 1.5% on sale price of all properties in Halifax.[149]

Business Occupancy Tax – Under Section 120 of the Municipalities Act, municipalities in Newfoundland and Labrador can set Businesses Taxes. The rate can vary by type of business and the tax is set as a percentage of the assessed of the real property use by the business or as a percentage of the gross business of the enterprise. For example, the City of Mount Pearl charges a business occupancy tax on business operating in the city, whether through owned or rented properties within the city. The business occupancy tax is in addition to the commercial property tax and water and sewer taxes.[150]

Most provinces are eliminating or have eliminated the business occupancy tax. It still exists in Newfoundland and Labrador, Manitoba and Alberta.[151] Some of the concerns with the business occupancy tax are that it may deter businesses from establishing within the province; it may be difficult to administer and collect; and the federal government does not pay business occupancy tax as a payment-in-lieu of taxes, but it does provide payments-in-lieu of real property taxes.

Fuel or Gas Taxes – In Canada, the federal government allocates, through the relevant provincial and territorial governments, a portion of federal gas tax revenues on a per capita basis to municipalities for environmentally sustainable municipal infrastructure.[152] As well, some provincial governments share fuel taxes with their municipalities.[153] For example, in British Columbia the provincial government collects a portion of the provincial excise tax on gasoline in the Greater Vancouver region on behalf of the regional government;[154] Ontario has agreed to share two cents of the provincial excise tax on gasoline with municipalities;[155]

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[147] Vander Ploeg (2002, p. 7)
[148] http://www.toronto.ca/taxes/mltt.htm.
[149] www.halifax.ca/taxrefor/Background.html.
[150] http://mountpearl.ca/?Content=Business/Business_Guide/Municipal.
[151] www.halifax.ca/taxrefor/Background.html.
[152] FCM (2008, p. 8).
[153] FCM (2006, p. 16) and Slack (2004, p. 14).
[154] Kitchen (2004a, p. 23) point out that "British Columbia remits 11 cents per litre of its fuel tax revenue to the Greater Vancouver Transit Authority and 2.5 cents per litre to the Capital Region around Victoria. In both cases, the revenue is used for public transit operating and capital expenses."
[155] AMO (2007, p. 5) reports that this raises $300 million a year for about 80 municipalities operating public transit and community transit systems.

Alberta's grants for transportation are tied to fuel tax;[156] Quebec uses fuel taxes to fund transit services,[157] and Manitoba shares fuel tax revenues with municipal governments.

User Fees – When the cost of providing a service and the benefits received by a particular user can be clearly define, user fees or charges can be used as a way of ensuring efficiency of public good provision.[158] Rao and Bird (2010, p. 22) argue that in some sense municipal government is "like a business providing direct services in the form of 'private goods' (like water) to its customers -- local residents" and, as such, it should be finance through user charges. These include fees or taxes for water and sewer services, public transit, recreational charges, garbage collection, building permits, licences, etc. To enhance efficiency, it might be necessary to install water meters to precisely measure and charge for the amount of water used. Other efficiency-enhancing measure might include higher transit fares during peak hours, per bag fees for garbage collection, and tipping fees for solid waste disposal that capture all costs, including the opportunity costs of landfill sites,[159]

Miscellaneous Taxes Available to Municipalities – The types of taxes that come under this category are:

- motor vehicles taxes which have been utilized to fund local services such as roads in US cities. They are levied on the value of personal and business motor vehicles, expressed as a flat dollar amount that varies with the age and estimated value of the vehicle;[160]
- a franchise fee or tax, or a special sales tax on public and private utilities which is imposed on the sale of electricity, natural gas, telecommunications, cable TV, water, sewer, and even solid waste.[161] Similarly, in addition to being able to levy real property taxes and water and sewer taxes on utilities and Cable Television companies, under the Taxation of Utilities and Cable Television Companies Act, Newfoundland and Labrador municipalities can levy an annual business tax which is not to exceed 2.5% of the gross revenue of the utility for the preceding year derived within the municipality;
- a local meals tax on the value of prepared food and drinks;[162]

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[156] Kitchen (2004a, p. 23) notes that "Calgary and Edmonton receive provincial grants for transportation infrastructure that are estimated to equal 5 cents per litre from all provincial fuel tax revenue collected in the two cities."

[157] Kitchen (2004a, p. 23) states that "in Quebec, the Agence Métropolitaine de Transport, which provides transit services to Montreal and surrounding municipalities, receives 1.5 cents per litre of all provincial fuel taxes collected in this area."

[158] For a discussion of the use of user fees to fund local public services, one can refer to Collin et al. (2003, p. 16) and Rao and Bird (2010, p. 22).

[159] Kitchen (2004a, p. v and vi) and Kitchen (2006, p. 2).

[160] Vander Ploeg (2002, p. 3 and 6).

[161] Vander Ploeg (2002, p. 6).

[162] Brunori (2007) and Zhao (2010).

- a general gross receipts tax, which is a percentage of the gross earnings of businesses and applies to all types of businesses, is permitted in some states;[163]
- a municipal employee or payroll tax levied at a dollar amount per each employee.[164] However, Rao and Bird (2010, p. 24) are critical of a local payroll tax because "it acts as a tax barrier to employment and may reduce the employment intensity of production;" and
- a vending machine tax that is a set dollar amount per each vending machine, with the amount of the tax depending on the price of the goods being dispensed.[165]

6.0   Fiscal Sustainability/Fiscal Stress

The fundamental questions for any study looking at alternative funding mechanisms to enhance municipal sustainability or to minimize fiscal stress are: first, how do we define fiscal sustainability from the perspective of municipalities and second, how can we identify when communities are facing fiscal stress or when their financial health is in question?[166] Are there obvious and clear answers to these questions? It turns out that there are not.[167] While most, if not all, analysts would agree that the financial condition of municipalities is a prerequisite for their effective, efficient and economic delivery of public services,[168] there is no consensus on either the dimensions or the specific indicators that define and identify the fiscal condition for municipalities.[169] In fact, Slack (2008, p. 37) questions whether fiscal

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[163] Vander Ploeg (2002, p. 6).

[164] Vander Ploeg (2002, p. 6) and Mikesell (2009) reports that 14 states collect revenues from local income or payroll taxes, with the resulting revenues ranging from 1.7 percent of local tax revenues (Iowa) to 33.1 percent (Maryland) in FY 2006.

[165] Vander Ploeg (2002, p. 6) notes that the City of Lincoln's Business Occupation Tax fits this category.

[166] Fiscal stress can be the result of inadequate tax base to meet the expenditure mandates assigned to municipalities. For example, Mullen (1990, p. 474) found that complete or partial removal of property from the tax base is detrimental to municipal fiscal health and Maher et al. (2011) identifies mandates from higher levels of government without adequate increases in resources. As well, Keenan and Whelan (2010b, p. 17) suggest that in Newfoundland and Labrador standards are being continually downloaded to towns from the provincial government without an adequate transfer of revenue. In particular, Keenan and Whelan (2010c, p. 14-6) note that within the last 15 years, "municipalities have also been given the responsibility to manage other services, such as climate change adaptation and economic development…The provincial waste management strategy highlights the limited abilities of most municipalities to manage new standards…municipalities …could not adapt to these new requirements on their own and need provincially created regional waste management authorities to lead the effort." Finally, Robotti and Dollery (2008, p.6) suggests that "it is fruitless to consider transfers of administrative functions from central to lower tiers of governments without considering at the same time the financial side of the reform."

[167] Office of the New York State Comptroller (2006, p. 2) states that "there is no single indicator that fully describes the fiscal situation of a municipality. In order to assess financial condition, a comprehensive approach is required in which several measures are considered along with other contextual information." Similarly, Sohl et al. (2009, p. 74) highlight that "there are few generally accepted standards to use as benchmarks of financial condition, and there is no generally accepted methodology to assess relative financial position."

[168] Wang et al. (2007, p. 4).

[169] Slack and Bird (2004, p. 4) agree that there is no clear definition of what municipal fiscal sustainability means. Dollery and Crase (206, p. 2) raise the same issues with respect to defining sustainability for Australia. As well, they raise concerns with how to measure municipal fiscal sustainability given available data. Wang and Liou (2009)

sustainability is a meaningful concept within the Canadian context.[170] If you do not know exactly what it is that you should be measuring or precisely how you should measure it, then the design of an appropriate instrument to mitigate fiscal stress or to facilitate fiscal sustainability is that much more complicated.

Moreover, this becomes a more intriguing question when applied to Canada or Newfoundland and Labrador municipalities,[171] given that municipalities in both the country and the province are legally required to balance their budget or to set their taxes rates so that planned expenditures match anticipated revenues.[172] Additionally, municipal capital market transactions are tightly controlled, especially in terms of how and when they can borrow and the level of debt that is permissible for the size of the community in question.[173]

Even though fiscal health may be difficult to measure or define precisely, Slack et al. (2006, p. 2) suggests that Canadian cities face challenges with respect to economic, social, cultural and environmental sustainability[174] and Chapman (2008, p. s115) points out that without changes to the US fiscal system, local fiscal sustainability in the US will disappear.[175] Similarly, Dollery and Crase (2006, p. 2) report that a large number of Australian communities[176] suffer from "acute and worsening financial

suggest that there is little agreement on either the dimensions of the financial condition of municipalities or the precise definition of a municipality's financial condition.

[170] In this context, Kitchen (2004a, p. 7) suggests that to meet budgetary needs without raising property tax rates or expanding user fees, Canadian cities have postponed or delayed important and necessary infrastructure spending. Slack (2008, p. 37) argues further that fiscal health or sustainability ought to be measured in terms of how well municipalities provide services to meet the needs of their constituents and by the state of the infrastructure that exists within the municipality. FCM (2008, p. 7) states that this is the situation that some Canadian municipalities find themselves in. Specifically, some municipalities are unable to provide adequate levels of services at reasonable rates of taxation. As well, Slack et al. (2006, p. 34) notes that cities systematically under-investing in infrastructure, both hard and soft infrastructure (e.g. transportation, roads, water, sewers, recreational facilities, community services, etc.). This is corroborated by Skidmore and Scorsone (2009, p. 688) who find that Michigan cities facing fiscal stress reduce some services more than other services. As well, Beckett-Camarate (2004, p. 615) found that the short run response of Ohio communities to fiscal emergencies was to cut targeted expenditures, but in the longer term, they increased economic development initiatives.

[171] Sections 78 and 113 of the Municipalities Act require Newfoundland and Labrador municipalities have to have a balanced budget, or to set tax rates so that anticipated revenue from all sources equal planned expenditures.

[172] EACCC (2006, p. 24) point out the requirement of a balanced budget and Bird and Slack (2004, p. 3) note that in the presence of a balance budget, there is fiscal pressure for taxes to increase or services and infrastructure to fall.

[173] For instance, as Feehan et al. (2009, p. 459-60) report for Newfoundland and Labrador, "the minister must approve borrowing and it must be under 20 per cent of the amount of the next municipal budget…the amount borrowed must be repaid within one year" and when "a municipality engages in long term borrowing, the application must be accompanied by a financial forecast for the next five years."

[174] Zhang and Walters (2010, p. 1) also find that the City of Calgary is facing fiscal stress as measured by the fact that its revenue growth is not enough to take care of its increasing responsibilities.

[175] Beckett-Camarate (2004, p. 615) show that Ohio municipalities face fiscal challenges; Plerhoples and Scorsone (2010, p. 1) note that Michigan local government are "facing unprecedented levels of fiscal distress" and Zhao (2010) found that municipal governments in Massachusetts experienced difficulties raising sufficient revenues to meet their expenditure needs.

[176] Another Australian study, Premier's Local Government Council (2010, p. 1), also found that local governments in Tasmania are facing sustainability challenges or financial stress. In addition, PWC (2006, p. 12) estimate that approximately 10% to 30% of Australia's councils have sustainability issues.

stress;" Rao and Bird (2010, p. 1) suggest that urban centres in India cannot meet their infrastructure needs or provide needed public services at adequate levels.; Cameli (2008) finds evidence of fiscal distress in local government in Israel; and Ishida (2011, p. 71) demonstrated that local government revenue in Japan is not characterized by stability or growth and his findings indicate that local governments in Japan are facing fiscal instability. The consistent finding that local governments all over the world are facing fiscal sustainability challenges is also corroborated by Bird (2011, p. 2) whose international review of local finance finds that "the expenditure tasks devolved to subnational governments substantially exceed their capacity to raise revenues from sources under their own control."

A common approach to measuring fiscal stress is found in Ladd and Yinger (1989). They measure fiscal stress as the difference between the ability to supply some average or typical expenditure level at some average or typical level of taxation.[177] Ladd and Yinger (1994, p. 213-4) define fiscal disadvantage as a situation where their capacity to raise revenue is low relative to the costs of providing the standard quality of services.

While some analysts determine fiscal health by some measure of tax collection to tax capacity,[178] a more common approach is to assess whether a municipality has the ability to meet its expenditure needs and manage its revenue short falls. See, for example, Morgan and Wagner (2008, p. 69), Rose (2008, p. 808), Congressional Budget Office (2010, p. 2), Wang et al. (2007, p. 2-3), Naher et al. (2011), Krueathep (2010, p. 226), Office of the New York State Comptroller (2006, p. 2) and Chapman (2008, p. s115). Related measures can be found in Bahl and Sjoquist (1990, p. 328-30) who define a municipalities fiscal condition by the existence or not of a budget surplus; in Trussel and Patrick (2009, p. 580) who measure fiscal stress by "a significant and persistent imbalance between revenues and expenditures;"[179] and in Plerhoples and Scorsone (2010, p. 1) who suggest that fiscal stress is associated with the ability of a local unit to meet short-term financial obligations and avoid state takeover or municipal bankruptcy.

Whatever the problems that exist for large urban areas, they tend to be magnified for remote and rural communities.[180] In particular, it is important to appreciate that the issues facing smaller communities

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[177] Others who have used a similar approach are Reschovsky (1993), Chernick and Reschovsky (2007). A similar approach is utilized by Bradbury and Zhoa (2009, p. 46-8) where they measure the fiscal gap as the difference between per capita revenue and per capita costs. Skidmore and Scorsone (2009, p. 680) measure the fiscal gap by examining the differences in the changing costs of provision and the actual revenue growth.

[178] Mullen (1990, p. 468) uses tax effort, with high tax effort implying fiscal strain, while Badu and Li (1994) identify fiscal stress for small local government with high tax rates.

[179] In the Trussel and Patrick (2009, p. 580) framework, the significant and persistent imbalance is measured by three consecutive operating deficits with a cumulative three-year deficit of more than five percent.

[180] Slack et al. (2006, p. 33) note that the magnitude and complexity of local government expenditures in large cities also differ from those typical of smaller municipalities. In addition, FCM (2009b, p. 13) highlights that "Canada's thousands of rural municipalities face an array of formidable challenges, including the provision of adequate public infrastructure—roads, bridges, drinking water and public amenities. They do not have the financial capacity to meet these challenges, because of the revenue bases available to them and the level of services expected of them." As well, FCM (2006, p. 24) reports that the situation is particularly acute in rural and northern communities where "small population bases, limited economies of scale, accessibility, location and rising service expectations influence the ability of these communities to balance their budgets while maintaining the

are not the same as the challenges facing larger cities.[181] There are differences between urban centers/cities, smaller communities on the urban fringe, and small, remote and rural communities in terms of expenditure responsibilities, human resource capabilities and revenue capacity and sustainability. For example, Feehan et al. (2009, p. 465) report that many of the small rural communities in Newfoundland and Labrador face difficult situations and require financial assistance to survive. This fiscal stress is exacerbated by out-migration, cessation or a reduction of economic activity and employment, an aging population and a crippling debt burden. As well, Honadle and Lloyd-Jones (1998, p. 69) find rural local government frequently lack the capacity to analyze and monitor their financial condition.[182] Finally, Modlin (2010, p. 580) highlights that many of these indicators were designed for large municipalities and their application to smaller city governments, county governments, and special districts becomes more challenging.

7.0   Need for Fiscal Indicators

It is important to appreciate that all indicators might not be appropriate for all communities, independent of their size or budgets. In other words, it is important to recognize the political and financial realities of variations in the size and wealth of local governments.[183] Some of the indicators that have been utilized as municipal fiscal indicators are:

- revenue capacity per capita, revenue effort, and median adjusted gross income;[184]
- inflation, population, unemployment rate, time, government bond rate, and real long-term debts per capita;[185]
- population growth, personal income and employment;[186]

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infrastructure necessary to sustain vibrant local economies." Similar finding are reported for Australia. For example, PWC (2006, p. 13) find that "rural remote and rural agricultural councils generally have more pronounced viability problems. These councils typically have relatively larger scope for internal reforms, however they often battle against lack of scale, and extra funding for renewal of existing community infrastructure is required for most."

[181] For instance, small communities may be characterized by volunteer services. For instance, Kitchen (2004b) reports that smaller municipalities frequently have volunteer fire departments or a mix of volunteer and professional fire fighters and. McDavid (1986) found that up to 50,000 people, a mix of volunteer and professional fire fighters were effective, but over 50,000 people the effectiveness was less. The effectiveness of an entirely part-time fire department was reduced because the firemen took longer to get to fires.

[182] Marshall and Douglas (1997, p. 17) also reports that smaller communities have smaller revenue bases and limited financial and governance capacity to deal with their fiscal circumstances.

[183] Ohio Auditor of State (2009, p. 9).

[184] Commission on Local Government (2010, p. 1).

[185] Doamekpor (2007) suggest that these variables are the most reliable indicators of both revenues and expenditures.

[186] Wang and Liou (2009, p. 171) points out that while population growth has positive influence over financial condition, it also leads to a higher demand for public spending which can lead to deteriorating financial conditions if additional revenues are not generated proportionally from the population growth. Likewise, higher personal income yield enlarged revenue bases of a government, but individuals with higher personal incomes may require increased public spending in certain areas tailored to higher income populations.

- population change, personal income levels, property values, unemployment rates, business activity, inflation rates, real taxable value growth and structural changes in the economic base;[187]
- debt service on net direct debt exceeding 20% of operating revenues, assessed value per capita to measure the strength of a local government's property tax base and population density (population per square mile) is an indicator of unit cost for services that are people based;[188]
- population growth, real taxable valuation growth, large real taxable value decrease, general fund expenditures as a percentage of taxable valuation, general fund operating deficits, prior general fund operating deficits, size of general fund balance, fund deficits in current or previous years, and 9) general long-term debt as a percentage of taxable value;[189]and
- population change.[190]

Although state and provincial[191] governments development and adopt fiscal indicators as diagnostic tools to predict when local governments experience fiscal stress,[192] they also help to define fiscal stress and inform the public about the fiscal condition of their municipalities.[193] These indicators need to have theoretical validity, which implies that the data correspond to the theories that justify the choice of the indicator in the first place. Most importantly, in order to enable preventative actions, the indicators need to predict fiscal distress before it occurs rather than confirming that fiscal distress has already occurred. Additionally, the indicators should provide a sense of proportion and be able to discern progression in levels of financial difficulty. Finally, the indicators should be easily implemented and readily understood by local government officials and constituents and not subject to strategic behaviour or manipulation by officials in order to influence their indicators score.[194]

As Plerhoples and Scorsone (2010, p. 4) note, these indicators, as is the case in Michigan, can be used to provide early warning of fiscal problems. This facilitates preventative actions to avoid a fiscal crisis that other might lead to takeover by the state government.[195] For example, New Mexico takes a "Proactive Approach" in which it examines the long-term financial picture of its local governments, provides

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[187] Trussel and Patrick (2009, p. 582).

[188] Washington State Office of Financial Management (2006, p. 31, 46 and 50) indicates that a ratio of 10% or less is acceptable.

[189] Plerhoples and Scorsone (2010, p. 3).

[190] Office of the New York State Comptroller (2006, p. 1) report that cities which have lost population showed the highest levels of fiscal stress across a range of indicators, while those cities gaining population (which also tend to have low levels of socioeconomic stress) tend to have a more favourable fiscal outlook.

[191] In Canada, municipal fiscal indicators are utilized in Nova Scotia and Ontario. See, for example, Government of Ontario et al. (2008, p. 25) and www.gov.ns.ca/ansmr/muns/indicators/.

[192] Wang et al. (2007, p. 2) emphasize that the development of a valid and reliable measures of a municipality's financial condition is also critical in any study of financial condition and financial performance of local government.

[193] Modlin (2010, p. 574).

[194] Ohio Auditor of State (2009, p. 8).

[195] For example, Ohio Auditor of State (2009, p. 4) reports that Ohio has instituted a system that reacts to local governments facing or currently in precarious fiscal positions. A local government under fiscal watch receives technical assistance, and the government develops and implements a recovery strategy. For communities facing a fiscal emergency, a Financial Planning and Supervision Commission is convened to assist the local government in making financial decisions, which will lead to fiscal recovery.

technical assistance when appropriate, and may make emergency loans.[196] Many state governments in the US have adopted fiscal indicators.[197]

8.0   Designing of a Municipal Income Tax and a Municipal Sales Tax[198]

Since there are economies to scale in tax collection, it would be less costly to have a central agency like the provincial or federal government collect the tax and transfer the revenues back to the communities in proportion to a predetermined allocations formula. In other words, if each municipality had to establish an income tax or sales tax collection mechanism and the bureaucracy to collect taxes from its residents, then a significant amount of the revenue would be dissipated through collection costs. This would, in turn, have a dampening effect on the increase in fiscal capacity that is expected to be engendered by the establishment of a new income tax or sales tax at the municipal level within Newfoundland and Labrador.

Additionally, it would be difficult to apply and collect municipal income or sales taxes at the local level. People could move between communities to avoid higher taxed jurisdictions or they could shop in different communities in other to avoid differentially higher taxes. As well, there is no data on sales by community in Newfoundland and Labrador and it is not likely to be collected in the near future. Hence, it is not at all clear how a community could implement and administer its own sales tax, except as a share of a municipal sales tax rate added to the provincial HST rate collected by the federal government and allocated first to the province and then from the province to each community in relation to a particular predetermined allocation formula.

Therefore, this study proposes a framework for a municipal income tax that could involve adding a common tax rate to the existing provincial income tax[199]. This revenue would, as is now the case, be collected by the federal government and remitted to the provincial

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[196] Ohio Auditor of State (2009, p. 5).

[197] Coe (2007, p. 42) reports that 15 states have formally adopted indicators that define fiscal distress. Modlin (2010, p. 571) indicates that fiscal indicators are utilized to predict local government solvency among rural North Carolina. Sohl et al. (2009, p.76) notes that Ohio, Michigan, and North Carolina provide examples of states that have formally undertaken efforts to benchmark the finances of local governments and to provide state oversight of local government finance. McIntire et al. (2010, p. 2 and 16) suggests that 16 states use some form of an indicator system to monitor the financial condition of local governments. These states are Alaska, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, West Virginia and Washington.

[198] The Strategic Counsel (2008, p. 89) report that a strong majority of Canadians (80%) agree that "municipal governments need to have greater access to other means of generating revenues in addition to property taxes".

[199] Similar to Kitchen (2004a, p21), these taxes would supplement the property tax. They would not substitute for property tax revenues. A similar exercise was undertaken by Kitchen (2004a, Table A1, p. 33) when he simulated a 4.5% surtax on income and a 0.5% point increase on sales tax to estimate the amount of revenue needed to yield 10% of property taxes in St. John's using 2000 data. Likewise, BCMC (2006, p.38) simulated the impact of a 1% and a 5% share of PIT, CIT and goods and services taxes for municipal revenues in Canada.

government. The provincial government would earmark this portion of the income tax revenue and distribute it to each municipality in accordance with its share of provincial income taxes collected within the community.

Likewise, the framework for a municipal sales tax could involve an additional tax rate added to the provincial share of the HST. This tax could continue to be collected by the federal government and remitted to the provincial government. The provincial government would distribute this earmarked tax to each municipality in relation to the share of provincial sale tax generated by residents of each community.

9.0   Data

The Department of Municipal Affairs provided data on expenditure, revenues and taxes for 2010 for 276 municipalities and 26 local service districts. The expenditure categories were decomposed into eight functional categories and each functional category was further subdivided as follows:

- Environmental services;
    - o Garbage and Waste Collection and Disposal;
    - o Other Environmental Health Services;
    - o Sewage Collection and Disposal; and
    - o Water Supply
- Fiscal Services;
    - o Debt Charges from all Sources;
    - o Other Fiscal Services; and
    - o Transfers to Own Reserves and Other Funds
- General Government;
    - o Common Services;
        - ▪ Engineering Services;
        - ▪ General Maintenance;
        - ▪ Professional Development and Training; and
        - ▪ Public Relations
    - o Council;
    - o General Administration;
    - o Municipal Elections; and
    - o Property Assessment Services
- Other Functional Expenditures;
    - o Other Program Expenditures
- Planning and Development;

- o Community Improvement and Development;
- o Other Planning and Development;
- o Planning and Zoning;
- o Regional Development; and
- o Tourism and Marketing
- Protective Services;
  - o Animal and Pest Control;
  - o Emergency Preparedness and Response;
  - o Fire protection;
  - o Municipal Enforcement; and
  - o Other Protective Services and Inspections
- Recreation and Cultural Services;
  - o Cultural Facilities;
    - ▪ Library; and
    - ▪ Museum
  - o Other recreation and Cultural Services;
  - o Recreation Administration;
  - o Recreation and Cultural Programs, Activities and Community Events;
  - o Recreation Facilities;
    - ▪ Parks, Playgrounds, and Playing Fields;
    - ▪ Recreation and Community Centres;
    - ▪ Stadium; and
    - ▪ Swimming Pool
- Transportation;
  - o Other Transportation Services;
  - o Public Transit;
  - o Road Transport;
    - ▪ Snow Removal;
    - ▪ Street Lighting;
    - ▪ Streets, Roads, Sidewalks and Bridges; and
    - ▪ Traffic Services
  - o Vehicle and fleet Operation and Maintenance.

The original data set also included eight revenue categories utilized by Newfoundland and Labrador Municipalities, which are decomposed as follows:

- Federal Government Grants and Subsidies;
- Provincial Government Grants and Subsidies;
- Other Revenue from Own Source;

- Transfers from Own Reserves and Other Funds;
- Sales of Goods and Services;
- Sales of Goods and Services to Other Governments/Agencies;
- Taxes from Commercial Sources; and
- Taxes from Residential Sources.

The data set provided by the Department of Municipal Affairs also included:

- 2009 Mill Rates;
- 2009 Minimum Property Tax Payable;
- 2009 Poll Taxes;
- 2010 Mill Rates;
- 2010 Minimum Property Tax Payable; and
- 2010 Poll Taxes.

The data from the Department of Municipal Affairs was filtered further by excluding both the 49 communities that did not use the services of the Municipal Assessment Agency and the 26 Local Service Districts. While St. John's undertakes its own assessment function, it was included in the data set for further analysis. The data on the assessed value for the remaining 226 communities and related information that was provided by the Municipal Assessment Agency were:

- For various tax years and each community,
  - Number of Property Owners;
  - Number of Tenants;
  - Assessed Value of Land;
  - Assessed Value of Buildings;
  - Taxable Assessed Value;
  - Non-Taxable Assessed Value;
  - Number of Tenants;
  - Tenant Portion of Assessed Value;
  - Number of Non-Taxable Tenants;
  - Value of Non-Taxable Tenants Assessed Value;
  - Number of Taxable Tenants;
  - Value of Taxable Tenants Assessed Value;
  - Average Value of Residential Assessment;
  - Annual Growth in the Average Residential Assessed Value;
  - Annual Growth in Total Assessment; and
  - Annual Value in Taxable Assessment.

In addition, the Municipal Assessment Agency made a separate set of data for 2010 and 2011 available for this study. This included:

- 2010 Residential Water and Sewer Rates;
- 2011 Average Value of Residential Assessment;
- Threshold Value of Property for Minimum Tax;
- Projected Tax Bill for Average Residential Property;
- Tax and Water and Sewer Bill for Properties Below the Minimum Threshold;
- Total Number of Residential Properties;
- Number of Residential Properties Above the Minimum Threshold;
- Number of Residential Properties Below the Minimum Threshold;
- Average Value of Residential Properties Above the Minimum Threshold
- Tax and Water and Sewer Bill for the Average Valued of Residential Properties Above the Minimum Threshold;
- Weighted Average Tax and Water and Sewer Bill for Residential Property Above and Below the Minimum Thresholds;
- Average Value of Residential Property Equal to or Below the Minimum Threshold;
- The Implied Tax and Water and Sewer Bill for the Average Valued Residential Property Equal to or Below the Minimum Threshold; and
- The proportion of Residential Property Above the Minimum Threshold.

In order to complete this particular study, the Department of Finance, Economics and Statistics Branch provided a huge amount of economic, demographic and fiscal data from their Community Accounts data set for the remaining 227 communities.[200] It was not possible to get a 100% correspondence between the communities for which we had economic and demographic data and the municipalities for which we had data on expenditures, revenues and assessed value. When this occurred, as explained below, the officials overseeing the Community Accounts provided helpful suggestions about how the information could be obtained by combining other communities or portion of other communities.

Specifically, 151 of the 227 communities could be matched perfectly on the basis of population and income data requested. For a further 68 municipalities, postal code communities that were the closest match were suggested. In some cases the data for the suggested communities were smaller than the municipalities requested and in other cases they were larger. These differences are indicated in the appendix tables. This data accounts for 219 of the 227 requested communities. In order to complete the data request for the remaining 8

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[200] There were 226 communities that used the Municipal Assessment Agency's services plus St. John's.

communities, 23 communities had to be added in various combinations to get an approximation for the remaining 8 communities.

In addition, the Department of Finance, Taxation and Fiscal Policy provided data on sales and income tax collected by the province for various years. As well, we had access to the Census of Municipalities data collected by Municipalities Newfoundland and Labrador. Finally, about 20 communities provided their 2009 and 2010 budgets to facilitate comparison with the official statistics and to enhance our understanding of how to utilize this data.

10.0 The Sample of Communities

The 227 sample of communities analyzed in this report are listed in Appendix Table 1. These were the municipalities for which the Department of Municipal Affairs provided 2010 expenditure and revenue data and for which the Municipal Assessment Agency and the City of St. John's provided assessment data for 2010. There were 49 other communities for which data from both sources was not available. The communities covered in this study include 86% (434,715 of 505,470 people) of the 2006 population reported for Newfoundland and Labrador.

For the purposes of this analysis, results for Newfoundland and Labrador communities are discussed by size of community and are presented separately for each community in the data Appendix. The communities were disaggregated by community size as follows:

- **Tiny Communities**: that is, municipalities with a population of 250 people or less;
- **Very Small Communities**: that is, municipalities with a population of more than 250 people but less than or equal to 500 people;
- **Small Communities**: that is, municipalities with a population of more than 500 people but less than or equal to 1,000 people;
- **Smaller-medium Communities**: that is, municipalities with a population of more than 1,000 people but less than or equal to 2,500 people;
- **Medium Communities**: that is, municipalities with a population of more than 2,500 people but less than or equal to 5,000 people;
- **Medium-large Communities**: that is, municipalities with a population of more than 5,000 people but less than or equal to 10,000 people;
- **Large Communities**: that is, municipalities with a population of more than 10,000 people but less than 100,000 people; and
- **St. John's** which has a 2006 population in excess of 100,000 and will be, for the purpose of this report, referred to as a very large community.

As shown in Table 4, 71.4% (162 of 227 municipalities) of all sample communities have a population of 1,000 people or less. There are 38 tiny communities that make up 1.4%

(7,225 of 505,470 people) of the province's total population and have an average size of 190 people. The 58 very small communities, comprising 4.2% (21,255 of 505,470 people) of the province's total population, have an average size of 366 people. As well, there are 66 small communities with an average size of 688 people. These small communities account for 9.0% (45,410 or 505,470 people) of the province's population.

Table 4: Sample Characteristics - Population

	Number of Communities	Population	Average Size	Share of Population
pop ≤ 250	38	7,225	190	1.4%
250 < pop ≤ 500	58	21,255	366	4.2%
500 < pop ≤ 1,000	66	45,410	688	9.0%
1,000 < pop ≤ 2,500	37	59,830	1,617	11.8%
2,500 < pop ≤ 5,000	13	46,345	3,565	9.2%
5,000 < pop ≤ 10,000	9	60,875	6,764	12.0%
10,000 < pop < 100,000	5	93,130	18,626	18.4%
St. John's	1	100,645	100,645	19.9%
Entire Sample	227	434,715	1,915	86.0%
Province		505,470		100.0%

The 37 smaller medium communities, with populations between 1,000 to 2,500 people and an average of 1,617 people, represent 11.8% (59,830 of 505,470 people) of Newfoundland and Labrador's population. The 13 medium sized communities have a combined population of 46,345 and an average-sized population of 3,565 people. This constitutes 9.2% of the province's 2006 population. In the sample, there were 9 medium-large communities with a combined population of 60,875 people (12.0% of the provincial population) and an average-sized 6,764 people. There were 5 larger communities in the sample. These communities had a population of 93,130 people (18.4% of the province) and an average size of 18,626 people. Finally, St. John's, with a 2006 population of 100,645 (19.9% of the province), was considered separately.

To fully appreciate the characteristics of the sample of in terms of revenues, Table 5, Table 6 and Table 7 are provided below. In per capita terms, the communities in the sample have average revenue of $1,297 per resident to meet their expenditure responsibilities. Communities with less than 5,000 people have below average per capita revenues, while larger communities have above average revenue, which increase with the size of the community. For the smaller communities with less than 1,000 people, the average per capita revenue declines with community size and for communities above 1,000 people, the average per capita revenue

increase with community size. For smaller communities, provincial and federal grants comprise a higher share of municipal revenues.

For the sample, 46.2% of revenues come from taxes from residential sources,[201] 26.6% of revenues come from commercial sources, 3% come from federal grants, 14.3% come from provincial grants and 9.9% come from other sources. Approximately, 73% of revenue comes from taxes on residential and commercial sources and for the most part, this proportion increases with the size of the community. Provincial and federal grants are more important for smaller communities and to some degree make up for the lower shares that come from taxation of residential and commercial sources.

Table 5: Sample Characteristics – Revenues

	Taxes from Residential Sources ($M)	Taxes from Commercial Sources ($M)	Federal Grants ($M)	Provincial Grants ($M)	Total Revenue ($M)
pop ≤ 250	$3.0	$1.4	$0.7	$1.6	$7.2
250 < pop ≤ 500	$7.5	$3.3	$1.8	$5.7	$20.4
500 < pop ≤ 1,000	$16.1	$5.6	$2.3	$8.2	$34.7
1,000 < pop ≤ 2,500	$23.3	$11.4	$2.4	$8.1	$49.4
2,500 < pop ≤ 5,000	$20.8	$8.8	$2.1	$7.0	$42.1
5,000 < pop ≤ 10,000	$31.6	$22.9	$3.7	$13.0	$78.2
10,000 < pop < 100,000	$69.1	$30.0	$4.0	$16.0	$126.7
St. John's	$89.0	$66.5	$0.0	$21.0	$205.1
Entire Sample	$260.3	$149.9	$16.9	$80.7	$563.8
Province					

Table 6: Sample Characteristics – Per Capita Revenues

	Per Capita Taxes from Residential Sources	Per Capita Taxes from Commercial Sources	Per Capita Federal Grants	Per Capita Provincial Grants	Per Capita Total Revenue
pop ≤ 250	$411	$196	$92	$216	$1,000
250 < pop ≤ 500	$352	$157	$84	$270	$958

[201] The share of revenues for a group of municipalities is derived as $\dfrac{\sum_{i=1}^{n1} R_i^j \big/ n1}{\sum_{i=1}^{n1} TR_i \big/ n1}$. The average of the shares within the group is given by $\dfrac{\sum_{i=1}^{n1} \dfrac{R_i^j}{TR_i}}{n1}$. These will not be the same numerical estimates and, as such, care must be taken in interpreting revenue and expenditure share presented below.

	Per Capita Taxes from Residential Sources	Per Capita Taxes from Commercial Sources	Per Capita Federal Grants	Per Capita Provincial Grants	Per Capita Total Revenue
500 < pop ≤ 1,000	$354	$122	$51	$181	$763
1,000 < pop ≤ 2,500	$389	$191	$40	$136	$826
2,500 < pop ≤ 5,000	$450	$191	$46	$150	$909
5,000 < pop ≤ 10,000	$519	$375	$60	$214	$1,285
10,000 < pop < 100,000	$742	$322	$43	$172	$1,360
St. John's	$884	$660	$0	$209	$2,038
Entire Sample	$599	$345	$39	$186	$1,297
Province					

Table 7: Sample Characteristics – Revenue Shares

	Taxes from Residential Sources as a Share of Total Revenue	Taxes from Commercial Sources as a Share of Total Revenue	Federal Grants as a Share of Total Revenue	Provincial Grants as a Share of Total Revenue	Other Revenue as a Share of Total Revenue
pop ≤ 250	41.1%	19.6%	9.2%	21.6%	8.4%
250 < pop ≤ 500	36.8%	16.4%	8.7%	28.2%	9.9%
500 < pop ≤ 1,000	46.4%	16.0%	6.7%	23.7%	7.3%
1,000 < pop ≤ 2,500	47.0%	23.1%	4.8%	16.4%	8.6%
2,500 < pop ≤ 5,000	49.5%	21.0%	5.1%	16.5%	8.0%
5,000 < pop ≤ 10,000	40.4%	29.2%	4.7%	16.6%	9.0%
10,000 < pop < 100,000	54.6%	23.7%	3.2%	12.7%	5.9%
St. John's	43.4%	32.4%	0.0%	10.2%	14.0%
Entire Sample	46.2%	26.6%	3.0%	14.3%	9.9%
Province					

The expenditure characteristics for the sample communities and the subgroups are profiled in Table 8 to Table 13. The average annual budget for the whole sample is nearly $2.5 million. For the most part, the smaller the community in terms of population, the smaller is the average budget, with communities with less than 1,000 people having a budget of around $0.5 million, smaller-medium communities spending $1.4 million per year, medium sized communities spending slightly more than $3 million per year, the larger-medium communities spend nearly $7.5 million per year, with the larger communities spending in excess of $25 million per year, while the budget for the City of St. John's exceeded $205 million per year.

In per capita terms, expenditure decreases with population up 5,000 people. For communities with populations in excess of 5,000 people, per capita expenditures increase with population. That is, scale economies appear to disappear after 5,000 people. As well, the average

expenditure per person for communities within the sample is nearly $1,300. In addition, there is also a noticeable difference in the share of expenditure allocated to each type of function by community size.

For the sample as a whole, the largest expenditure category is fiscal services – accounting for 30.7% of all expenditures. This is followed by transportation services (17.3%), general government (16.5%), environmental health (16.0%), protective services (9.7%), recreation and culture (7.4%) and planning and development (2.5%). When the sample is broken down by community size, a different sort of picture emerges. General government and fiscal services are relative more important for smaller communities, whereas protective services, recreation and culture and planning tend to increase with community size. This is probably explained by the fact that small communities typically have greater debt servicing problems.

Table 8: Sample Characteristics – Average Expenditures

	Total Expenditure ($)	Expenditure on Environmental Health ($)	Expenditure on Fiscal Services ($)	Expenditure on General Government ($)	Expenditure on Other Functions ($)
pop ≤ 250	$507,464.3	$71,614.6	$240,145.9	$86,699.9	$0.0
250 < pop ≤ 500	$346,574.5	$48,813.6	$158,328.9	$84,168.2	$0.0
500 < pop ≤ 1,000	$525,089.8	$73,796.1	$210,512.9	$130,459.2	$0.0
1,000 < pop ≤ 2,500	$1,366,268.4	$213,815.0	$451,198.1	$307,800.4	$0.0
2,500 < pop ≤ 5,000	$3,080,256.1	$421,951.0	$1,103,706.7	$574,243.2	$0.0
5,000 < pop ≤ 10,000	$7,494,391.9	$900,947.4	$2,716,445.9	$1,327,583.4	$0.0
10,000 < pop < 100,000	$25,333,416.6	$2,831,447.8	$9,012,978.0	$3,424,051.4	$0.0
St. John's	$205,115,533.0	$44,189,146.0	$40,282,876.0	$28,272,842.0	$0.0
Entire Sample	$2,484,001.3	$397,685.1	$762,294.1	$409,611.4	$0.0

Table 9: Sample Characteristics – Average Expenditures

	Expenditure on Planning and Development ($)	Expenditure on Protective Services ($)	Expenditure on Recreation and Culture ($)	Expenditure on Transportation Services ($)
pop ≤ 250	$6,987.1	$18,168.1	$29,567.3	$54,281.5
250 < pop ≤ 500	$3,175.4	$7,141.7	$7,290.9	$37,655.7
500 < pop ≤ 1,000	$5,413.3	$18,040.4	$14,031.8	$72,836.1
1,000 < pop ≤ 2,500	$30,616.3	$48,080.4	$91,508.0	$223,250.3
2,500 < pop ≤ 5,000	$46,500.3	$75,706.8	$295,846.0	$562,302.0
5,000 < pop ≤ 10,000	$234,214.6	$419,282.0	$556,592.4	$1,339,326.1
10,000 < pop < 100,000	$838,102.0	$3,201,547.6	$1,882,201.6	$4,143,088.2
St. John's	$5,450,502.0	$29,673,371.0	$17,335,656.0	$39,911,140.0
Entire Sample	$62,965.7	$240,145.7	$182,644.6	$428,654.7

Table 10: Sample Characteristics – Average Per Capita Expenditures

	Total Expenditure	Expenditure on Environmental Health	Expenditure on Fiscal Services	Expenditure on General Government	Expenditure on Other Functions
pop ≤ 250	$2,394.5	$342.5	$1,120.7	$419.0	$0.0
250 < pop ≤ 500	$926.4	$129.5	$424.7	$226.9	$0.0
500 < pop ≤ 1,000	$757.4	$106.2	$304.4	$187.5	$0.0
1,000 < pop ≤ 2,500	$836.0	$129.9	$277.0	$188.7	$0.0
2,500 < pop ≤ 5,000	$834.5	$113.3	$293.9	$163.8	$0.0
5,000 < pop ≤ 10,000	$1,086.0	$132.4	$398.6	$192.5	$0.0
10,000 < pop < 100,000	$1,391.1	$151.5	$519.1	$189.6	$0.0
St. John's	$2,038.0	$439.1	$400.2	$280.9	$0.0
Entire Sample	$1,291.9	$206.8	$396.5	$213.0	$0.0
Province					

Table 11: Sample Characteristics – Average Per Capita Expenditures

	Expenditure on Planning and Development	Expenditure on Protective Services	Expenditure on Recreation and Culture	Expenditure on Transportation Services
pop ≤ 250	$32.0	$85.1	$133.7	$261.5
250 < pop ≤ 500	$7.7	$18.0	$18.4	$101.2
500 < pop ≤ 1,000	$7.6	$26.6	$21.8	$103.2
1,000 < pop ≤ 2,500	$18.5	$29.7	$53.7	$138.5
2,500 < pop ≤ 5,000	$13.2	$20.6	$77.4	$152.1
5,000 < pop ≤ 10,000	$32.0	$55.4	$81.0	$194.0
10,000 < pop < 100,000	$45.4	$159.2	$97.9	$228.5
St. John's	$54.2	$294.8	$172.2	$396.6
Entire Sample	$32.7	$124.9	$95.0	$222.9
Province				

Table 12: Sample Characteristics – Average Expenditure Shares

	Total Expenditure	Expenditure on Environmental Health	Expenditure on Fiscal Services	Expenditure on General Government	Expenditure on Other Functions
pop ≤ 250	100.0%	15.8%	38.3%	27.3%	0.0%
250 < pop ≤ 500	100.0%	15.4%	40.2%	27.0%	0.0%
500 < pop ≤ 1,000	100.0%	14.1%	38.9%	26.5%	0.0%
1,000 < pop ≤ 2,500	100.0%	15.5%	34.3%	23.4%	0.0%
2,500 < pop ≤ 5,000	100.0%	13.6%	36.4%	20.2%	0.0%

	Total Expenditure	Expenditure on Environmental Health	Expenditure on Fiscal Services	Expenditure on General Government	Expenditure on Other Functions
5,000 < pop ≤ 10,000	100.0%	11.5%	38.0%	18.4%	0.0%
10,000 < pop < 100,000	100.0%	11.3%	35.5%	14.4%	0.0%
St. John's	100.0%	21.5%	19.6%	13.8%	0.0%
Entire Sample	100.0%	16.0%	30.7%	16.5%	0.0%
Province					

Table 13: Sample Characteristics – Average Expenditure Shares

	Expenditure on Planning and Development	Expenditure on Protective Services	Expenditure on Recreation and Culture	Expenditure on Transportation Services
pop ≤ 250	0.6%	2.2%	2.0%	13.8%
250 < pop ≤ 500	0.8%	2.0%	1.9%	12.7%
500 < pop ≤ 1,000	1.0%	2.9%	2.3%	14.3%
1,000 < pop ≤ 2,500	2.0%	3.5%	5.1%	16.3%
2,500 < pop ≤ 5,000	1.4%	2.3%	8.3%	17.8%
5,000 < pop ≤ 10,000	3.2%	4.6%	6.4%	17.9%
10,000 < pop < 100,000	3.7%	11.7%	7.5%	15.9%
St. John's	2.7%	14.5%	8.5%	19.5%
Entire Sample	2.5%	9.7%	7.4%	17.3%
Province				

11.0 Municipal Income Taxes

As shown in Table 14, there are several different sources of personal income tax data that could be used to simulate a municipal income tax. For example, the Canada Revenue Agency reports Income Taxation Statistics on its website. The most recent data from this source are available for 2001 to 2008 time period. In addition, the most recent estimate for provincial income taxes is available in the provincial government's Budget 2011-12. Another source of data, available from the Department of Finance, Government of Newfoundland and Labrador, is known as the provincial entitlements data and is available from 1997 to 2009. As well, the Public Accounts data provides a similar set of income tax data for the period 1997 to 2009. The final data set is the Department of Finance's Community Accounts data, available on the Community Accounts website. This data set provides income taxes paid by communities for the period 1990 to 2006.

While each data source provides similar results, they are not identical, as illustrated in Figure 1 through Figure 4. For instance, for the period 1997 to 2009, the Public Accounts data

corresponds to 96.1% of Entitlements data. As well, for the period 1997 to 2006, the Community Accounts data is 99.2% of the Public Accounts data, as shown in Table 15.

For the purposes of this exercise, we use the Public Accounts data to determine the revenue raising potential for each one percentage point rate change Newfoundland and Labrador's income tax, see Table 16. The Budget 2011-12 is utilized to get the base data for 2010 and the Community Accounts data is used to determine municipal income tax share that will be used as allocation factors.

Table 14: Comparison of Income Tax Statistics

	Taxation Statistics Final Stats ($M)	Entitlements (Calendar Year) ($M)	Public Accounts Basis (Fiscal Year) ($M)	Community Accounts ($M)
1997		$554.8	$543.5	$536.2
1998		$586.6	$545.1	$556.6
1999		$625.7	$605.0	$600.3
2000		$631.0	$624.7	$604.0
2001	$620.0	$646.9	$607.2	$626.1
2002	$661.0	$689.9	$671.4	$662.2
2003	$713.5	$741.5	$733.2	$719.0
2004	$763.9	$785.2	$766.5	$760.1
2005	$802.8	$842.0	$811.2	$802.8
2006	$865.4	$903.1	$885.7	$865.4
2007	$882.4	$923.5	$804.0	
2008	$866.1	$900.6	$900.0	
2009		$869.1	$817.4	
2010 (B)			$888.9	
2011 (B)			$862.3	

Table 15: Comparison of Personal Income Data Source

	PIT Entitlements Basis ($M)	PIT Public Account Basis ($M)	PIT Community Accounts Basis ($M)	Public Accounts as a Percent of Entitlements	Community Accounts as a Percent of Public Accounts
1997	$554.8	$543.5	$536.2	98.0%	98.7%
1998	$586.6	$545.1	$556.6	92.9%	102.1%
1999	$625.7	$605.0	$600.3	96.7%	99.2%
2000	$631.0	$624.7	$604.0	99.0%	96.7%
2001	$646.9	$607.2	$626.1	93.9%	103.1%
2002	$689.9	$671.4	$662.2	97.3%	98.6%
2003	$741.5	$733.2	$719.0	98.9%	98.1%
2004	$785.2	$766.5	$760.1	97.6%	99.2%

2005	$842.0	$811.2	$802.8	96.3%	99.0%
2006	$903.1	$885.7	$865.4	98.1%	97.7%
2007	$923.5	$804.0		87.1%	
2008	$900.6	$900.0		99.9%	
2009	$869.1	$817.4		94.0%	
Ave.				**96.1%**	**99.2%**

Table 16: Calculating Personal Income Tax Rates

	Newfoundland and Labrador Personal Income ($M)	Newfoundland and Labrador Provincial Personal Income Tax ($M)	Newfoundland and Labrador Federal Personal Income Tax ($M)	Provincial Average Personal Income Tax Rate	Federal Average Personal Income Tax Rate
1997	$7,900.6	$536.2	$810.3	6.79%	10.26%
1998	$8,116.9	$556.6	$820.1	6.86%	10.10%
1999	$8,470.4	$600.3	$871.1	7.09%	10.28%
2000	$8,915.4	$604.0	$922.8	6.77%	10.35%
2001	$9,420.8	$626.1	$894.4	6.65%	9.49%
2002	$9,773.7	$622.2	$926.9	6.37%	9.48%
2003	$10,225.4	$719.0	$995.2	7.03%	9.73%
2004	$10,533.5	$760.1	$1,016.4	7.22%	9.65%
2005	$10,901.1	$802.8	$1,014.7	7.36%	9.31%
2006	$11,496.6	$865.4	$1,066.9	7.53%	9.28%
Average	**$9,575.4**	**$669.3**	**$933.9**	**7.0%**	**9.8%**

Figure 1: NL PIT Revenue by Year and Data Source
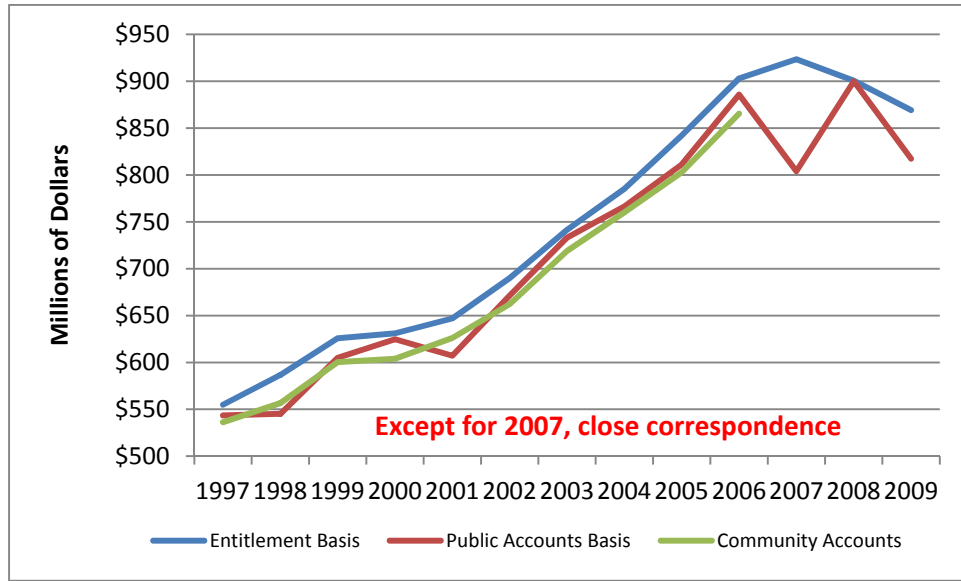
Figure 2: NL PIT Public Accounts Basis versus Entitlements Basis
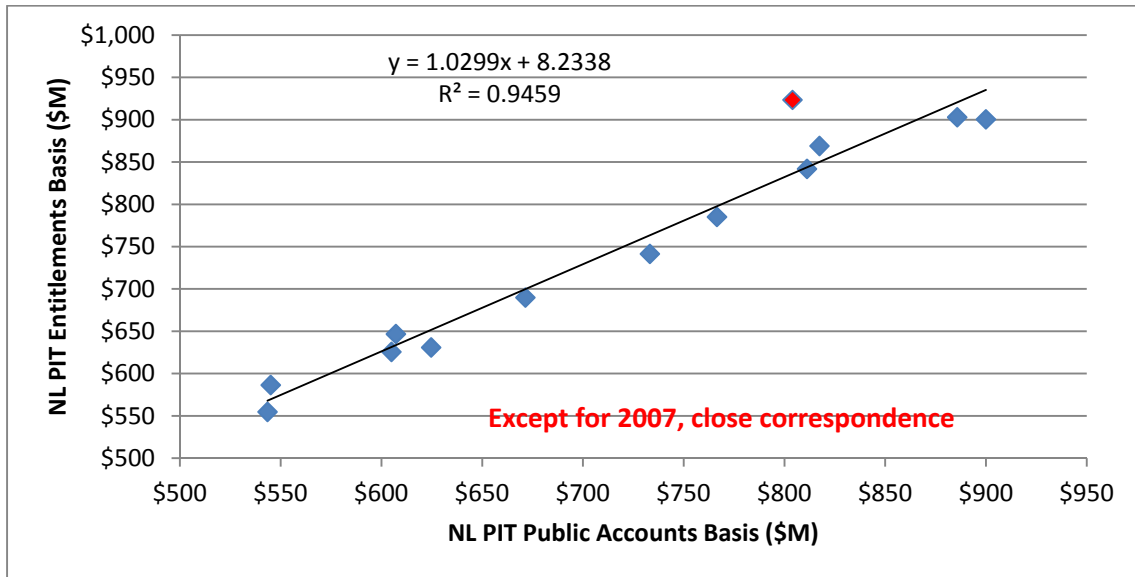
Figure 3: NL PIT Community Accounts Basis versus Public Accounts Basis

y = 1.0515x - 28.566
R² = 0.9905

(Y-axis: NL PIT Public Account Basis; X-axis: NL PIT Community Accounts Basis)
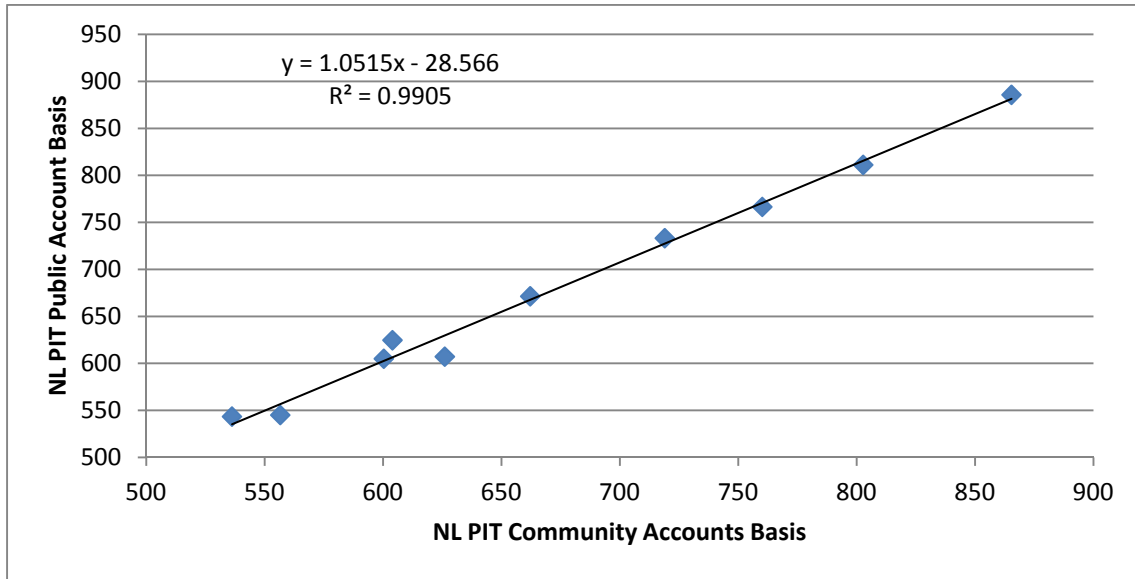
Figure 4: NL PIT Public Accounts Basis versus Entitlements Basis (Omitting 2007 data)

y = 0.9834x + 33.942
R² = 0.9848

(Y-axis: NL PIT Entitlements Basis ($M); X-axis: NL PIT Public Accounts Basis ($M))
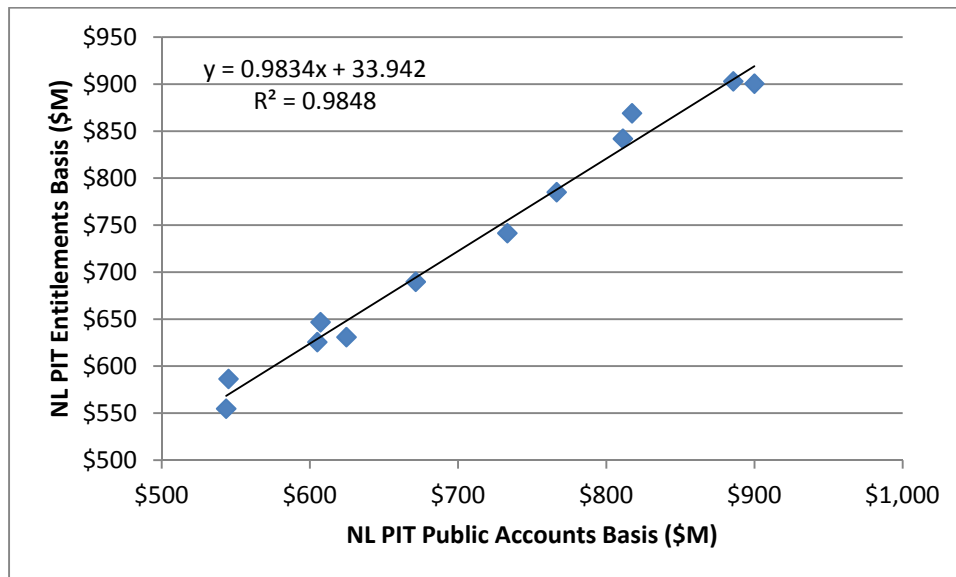
The Community Account data is used to determine the NL Personal Income Tax as a percentage of Newfoundland and Labrador Personal Income. The average rate in Newfoundland and Labrador from 1997 to 2006 is 7.0%. The next step is to calculate the increase in personal income tax revenue that will result from a one percentage point increase in the average Newfoundland and Labrador Personal Income Tax rate earmarked to fund municipalities.

A one percentage point increase in the Newfoundland and Labrador personal income tax rate should yield an increase in personal income tax revenues to the province by 14.5% (1%/7%). This should yield an additional $127.6 million (14.5% of $888.9 million reported in Budget 2011-12) in provincial income tax revenues. In other words, had the one percentage point increase in personal income been available in 2010, an additional $127.6 million in revenues would have been available for allocation to municipalities.

The next step is to calculate the share by municipality of Newfoundland and Labrador personal income taxes. This requires utilizing the most recent Community Accounts data. In 2006, Newfoundland and Labrador collected $865 million, $790 million of which came from the sample of communities. That is, 91.3% of all income taxes collected in Newfoundland and Labrador can be traced to the communities analyzed in this study.

The final step is to allocate the available revenue to the sample of communities. While $127.6 million would be generated by a one percentage point increase in the Newfoundland and Labrador rate, only 91.3% can reasonably be allocated to the communities considered in this study. That is, $116.5 million (91.3% of $127.6 million) would be available to distribute to municipalities. Table 17 presents the detailed municipal income tax calculations by community and Table 18 summarizes these results by size of community.

The municipal income tax simulated in this analysis would result in an increase in municipal fiscal capacity by 20.7% for the entire sample of communities. The increment in revenue by community size would be:

- 19.1% for communities with less than 250 people;
- 17.1% for municipalities with a population between 250 and 500 people;
- 21.9% for communities with a population of between 500 and 1,000 people;
- 25.2% for municipalities with a population between 1,000 and 2,500 people;
- 22.1% for communities with a population between 2,500 and 5,000 people;
- 25.5% for municipalities with a population between 5,000 and 10,000 people;
- 21.9% for communities with a population between 10,000 and 100,000 people; and
- 16.9% for St. John's.

Table 17: Municipal Income Tax Calculation by Community

community	Provincial PIT Paid	Share of Provincial PIT Paid	Municipal Income Tax Revenue	Per Capita Municipal Income Tax	Municipal Income Tax as a % of Total Revenue
ADMIRAL'S BEACH	$212,226	0.025%	**$31,295**	$169	25.5%
ANCHOR POINT	$497,000	0.057%	**$73,288**	$229	12.5%
APPLETON	$759,658	0.088%	**$112,019**	$191	20.5%

community	Provincial PIT Paid	Share of Provincial PIT Paid	Municipal Income Tax Revenue	Per Capita Municipal Income Tax	Municipal Income Tax as a % of Total Revenue
ARNOLD'S COVE	$2,016,000	0.233%	**$297,279**	$287	20.3%
BADGER	$1,204,000	0.139%	**$177,542**	$193	32.6%
BAIE VERTE	$1,926,000	0.223%	**$284,008**	$209	23.8%
BAULINE	$439,000	0.051%	**$64,735**	$193	32.3%
BAY BULLS	$1,959,000	0.226%	**$288,874**	$260	23.7%
BAY DE VERDE	$440,000	0.051%	**$64,882**	$135	13.1%
BAY L'ARGENT	$304,000	0.035%	**$44,828**	$152	21.5%
BAY ROBERTS	$8,319,000	0.961%	**$1,226,720**	$215	20.4%
BEACHSIDE	$247,507	0.029%	**$36,497**	$197	24.3%
BELLEORAM	$190,000	0.022%	**$28,017**	$67	11.6%
BIRCHY BAY	$502,000	0.058%	**$74,025**	$121	15.1%
BIRD COVE	$149,000	0.017%	**$21,972**	$105	5.0%
BISHOP'S FALLS	$4,796,000	0.554%	**$707,218**	$200	23.4%
BONAVISTA	$3,904,000	0.451%	**$575,684**	$149	23.7%
BOTWOOD	$3,639,235	0.421%	**$536,642**	$176	24.3%
BRENT'S COVE	$190,000	0.022%	**$28,017**	$137	23.0%
BRIGHTON	$213,000	0.025%	**$31,409**	$143	27.4%
BRIGUS	$1,124,000	0.130%	**$165,745**	$202	25.7%
BRYANT'S COVE	$570,079	0.066%	**$84,064**	$203	40.5%
BUCHANS	$776,000	0.090%	**$114,429**	$149	20.0%
BURGEO	$1,864,000	0.215%	**$274,866**	$169	27.0%
BURIN	$3,326,798	0.384%	**$490,570**	$198	26.0%
BURLINGTON	$321,000	0.037%	**$47,335**	$89	14.2%
BURNT ISLANDS	$1,207,000	0.139%	**$177,984**	$251	32.9%
CAMPBELLTON	$613,000	0.071%	**$90,393**	$155	24.5%
CARBONEAR	$6,592,903	0.762%	**$972,190**	$206	18.3%
CARMANVILLE	$869,000	0.100%	**$128,143**	$127	24.4%
CARTWRIGHT	$527,000	0.061%	**$77,711**	$135	21.4%
CENTREVILLE-WAREHAM-TRINITY	$1,176,000	0.136%	**$173,413**	$155	21.2%
CHANGE ISLANDS	$237,000	0.027%	**$34,948**	$116	18.1%
CHANNEL-PORT AUX BASQUES	$6,413,714	0.741%	**$945,767**	$194	24.1%
CHARLOTTETOWN, Labrador	$275,271	0.032%	**$40,591**	$111	10.7%
CLARENVILLE	$10,178,728	1.176%	**$1,500,956**	$285	21.0%
CLARKE'S BEACH	$1,822,223	0.211%	**$268,705**	$208	36.5%
COACHMAN'S COVE	$123,000	0.014%	**$18,138**	$191	35.7%
COME-BY-CHANCE	$759,000	0.088%	**$111,922**	$287	5.7%
COMFORT COVE-NEWSTEAD	$412,000	0.048%	**$60,754**	$135	15.5%
CONCEPTION BAY SOUTH	$43,129,000	4.984%	**$6,359,804**	$291	26.8%
CONCHE	$221,000	0.026%	**$32,589**	$145	16.5%
COOK'S HARBOUR	$256,000	0.030%	**$37,750**	$145	26.1%

community	Provincial PIT Paid	Share of Provincial PIT Paid	Municipal Income Tax Revenue	Per Capita Municipal Income Tax	Municipal Income Tax as a % of Total Revenue
CORMACK	$820,733	0.095%	**$121,025**	$185	17.6%
CORNER BROOK	$36,178,459	4.181%	**$5,334,877**	$266	19.6%
COTTLESVILLE	$282,000	0.033%	**$41,584**	$151	14.2%
COW HEAD	$602,000	0.070%	**$88,771**	$179	19.7%
COX'S COVE	$572,000	0.066%	**$84,347**	$131	18.9%
CROW HEAD	$223,440	0.026%	**$32,948**	$161	18.9%
CUPIDS	$928,072	0.107%	**$136,854**	$173	29.3%
DANIEL'S HARBOUR	$433,000	0.050%	**$63,850**	$220	23.9%
DEER LAKE	$6,045,854	0.699%	**$891,522**	$185	14.7%
DOVER	$468,000	0.054%	**$69,011**	$101	17.0%
EASTPORT	$693,023	0.080%	**$102,193**	$204	17.6%
ELLISTON	$245,000	0.028%	**$36,128**	$109	16.8%
EMBREE	$604,000	0.070%	**$89,066**	$134	20.9%
ENGLEE	$349,000	0.040%	**$51,464**	$82	12.5%
FERMEUSE	$364,535	0.042%	**$53,754**	$189	21.8%
FERRYLAND	$898,000	0.104%	**$132,419**	$243	44.1%
FLATROCK	$2,341,000	0.271%	**$345,204**	$289	49.8%
FLEUR DE LYS	$265,000	0.031%	**$39,077**	$120	23.2%
FLOWER'S COVE	$380,019	0.044%	**$56,038**	$208	16.9%
FOGO	$857,000	0.099%	**$126,373**	$161	12.5%
FORTEAU	$521,000	0.060%	**$76,827**	$173	28.5%
FORTUNE	$1,608,000	0.186%	**$237,116**	$162	22.1%
Frenchman's Cove, Fortune Bay	$174,000	0.020%	**$25,658**	$160	15.9%
GAMBO	$2,029,505	0.235%	**$299,271**	$144	22.2%
GANDER	$22,536,000	2.604%	**$3,323,159**	$335	26.8%
GARNISH	$800,000	0.092%	**$117,968**	$198	28.3%
Gaskiers-Point la Haye	$359,104	0.041%	**$52,954**	$177	48.1%
GILLAMS	$545,664	0.063%	**$80,464**	$201	29.9%
GLENWOOD	$986,906	0.114%	**$145,529**	$191	25.7%
GLOVERTOWN	$2,688,690	0.311%	**$396,474**	$192	21.0%
GOOSE COVE EAST	$434,651	0.050%	**$64,094**	$273	36.8%
GRAND BANK	$3,090,000	0.357%	**$455,652**	$169	20.2%
GRAND FALLS-WINDSOR	$24,069,000	2.781%	**$3,549,216**	$258	25.1%
GREENSPOND	$373,000	0.043%	**$55,003**	$153	15.0%
HARBOUR GRACE	$4,657,191	0.538%	**$686,750**	$223	27.7%
HAMPDEN	$446,000	0.052%	**$65,767**	$112	15.3%
HANT'S HARBOUR	$421,000	0.049%	**$62,081**	$150	14.6%
HAPPY ADVENTURE	$245,000	0.028%	**$36,128**	$161	19.2%
HAPPY VALLEY-GOOSE BAY	$19,790,000	2.287%	**$2,918,234**	$384	23.8%
HARBOUR BRETON	$2,096,000	0.242%	**$309,076**	$162	21.8%

community	Provincial PIT Paid	Share of Provincial PIT Paid	Municipal Income Tax Revenue	Per Capita Municipal Income Tax	Municipal Income Tax as a % of Total Revenue
Harbour Main-Chapel Cove-Lakeview	$2,066,000	0.239%	**$304,652**	$279	41.2%
HARE BAY, Bonavista Bay	$816,000	0.094%	**$120,327**	$117	19.3%
HEART'S CONTENT	$447,000	0.052%	**$65,915**	$161	15.5%
HEART'S DELIGHT-ISLINGTON	$785,000	0.091%	**$115,756**	$174	17.2%
HEART'S DESIRE	$137,000	0.016%	**$20,202**	$81	11.4%
HERMITAGE-SANDYVILLE	$523,000	0.060%	**$77,122**	$156	15.0%
HOLYROOD	$4,066,761	0.470%	**$599,685**	$255	33.4%
HOWLEY	$316,000	0.037%	**$46,597**	$179	25.6%
HUGHES BROOK	$266,011	0.031%	**$39,226**	$201	33.1%
HUMBER ARM SOUTH	$2,226,000	0.257%	**$328,246**	$177	26.8%
INDIAN BAY	$144,000	0.017%	**$21,234**	$106	20.5%
IRISHTOWN-SUMMERSIDE	$1,759,766	0.203%	**$259,495**	$201	31.6%
ISLE AUX MORTS	$1,046,000	0.121%	**$154,243**	$213	38.1%
JACKSON'S ARM	$300,000	0.035%	**$44,238**	$115	11.4%
Joe Batt's Arm-Barr'd Islands-Shoal Bay	$599,000	0.069%	**$88,329**	$115	13.6%
KING'S POINT	$817,000	0.094%	**$120,475**	$178	25.4%
KIPPENS	$2,523,253	0.292%	**$372,079**	$214	20.3%
La Scie	$1,034,000	0.119%	**$152,474**	$156	24.0%
LABRADOR CITY	$24,690,000	2.853%	**$3,640,788**	$504	28.1%
LAMALINE	$241,500	0.028%	**$35,612**	$113	11.8%
L'ANSE AU CLAIR	$274,000	0.032%	**$40,404**	$172	16.2%
L'ANSE AU LOUP, Labrador	$890,000	0.103%	**$131,239**	$219	31.1%
LARK HARBOUR	$374,000	0.043%	**$55,150**	$94	21.8%
LAWN	$695,000	0.080%	**$102,485**	$145	24.8%
LEADING TICKLES	$200,000	0.023%	**$29,492**	$84	8.6%
LEWIN'S COVE	$600,000	0.069%	**$88,476**	$153	29.2%
LEWISPORTE	$4,608,446	0.533%	**$679,562**	$205	19.8%
Little Bay, Notre Dame Bay	$160,000	0.018%	**$23,594**	$175	28.2%
LITTLE BURNT BAY	$240,000	0.028%	**$35,390**	$111	14.7%
LITTLE CATALINA	$450,000	0.052%	**$66,357**	$141	28.3%
Logy Bay-Middle Cove-Outer Cove	$5,534,000	0.639%	**$816,044**	$448	48.7%
LONG HARBOUR-MOUNT ARLINGTON HEIGHTS	$543,070	0.063%	**$80,081**	$381	9.3%
LORD'S COVE	$161,000	0.019%	**$23,741**	$113	45.3%
LUMSDEN	$706,000	0.082%	**$104,107**	$195	19.7%
MAIN BROOK	$233,000	0.027%	**$34,358**	$118	11.9%
MARY'S HARBOUR	$467,000	0.054%	**$68,864**	$162	19.6%
MARYSTOWN	$8,981,790	1.038%	**$1,324,455**	$244	23.1%
MASSEY DRIVE	$2,786,560	0.322%	**$410,906**	$351	39.2%
McIVER'S	$777,571	0.090%	**$114,661**	$201	34.8%
MEADOWS	$873,062	0.101%	**$128,742**	$201	26.6%

community	Provincial PIT Paid	Share of Provincial PIT Paid	Municipal Income Tax Revenue	Per Capita Municipal Income Tax	Municipal Income Tax as a % of Total Revenue
MIDDLE ARM	$383,000	0.044%	**$56,477**	$109	20.5%
MILES COVE	$273,000	0.032%	**$40,257**	$298	44.6%
MILLERTOWN	$152,000	0.018%	**$22,414**	$204	18.0%
MILLTOWN-Head of BAY D'ESPOIR	$1,153,767	0.133%	**$170,135**	$197	31.7%
MING'S BIGHT	$343,000	0.040%	**$50,579**	$139	31.1%
MORRISVILLE	$173,398	0.020%	**$25,569**	$197	53.5%
MOUNT MORIAH	$1,058,000	0.122%	**$156,013**	$211	33.4%
MOUNT PEARL	$52,372,000	6.052%	**$7,722,777**	$311	21.6%
MUSGRAVE HARBOUR	$1,221,000	0.141%	**$180,049**	$167	16.9%
NEW PERLICAN	$144,000	0.017%	**$21,234**	$106	6.4%
NEW-WES-VALLEY	$3,251,000	0.376%	**$479,393**	$193	22.9%
NIPPERS HARBOUR	$166,000	0.019%	**$24,478**	$169	30.6%
NORMAN'S COVE-Long Cove	$1,045,000	0.121%	**$154,096**	$194	25.9%
NORRIS ARM	$945,000	0.109%	**$139,350**	$157	27.8%
NORRIS POINT	$894,000	0.103%	**$131,829**	$188	26.8%
NORTH RIVER	$680,070	0.079%	**$100,283**	$181	42.8%
NORTH WEST RIVER	$609,529	0.070%	**$89,881**	$182	11.1%
NORTHERN ARM	$458,627	0.053%	**$67,629**	$176	25.1%
OLD PERLICAN	$903,000	0.104%	**$133,156**	$197	8.3%
PACQUET	$212,000	0.024%	**$31,262**	$156	19.5%
PARADISE	$32,408,000	3.745%	**$4,778,885**	$378	18.5%
PARKERS COVE	$524,000	0.061%	**$77,269**	$253	37.8%
PARSON'S POND	$409,000	0.047%	**$60,311**	$124	24.3%
PASADENA	$6,490,000	0.750%	**$957,016**	$300	37.9%
PETERVIEW	$326,000	0.038%	**$48,072**	$60	12.9%
PETTY HARBOUR-MADDOX COVE	$1,183,000	0.137%	**$174,445**	$186	26.3%
PILLEY'S ISLAND	$242,000	0.028%	**$35,685**	$113	15.5%
PLACENTIA	$6,212,000	0.718%	**$916,022**	$235	20.4%
POINT LEAMINGTON	$681,000	0.079%	**$100,420**	$150	22.2%
POINT MAY	$199,333	0.023%	**$29,394**	$113	17.3%
POINT OF BAY	$89,000	0.010%	**$13,124**	$82	15.8%
POOL'S COVE	$219,000	0.025%	**$32,294**	$170	29.3%
PORT ANSON	$177,000	0.020%	**$26,100**	$168	28.1%
PORT AU CHOIX	$1,219,000	0.141%	**$179,754**	$207	15.6%
PORT AU PORT EAST	$529,168	0.061%	**$78,031**	$129	20.3%
Port au Port West-Aguathuna-Felix Cove	$336,743	0.039%	**$49,656**	$129	21.9%
PORT BLANDFORD	$720,000	0.083%	**$106,171**	$198	20.7%
PORT HOPE SIMPSON	$401,000	0.046%	**$59,131**	$112	27.8%
PORT KIRWAN	$108,721	0.013%	**$16,032**	$189	24.4%
PORT REXTON	$307,045	0.035%	**$45,277**	$129	27.5%

community	Provincial PIT Paid	Share of Provincial PIT Paid	Municipal Income Tax Revenue	Per Capita Municipal Income Tax	Municipal Income Tax as a % of Total Revenue
PORT SAUNDERS	$854,000	0.099%	$125,931	$170	17.4%
PORTUGAL COVE SOUTH	$349,336	0.040%	$51,513	$229	99.8%
Portugal Cove-St. Philip's	$15,988,000	1.847%	$2,357,591	$359	31.6%
POUCH COVE	$2,341,000	0.271%	$345,204	$198	26.0%
RALEIGH	$231,579	0.027%	$34,149	$137	22.9%
RAMEA	$638,000	0.074%	$94,080	$147	10.5%
RED BAY	$207,000	0.024%	$30,524	$127	25.5%
RED HARBOUR	$228,000	0.026%	$33,621	$156	41.1%
REIDVILLE	$645,309	0.075%	$95,157	$185	24.5%
ROBERT'S ARM	$1,333,000	0.154%	$196,564	$221	32.0%
ROCKY HARBOUR	$1,387,000	0.160%	$204,527	$209	20.7%
RODDICKTON	$920,000	0.106%	$135,663	$151	18.1%
ROSE BLANCHE-Harbour le Cou	$662,000	0.076%	$97,619	$153	32.0%
RUSHOON	$466,000	0.054%	$68,716	$205	16.4%
SALMON COVE	$966,000	0.112%	$142,446	$202	20.8%
SALVAGE	$120,000	0.014%	$17,695	$96	16.4%
SANDRINGHAM	$228,000	0.026%	$33,621	$132	29.8%
Sandy Cove, Bonavista Bay	$180,186	0.021%	$26,570	$204	27.3%
Seal Cove, Fortune Bay	$274,000	0.032%	$40,404	$126	11.4%
Seal Cove, White Bay	$303,000	0.035%	$44,680	$133	23.1%
Seldom-Little Seldom	$465,000	0.054%	$68,569	$158	10.7%
South Brook	$481,000	0.056%	$70,928	$130	20.3%
SOUTH RIVER	$715,000	0.083%	$105,434	$197	24.0%
SOUTHERN HARBOUR	$692,000	0.080%	$102,042	$215	27.4%
SPANIARD'S BAY	$2,856,817	0.330%	$421,266	$166	22.6%
SPRINGDALE	$3,699,228	0.427%	$545,488	$197	25.3%
ST. ALBAN'S	$1,640,000	0.190%	$241,834	$169	26.5%
ST. ANTHONY	$4,577,710	0.529%	$675,029	$273	29.0%
St. Bernard's-Jacques Fontaine	$803,000	0.093%	$118,410	$221	39.4%
ST. GEORGE'S	$1,189,746	0.137%	$175,440	$141	17.0%
St. Jacques-Coomb's Cove	$539,268	0.062%	$79,521	$119	35.4%
St. John's	$234,652,000	27.115%	$34,601,793	$344	16.9%
ST. LAWRENCE	$1,561,000	0.180%	$230,185	$171	21.4%
ST. LEWIS	$249,000	0.029%	$36,718	$147	19.2%
ST. LUNAIRE-GRIQUET	$604,833	0.070%	$89,189	$134	17.8%
ST. MARY'S	$574,567	0.066%	$84,726	$177	34.5%
ST. PAUL'S	$182,000	0.021%	$26,838	$84	13.1%
STEADY BROOK	$1,036,029	0.120%	$152,773	$351	16.5%
STEPHENVILLE	$9,940,747	1.149%	$1,465,863	$214	18.8%
STEPHENVILLE CROSSING	$1,890,000	0.218%	$278,699	$131	24.1%

community	Provincial PIT Paid	Share of Provincial PIT Paid	Municipal Income Tax Revenue	Per Capita Municipal Income Tax	Municipal Income Tax as a % of Total Revenue
SUMMERFORD	$797,000	0.092%	**$117,526**	$122	17.1%
Sunnyside, Trinity Bay	$1,031,000	0.119%	**$152,031**	$323	18.7%
TERRENCEVILLE	$627,000	0.072%	**$92,457**	$174	37.1%
TILTING	$288,000	0.033%	**$42,468**	$173	13.9%
TORBAY	$15,001,721	1.734%	**$2,212,154**	$352	34.2%
TREPASSEY	$1,638,000	0.189%	**$241,540**	$318	40.9%
TRINITY BAY NORTH	$1,638,000	0.189%	**$241,540**	$157	69.3%
Trinity, Trinity Bay	$1,406,000	0.162%	**$207,329**	$1,091	16.4%
TRITON	$1,406,000	0.162%	**$207,329**	$203	28.4%
TROUT RIVER	$365,000	0.042%	**$53,823**	$85	18.7%
TWILLINGATE	$2,670,383	0.309%	**$393,775**	$161	16.1%
UPPER ISLAND COVE	$1,737,000	0.201%	**$256,138**	$146	22.3%
VICTORIA	$2,020,000	0.233%	**$297,869**	$169	23.2%
Wabana/Bell Island	$1,935,000	0.224%	**$285,335**	$118	15.8%
WABUSH	$6,029,000	0.697%	**$889,037**	$507	18.3%
WESTPORT	$160,000	0.018%	**$23,594**	$83	15.3%
WHITBOURNE	$903,298	0.104%	**$133,200**	$156	15.8%
WHITEWAY	$287,000	0.033%	**$42,321**	$132	10.4%
WINTERLAND	$484,000	0.056%	**$71,371**	$246	24.9%
WINTERTON	$484,000	0.056%	**$71,371**	$129	8.4%
WITLESS BAY	$1,756,000	0.203%	**$258,940**	$238	32.8%
WOODSTOCK	$264,000	0.031%	**$38,929**	$195	32.2%
WOODY POINT	$334,598	0.039%	**$49,340**	$139	15.8%
YORK HARBOUR	$307,000	0.035%	**$45,270**	$126	27.1%
Sample	**$789,936,741**	**91.3%**	**$116,484,102**	**$42,725**	**20.7%**

Table 18: Sample Characteristics – Municipal Income Tax

	Municipal Income Tax Revenue ($M)	Average Municipal Income Tax Revenue Per Community	Per Capita Municipal Income Tax Revenue	Municipal Income Tax as a Percent of Total Municipal Revenue
pop ≤ 250	$1.4	$36,303	$190.9	19.1%
250 < pop ≤ 500	$3.5	$59,835	$163.3	17.1%
500 < pop ≤ 1,000	$7.6	$114,938	$167.1	21.9%
1,000 < pop ≤ 2,500	$12.4	$336,222	$207.9	25.2%
2,500 < pop ≤ 5,000	$9.3	$714,675	$200.5	22.1%
5,000 < pop ≤ 10,000	$20.0	$2,218,880	$328.0	25.5%
10,000 < pop < 100,000	$27.7	$5,549,112	$297.9	21.9%
St. John's	$34.6	$34,601,793	$343.8	16.9%

	Municipal Income Tax Revenue ($M)	Average Municipal Income Tax Revenue Per Community	Per Capita Municipal Income Tax Revenue	Municipal Income Tax as a Percent of Total Municipal Revenue
Entire Sample	$116.5	$513,146	$268.0	20.7%
Province				

12.0 Municipal Sales Taxes

While this study simulates a share of the provincial HST, there appears to be public support for providing a share of the federal GST to municipalities to offset the cost of growth. In particular, The Strategic Counsel (2008, p. 36-7) reported that when considering the proposed reduction in the federal GST from 6% to 5%, a majority (58%) of survey respondent preferred keeping the GST unchanged and giving the 1% to municipalities. Furthermore, the respondents indicated that "a transfer of funds from the federal government's GST is the most appropriate way to offset the costs associated with growth. When given the choice between a GST transfer and increased property taxes, fully 72% of Canadians preferred the GST option."

To simulate a share of the provincial portion of the HST, it is important to recognize that data is not collected in Newfoundland and Labrador for sales of goods and services by community. As such, a proxy base is developed, which draws on the relationship between personal disposable income and expenditure.

Specifically, personal disposable income (PDI) is either consumed or saved by definition. That is, savings are defined to be any income not consumed. This is shown in equation (4) below:

$$PDI = C + S$$

<div align="right">**Equation 4**</div>

In this analysis, it is assumed that saving is a fraction (1-α) of personal disposable income. This is illustrated in equation (5) below:

$$S = (1 - \alpha) * PDI$$

<div align="right">**Equation 5**</div>

Combining equation (4) and equation (5) implies that consumption is a constant fraction (α) of personal disposable income or:

$$C = \alpha * PDI$$

<div align="right">**Equation 6**</div>

The sales tax base is equal to some fraction (h) of total consumption expenditure so the Harmonized Sales Tax (HST) base is given by:

$$HST\ Base = h * C$$

The provincial sales tax entitlement is equation to the provincial HST rate (t^P_{HST}) times the base as demonstrated below:

$$HST\ REV = t^P_{HST} * HST\ Base$$

Utilizing equations (6) and (7) and as supported by Figure 5 and Figure 6 allows one to rewrite the equation for provincial sales tax revenue as:

$$HST\ REV = t^P_{HST} * h * \alpha * PDI$$

Letting θ = h*α, sales taxes collected by Newfoundland and Labrador can be written more compactly as:

$$HST\ REV = t^P_{HST} * \theta * PDI$$

For small changes in the sales tax rate, it assumed that the HST base is unaffected. Therefore, a one percentage increase in the Newfoundland and Labrador sales tax rate can be expected to yield the following increase in revenues:

$$\Delta HST\ REV = \frac{\theta * PDI}{t^P_{HSY} * \theta * PDI} = \frac{1}{t^P_{HST}}$$

More specifically,

$$\Delta HST\ REV = \frac{\theta * PDI}{t^P_{HSY} * \theta * PDI} = \frac{1}{t^P_{HST}} = \frac{1}{0.08} = 12.5\%$$

Using 2010 as the year for analysis, sales tax revenue available for the province is $800 M in the revised estimate in Budget 2011-12. Utilizing the 12.5% increment in revenue identified in equation (12), this implies that $100 million in additional revenue would have been available in 2010 had the Newfoundland and Labrador portion of the HST rate been increased by one percentage point.

In 2006, as shown in Table 19, Newfoundland and Labrador had $9,218 million in personal disposable income and the communities in the sample accounted for $8,171 million of that or 88.6% of the provincial total. By extrapolation, this implies that $88.6 million in additional provincial HST revenue is available for distribution to municipalities considered in this sample.

The allocation factor for each community (denoted by superscript "j") is given by the share of the HST base (S^j_{HST}) accounted for by each community, which is equivalent to their share of personal disposable income. This is illustrated for representative community j by equation (10) below.

$$s^j_{HST} = \frac{t^P_{HST} * \theta * PDI^j}{t^P_{HST} * \theta * PDI} = \frac{PDI^j}{PDI}$$

<div align="right">**Equation 13**</div>

Figure 5: Newfoundland and Labrador Disposable Income and HST Entitlements
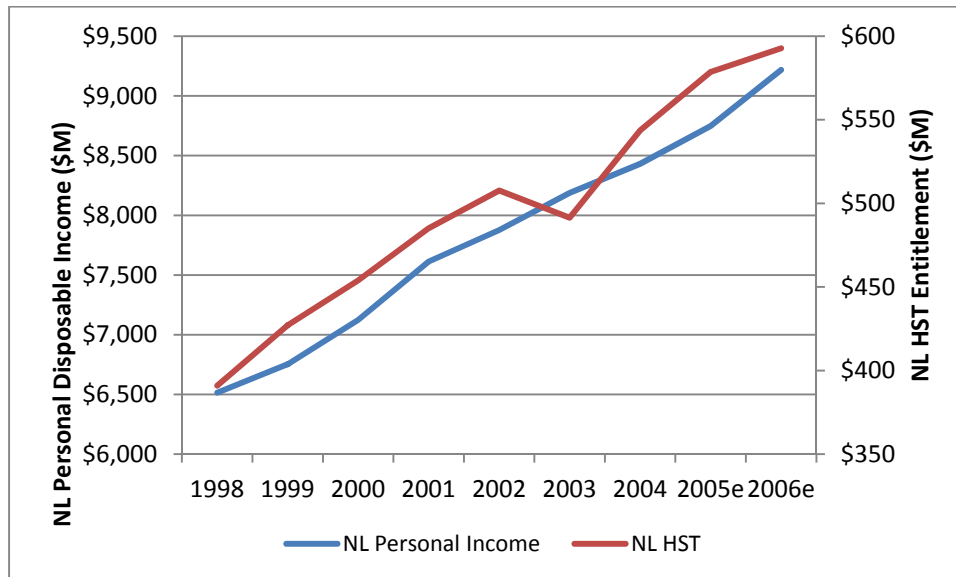
$$y = 0.072x - 66.834$$
$$R^2 = 0.9568$$
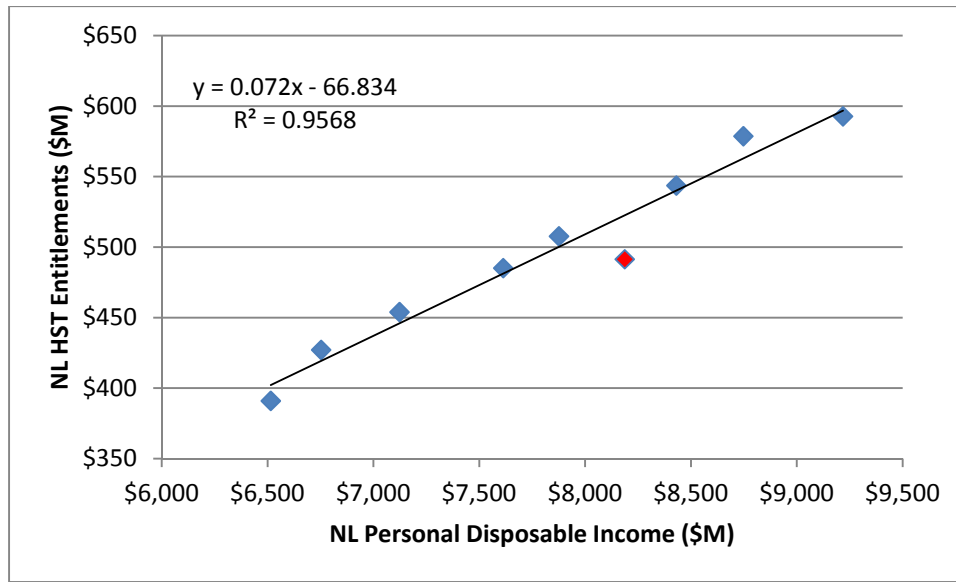
Table 19: Comparison of HST and Personal Disposable Income

	HST Entitlement NL ($000)	Personal Disposable Income ($M)
1997	$297,210	
1998	$390,976	$6,515.1
1999	$427,101	$6,752.9
2000	$453,948	$7,123.1
2001	$485,131	$7,613.2
2002	$507,672	$7,876.5
2003	$491,429	$8,187.5
2004	$543,639	$8,431.2
2005e	$578,660	$8,747.7
2006e	$592,737	$9,218.3
2007e	$656,477	
2008e	$697,133	
2009e	$712,398	
2010 (B)	$800,193	
2011 (B)	$828,555	

The municipal sales tax simulated in this analysis are provided in Table 20 and Table 21. From this analysis, one observes that a municipal sales tax of one percentage point would result in an

increase in municipal fiscal capacity by 15.7% for the entire sample of communities. The increment in revenue by community size would be:

- 20.0% for communities with less than 250 people;
- 17.7% for municipalities with a population between 250 and 500 people;
- 22.6% for communities with a population of between 500 and 1,000 people;
- 22.4% for municipalities with a population between 1,000 and 2,500 people;
- 20.6% for communities with a population between 2,500 and 5,000 people;
- 17.5% for municipalities with a population between 5,000 and 10,000 people;
- 15.8% for communities with a population between 10,000 and 100,000 people; and
- 10.9% for St. John's.

Table 20: Municipal Sales Tax Calculations by Community

community	Personal Disposable Income	Share of PDI	Municipal Sales Tax Revenue	Per Capita Municipal Sales Tax	Municipal Sales Tax as a % of Total Revenue
ADMIRAL'S BEACH	$3,001,189	0.033%	$32,557	$176	26.5%
ANCHOR POINT	$5,466,000	0.059%	$59,295	$185	10.1%
APPLETON	$9,772,446	0.106%	$106,011	$181	19.4%
ARNOLD'S COVE	$19,694,000	0.214%	$213,640	$206	14.6%
BADGER	$15,057,000	0.163%	$163,338	$178	30.0%
BAIE VERTE	$23,151,000	0.251%	$251,141	$185	21.0%
BAULINE	$5,452,000	0.059%	$59,143	$177	29.5%
BAY BULLS	$20,929,000	0.227%	$227,037	$205	18.6%
BAY DE VERDE	$7,228,000	0.078%	$78,409	$163	15.9%
BAY L'ARGENT	$4,495,000	0.049%	$48,762	$165	23.3%
BAY ROBERTS	$97,390,000	1.056%	$1,056,484	$185	17.6%
BEACHSIDE	$3,392,976	0.037%	$36,807	$199	24.6%
BELLEORAM	$4,788,000	0.052%	$51,940	$124	21.5%
BIRCHY BAY	$8,393,000	0.091%	$91,047	$149	18.5%
BIRD COVE	$2,930,000	0.032%	$31,785	$151	7.2%
BISHOP'S FALLS	$60,099,000	0.652%	$651,952	$185	21.6%
BONAVISTA	$59,993,000	0.651%	$650,803	$169	26.8%
BOTWOOD	$49,796,118	0.540%	$540,187	$177	24.5%
BRENT'S COVE	$2,734,000	0.030%	$29,658	$145	24.3%
BRIGHTON	$3,220,000	0.035%	$34,930	$159	30.5%
BRIGUS	$13,180,000	0.143%	$142,976	$174	22.2%
BRYANT'S COVE	$6,939,237	0.075%	$75,277	$181	36.3%
BUCHANS	$11,913,000	0.129%	$129,232	$168	22.6%
BURGEO	$24,935,000	0.270%	$270,494	$166	26.5%

community	Personal Disposable Income	Share of PDI	Municipal Sales Tax Revenue	Per Capita Municipal Sales Tax	Municipal Sales Tax as a % of Total Revenue
BURIN	$41,350,466	0.449%	$448,569	$181	23.7%
BURLINGTON	$6,561,000	0.071%	$71,174	$134	21.3%
BURNT ISLANDS	$12,725,000	0.138%	$138,040	$194	25.5%
CAMPBELLTON	$8,694,000	0.094%	$94,312	$161	25.6%
CARBONEAR	$79,567,744	0.863%	$863,149	$183	16.3%
CARMANVILLE	$14,731,000	0.160%	$159,802	$158	30.4%
CARTWRIGHT	$8,606,000	0.093%	$93,358	$162	25.8%
CENTREVILLE-WAREHAM-TRINITY	$17,435,000	0.189%	$189,134	$169	23.1%
CHANGE ISLANDS	$4,181,000	0.045%	$45,355	$151	23.5%
CHANNEL-PORT AUX BASQUES	$86,192,598	0.935%	$935,015	$192	23.8%
CHARLOTTETOWN, Labrador	$5,003,542	0.054%	$54,278	$149	14.3%
CLARENVILLE	$101,867,418	1.105%	$1,105,055	$209	15.5%
CLARKE'S BEACH	$22,766,276	0.247%	$246,968	$191	33.6%
COACHMAN'S COVE	$1,838,000	0.020%	$19,939	$210	39.2%
COME-BY-CHANCE	$7,110,000	0.077%	$77,129	$198	4.0%
COMFORT COVE-NEWSTEAD	$6,499,000	0.071%	$70,501	$157	18.0%
CONCEPTION BAY SOUTH	$421,661,000	4.574%	$4,574,168	$209	19.3%
CONCHE	$3,253,000	0.035%	$35,288	$157	17.8%
COOK'S HARBOUR	$3,926,000	0.043%	$42,589	$164	29.4%
CORMACK	$10,554,785	0.114%	$114,498	$175	16.6%
CORNER BROOK	$382,296,832	4.147%	$4,147,147	$206	15.2%
COTTLESVILLE	$4,249,000	0.046%	$46,093	$168	15.7%
COW HEAD	$8,339,000	0.090%	$90,461	$183	20.1%
COX'S COVE	$9,854,000	0.107%	$106,896	$166	24.0%
CROW HEAD	$3,290,888	0.036%	$35,699	$174	20.5%
CUPIDS	$12,164,577	0.132%	$131,961	$167	28.3%
DANIEL'S HARBOUR	$5,112,000	0.055%	$55,455	$191	20.7%
DEER LAKE	$77,750,900	0.843%	$843,440	$175	13.9%
DOVER	$8,664,000	0.094%	$93,987	$138	23.1%
EASTPORT	$8,851,163	0.096%	$96,017	$192	16.6%
ELLISTON	$4,688,000	0.051%	$50,855	$154	23.6%
EMBREE	$9,090,000	0.099%	$98,608	$148	23.2%
ENGLEE	$8,058,000	0.087%	$87,413	$140	21.3%
FERMEUSE	$5,108,791	0.055%	$55,420	$194	22.4%
FERRYLAND	$10,306,000	0.112%	$111,799	$205	37.2%
FLATROCK	$23,061,000	0.250%	$250,165	$209	36.1%
FLEUR DE LYS	$4,340,000	0.047%	$47,080	$145	28.0%
FLOWER'S COVE	$4,793,888	0.052%	$52,004	$193	15.7%
FOGO	$12,534,000	0.136%	$135,969	$173	13.4%
FORTEAU	$7,910,000	0.086%	$85,807	$193	31.8%

community	Personal Disposable Income	Share of PDI	Municipal Sales Tax Revenue	Per Capita Municipal Sales Tax	Municipal Sales Tax as a % of Total Revenue
FORTUNE	$22,744,000	0.247%	**$246,726**	$168	23.0%
Frenchman's Cove, Fortune Bay	$2,652,000	0.029%	**$28,769**	$180	17.9%
GAMBO	$30,131,885	0.327%	**$326,870**	$158	24.3%
GANDER	$207,799,000	2.254%	**$2,254,198**	$227	18.2%
GARNISH	$10,348,000	0.112%	**$112,255**	$189	26.9%
Gaskiers-Point la Haye	$5,040,597	0.055%	**$54,680**	$182	49.7%
GILLAMS	$6,719,360	0.073%	**$72,891**	$182	27.1%
GLENWOOD	$12,695,827	0.138%	**$137,724**	$181	24.3%
GLOVERTOWN	$33,528,417	0.364%	**$363,715**	$176	19.2%
GOOSE COVE EAST	$4,560,086	0.049%	**$49,468**	$211	28.4%
GRAND BANK	$43,219,000	0.469%	**$468,839**	$174	20.8%
GRAND FALLS-WINDSOR	$257,879,000	2.797%	**$2,797,465**	$204	19.8%
GREENSPOND	$5,807,000	0.063%	**$62,994**	$175	17.1%
HARBOUR GRACE	$55,775,564	0.605%	**$605,052**	$197	24.4%
HAMPDEN	$8,319,000	0.090%	**$90,244**	$154	20.9%
HANT'S HARBOUR	$6,214,000	0.067%	**$67,409**	$162	15.8%
HAPPY ADVENTURE	$4,688,000	0.051%	**$50,855**	$226	27.0%
HAPPY VALLEY-GOOSE BAY	$171,929,000	1.865%	**$1,865,082**	$245	15.2%
HARBOUR BRETON	$29,205,000	0.317%	**$316,815**	$166	22.4%
Harbour Main-Chapel Cove-Lakeview	$21,165,000	0.230%	**$229,597**	$211	31.1%
HARE BAY, Bonavista Bay	$14,447,000	0.157%	**$156,721**	$152	25.1%
HEART'S CONTENT	$6,680,000	0.072%	**$72,464**	$177	17.0%
HEART'S DELIGHT-ISLINGTON	$11,411,000	0.124%	**$123,786**	$186	18.4%
HEART'S DESIRE	$2,791,000	0.030%	**$30,277**	$121	17.1%
HERMITAGE-SANDYVILLE	$7,734,000	0.084%	**$83,898**	$169	16.3%
HOLYROOD	$43,103,411	0.468%	**$467,585**	$199	26.0%
HOWLEY	$4,257,000	0.046%	**$46,180**	$178	25.4%
HUGHES BROOK	$3,275,688	0.036%	**$35,535**	$182	30.0%
HUMBER ARM SOUTH	$28,243,000	0.306%	**$306,379**	$165	25.0%
INDIAN BAY	$2,534,000	0.027%	**$27,489**	$137	26.5%
IRISHTOWN-SUMMERSIDE	$21,669,936	0.235%	**$235,075**	$182	28.7%
ISLE AUX MORTS	$12,457,000	0.135%	**$135,133**	$186	33.4%
JACKSON'S ARM	$5,047,000	0.055%	**$54,750**	$142	14.1%
Joe Batt's Arm-Barr'd Islands-Shoal Bay	$10,518,000	0.114%	**$114,099**	$148	17.5%
KING'S POINT	$10,718,000	0.116%	**$116,269**	$172	24.5%
KIPPENS	$30,328,028	0.329%	**$328,998**	$189	17.9%
La Scie	$15,761,000	0.171%	**$170,975**	$174	26.9%
LABRADOR CITY	$193,263,000	2.097%	**$2,096,512**	$290	16.2%
LAMALINE	$4,261,552	0.046%	**$46,229**	$147	15.3%
L'ANSE AU CLAIR	$4,059,000	0.044%	**$44,032**	$187	17.7%

community	Personal Disposable Income	Share of PDI	Municipal Sales Tax Revenue	Per Capita Municipal Sales Tax	Municipal Sales Tax as a % of Total Revenue
L'ANSE AU LOUP, Labrador	$11,335,000	0.123%	**$122,962**	$205	29.2%
LARK HARBOUR	$7,611,000	0.083%	**$82,564**	$141	32.6%
LAWN	$10,676,000	0.116%	**$115,813**	$164	28.1%
LEADING TICKLES	$4,202,000	0.046%	**$45,583**	$130	13.4%
LEWIN'S COVE	$7,794,000	0.085%	**$84,549**	$146	27.9%
LEWISPORTE	$58,148,994	0.631%	**$630,799**	$191	18.3%
Little Bay, Notre Dame Bay	$2,004,000	0.022%	**$21,739**	$161	26.0%
LITTLE BURNT BAY	$3,924,000	0.043%	**$42,567**	$133	17.7%
LITTLE CATALINA	$7,439,000	0.081%	**$80,698**	$172	34.4%
Logy Bay-Middle Cove-Outer Cove	$44,116,000	0.479%	**$478,569**	$263	28.6%
LONG HARBOUR-MOUNT ARLINGTON HEIGHTS	$5,071,256	0.055%	**$55,013**	$262	6.4%
LORD'S COVE	$2,841,034	0.031%	**$30,819**	$147	58.9%
LUMSDEN	$9,514,000	0.103%	**$103,208**	$193	19.6%
MAIN BROOK	$4,252,000	0.046%	**$46,126**	$159	16.0%
MARY'S HARBOUR	$6,578,000	0.071%	**$71,358**	$168	20.3%
MARYSTOWN	$97,932,335	1.062%	**$1,062,368**	$195	18.5%
MASSEY DRIVE	$23,545,791	0.255%	**$255,424**	$218	24.3%
McIVER'S	$9,575,088	0.104%	**$103,870**	$182	31.5%
MEADOWS	$10,750,976	0.117%	**$116,626**	$182	24.1%
MIDDLE ARM	$6,748,000	0.073%	**$73,202**	$141	26.6%
MILES COVE	$3,211,000	0.035%	**$34,833**	$258	38.6%
MILLERTOWN	$2,034,000	0.022%	**$22,065**	$201	17.7%
MILLTOWN-Head of BAY D'ESPOIR	$13,652,692	0.148%	**$148,104**	$171	27.6%
MING'S BIGHT	$5,088,000	0.055%	**$55,194**	$151	33.9%
MORRISVILLE	$2,051,850	0.022%	**$22,258**	$171	46.6%
MOUNT MORIAH	$12,081,000	0.131%	**$131,054**	$177	28.1%
MOUNT PEARL	$492,963,000	5.348%	**$5,347,650**	$216	15.0%
MUSGRAVE HARBOUR	$18,102,000	0.196%	**$196,370**	$182	18.4%
NEW PERLICAN	$2,765,000	0.030%	**$29,995**	$150	9.0%
NEW-WES-VALLEY	$42,619,000	0.462%	**$462,330**	$186	22.1%
NIPPERS HARBOUR	$2,523,000	0.027%	**$27,369**	$189	34.2%
NORMAN'S COVE-Long Cove	$12,881,000	0.140%	**$139,733**	$176	23.5%
NORRIS ARM	$13,363,000	0.145%	**$144,961**	$163	28.9%
NORRIS POINT	$10,943,000	0.119%	**$118,709**	$170	24.1%
NORTH RIVER	$6,947,662	0.075%	**$75,368**	$136	32.1%
NORTH WEST RIVER	$7,405,588	0.080%	**$80,336**	$162	9.9%
NORTHERN ARM	$6,275,452	0.068%	**$68,076**	$177	25.3%
OLD PERLICAN	$11,676,000	0.127%	**$126,661**	$188	7.9%
PACQUET	$3,658,000	0.040%	**$39,682**	$198	24.7%
PARADISE	$286,484,000	3.108%	**$3,107,771**	$246	12.0%

community	Personal Disposable Income	Share of PDI	Municipal Sales Tax Revenue	Per Capita Municipal Sales Tax	Municipal Sales Tax as a % of Total Revenue
PARKERS COVE	$5,954,000	0.065%	**$64,589**	$212	31.6%
PARSON'S POND	$6,881,000	0.075%	**$74,645**	$154	30.1%
PASADENA	$64,197,000	0.696%	**$696,407**	$218	27.6%
PETERVIEW	$8,870,000	0.096%	**$96,222**	$120	25.9%
PETTY HARBOUR-MADDOX COVE	$15,176,000	0.165%	**$164,629**	$175	24.8%
PILLEY'S ISLAND	$4,253,000	0.046%	**$46,136**	$146	20.1%
PLACENTIA	$74,574,000	0.809%	**$808,977**	$207	18.0%
POINT LEAMINGTON	$10,540,000	0.114%	**$114,338**	$171	25.3%
POINT MAY	$3,517,471	0.038%	**$38,157**	$147	22.4%
POINT OF BAY	$1,945,000	0.021%	**$21,099**	$132	25.3%
POOL'S COVE	$3,153,000	0.034%	**$34,204**	$180	31.0%
PORT ANSON	$2,706,000	0.029%	**$29,355**	$189	31.6%
PORT AU CHOIX	$15,974,000	0.173%	**$173,286**	$199	15.1%
PORT AU PORT EAST	$8,618,764	0.093%	**$93,496**	$155	24.3%
Port au Port West-Aguathuna-Felix Cove	$5,484,668	0.059%	**$59,498**	$155	26.3%
PORT BLANDFORD	$9,051,000	0.098%	**$98,185**	$184	19.1%
PORT HOPE SIMPSON	$7,166,000	0.078%	**$77,737**	$147	36.6%
PORT KIRWAN	$1,523,674	0.017%	**$16,529**	$194	25.2%
PORT REXTON	$4,970,000	0.054%	**$53,914**	$154	32.7%
PORT SAUNDERS	$12,113,000	0.131%	**$131,402**	$178	18.1%
PORTUGAL COVE SOUTH	$5,161,564	0.056%	**$55,993**	$249	108.4%
Portugal Cove-St. Philip's	$136,235,000	1.478%	**$1,477,874**	$225	19.8%
POUCH COVE	$28,851,000	0.313%	**$312,975**	$179	23.6%
RALEIGH	$3,579,605	0.039%	**$38,831**	$155	26.0%
RAMEA	$9,028,000	0.098%	**$97,936**	$153	11.0%
RED BAY	$3,598,000	0.039%	**$39,031**	$163	32.6%
RED HARBOUR	$3,065,000	0.033%	**$33,249**	$155	40.7%
REIDVILLE	$8,298,801	0.090%	**$90,025**	$175	23.2%
ROBERT'S ARM	$15,344,000	0.166%	**$166,451**	$187	27.1%
ROCKY HARBOUR	$17,354,000	0.188%	**$188,256**	$192	19.1%
RODDICKTON	$17,754,000	0.193%	**$192,595**	$214	25.7%
ROSE BLANCHE-Harbour le Cou	$9,613,000	0.104%	**$104,282**	$163	34.2%
RUSHOON	$5,686,000	0.062%	**$61,682**	$184	14.7%
SALMON COVE	$11,390,000	0.124%	**$123,558**	$175	18.0%
SALVAGE	$2,446,000	0.027%	**$26,534**	$143	24.7%
SANDRINGHAM	$3,585,000	0.039%	**$38,890**	$153	34.4%
Sandy Cove, Bonavista Bay	$2,301,302	0.025%	**$24,964**	$192	25.6%
Seal Cove, Fortune Bay	$5,051,000	0.055%	**$54,793**	$171	15.5%
Seal Cove, White Bay	$5,298,000	0.057%	**$57,473**	$172	29.7%
Seldom-Little Seldom	$6,981,000	0.076%	**$75,730**	$174	11.8%

community	Personal Disposable Income	Share of PDI	Municipal Sales Tax Revenue	Per Capita Municipal Sales Tax	Municipal Sales Tax as a % of Total Revenue
South Brook	$8,212,000	0.089%	**$89,084**	$163	25.5%
SOUTH RIVER	$8,611,000	0.093%	**$93,412**	$175	21.2%
SOUTHERN HARBOUR	$8,595,000	0.093%	**$93,238**	$196	25.0%
SPANIARD'S BAY	$39,512,022	0.429%	**$428,625**	$169	23.0%
SPRINGDALE	$50,711,239	0.550%	**$550,114**	$199	25.5%
ST. ALBAN'S	$22,000,000	0.239%	**$238,655**	$166	26.1%
ST. ANTHONY	$48,026,439	0.521%	**$520,990**	$211	22.4%
St. Bernard's-Jacques Fontaine	$9,471,000	0.103%	**$102,741**	$192	34.2%
ST. GEORGE'S	$18,697,245	0.203%	**$202,827**	$163	19.6%
St. Jacques-Coomb's Cove	$9,139,236	0.099%	**$99,142**	$148	44.2%
St. John's	$2,062,452,000	22.373%	**$22,373,429**	$222	10.9%
ST. LAWRENCE	$22,163,000	0.240%	**$240,424**	$179	22.3%
ST. LEWIS	$3,775,000	0.041%	**$40,951**	$164	21.4%
ST. LUNAIRE-GRIQUET	$9,709,633	0.105%	**$105,330**	$158	21.0%
ST. MARY'S	$8,064,955	0.087%	**$87,488**	$182	35.7%
ST. PAUL'S	$3,678,000	0.040%	**$39,899**	$125	19.5%
STEADY BROOK	$8,754,204	0.095%	**$94,965**	$218	10.3%
STEPHENVILLE	$119,481,972	1.296%	**$1,296,137**	$189	16.6%
STEPHENVILLE CROSSING	$31,411,000	0.341%	**$340,746**	$160	29.5%
SUMMERFORD	$13,688,000	0.148%	**$148,487**	$154	21.6%
Sunnyside, Trinity Bay	$9,537,000	0.103%	**$103,457**	$220	12.7%
TERRENCEVILLE	$8,483,000	0.092%	**$92,023**	$174	37.0%
TILTING	$3,863,000	0.042%	**$41,906**	$171	13.7%
TORBAY	$134,317,207	1.457%	**$1,457,070**	$232	22.5%
TREPASSEY	$24,202,000	0.263%	**$262,543**	$345	44.4%
TRINITY BAY NORTH	$24,202,000	0.263%	**$262,543**	$170	75.3%
Trinity, Trinity Bay	$17,826,000	0.193%	**$193,376**	$1,018	15.3%
TRITON	$17,826,000	0.193%	**$193,376**	$190	26.5%
TROUT RIVER	$8,324,000	0.090%	**$90,299**	$143	31.5%
TWILLINGATE	$39,330,120	0.427%	**$426,652**	$174	17.5%
UPPER ISLAND COVE	$25,728,000	0.279%	**$279,097**	$159	24.3%
VICTORIA	$28,067,000	0.304%	**$304,470**	$173	23.7%
Wabana/Bell Island	$36,757,000	0.399%	**$398,739**	$165	22.1%
WABUSH	$48,173,000	0.523%	**$522,580**	$298	10.8%
WESTPORT	$3,499,000	0.038%	**$37,957**	$133	24.7%
WHITBOURNE	$12,648,126	0.137%	**$137,207**	$160	16.3%
WHITEWAY	$4,406,000	0.048%	**$47,796**	$149	11.7%
WINTERLAND	$5,148,000	0.056%	**$55,845**	$193	19.5%
WINTERTON	$8,419,000	0.091%	**$91,329**	$165	10.7%
WITLESS BAY	$19,604,000	0.213%	**$212,664**	$195	27.0%

community	Personal Disposable Income	Share of PDI	Municipal Sales Tax Revenue	Per Capita Municipal Sales Tax	Municipal Sales Tax as a % of Total Revenue
WOODSTOCK	$3,635,000	0.039%	**$39,432**	$197	32.6%
WOODY POINT	$5,437,621	0.059%	**$58,987**	$166	18.9%
YORK HARBOUR	$5,110,000	0.055%	**$55,433**	$154	33.2%
Sample	**$8,170,677,770**	**88.635%**	**$88,635,311**	**$41,313**	**15.7%**

Table 21: Sample Characteristics – Municipal Sales Tax

	Municipal Sales Tax Revenue ($M)	Average Municipal Sales Tax Revenue Per Community	Per Capita Municipal Sales Tax Revenue	Municipal Sales Tax as a Percent of Total Municipal Revenue
pop ≤ 250	$1.4	$37,956	$199.6	20.0%
250 < pop ≤ 500	$3.6	$61,963	$169.1	17.7%
500 < pop ≤ 1,000	$7.8	$118,522	$172.3	22.6%
1,000 < pop ≤ 2,500	$11.1	$299,591	$185.3	22.4%
2,500 < pop ≤ 5,000	$8.7	$667,182	$187.1	20.6%
5,000 < pop ≤ 10,000	$13.7	$1,518,976	$224.6	17.5%
10,000 < pop < 100,000	$20.0	$3,994,840	$214.5	15.8%
St. John's	$22.4	$22,373,429	$222.3	10.9%
Entire Sample	$88.6	$390,464	$203.9	15.7%
Province				

13.0 Municipal Fiscal Indicators

The Government of Ontario[202] and the Government of Nova Scotia[203] have adopted a series of municipal fiscal indicators and the Government of Newfoundland and Labrador should also adopt a similar set of indicators.

These indicators enable municipalities and the provincial government to compare how the fiscal condition of various communities changes over time and how any particular community compares to any other community at any particular point in time. That is, these indicators permit governments to monitor the fiscal stability of the municipality government sector and each community within that sector. As well, these fiscal indicators provide a fiscal profile of municipalities over time.

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[202] Government of Ontario et al (2008, p. 25).
[203] The Nova Scotia Municipal Indicators are listed in Appendix B.

The real utility of these indicators are that they can be used as reliable predictors of changes in fiscal capacity and when communities are moving into a fiscal problem or fiscal distress. This will allow the communities and the province to put in place pre-emptive measures to avoid or lessen the problem. In other words, the indicators should predict fiscal distress before it occurs rather than merely reporting that fiscal distress has already occurred, making it too late to recommend preventive action[204]

A problem with selecting municipal fiscal indicators is that the list has to be broad enough to give a full picture of the underlying factors that determine the fiscal stress of each community without being so exhaustive as to be difficult to interpret. One has to balance of comprehensiveness and utility. The indicators should be simple and straightforward, to be easily implemented and readily understood by local government officials and constituents.[205]

An illustrative list of indicators is provided below.

Table 22: Sample Characteristics – Indicators

	Federal Grants	Proportion of Federal Grants of Total Revenue	Federal Grant Share Rank	Provincial Grants	Proportion of Provincial Grants of Total Revenue
pop ≤ 250	$666,760.8	12.9%	$61.1	$1,563,145.7	19.3%
250 < pop ≤ 500	$1,776,531.2	9.0%	$94.8	$5,736,816.1	25.1%
500 < pop ≤ 1,000	$2,311,022.0	7.2%	$116.9	$8,202,772.3	21.8%
1,000 < pop ≤ 2,500	$2,372,616.0	5.5%	$149.0	$8,108,288.0	16.8%
2,500 < pop ≤ 5,000	$2,130,345.0	5.7%	$155.8	$6,972,548.0	15.8%
5,000 < pop ≤ 10,000	$3,674,632.0	4.4%	$176.4	$13,012,427.0	17.3%
10,000 < pop < 100,000	$4,015,385.0	3.2%	$198.2	$16,035,029.0	13.3%
St. John's	$0.0	0.0%	$227.0	$21,020,273.0	10.2%
Entire Sample	$16,947,292.0	3.0%	$0.0	$80,651,299.0	14.3%
Province					

Table 23: Sample Characteristics – Indicators

	Provincial Grant Share Rank	Other Own Sources Revenue	Proportion of Other Own source of Total Revenue	Other Own Share Rank	Transfers from Own Reserves and Other Funds
pop ≤ 250	$126.3	$161,836.0	2.4%	$121.7	$367,410.0
250 < pop ≤ 500	$93.9	$570,389.0	2.7%	$126.9	$964,146.0
500 < pop ≤ 1,000	$104.9	$1,257,469.0	2.9%	$112.0	$385,921.0
1,000 < pop ≤ 2,500	$131.8	$1,592,549.0	2.9%	$111.5	$1,413,273.0
2,500 < pop ≤ 5,000	$134.1	$1,488,732.0	3.3%	$91.4	$174,584.0
5,000 < pop ≤ 10,000	$120.4	$2,158,267.0	2.8%	$87.1	$3,047,501.0
10,000 < pop < 100,000	$162.8	$4,831,060.0	3.7%	$71.0	$0.0

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[204] Ohio Auditor of State (2009, p. 8) and McIntire et al (2010, p. 16).
[205] Ohio Auditor of State (2009, p. 8).

	Provincial Grant Share Rank	Other Own Sources Revenue	Proportion of Other Own source of Total Revenue	Other Own Share Rank	Transfers from Own Reserves and Other Funds
St. John's	$192.0	$7,706,290.0	3.8%	$52.0	$0.0
Entire Sample	$0.0	$19,766,592.0	3.5%	$0.0	$6,352,835.0
Province					

Table 24: Sample Characteristics – Indicators

	Proportion of Own Reserves of Total Revenue	Own Reserves Share Rank	Sales of Goods and Services	Proportion of Sales of Total Revenue	Sales of Goods Share Rank
pop ≤ 250	2.5%	$125.9	$78,335.0	0.8%	$153.7
250 < pop ≤ 500	2.7%	$107.4	$484,490.0	1.5%	$132.9
500 < pop ≤ 1,000	0.9%	$123.4	$880,703.0	2.5%	$96.2
1,000 < pop ≤ 2,500	2.6%	$110.5	$1,255,817.0	2.5%	$103.7
2,500 < pop ≤ 5,000	0.4%	$114.8	$1,689,363.0	3.5%	$86.1
5,000 < pop ≤ 10,000	3.2%	$59.6	$1,843,199.0	2.6%	$73.8
10,000 < pop < 100,000	0.0%	$104.0	$2,676,433.0	2.4%	$70.2
St. John's	0.0%	$88.0	$20,980,112.0	10.2%	$10.0
Entire Sample	1.1%	$0.0	$29,888,452.0	5.3%	$0.0
Province					

Table 25: Sample Characteristics – Indicators

	Taxes From Commercial Sources	Proportion of Commercial Tax of Total Revenue	Commercial Tax Share Rank
pop ≤ 250	$1,417,982.0	13.3%	146.8
250 < pop ≤ 500	$3,336,273.0	14.8%	123.0
500 < pop ≤ 1,000	$5,554,387.0	15.0%	119.0
1,000 < pop ≤ 2,500	$11,439,630.0	19.6%	92.5
2,500 < pop ≤ 5,000	$8,831,280.0	20.4%	71.1
5,000 < pop ≤ 10,000	$22,857,211.0	27.0%	65.3
10,000 < pop < 100,000	$30,003,391.0	22.7%	71.8
St. John's	$66,458,800.0	32.4%	19.0
Entire Sample	$149,898,954.0	26.6%	0.0
Province			

Table 26: Sample Characteristics – Indicators

	Taxes From Residential Sources	Proportion of Residential Tax of Total Rev	Residential Tax Share Rank
pop ≤ 250	$2,966,416.0	48.7%	110.3
250 < pop ≤ 500	$7,484,327.0	44.2%	130.9
500 < pop ≤ 1,000	$16,077,785.0	49.6%	105.5
1,000 < pop ≤ 2,500	$23,259,355.0	50.0%	106.8
2,500 < pop ≤ 5,000	$20,846,050.0	50.9%	103.1
5,000 < pop ≤ 10,000	$31,608,662.0	42.8%	143.9
10,000 < pop < 100,000	$69,106,039.0	54.6%	78.6
St. John's	$88,950,058.0	43.4%	151.0
Entire Sample	$260,298,692.0	46.2%	0.0
Province			

Table 27: Sample Characteristics – Indicators

	Total Revenue	Municipal Sales Tax	Municipal Income Tax	Municipal Sales Tax as a Percent of Revenue	Municipal Income Tax as a Percent of Revenue
pop ≤ 250	$7,221,885.4	$1,442,315.5	$1,379,507.4	28.2%	26.2%
250 < pop ≤ 500	$20,352,972.3	$3,593,881.0	$3,470,422.9	21.9%	20.1%
500 < pop ≤ 1,000	$34,670,059.3	$7,822,481.7	$7,585,892.4	24.8%	23.8%
1,000 < pop ≤ 2,500	$49,441,528.0	$11,084,862.8	$12,440,229.6	25.3%	27.3%
2,500 < pop ≤ 5,000	$42,132,902.0	$8,673,359.6	$9,290,777.2	21.9%	23.3%
5,000 < pop ≤ 10,000	$78,201,899.0	$13,670,780.6	$19,969,921.0	17.8%	25.3%
10,000 < pop < 100,000	$126,667,337.0	$19,974,201.7	$27,745,558.7	16.3%	22.3%
St. John's	$205,115,533.0	$22,373,428.5	$34,601,792.9	10.9%	16.9%
Entire Sample	$563,804,116.0	$88,635,311.4	$116,484,101.9	15.7%	20.7%
Province					

Table 28: Sample Characteristics – Indicators

	Federal Grants Per Capita	Index of Federal Grants Per Capita	Rank of Federal Grants Per Capita	Provincial Grants Per Capita	Index of Provincial Grants Per Capita
pop ≤ 250	94.5	242.4%	47.5	205.4	110.7%
250 < pop ≤ 500	83.6	214.3%	78.3	269.2	145.1%
500 < pop ≤ 1,000	51.8	132.8%	132.9	180.5	97.3%
1,000 < pop ≤ 2,500	40.1	102.9%	169.5	132.0	71.1%
2,500 < pop ≤ 5,000	47.9	122.8%	165.4	141.9	76.5%
5,000 < pop ≤ 10,000	58.6	150.2%	134.2	215.8	116.3%

	Federal Grants Per Capita	Index of Federal Grants Per Capita	Rank of Federal Grants Per Capita	Provincial Grants Per Capita	Index of Provincial Grants Per Capita
10,000 < pop < 100,000	42.1	108.0%	180.6	208.9	112.6%
St. John's	0.0	0.0%	222.0	208.9	112.6%
Entire Sample	39.0	0.0%	0.0	185.5	0.0%
Province					

Table 29: Sample Characteristics – Indicators

	Rank of Provincial Grants Per Capita	Commercial Tax Per Capita	Index of Commercial Tax Per Capital	Rank of Commercial Tax Per Capita
pop ≤ 250	131.2	186.9	54.2%	150.3
250 < pop ≤ 500	98.6	149.7	43.4%	117.1
500 < pop ≤ 1,000	115.2	118.0	34.2%	124.1
1,000 < pop ≤ 2,500	128.4	185.3	53.7%	98.8
2,500 < pop ≤ 5,000	116.2	182.5	52.9%	67.5
5,000 < pop ≤ 10,000	72.7	361.2	104.8%	48.9
10,000 < pop < 100,000	119.0	304.5	88.3%	40.8
St. John's	64.0	660.3	191.5%	6.0
Entire Sample	0.0	344.8	0.0%	0.0
Province				

Table 30: Sample Characteristics – Indicators

	Residential Tax Per Capita	Index of Residential Tax Per Capita	Rank of Residential Tax Per Capita	Tot Revenue Per Capita	Index of Tot Revenue Per Capita
pop ≤ 250	$416.2	69.5%	$129.2	$983.7	75.9%
250 < pop ≤ 500	$349.0	58.3%	$129.7	$937.1	72.3%
500 < pop ≤ 1,000	$350.6	58.6%	$126.7	$757.7	58.4%
1,000 < pop ≤ 2,500	$386.8	64.6%	$103.0	$819.8	63.2%
2,500 < pop ≤ 5,000	$444.9	74.3%	$67.7	$886.5	68.4%
5,000 < pop ≤ 10,000	$522.4	87.2%	$37.3	$1,268.6	97.8%
10,000 < pop < 100,000	$750.4	125.3%	$10.4	$1,391.1	107.3%
St. John's	$883.8	147.6%	$4.0	$2,038.0	157.1%
Entire Sample	$598.8	0.0%	$0.0	$1,297.0	0.0%
Province	$416.2	69.5%	$129.2	$983.7	75.9%

Table 31: Sample Characteristics – Indicators

	Rank of Total Revenue Per Capita	Municipal Sales Tax Per Capita	Index Municipal Sales Tax Per Capita	Rank Municipal Sales Tax Per Capita	Municipal Income Tax Per Capita
pop ≤ 250	$131.2	$201.4	98.8%	$110.6	$193.8
250 < pop ≤ 500	$109.9	$168.1	82.5%	$135.6	$161.0
500 < pop ≤ 1,000	$131.9	$171.3	84.0%	$132.3	$165.7
1,000 < pop ≤ 2,500	$115.7	$185.6	91.0%	$98.2	$209.3
2,500 < pop ≤ 5,000	$85.3	$187.2	91.8%	$79.7	$200.4
5,000 < pop ≤ 10,000	$31.0	$222.1	108.9%	$29.8	$321.2
10,000 < pop < 100,000	$27.6	$216.2	106.0%	$25.0	$300.9
St. John's	$9.0	$222.3	109.0%	$15.0	$343.8
Entire Sample	$0.0	$203.9	0.0%	$0.0	$268.0
Province					

Table 32: Sample Characteristics – Indicators

	Number of Residential Properties	Residential Property above Minimum	Residential Properties below Minimum	Proportion of Property With Assessed Value Below Minimum	Index of Communities with Value below Minimum
pop ≤ 250	692.0	576.2	115.8	40.3%	211.4%
250 < pop ≤ 500	531.9	418.8	113.1	41.9%	220.2%
500 < pop ≤ 1,000	513.9	404.2	109.6	36.5%	191.6%
1,000 < pop ≤ 2,500	732.5	641.5	90.9	42.9%	225.2%
2,500 < pop ≤ 5,000	311.7	217.3	94.4	43.0%	225.8%
5,000 < pop ≤ 10,000	193.4	106.0	87.4	48.2%	253.4%
10,000 < pop < 100,000	294.4	232.8	61.6	37.2%	195.2%
St. John's	137.0	115.0	22.0	16.1%	84.3%
Entire Sample	125,563.0	101,657.0	23,906.0	19.0%	0.0%
Province					

Table 33: Sample Characteristics – Indicators

	Rank of Communities below Average	Average Taxable Assessment	Per Capita Taxable Assessment	Index of Average Taxable Assessment	Rank of Average Taxable Assessment
pop ≤ 250	110.0	$22,794	$20,524	28.3%	171
250 < pop ≤ 500	115.4	$42,514	$32,621	52.7%	137
500 < pop ≤ 1,000	101.9	$35,674	$24,437	44.2%	116
1,000 < pop ≤ 2,500	115.6	$59,860	$37,454	74.2%	72
2,500 < pop ≤ 5,000	116.8	$65,606	$36,129	81.3%	52

	Rank of Communities below Average	Average Taxable Assessment	Per Capita Taxable Assessment	Index of Average Taxable Assessment	Rank of Average Taxable Assessment
5,000 < pop ≤ 10,000	124.0	$114,742	$59,985	142.2%	19
10,000 < pop < 100,000	106.6	$150,295	$67,584	186.3%	9
St. John's	64.0	$0	$0	0.0%	0
Entire Sample	0.0	$80,678	$31,191	0.0%	0
Province					

Table 34: Sample Characteristics – Indicators

	Index Per Capita Taxable Assessment	Rank Per Capita Taxable Assessment	NON-TAX Assessment	Average Assessed Value	Per Capita Assessed Value
pop ≤ 250	65.8%	156	$470,282	$25,426	$22,897
250 < pop ≤ 500	104.6%	123	$995,398	$45,617	$35,315
500 < pop ≤ 1,000	78.3%	125	$2,150,176	$40,032	$27,559
1,000 < pop ≤ 2,500	120.1%	85	$6,691,635	$66,223	$41,350
2,500 < pop ≤ 5,000	115.8%	69	$19,603,785	$75,087	$41,310
5,000 < pop ≤ 10,000	192.3%	25	$64,254,967	$132,721	$68,771
10,000 < pop < 100,000	216.7%	17	$122,649,340	$165,414	$73,931
St. John's	0.0%	0	$0	$0	$0
Entire Sample	0.0%	0	$1,912,618,500	$90,472	$34,635
Province					

Table 35: Sample Characteristics – Indicators

	Index Average Assessed Value	Rank Average Assessed Value	Index Per Capita Assessed Value	Rank Per Capita Assessed Value	TENANT PORTION
pop ≤ 250	28.1%	172	66.1%	157	$365,053
250 < pop ≤ 500	50.4%	140	102.0%	126	$3,800,388
500 < pop ≤ 1,000	44.2%	115	79.6%	125	$1,530,191
1,000 < pop ≤ 2,500	73.2%	70	119.4%	82	$7,000,311
2,500 < pop ≤ 5,000	83.0%	48	119.3%	64	$16,668,191
5,000 < pop ≤ 10,000	146.7%	17	198.6%	22	$46,515,763
10,000 < pop < 100,000	182.8%	10	213.5%	17	$178,057,813
St. John's	0.0%	0	0.0%	0	$0
Entire Sample	0.0%	0	0.0%	0	$2,121,068,289
Province					

Table 36: Sample Characteristics – Indicators

	Ave Commercial Assessment	Per Capita Commercial Assessment	Index Ave Commercial Assessment	Rank Ave Commercial Assessment	Index Per Capita Commercial Assessment
pop ≤ 250	$24,244	$1,820	22.4%	166	36.1%
250 < pop ≤ 500	$154,123	$9,881	142.2%	125	195.8%
500 < pop ≤ 1,000	$34,538	$2,176	31.9%	122	43.1%
1,000 < pop ≤ 2,500	$93,640	$5,057	86.4%	79	100.2%
2,500 < pop ≤ 5,000	$65,896	$4,394	60.8%	60	87.1%
5,000 < pop ≤ 10,000	$92,970	$6,788	85.8%	33	134.5%
10,000 < pop < 100,000	$207,949	$8,857	191.8%	11	175.5%
St. John's	$0	$0	0.0%	0	0.0%
Entire Sample	$108,400	$5,047	0.0%	0	0.0%
Province					

Table 37: Sample Characteristics – Indicators

	Rank Per Capita Commercial Assessment	Residential 2010 Average	Index Residential 2010 Avg	Rank Residential 2010 Avg	2009-10 Res. Change
pop ≤ 250	154	$31,643	55.9%	165.4	16.3%
250 < pop ≤ 500	114	$43,376	76.6%	135.1	20.5%
500 < pop ≤ 1,000	124	$49,457	87.3%	113.2	24.5%
1,000 < pop ≤ 2,500	100	$74,764	132.0%	76.6	25.5%
2,500 < pop ≤ 5,000	62	$75,585	133.4%	59.2	23.6%
5,000 < pop ≤ 10,000	40	$136,589	241.1%	18.9	32.7%
10,000 < pop < 100,000	30	$157,212	277.5%	11.4	25.3%
St. John's	0	$0	0.0%	0.0	0.0%
Entire Sample	0	$56,652	0.0%	0.0	0.0%
Province					

Table 38: Sample Characteristics – Indicators

	Rank Res. Change	2009-10 Total change	Rank Total change	2009-10 Tax Change	Rank Tax Change
pop ≤ 250	126.2	15.8%	140.3	16.2%	138.5
250 < pop ≤ 500	119.5	21.8%	116.3	22.1%	114.4
500 < pop ≤ 1,000	104.3	24.6%	106.1	26.0%	102.8
1,000 < pop ≤ 2,500	108.2	30.3%	94.0	27.3%	102.5
2,500 < pop ≤ 5,000	106.6	24.4%	108.0	23.0%	114.5

	Rank Res. Change	2009-10 Total change	Rank Total change	2009-10 Tax Change	Rank Tax Change
5,000 < pop ≤ 10,000	85.2	32.4%	94.1	33.1%	91.7
10,000 < pop < 100,000	85.6	27.5%	77.4	27.1%	81.8
St. John's	0.0	0.0%	0.0	0.0%	0.0
Entire Sample	0.0	0.0%	0.0	0.0%	0.0
Province					

Table 39: Sample Characteristics – Indicators

	2009-10 Res. Change	Rank Res. Change	2009-10 Total change
pop ≤ 250	16.3%	126	15.8%
250 < pop ≤ 500	20.5%	120	21.8%
500 < pop ≤ 1,000	24.5%	104	24.6%
1,000 < pop ≤ 2,500	25.5%	108	30.3%
2,500 < pop ≤ 5,000	23.6%	107	24.4%
5,000 < pop ≤ 10,000	32.7%	85	32.4%
10,000 < pop < 100,000	25.3%	86	27.5%
St. John's	0.0%	0	0.0%
Entire Sample	0.0%	0	0.0%
Province			

Table 40: Sample Characteristics – Indicators

	Rank Total change	2009-10 Tax Change	Rank Tax Change
pop ≤ 250	140	16.2%	138
250 < pop ≤ 500	116	22.1%	114
500 < pop ≤ 1,000	106	26.0%	103
1,000 < pop ≤ 2,500	94	27.3%	102
2,500 < pop ≤ 5,000	108	23.0%	115
5,000 < pop ≤ 10,000	94	33.1%	92
10,000 < pop < 100,000	77	27.1%	82
St. John's	0	0.0%	0
Entire Sample	0	0.0%	0
Province			

14.0 Municipal Equalization Grants – Why are they Necessary?

Equalization grants are "unconditional" grants given to recipient jurisdictions to neutralize differences in fiscal capacity and expenditure needs between different governments within the same tier.[206] In other words, these grants are designed to mitigate horizontal fiscal imbalances.[207] As explained below, there are both equity and efficiency arguments that support an effective system of equalization grants.

14.1 Equity Arguments for Equalization

Since there are neither uniform fiscal capacities nor common expenditure needs across all areas of a country or a province, the possibility exists that individuals who would otherwise be equal in the absence of government will not have equal levels of wellbeing in the presence of government.[208] In particular, an individual living in a jurisdiction characterized by low resources or low fiscal capacity and high expenditure needs will end up having to pay higher rates of taxation to achieve the same level of public goods and services as an otherwise identical individual who happens to reside in a jurisdiction that has high fiscal capacity and low expenditure need or would receive lower levels of expenditure for the same level of taxation. This violates the principle of horizontal equity,[209] whereby two individuals with identical levels of wellbeing before being exposed to government ought to have the same level of wellbeing after the influence of government.

If they are no longer identical once the municipal government has to fund local goods and services from the local tax base, their situation is unfair. This unfairness results from the fact that, everything else being the same, the individual in the low need/high capacity municipality will have more after-tax income and will be better off than the individual in the high need/low capacity municipality.

A related concept is fiscal equity which, according to Bird and Slack (1983), requires that "each jurisdiction be able to provide some 'average' level of public services by exerting an 'average'

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[206] A "tier" of government is a level of government. In Canada for example, there are three tiers of government – the federal government, the provincial governments and the municipal governments. Municipal equalization is thus intended to neutralize differences in taxes and spending requirements between different municipal governments.

[207] King (1984, p. 121-162) and Boadway and Hobson (1993, p. 76-108) outline the rationale for intergovernmental grants. As well, an excellent discussion of the issues surrounding the equity and efficiency arguments for equalization is provided in Boadway (1998).

[208] In introducing government policies, it is important to avoid distorting private sector incentives and to impose these policies fairly. One interpretation of fairness is that government policy should treat equals equally or, in other words, people who were identical in the absence of government policy ought to remaining identical in the presence of government policy.

[209] Horizontal equity is a policy goal that is accepted by most economists and policy makers.

fiscal effort."[210] Fiscal decentralization to the local level invariably leads to different municipalities having different fiscal capacities. One way to correct this unfairness is to provide the high-need, low-fiscal-capacity jurisdiction with an equalization grant that enables the recipient jurisdiction to provide service levels and tax rates that are comparable to those that exist elsewhere.[211] The objective of a provincial-municipal equalization program should be to equalize municipal fiscal capacities.

Horizontal and fiscal equity have been used throughout the world to justify the provision of equalization grants. For example, Webb (2003, p .17) explains that in Australia,[212]

> the principle of fiscal equalization underlies the interstate distribution of grants,…the Act defines fiscal equalization as that allocation of funds that:
>
> a)   ensures that each local governing body in a State is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State; and
>
> b)   takes account of differences in the expenditure required to be incurred by local governing bodies in the performance of their functions and in their capacity to raise revenue.

Similarly, Kleinman et al. (2002, p. 17) noted that "… genuine differences in needs and resources – should be compensated for, and this is the key principle of the UK equalization system."[213] A further illustration is provided by Reschovsky (2002) who indicated that the State of Wisconsin "has as its explicit goal the equalization of tax-raising capacity across municipalities. If met, this objective would allow all municipalities that choose the same level of per capita expenditures to have identical property tax rates, regardless of the size of their tax base."[214] Finally, Darby et al. (2002, p. 15) concluded that "jurisdictions with different levels of income and wealth will have very different tax resources at their disposal, and the need to ensure that citizens have access to a roughly equal level of public services will imply some degree of redistribution between sub-central governments. For this reason no industrialized countries, not even federal states, have opted for complete fiscal autonomy…"[215]

14.2 Efficiency Arguments for Equalization

Promoting economic efficiency is another reason for the existence of equalization grants. In the context of local governments, as Bird and Slack explain (1983, p.25), inefficiency may occur when people who are choosing a place to live consider both relative taxes and expenditures

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[210] Bird and Slack (1983, p. 101).
[211] Bird and Slack (1983, p. 102).
[212] Webb (2003).
[213] Kleinman et al (2002).
[214] Reschovsky (2002).
[215] Darby et al (2002).

across different locations. Those communities with relatively lower taxes and higher service levels will be more attractive, resulting in an increased demand for properties in those communities. In other words, differences in service levels and taxation across jurisdictions, to the extent that they are not fully capitalized into land values, induce migration from low-service, high-tax jurisdictions to high-service, low-tax jurisdictions. There is empirical support for the fact that these differentials are not fully capitalized in land values.[216] In addition, Boadway (2003, p. 13) highlights that "municipal fiscal decisions give rise to the same sort of potential fiscal inefficiencies and inequities…as do provincial ones."   Differentials in service levels and tax rates generate economic inefficiency to the extent that people move to low-tax, high-service jurisdictions where their marginal product of labour is lower.[217]

In addition, differentials in tax rates can also affect the location and expansion decisions of firms. Capital is mobile between communities and, controlling for other important factors such as expenditure levels, one of the variables that will affect a company's location decision is the local tax rate in one community relative to that which exists in other communities in which the business might establish. Not only does it make intuitive sense that relatively higher tax rates in one community might encourage firms to establish elsewhere, the empirical literature supports this proposition as well. For example, MacDonald (1996) reports that "local variations in property taxes have sizable effects on commercial and industrial property values and, in the long run, on the amount of commercial and industrial real estate located in a particular jurisdiction within the urban area."[218] Mark et al. (1997) also report that taxes are a statistically significant factor in business location and expansion decisions.[219] Finally, Bartik (1991) found that location decisions within an urban area are very sensitive to local tax rates.[220]

14.3 Summary

To summarize: to the extent that the municipal equalization system is not functioning as effectively as it should within a province or does not exist within a province, horizontal fiscal imbalances may arise, which is unfair. Moreover, in order to provide the local services needed by its residents, a low-capacity, high-need community will have to impose local tax rates that are relatively higher than exist in other communities, without being able to offset these higher taxes with high service provision. As a result, people and businesses have an incentive to leave

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[216] See, for example, Bohanon and Keil (2000, p. 39-53); Yinger et al (1988) and Bird and Slack (1983, p. 25).

[217] In this context, the marginal product of labour is the additional output that could be produced by having one more worker in the location to which the individual is moving. Or, alternatively, it is the fall in output that results by having one less worker in the location from which the individual is moving. The importance of this concept is that if less output is produced in the location receiving population than is lost in the location losing population, then the total output in the whole economy will be reduced correspondingly. That is, if the marginal product of labour in the recipient area is less than the marginal product of labour in the losing area, then total production in the nation or province falls. Consequently, such migration is considered inefficient, because less output is being produced with the same amount of labour.

[218] McDonald (1996).

219 Mark et al (1997).

[220] Bartik (1991).

the relatively disadvantaged community, or they will be less likely to establish in such a community in the first place. As more people and businesses leave, the fiscal capacity of the community to meet its current obligations falls even further. This creates a need for even higher taxes or lower service levels, which will feed on itself, bringing into question the long-term sustainability or viability of the community in question.

Fortunately, the incentives implicit in this cycle can be mitigated to some extent by a properly functioning equalization system that transfers sufficient resources to low capacity/high need Newfoundland and Labrador communities, to enable them to provide levels of local services that are comparable to those that exist elsewhere in the province, at reasonable levels of taxation. Unfortunately, a municipal equalization program does not currently exist within the province. However, Nova Scotia does have a functioning municipal equalization system that might form the basis for implementing a municipal equalization program within Newfoundland and Labrador.

15.0 Proposed Municipal Equalization Approach

15.1 Proposed Equalization – Introduction

In order to counteract the horizontal fiscal imbalance that will be exacerbated by the introduction of a municipal income tax or a municipal sales tax, it is necessary to incorporate a municipal equalization system at the same time. Otherwise the more affluent communities will continue to be sustainable while municipalities facing fiscal stress will find themselves only marginally better.

Since Nova Scotia already has a municipal equalization system, a Newfoundland and Labrador municipal equalization program can be modeled in a similar fashion, at least until a more formal and comprehensive analysis can be undertaken to choose the best equalization system for this province.

The mechanics and the short falls of the Nova Scotia system are discussed below. As well, an illustrative equalization system and its impact on municipal revenues are considered at the end of this section.

15.2. Nova Scotia's Municipal Equalization Program – How It Works

The Government of Nova Scotia offers provides municipal equalization grants to:[221]

> … *close the fiscal gap between revenues and annual expenditure requirements for municipalities and to ensure that minimum service delivery standards can be met across the province. It enhances revenues for those municipalities with a weak tax base and a lower than average ability to pay. It recognizes the independent role of the autonomy of local government in the sense that the funding can be used for any municipal purpose, it's not stipulated in the legislation what municipalities can spend that money on.*

The formula currently in place in Nova Scotia has not changed dramatically in the last 30 years, with changes introduced in 2002 being described by Mr. Darrow as "relatively minor modifications."

Under the current version of the Nova Scotia municipal equalization grant program, in effect since 2002, each municipality is allocated an equalization entitlement that is determined by a formula which is intended to reflect both the community's expenditure need and ability to pay.[222] The formula is applied separately to two classes of communities – Class I communities, consisting of regional municipalities and towns, and Class II communities, composed of county or district municipalities.[223] While Newfoundland and Labrador does not distinguish between communities by class, the analogy within the Newfoundland and Labrador context would be larger communities versus smaller communities.

Two modifications to the equalization program were introduced in 2002 and continue currently. These additional features were: (1) the Foundation Grant, which, according to Section 19A of the <u>Municipal Grants Act</u>, is an unconditional, lump-sum amount[224] that, at the discretion of the Minister, can be paid to each town; and (2) the "Top-up" grant,[225] which, as specified in Section 17(4) of the <u>Municipal Grants Act</u>, can, at the discretion of the Minister, be paid to a community to ensure that "the equalization grant for an area is not less than the equalization paid to the area in the year 2001-2002 or an amount determined by the Minister."

Apart from the Foundation and Top-up grants, which are not determined within the formula and were only introduced in 2002, the equalization entitlement received by any municipality is the difference, if positive, between the "standard expenditure" calculated for that community

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[221] November 27, 2002 presentation by Mr. David Darrow, the then Executive Director of Municipal Services for the Government of Nova Scotia to the Nova Scotia Standing Committee on Public Accounts.

222 The information describing Nova Scotia's municipal equalization program was taken primarily from the Nova Scotia Municipal Grants Act, which is available on the Government of Nova Scotia's website.

[223] Prior to 2002, the equalization formula was applied to four different types of communities. These were: Class I – regional governments; Class II – large towns; Class III – small towns; and Class IV – rural communities and districts.

[224] The 2011-12 level of the Foundation Grant is $50,000.

[225] The legislation does not refer to the grant as a "Top-up" grant, but this is its effect.

and its corresponding "standard revenue".[226] If standard revenue exceeds standard expenditure, then the community is assigned a zero entitlement. Specifically, the equalization entitlement (EE_j^k) for each municipalities within a particular class is given by equation (11), where the subscript "j" denotes the specific community; the superscript "k" denotes the class of community (k=1 indicates Class I communities and k=2 indicates Class II communities); the standard expenditure and standard revenue for community j are, respectively, represented by SE_j^k and SR_j^k.

$$EE_j^k = SE_j^k - SR_j^k \cdots \forall_{k=1,2}$$

The first step in calculating the equalization entitlement for any particular municipality is to determine, for each class of community, the standard expenditure per dwelling unit applicable to each municipality. The standard expenditure does not include all normal expenditures undertaken by a municipal government.[227] The expenditures utilized in calculating municipal equalization entitlements under the Nova Scotia formula are limited to:

- 100% of expenditures on police protection (PP);
- 100% of expenditures on fire protection (FP);
- 100% of expenditures on transportation services, but excluding public transit and operating grants from the Department of Transportation and Public Works (TS);[228] and
- 50% of expenditures on environmental services (ES).[229]

Within each class of communities, the standard expenditure in each municipality is added together across all communities in the category to determine the aggregate standard expenditure and then this divided by the sum of dwelling units (D_j^k) within that class of communities to give the standard expenditure per dwelling unit that is utilized in the

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[226] Standard expenditure is an average of a subset of expenditures per dwelling unit within a class of communities, weighted by the number of dwelling units within that community. Standard revenue is the corresponding average tax rate (aggregate standard expenditure divided by aggregate uniform assessed value) for that class of communities, times the uniform assessed value within that community.

[227] Municipal expenditures that would normally be incurred by a local government in Nova Scotia, but that are not considered as part of the standard expenditures included in the municipal equalization calculations, include: (1) general government services; (2) protective services other than fire and police, which would include emergency measures, law enforcement, protective building inspection, and animal control; (3) public transit services; (4) public health and welfare services; (5) environmental development services, which includes environmental planning and zoning; (6) recreation and cultural services, including recreation facilities and cultural buildings and facilities; and (7) fiscal services, including debt charges, transfers to own reserves, funds and agencies, and conditional transfers to other governments and agencies, such as the provincially-mandated expenditures for assessment services, correction services and school boards (i.e. the education levy on municipalities).

[228] Transportation services, excluding public transit, include common services (administration, general equipment, workshops, yards, etc.), road transportation (roads, streets, bridges, street lighting, parking, etc.), air transport (airport), and water transport (docks and port facilities).

[229] Environmental services include sewage collection systems, garbage and waste collection and disposal.

equalization formula. The standard expenditure per dwelling unit for each class of community is given by equation (12):

$$\frac{SE^k}{D^k} = \frac{\sum_{j=1}^{nk} PP_j^k + FP_j^k + TS_j^k + 0.5 * ES_j^k}{\sum_{j=1}^{n} D_j^k} \cdots \forall_{k=1,2}$$

<div align="right">**Equation 15**</div>

By way of illustration, in 2011/12 the standard expenditure per dwelling unit applicable to Class I communities was $1,411, while the corresponding standard for Class II communities was $558.

The next step in calculating a municipality's equalization entitlement involves estimating the standard expenditure for that community, which is derived by multiplying the relevant standard expenditure per dwelling unit for its class of communities by the actual number of dwelling units located in the municipality in question. This is shown in equation (13).

$$SE_j^k = \frac{SE^k}{D^k} * D_j^k \cdots \forall_{k=1,2}$$

<div align="right">**Equation 16**</div>

The next calculation required to determine a municipality's equalization entitlement involves deriving the standard revenue for each community. The standard revenue estimated for community "j" is determined by multiplying the standard tax rate for Class k municipalities by the uniform assessed value in community "j" (UA_j^k), where the standard tax rate for Class k communities is derived as the ratio of the aggregate of the standard expenditures for Class k communities (SE^k) and the aggregate of the uniform assessed value for Class I communities (UA^k). The uniform assessment of a community, after adjusting for certain exemptions, is equal to the assessed value of all residential and commercial property in that community for taxation purposes and the capitalized value of grants-in-lieu of taxes[230] and payments made by a utility with respect to taxes.[231] That is, the standard revenue for community j is given by equation (14):

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[230] Provincial property, provincially occupied federal property and property of supported institutions (such as university residences) within a municipality are exempt from property taxation. Instead, the local government is entitled to receive a grant in lieu of property and business occupancy assessment taxes. The grant in lieu of taxes is equal to the full taxes that would be payable on the provincial property and provincially occupied federal property were it not exempt from taxation.

[231] The calculation of uniform assessed value excludes the building, pump stations, deep well pumps, main transmission lines, distribution lines, meters and associated plant and equipment of a municipal water utility.

$$SR_j^k = \frac{SE^k}{\displaystyle\sum_{j=1}^{nk} UA_j^k} * UA_j^k \cdots \forall_{k=1,2}$$

<div align="right">**Equation 17**</div>

The aggregate standard expenditure for each class of community divided by the aggregate uniform assessment for that class yields the standard tax rate which is the value of the tax rate that if applied to the aggregate uniform assessed value for the class of communities would, in theory,[232] generate sufficient revenues to cover the standard expenditures determined for the same class of communities. In 2011-12, the standard tax rate for Class I communities was 0.9367%, and it was 0.4732% for Class II communities.

At this point in the calculation, the estimate of standard revenue is deducted from the estimate of standard expenditure for each municipality. This calculation gives each community's entitlement under the equalization formula. If the difference is positive, then it constitutes the community's equalization entitlement for that fiscal year. On the other hand, if the difference is negative, the municipality in question has sufficient own-source revenue capacity to fund the standard expenditures and, as such, it has no entitlement under Nova Scotia's municipal equalization program.

The specific equalization entitlement for community j is determined by substituting equation (13) and (14) into equation (11) to yield equation (15):

$$EE_j^k = \frac{SE^K}{D^k} * D_j^k - \frac{SE^k}{\displaystyle\sum_{j=1}^{nk} UA_j^k} * UA_j^k \cdots \forall_{k=1,2}$$

<div align="right">**Equation 18**</div>

This can be written more conveniently as equation (16):

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[232] While the standard tax rate applied to the uniform assessed value of a community is intended to reflect the ability of that community to pay for the standard expenditures attributed to that community, it is not a precise measure, because it does not adjust for differences in revenue-raising capacity between residential and commercial property. In calculating uniform assessed value, residential and commercial assessed value are summed, implying that each provides the community with the same ability to raise revenue.

$$EE_j^k = \frac{SE^k}{D^k} * D_j^k * \left[1 - \frac{\dfrac{UA_j^k}{D_j^k}}{\dfrac{\displaystyle\sum_{j=1}^{nk} UA_j^k}{\displaystyle\sum_{j=1}^{nk} D_j^k}} \right] \cdots \forall_{k=1,2}$$

<div align="right">**Equation 19**</div>

Equation (19) conveniently illustrates how the Nova Scotia equation formula works. The maximum size grant that any community would be entitled to is its standard expenditure as determined by equation (16) and the first two terms in equation (19). This is reduced by the community average fiscal capacity (i.e., uniformed assessment per dwelling unit) or the value of the numerator in the last term of equation (19) relative to the average fiscal capacity within the class of communities (i.e., aggregate value of uniform assessment divided by the total number of dwelling units in the class of communities) or the denominator in the last term of equation (19). In other words, if a community has an average or above average fiscal capacity for the class of community to which it belongs, then it does not qualify for any grant. The further below the average fiscal capacity it is, the bigger is the equalization grant for which it qualifies.

At this point, it is important to recognize that an entitlement will only translate into an equal-sized grant when the equalization program is fully funded, a decision that, under the <u>Municipal Grants Act</u>, is at the discretion of the Governor in Council.[233] When the program is not funded fully, then each community gets only a prorated share of the grant pool available for the formula-determined equalization program. The grant pool consists of the total funds available for municipal equalization purposes, less the monies allocated to Top-up and Foundation grants. A municipality's share of the grant pool consists of the ratio of that community's equalization entitlement determined under the formula to the sum of all positive entitlements as determined by the formula across all communities.[234]

The total entitlement (TE) estimated for a given year is derived by summing the positive entitlements for all Class I and Class II communities and substituting zero for any negative entitlements. This can be represented as equation (20):

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[233] There is no stated or explicit policy of the Government of Nova Scotia explaining how it decides how much to put into the grant pool in each year.

[234] Subsection 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."

$$TE = \sum_{j=1}^{n1} EE_j^1 + \sum_{j=1}^{n2} EE_j^2$$

If the program is not fully funded, then the actual grant received (EG_j^k) under the formula-determined part of the equalization program is equal to its share of the grant pool.[235] Community "j"s share of the grant pool is the ratio of its entitlement (EE_j^k) to total entitlements (TE), and the grant pool is the total amount allocated by the provincial government to municipal equalization (GP), minus the amount allocated to the Top-up grants (TG) and Foundation grants (FG). Equation (21) illustrates the actual equalization grant received in a particular year:

$$EG_j^k = \frac{EE_j^k}{TE} * (GP - TG - FG) \cdots \forall_{k=1,2}$$

While the Nova Scotia formula could easily be adapted for application in Newfoundland and Labrador, it is important to recognize that there are a number of short coming associated with this formula that may require more significant modifications before it is applied to Newfoundland and Labrador municipalities.

15.3: Concerns with Nova Scotia's Municipal Equalization Entitlements or Its Direct Applicability in the Newfoundland and Labrador Context

The main problem with the standard expenditure estimate utilized in the formula as currently implemented is that is accounts less than half of the expenditures normally undertaken by Nova Scotia municipalities. Consequently, 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. The core expenditures utilized in the Nova Scotia formula represent an incomplete share of annual costs incurred by municipalities in Nova Scotia. Before this gets applied in Newfoundland and Labrador, the expenditure standard should be extended to include the average of all expenditures undertaken by Newfoundland and Labrador municipalities.

The grant pool is determined independent of the value of total entitlements in a given year and other grants like the top-up grant and the foundation grant are deducted from the grant pool. As such, equalization grants are only a fraction of total entitlements in each year and a

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[235] Subsection 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."

community's grant is scaled back in proportion to the share of entitlements for which it would otherwise qualify.

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 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.[236]

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.[237] 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. In applying this to Newfoundland and Labrador, it would be appropriate to utilize a weighted average assessed value with the weight be reflective of the differential revenue raising capacity reflected in commercial and residential property.

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.

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[236] 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.

[237] 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.

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

15.4   A Municipal Equalization System for Newfoundland and Labrador – An Illustration of an Equalization Program Split between Large and Small Communities

Drawing upon the Nova Scotia equalization system and recognizing that it is not directly applicable to the Newfoundland and Labrador situation, the following illustrates what a municipal equalization might look like for Newfoundland and Labrador and the distribution of entitlements that each community within the province can expect to receive.

Instead of Class 1 and Class 2 communities, the proposed equalization system breaks communities into those with a population of less than 2,500 and those with more than 2,500 people to reflect difference in expenditure needs and costs that vary by community size. For the purpose of this illustration, we will refer to these communities as small equalization communities and large equalization communities. For the communities considered in this analysis, there are 436,455 people —133,720 people reside in the small equalization communities and 302,735 people live in the larger equalization communities. Total municipal expenditures in 2010 for the sample of communities are $564 million, with the smaller communities accounting for $125 million and the larger communities accounting for $439 million. Revenue, other than property taxes from residential and commercial sources, totalled $154 million in 2010, $40 million being received by the smaller equalization communities and $114 million coming from the larger communities. This implies that municipal expenditures, net of these other revenues sources, for the sample of communities total $410 million —$326 million being accounted for by the larger communities and $84 million being spent in the smaller communities.

From this information, it is possible to calculate the average net expenditure for small and large equalization communities. In the proposed municipal equalization system, this serves the same purpose as the standard expenditure parameters included in the Nova Scotia equalization formula. The average net expenditures for the small equalization communities are $631.49 per capita and the corresponding expenditures for the larger equalization communities are $1,076.25 per capita.

The total assessed value for the sample of communities is $25.5 billion —$4.6 billion is accounted for by the smaller equalization communities and $20.9 billion comes from the larger equalization communities. As well, tax revenue from resident and commercial sources equal $410 million for the whole sample. The tax revenue collected in the smaller communities equal $71.5 million, while the tax revenue from the larger communities generated $338.7 million in tax revenue.

Given this information, we calculate the standard or average tax for the smaller equalization communities to be 1.549%. It is 1.620% for the larger communities. Similar to the approach utilized in the Nova Scotia formula, these average tax rates can be used to calculate the standard revenue in each community.

If the standard expenditure exceeds the standard revenue in a municipality, then that corresponds to the municipal equalization entitlement, which is unadjusted for the pool of equalization funds that are available for allocation. If the standard expenditure for the community falls short of the standard revenue, then the municipal is allocated a zero entitlement. The actual equalization payment received will be equal to the share of positive entitlements for the community multiplied by the pool of funds available for equalization purposes.

Mathematically, the proposed municipal equalization system can be represented as:

$$EE_j^k = AE^k * POP_j^k - t^k * AV_j^k \cdots \forall_{k=1,2}$$

where: 1 specifies small equalization communities and 2 specifies larger equalization communities; EE represents equalization entitlements; AE is average expenditure; POP is the municipality's population; t is the average tax rate; and AV is assessed value.

For this illustration, it is assumed that 20% of the municipal income tax collected will be available to fund the equalization pool. That is, $23.3 million (20% of $116.5 million) will be used to fund the equalization program.

The municipal equalization payments by community and the corresponding calculations are provided in the following table. For this illustration, $23.3 million is paid out in equalization payments, $11.5 million (49.5%) to the larger communities and $11.8 million (50.5%) to the smaller communities. For the communities that receive equalization payments, the average payment to the smaller communities is $107 per capita and it is $104 per capita for the larger communities that qualify for any payment.

Table 41: Estimated Equalization Entitlements

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
PORT KIRWAN	85	$2,204,000	$53,677	$34,140	$19,537	$8,987	$106
COACHMANS COVE	95	$1,464,800	$59,992	$22,690	$37,302	$17,159	$181
MILLERTOWN	110	$2,506,200	$69,464	$38,821	$30,643	$14,096	$128
SANDY COVE	130	$6,405,400	$82,094	$99,220	$-	$-	$-
MORRISVILLE	130	$934,000	$82,094	$14,468	$67,626	$31,109	$239
MILES COVE	135	$2,324,700	$85,251	$36,010	$49,242	$22,652	$168
LITTLE BAY	135	$1,666,200	$85,251	$25,809	$59,442	$27,344	$203
NIPPERS HARBOUR	145	$1,857,100	$91,566	$28,766	$62,800	$28,888	$199

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
PORT ANSON	155	$2,477,500	$97,881	$38,376	$59,504	$27,373	$177
FRENCHMAN' S COVE	160	$4,457,400	$101,038	$69,045	$31,993	$14,717	$92
POINT OF BAY	160	$3,328,100	$101,038	$51,552	$49,486	$22,764	$142
BEACHSIDE	185	$2,266,100	$116,826	$35,102	$81,724	$37,594	$203
ADMIRALS BEACH	185	$2,177,400	$116,826	$33,728	$83,098	$38,226	$207
SALVAGE, BONAVISTA BAY	185	$5,581,900	$116,826	$86,464	$30,362	$13,967	$75
TRINITY	190	$21,700,300	$119,983	$336,138	$-	$-	$-
POOLS COVE	190	$2,794,100	$119,983	$43,281	$76,702	$35,284	$186
HUGHES BROOK	195	$11,685,900	$123,141	$181,015	$-	$-	$-
NEW PERLICAN	200	$6,441,000	$126,298	$99,771	$26,527	$12,203	$61
PACQUET	200	$2,508,200	$126,298	$38,852	$87,446	$40,226	$201
WOODSTOCK	200	$2,707,900	$126,298	$41,945	$84,353	$38,803	$194
INDIAN BAY	200	$2,684,300	$126,298	$41,580	$84,718	$38,971	$195
CROW HEAD	205	$5,003,000	$129,455	$77,496	$51,959	$23,902	$117
BRENTS COVE	205	$1,625,800	$129,455	$25,184	$104,272	$47,966	$234
LONG HARBOUR-MOUNT ARLINGTON HEIGHTS	210	$7,629,500	$132,613	$118,181	$14,432	$6,639	$32
BIRD COVE	210	$3,808,600	$132,613	$58,995	$73,618	$33,865	$161
LORDS COVE	210	$155,600	$132,613	$2,410	$130,203	$59,894	$285
RED HARBOUR	215	$3,302,600	$135,770	$51,157	$84,613	$38,923	$181
BRIGHTON	220	$3,134,400	$138,928	$48,552	$90,376	$41,574	$189
CONCHE	225	$4,058,700	$142,085	$62,869	$79,216	$36,440	$162
HAPPY ADVENTURE	225	$8,402,000	$142,085	$130,147	$11,938	$5,492	$24
PORTUGAL COVE SOUTH	225	$2,296,200	$142,085	$35,568	$106,517	$48,999	$218
L'ANSE AU CLAIR	235	$8,197,100	$148,400	$126,973	$21,427	$9,857	$42
GOOSE COVE EAST	235	$2,678,800	$148,400	$41,495	$106,906	$49,178	$209
RED BAY	240	$3,882,900	$151,558	$60,146	$91,411	$42,050	$175
TILTING	245	$4,008,000	$154,715	$62,084	$92,631	$42,611	$174
ST. LEWIS	250	$6,220,500	$157,873	$96,356	$61,517	$28,298	$113
HEARTS DESIRE	250	$6,037,500	$157,873	$93,521	$64,352	$29,602	$118

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
RALEIGH	250	$4,287,400	$157,873	$66,412	$91,461	$42,073	$168
SANDRINGHAM	255	$6,738,400	$161,030	$104,378	$56,652	$26,060	$102
HOWLEY	260	$7,488,800	$164,187	$116,002	$48,186	$22,166	$85
POINT MAY	260	$2,377,600	$164,187	$36,829	$127,358	$58,586	$225
COOK'S HARBOUR	260	$3,386,800	$164,187	$52,462	$111,726	$51,395	$198
FLOWER'S COVE	270	$11,335,000	$170,502	$175,579	$-	$-	$-
COTTLESVILLE	275	$7,246,700	$173,660	$112,251	$61,408	$28,248	$103
FERMEUSE	285	$11,162,400	$179,975	$172,906	$7,069	$3,252	$11
WESTPORT	285	$3,426,600	$179,975	$53,078	$126,897	$58,374	$205
WINTERLAND	290	$13,484,800	$183,132	$208,880	$-	$-	$-
DANIEL'S HARBOUR	290	$7,187,000	$183,132	$111,327	$71,805	$33,031	$114
MAIN BROOK	290	$6,674,600	$183,132	$103,390	$79,743	$36,682	$126
BAY L'ARGENT	295	$3,734,200	$186,290	$57,843	$128,447	$59,087	$200
CHANGE ISLANDS	300	$7,130,900	$189,447	$110,458	$78,989	$36,336	$121
GASKIERS	300	$6,157,100	$189,447	$95,373	$94,074	$43,275	$144
PARKERS COVE	305	$3,684,100	$192,604	$57,067	$135,538	$62,349	$204
LAMALINE	315	$4,646,700	$198,919	$71,977	$126,942	$58,394	$185
PILLEYS ISLAND	315	$8,142,800	$198,919	$126,132	$72,787	$33,483	$106
ANCHOR POINT	320	$8,976,800	$202,077	$139,051	$63,026	$28,993	$91
WHITEWAY	320	$10,276,200	$202,077	$159,178	$42,898	$19,734	$62
SEAL COVE, F.B.	320	$3,041,200	$202,077	$47,108	$154,969	$71,287	$223
LITTLE BURNT BAY	320	$6,262,100	$202,077	$97,000	$105,077	$48,336	$151
ST. PAUL'S	320	$7,487,100	$202,077	$115,975	$86,102	$39,608	$124
FLEUR DE LYS	325	$5,452,100	$205,234	$84,453	$120,781	$55,560	$171
ELLISTON	330	$7,295,400	$208,392	$113,006	$95,386	$43,878	$133
RUSHOON	335	$4,202,800	$211,549	$65,101	$146,448	$67,367	$201
BAULINE	335	$16,864,300	$211,549	$261,228	$-	$-	$-
SEAL COVE, W. B.	335	$4,420,500	$211,549	$68,474	$143,076	$65,816	$196
LEADING TICKLES	350	$6,372,900	$221,022	$98,716	$122,305	$56,262	$161

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
PORT REXTON	350	$10,457,100	$221,022	$161,980	$59,041	$27,159	$78
WOODY POINT	355	$21,690,000	$224,179	$335,978	$-	$-	$-
GREENSPOND	360	$5,720,000	$227,336	$88,603	$138,734	$63,819	$177
YORK HARBOUR	360	$14,806,700	$227,336	$229,356	$-	$-	$-
CHARLOTTETOWN	365	$8,181,800	$230,494	$126,736	$103,758	$47,730	$131
MINGS BIGHT	365	$5,795,700	$230,494	$89,775	$140,718	$64,732	$177
JACKSON'S ARM	385	$7,302,300	$243,124	$113,113	$130,011	$59,806	$155
NORTHERN ARM	385	$17,465,500	$243,124	$270,541	$-	$-	$-
PORT AUX CHOIX	385	$32,651,200	$243,124	$505,767	$-	$-	$-
COME BY CHANCE	390	$168,631,300	$246,281	$2,612,099	$-	$-	$-
GILLAMS	400	$13,756,000	$252,596	$213,080	$39,516	$18,178	$45
HEARTS CONTENT	410	$13,970,600	$258,911	$216,405	$42,506	$19,553	$48
HANTS HARBOUR	415	$10,278,100	$262,068	$159,208	$102,861	$47,317	$114
BRYANT'S COVE	415	$12,524,100	$262,068	$193,998	$68,070	$31,313	$75
BELLEORAM	420	$3,879,900	$265,226	$60,100	$205,126	$94,360	$225
MARY'S HARBOUR	425	$12,252,000	$268,383	$189,783	$78,600	$36,157	$85
STEADY BROOK	435	$56,001,500	$274,698	$867,463	$-	$-	$-
SELDOM	435	$9,733,100	$274,698	$150,766	$123,932	$57,010	$131
FORTEAU	445	$10,979,100	$281,013	$170,066	$110,947	$51,037	$115
COMFORT COVE-NEWSTEAD	450	$11,321,900	$284,171	$175,376	$108,794	$50,046	$111
SUNNYSIDE	470	$12,696,700	$296,800	$196,672	$100,128	$46,060	$98
LITTLE CATALINA	470	$6,522,500	$296,800	$101,034	$195,767	$90,054	$192
SOUTHERN HARBOUR	475	$10,014,100	$299,958	$155,118	$144,839	$66,627	$140
BAY DE VERDE	480	$12,569,800	$303,115	$194,706	$108,409	$49,869	$104
ST. MARY'S	480	$12,807,200	$303,115	$198,384	$104,732	$48,178	$100
PARSON'S POND	485	$8,328,400	$306,273	$129,007	$177,266	$81,544	$168
NORTH WEST RIVER	495	$22,242,100	$312,588	$344,530	$-	$-	$-
HERMITAGE-SANDYVILLE	495	$8,202,900	$312,588	$127,063	$185,525	$85,343	$172
COWHEAD	495	$15,266,700	$312,588	$236,481	$76,106	$35,010	$71
EASTPORT	500	$23,497,200	$315,745	$363,972	$-	$-	$-

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
REIDVILLE	515	$24,840,800	$325,217	$384,784	$-	$-	$-
MIDDLE ARM	520	$5,599,100	$328,375	$86,730	$241,645	$111,159	$214
BURLINGTON	530	$4,056,800	$334,690	$62,840	$271,850	$125,053	$236
TERRENCEVILLE	530	$11,385,000	$334,690	$176,354	$158,336	$72,836	$137
PORT HOPE SIMPSON	530	$9,979,800	$334,690	$154,587	$180,103	$82,849	$156
LUMSDEN	535	$17,911,900	$337,847	$277,455	$60,392	$27,781	$52
PORT BLANDFORD	535	$31,468,300	$337,847	$487,444	$-	$-	$-
SOUTH RIVER	535	$28,197,700	$337,847	$436,782	$-	$-	$-
ST. BERNARDS	535	$9,543,800	$337,847	$147,833	$190,014	$87,408	$163
SOUTH BROOK, HALLS BAY	545	$9,108,900	$344,162	$141,097	$203,065	$93,412	$171
FERRYLAND	545	$19,331,300	$344,162	$299,442	$44,720	$20,572	$38
WINTERTON	555	$16,514,100	$350,477	$255,803	$94,674	$43,551	$78
NORTH RIVER	555	$14,783,500	$350,477	$228,996	$121,481	$55,882	$101
McIVERS	570	$14,911,000	$359,949	$230,971	$128,978	$59,331	$104
CARTWRIGHT	575	$9,347,600	$363,107	$144,794	$218,312	$100,426	$175
LEWINS COVE	580	$15,318,100	$366,264	$237,277	$128,987	$59,335	$102
APPLETON	585	$27,628,300	$369,422	$427,962	$-	$-	$-
HAMPDEN	585	$9,437,900	$369,422	$146,193	$223,229	$102,687	$176
CAMPBELLTON	585	$14,040,400	$369,422	$217,486	$151,936	$69,892	$119
LARK HARBOUR	585	$18,919,200	$369,422	$293,058	$76,363	$35,128	$60
GARNISH	595	$12,518,800	$375,737	$193,916	$181,820	$83,639	$141
L'ANSE AU LOUP	600	$17,848,700	$378,894	$276,476	$102,418	$47,113	$79
PORT AU PORT WEST	605	$18,713,800	$382,051	$289,877	$92,175	$42,401	$70
BIRCHY BAY	610	$13,500,600	$385,209	$209,124	$176,085	$81,001	$133
ENGLEE	625	$11,334,100	$394,681	$175,565	$219,116	$100,795	$161
TROUT RIVER	630	$10,624,500	$397,839	$164,574	$233,265	$107,304	$170
RAMEA	640	$5,718,300	$404,154	$88,576	$315,577	$145,168	$227
MEADOWS	640	$27,212,400	$404,154	$421,520	$-	$-	$-
ROSE BLANCHE	640	$7,111,700	$404,154	$110,160	$293,993	$135,240	$211

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
COX'S COVE	645	$11,566,300	$407,311	$179,162	$228,149	$104,951	$163
CORMACK	655	$33,960,000	$413,626	$526,040	$-	$-	$-
HEARTS DELIGHT-ISLINGTON	665	$22,049,300	$419,941	$341,544	$78,397	$36,063	$54
ST. LUNAIRE-GRIQUET	665	$12,898,600	$419,941	$199,799	$220,142	$101,267	$152
EMBREE	665	$15,515,000	$419,941	$240,327	$179,614	$82,624	$124
POINT LEAMINGTON	670	$15,819,600	$423,098	$245,046	$178,053	$81,906	$122
ST. JACQUES - COOMBS COVE	670	$9,119,600	$423,098	$141,263	$281,836	$129,647	$194
OLD PERLICAN	675	$30,397,400	$426,256	$470,856	$-	$-	$-
KINGS POINT	675	$16,689,900	$426,256	$258,527	$167,729	$77,157	$114
DOVER	680	$11,592,600	$429,413	$179,569	$249,844	$114,930	$169
NORRIS POINT	700	$45,535,200	$442,043	$705,340	$-	$-	$-
SALMON COVE	705	$18,939,300	$445,200	$293,370	$151,831	$69,843	$99
LAWN	705	$11,770,700	$445,200	$182,328	$262,872	$120,924	$172
BURNT ISLANDS	710	$13,251,900	$448,358	$205,272	$243,086	$111,822	$157
ISLE AUX MORTS	725	$14,721,400	$457,830	$228,034	$229,796	$105,708	$146
PORT SAUNDERS	740	$22,762,200	$467,303	$352,586	$114,716	$52,770	$71
MOUNT MORIAH	740	$30,779,500	$467,303	$476,774	$-	$-	$-
TREPASSEY	760	$13,529,100	$479,932	$209,566	$270,367	$124,371	$164
GLENWOOD	760	$23,428,800	$479,932	$362,912	$117,020	$53,830	$71
JOE BATTS ARM	770	$14,443,400	$486,247	$223,728	$262,519	$120,761	$157
BUCHANS	770	$10,932,300	$486,247	$169,341	$316,906	$145,780	$189
FOGO	785	$20,845,100	$495,720	$322,891	$172,829	$79,503	$101
CUPIDS	790	$22,362,600	$498,877	$346,397	$152,480	$70,142	$89
NORMAN'S COVE	795	$15,633,600	$502,035	$242,164	$259,870	$119,543	$150
PETERVIEW	800	$10,733,800	$505,192	$166,267	$338,925	$155,909	$195
BRIGUS	820	$36,982,800	$517,822	$572,864	$-	$-	$-
WHITBOURNE	855	$41,776,000	$539,924	$647,110	$-	$-	$-
MILLTOWN-BAY D'ESPAIR	865	$17,894,000	$546,239	$277,178	$269,061	$123,770	$143
PORT AU PORT EAST	870	$22,764,500	$549,396	$352,622	$196,774	$90,518	$104
ROBERTS ARM	890	$19,551,800	$562,026	$302,857	$259,169	$119,220	$134

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
NORRIS ARM	890	$20,908,300	$562,026	$323,870	$238,157	$109,554	$123
RODDICKTON	900	$24,725,100	$568,341	$382,992	$185,349	$85,262	$95
BADGER	920	$23,016,500	$580,971	$356,526	$224,445	$103,247	$112
PETTY HARBOUR - MADDOX COVE	940	$36,375,100	$593,601	$563,450	$30,150	$13,869	$15
SUMMERFORD	965	$21,040,100	$609,388	$325,911	$283,477	$130,402	$135
ROCKY HARBOUR	980	$70,353,600	$618,860	$1,089,777	$-	$-	$-
La Scie	980	$19,968,300	$618,860	$309,309	$309,551	$142,396	$145
CARMANVILLE	1,010	$15,577,600	$637,805	$241,297	$396,508	$182,397	$181
TRITON	1,020	$33,083,800	$644,120	$512,468	$131,652	$60,561	$59
HARE BAY	1,030	$22,181,800	$650,435	$343,596	$306,839	$141,149	$137
ARNOLDS COVE	1,035	$116,559,400	$653,592	$1,805,505	$-	$-	$-
MUSGRAVE HARBOUR	1,080	$40,349,400	$682,009	$625,012	$56,997	$26,219	$24
WITLESS BAY	1,090	$62,750,700	$688,324	$972,008	$-	$-	$-
HARBOUR MAIN	1,090	$41,219,000	$688,324	$638,482	$49,842	$22,928	$21
BAY BULLS	1,110	$72,121,500	$700,954	$1,117,162	$-	$-	$-
CENTREVILLE-WAREHAM-TRINITY	1,120	$26,870,200	$707,269	$416,219	$291,049	$133,885	$120
MASSEY DRIVE	1,170	$89,408,700	$738,843	$1,384,941	$-	$-	$-
FLATROCK	1,195	$78,083,300	$754,631	$1,209,510	$-	$-	$-
ST. GEORGE'S	1,245	$34,338,400	$786,205	$531,902	$254,303	$116,982	$94
IRISHTOWN - SUMMERSIDE	1,290	$51,035,100	$814,622	$790,534	$24,088	$11,081	$9
CLARKES BEACH	1,290	$57,111,000	$814,622	$884,649	$-	$-	$-
ST. LAWRENCE	1,345	$33,792,200	$849,354	$523,441	$325,913	$149,923	$111
BAIE VERTE	1,360	$50,289,800	$858,826	$778,989	$79,837	$36,726	$27
ST. ALBANS	1,435	$32,168,100	$906,188	$498,284	$407,904	$187,640	$131
FORTUNE	1,465	$26,943,200	$925,133	$417,350	$507,783	$233,585	$159
TRINITY BAY NORTH	1,540	$39,702,200	$972,495	$614,987	$357,508	$164,457	$107
BURGEO	1,630	$36,427,100	$1,029,329	$564,256	$465,073	$213,938	$131
KIPPENS	1,740	$94,332,400	$1,098,793	$1,461,209	$-	$-	$-

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
POUCH COVE	1,745	$91,281,800	$1,101,950	$1,413,955	$-	$-	$-
WABUSH	1,755	$155,875,000	$1,108,265	$2,414,504	$-	$-	$-
UPPER ISLAND COVE	1,755	$44,397,600	$1,108,265	$687,719	$420,546	$193,455	$110
VICTORIA	1,765	$57,625,100	$1,114,580	$892,613	$221,967	$102,107	$58
LOGY BAY-MIDDLE CV.-OUTER CV.	1,820	$198,541,100	$1,149,312	$3,075,402	$-	$-	$-
HUMBER ARM SOUTH	1,855	$62,611,100	$1,171,414	$969,846	$201,568	$92,723	$50
HARBOUR BRETON	1,905	$38,871,200	$1,202,988	$602,115	$600,874	$276,407	$145
GLOVERTOWN	2,065	$72,477,900	$1,304,027	$1,122,683	$181,344	$83,420	$40
GAMBO	2,075	$54,695,200	$1,310,342	$847,229	$463,113	$213,036	$103
STEPHENVILLE CROSSING	2,135	$59,107,400	$1,348,231	$915,574	$432,658	$199,026	$93
HOLYROOD	2,355	$114,250,900	$1,487,159	$1,769,746	$-	$-	$-
WABANA	2,415	$58,996,900	$1,525,048	$913,862	$611,186	$281,151	$116
TWILLINGATE	2,450	$80,585,400	$1,547,151	$1,248,268	$298,883	$137,489	$56
ST. ANTHONY	2,475	$114,443,000	$1,562,938	$1,772,722	$-	$-	$-
BURIN	2,480	$100,073,000	$1,566,095	$1,550,131	$15,964	$7,344	$3
NEW-WES-VALLEY	2,490	$59,556,900	$1,572,410	$922,536	$649,874	$298,948	$120
SPANIARD'S BAY	2,540	$89,283,300	$2,733,675	$1,446,389	$1,287,286	$592,163	$233
GRAND BANK	2,690	$65,561,600	$2,895,113	$1,062,098	$1,833,015	$843,203	$313
SPRINGDALE	2,765	$103,585,600	$2,975,831	$1,678,087	$1,297,745	$596,974	$216
BOTWOOD	3,055	$99,149,600	$3,287,944	$1,606,224	$1,681,720	$773,607	$253
HARBOUR GRACE	3,075	$110,617,500	$3,309,469	$1,792,004	$1,517,465	$698,048	$227
PASADENA	3,195	$226,563,700	$3,438,619	$3,670,332	$-	$-	$-
LEWISPORTE	3,310	$149,822,300	$3,562,388	$2,427,121	$1,135,266	$522,233	$158
BISHOPS FALLS	3,530	$126,124,000	$3,799,163	$2,043,209	$1,755,954	$807,755	$229
BONAVISTA	3,860	$108,697,100	$4,154,325	$1,760,893	$2,393,432	$1,101,000	$285
PLACENTIA	3,900	$166,897,200	$4,197,375	$2,703,735	$1,493,640	$687,088	$176
CARBONEAR	4,720	$235,304,200	$5,079,900	$3,811,928	$1,267,972	$583,279	$124
DEER LAKE	4,825	$305,721,800	$5,192,906	$4,952,693	$240,213	$110,500	$23

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
CHANNEL-PORT AUX BASQUES	4,880	$173,459,900	$5,252,100	$2,810,050	$2,442,050	$1,123,365	$230
CLARENVILLE	5,275	$368,064,000	$5,677,219	$5,962,637	$-	$-	$-
MARYSTOWN	5,435	$230,738,300	$5,849,419	$3,737,960	$2,111,458	$971,290	$179
BAY ROBERTS	5,705	$276,586,500	$6,140,006	$4,480,701	$1,659,305	$763,295	$134
TORBAY	6,280	$486,757,300	$6,758,850	$7,885,468	$-	$-	$-
PORTUGAL COVE ST. PHILLIPS	6,565	$559,150,800	$7,065,581	$9,058,243	$-	$-	$-
STEPHENVILLE	6,855	$404,361,200	$7,377,694	$6,550,651	$827,042	$380,447	$55
LABRADOR CITY	7,230	$561,224,500	$7,781,288	$9,091,837	$-	$-	$-
HAPPY VALLEY GOOSE BAY	7,600	$598,503,700	$8,179,500	$9,695,760	$-	$-	$-
GANDER	9,930	$796,273,800	$10,687,163	$12,899,636	$-	$-	$-
PARADISE	12,640	$1,212,671,300	$13,603,800	$19,645,275	$-	$-	$-
GRAND FALLS-WINDSOR	13,740	$782,365,200	$14,787,675	$12,674,316	$2,113,359	$972,164	$71
CORNER BROOK W1	20,085	$1,534,898,800	$21,616,481	$24,865,361	$-	$-	$-
CONCEPTION BAY SOUTH	21,860	$1,460,449,300	$23,526,825	$23,659,279	$-	$-	$-
MOUNT PEARL	24,805	$1,824,330,400	$26,696,381	$29,554,152	$-	$-	$-
St. John's	100,645	$7,852,175,658	$108,319,181	$127,205,246	$-	$-	$-
Totals	436,455	$25,520,779,658	$53,677	$34,140	$50,644,265	$23,296,820	$53

If 20% of the municipal income tax is used to fund the equalization program, then the impact on each municipality, after equalization, is given by the following table.

Table 42: Income Flows by Community After Adjusting for Equalization

Community	Unadjusted Municipal Income Tax	Adjusted to Fund Equalization Municipal Income Tax	Equalization Plus Adjusted Municipal Income Tax
PORT KIRWAN	$ 16,032	$ 12,826	$ 21,813
COACHMAN'S COVE	$ 18,138	$ 14,510	$ 31,669
MILLERTOWN	$ 22,414	$ 17,931	$ 32,027
Sandy Cove, Bonavista Bay	$ 26,570	$ 21,256	$ 21,256
MORRISVILLE	$ 25,569	$ 20,455	$ 51,564

Community	Unadjusted Municipal Income Tax	Adjusted to Fund Equalization Municipal Income Tax	Equalization Plus Adjusted Municipal Income Tax
MILES COVE	$ 40,257	$ 32,205	$ 54,857
Little Bay, Notre Dame Bay	$ 23,594	$ 18,875	$ 46,219
NIPPERS HARBOUR	$ 24,478	$ 19,583	$ 48,471
PORT ANSON	$ 26,100	$ 20,880	$ 48,253
Frenchman's Cove, Fortune Bay	$ 25,658	$ 20,526	$ 35,244
POINT OF BAY	$ 13,124	$ 10,499	$ 33,263
BEACHSIDE	$ 36,497	$ 29,198	$ 66,792
ADMIRAL'S BEACH	$ 31,295	$ 25,036	$ 63,262
SALVAGE	$ 17,695	$ 14,156	$ 28,123
Trinity, Trinity Bay	$ 207,329	$ 165,863	$ 165,863
POOL'S COVE	$ 32,294	$ 25,835	$ 61,119
HUGHES BROOK	$ 39,226	$ 31,381	$ 31,381
NEW PERLICAN	$ 21,234	$ 16,987	$ 29,190
PACQUET	$ 31,262	$ 25,009	$ 65,235
WOODSTOCK	$ 38,929	$ 31,144	$ 69,947
INDIAN BAY	$ 21,234	$ 16,987	$ 55,959
CROW HEAD	$ 32,948	$ 26,359	$ 50,260
BRENT'S COVE	$ 28,017	$ 22,414	$ 70,380
LONG HARBOUR-MOUNT ARLINGTON HEIGHTS	$ 80,081	$ 64,065	$ 70,704
BIRD COVE	$ 21,972	$ 17,577	$ 51,442
LORD'S COVE	$ 23,741	$ 18,993	$ 78,887
RED HARBOUR	$ 33,621	$ 26,897	$ 65,819
BRIGHTON	$ 31,409	$ 25,127	$ 66,701
CONCHE	$ 32,589	$ 26,071	$ 62,511
HAPPY ADVENTURE	$ 36,128	$ 28,902	$ 34,394
PORTUGAL COVE SOUTH	$ 51,513	$ 41,211	$ 90,209
L'ANSE AU CLAIR	$ 40,404	$ 32,323	$ 42,180
GOOSE COVE EAST	$ 64,094	$ 51,275	$ 100,452
RED BAY	$ 30,524	$ 24,419	$ 66,469
TILTING	$ 42,468	$ 33,975	$ 76,586
ST. LEWIS	$ 36,718	$ 29,374	$ 57,672
HEART'S DESIRE	$ 20,202	$ 16,162	$ 45,764
RALEIGH	$ 34,149	$ 27,319	$ 69,392
SANDRINGHAM	$ 33,621	$ 26,897	$ 52,957
HOWLEY	$ 46,597	$ 37,278	$ 59,444
POINT MAY	$ 29,394	$ 23,515	$ 82,101
COOK'S HARBOUR	$ 37,750	$ 30,200	$ 81,595
FLOWER'S COVE	$ 56,038	$ 44,830	$ 44,830

Community	Unadjusted Municipal Income Tax	Adjusted to Fund Equalization Municipal Income Tax	Equalization Plus Adjusted Municipal Income Tax
COTTLESVILLE	$ 41,584	$ 33,267	$ 61,515
FERMEUSE	$ 53,754	$ 43,003	$ 46,255
WESTPORT	$ 23,594	$ 18,875	$ 77,248
WINTERLAND	$ 71,371	$ 57,097	$ 57,097
DANIEL'S HARBOUR	$ 63,850	$ 51,080	$ 84,111
MAIN BROOK	$ 34,358	$ 27,487	$ 64,169
BAY L'ARGENT	$ 44,828	$ 35,862	$ 94,949
CHANGE ISLANDS	$ 34,948	$ 27,958	$ 64,294
Gaskiers-Point la Haye	$ 52,954	$ 42,363	$ 85,638
PARKERS COVE	$ 77,269	$ 61,815	$ 124,164
LAMALINE	$ 35,612	$ 28,489	$ 86,884
PILLEY'S ISLAND	$ 35,685	$ 28,548	$ 62,031
ANCHOR POINT	$ 73,288	$ 58,630	$ 87,623
WHITEWAY	$ 42,321	$ 33,857	$ 53,591
Seal Cove, Fortune Bay	$ 40,404	$ 32,323	$ 103,610
LITTLE BURNT BAY	$ 35,390	$ 28,312	$ 76,649
ST. PAUL'S	$ 26,838	$ 21,470	$ 61,078
FLEUR DE LYS	$ 39,077	$ 31,262	$ 86,822
ELLISTON	$ 36,128	$ 28,902	$ 72,781
RUSHOON	$ 68,716	$ 54,973	$ 122,340
BAULINE	$ 64,735	$ 51,788	$ 51,788
Seal Cove, White Bay	$ 44,680	$ 35,744	$ 101,560
LEADING TICKLES	$ 29,492	$ 23,594	$ 79,855
PORT REXTON	$ 45,277	$ 36,222	$ 63,381
WOODY POINT	$ 49,340	$ 39,472	$ 39,472
GREENSPOND	$ 55,003	$ 44,002	$ 107,821
YORK HARBOUR	$ 45,270	$ 36,216	$ 36,216
CHARLOTTETOWN, Labrador	$ 40,591	$ 32,473	$ 80,203
MING'S BIGHT	$ 50,579	$ 40,463	$ 105,195
JACKSON'S ARM	$ 44,238	$ 35,390	$ 95,197
NORTHERN ARM	$ 67,629	$ 54,103	$ 54,103
PORT AU CHOIX	$ 179,754	$ 143,803	$ 143,803
COME-BY-CHANCE	$ 111,922	$ 89,538	$ 89,538
GILLAMS	$ 80,464	$ 64,371	$ 82,548
HEART'S CONTENT	$ 65,915	$ 52,732	$ 72,285
HANT'S HARBOUR	$ 62,081	$ 49,665	$ 96,981
BRYANT'S COVE	$ 84,064	$ 67,251	$ 98,564
BELLEORAM	$ 28,017	$ 22,414	$ 116,774
MARY'S HARBOUR	$ 68,864	$ 55,091	$ 91,248

Community	Unadjusted Municipal Income Tax	Adjusted to Fund Equalization Municipal Income Tax	Equalization Plus Adjusted Municipal Income Tax
STEADY BROOK	$ 152,773	$ 122,218	$ 122,218
Seldom-Little Seldom	$ 68,569	$ 54,855	$ 111,865
FORTEAU	$ 76,827	$ 61,461	$ 112,498
COMFORT COVE-NEWSTEAD	$ 60,754	$ 48,603	$ 98,649
Sunnyside, Trinity Bay	$ 152,031	$ 121,625	$ 167,685
LITTLE CATALINA	$ 66,357	$ 53,086	$ 143,140
SOUTHERN HARBOUR	$ 102,042	$ 81,634	$ 148,261
BAY DE VERDE	$ 64,882	$ 51,906	$ 101,775
ST. MARY'S	$ 84,726	$ 67,781	$ 115,958
PARSON'S POND	$ 60,311	$ 48,249	$ 129,793
NORTH WEST RIVER	$ 89,881	$ 71,905	$ 71,905
HERMITAGE-SANDYVILLE	$ 77,122	$ 61,697	$ 147,040
COW HEAD	$ 88,771	$ 71,017	$ 106,026
EASTPORT	$ 102,193	$ 81,755	$ 81,755
REIDVILLE	$ 95,157	$ 76,126	$ 76,126
MIDDLE ARM	$ 56,477	$ 45,182	$ 156,341
BURLINGTON	$ 47,335	$ 37,868	$ 162,921
TERRENCEVILLE	$ 92,457	$ 73,966	$ 146,802
PORT HOPE SIMPSON	$ 59,131	$ 47,305	$ 130,154
LUMSDEN	$ 104,107	$ 83,285	$ 111,066
PORT BLANDFORD	$ 106,171	$ 84,937	$ 84,937
SOUTH RIVER	$ 105,434	$ 84,347	$ 84,347
St. Bernard's-Jacques Fontaine	$ 118,410	$ 94,728	$ 182,136
South Brook	$ 70,928	$ 56,743	$ 150,154
FERRYLAND	$ 132,419	$ 105,935	$ 126,507
WINTERTON	$ 71,371	$ 57,097	$ 100,647
NORTH RIVER	$ 100,283	$ 80,227	$ 136,109
McIVER'S	$ 114,661	$ 91,729	$ 151,060
CARTWRIGHT	$ 77,711	$ 62,169	$ 162,595
LEWIN'S COVE	$ 88,476	$ 70,781	$ 130,116
APPLETON	$ 112,019	$ 89,615	$ 89,615
HAMPDEN	$ 65,767	$ 52,614	$ 155,301
CAMPBELLTON	$ 90,393	$ 72,314	$ 142,206
LARK HARBOUR	$ 55,150	$ 44,120	$ 79,248
GARNISH	$ 117,968	$ 94,374	$ 178,013
L'ANSE AU LOUP, Labrador	$ 131,239	$ 104,992	$ 152,105
Port au Port West-Aguathuna-Felix Cove	$ 49,656	$ 39,725	$ 82,126
BIRCHY BAY	$ 74,025	$ 59,220	$ 140,220

Community	Unadjusted Municipal Income Tax	Adjusted to Fund Equalization Municipal Income Tax	Equalization Plus Adjusted Municipal Income Tax
ENGLEE	$ 51,464	$ 41,171	$ 141,966
TROUT RIVER	$ 53,823	$ 43,058	$ 150,362
RAMEA	$ 94,080	$ 75,264	$ 220,432
MEADOWS	$ 128,742	$ 102,993	$ 102,993
ROSE BLANCHE-Harbour le Cou	$ 97,619	$ 78,095	$ 213,334
COX'S COVE	$ 84,347	$ 67,478	$ 172,428
CORMACK	$ 121,025	$ 96,820	$ 96,820
HEART'S DELIGHT-ISLINGTON	$ 115,756	$ 92,605	$ 128,668
ST. LUNAIRE-GRIQUET	$ 89,189	$ 71,351	$ 172,618
EMBREE	$ 89,066	$ 71,253	$ 153,877
POINT LEAMINGTON	$ 100,420	$ 80,336	$ 162,242
St. Jacques-Coomb's Cove	$ 79,521	$ 63,616	$ 193,263
OLD PERLICAN	$ 133,156	$ 106,525	$ 106,525
KING'S POINT	$ 120,475	$ 96,380	$ 173,537
DOVER	$ 69,011	$ 55,209	$ 170,139
NORRIS POINT	$ 131,829	$ 105,463	$ 105,463
SALMON COVE	$ 142,446	$ 113,957	$ 183,801
LAWN	$ 102,485	$ 81,988	$ 202,911
BURNT ISLANDS	$ 177,984	$ 142,387	$ 254,209
ISLE AUX MORTS	$ 154,243	$ 123,395	$ 229,103
PORT SAUNDERS	$ 125,931	$ 100,745	$ 153,515
MOUNT MORIAH	$ 156,013	$ 124,810	$ 124,810
TREPASSEY	$ 241,540	$ 193,232	$ 317,603
GLENWOOD	$ 145,529	$ 116,423	$ 170,254
Joe Batt's Arm-Barr'd Islands-Shoal Bay	$ 88,329	$ 70,663	$ 191,424
BUCHANS	$ 114,429	$ 91,543	$ 237,323
FOGO	$ 126,373	$ 101,099	$ 180,602
CUPIDS	$ 136,854	$ 109,483	$ 179,625
NORMAN'S COVE-Long Cove	$ 154,096	$ 123,277	$ 242,819
PETERVIEW	$ 48,072	$ 38,458	$ 194,366
BRIGUS	$ 165,745	$ 132,596	$ 132,596
WHITBOURNE	$ 133,200	$ 106,560	$ 106,560
MILLTOWN-Head of BAY D'ESPOIR	$ 170,135	$ 136,108	$ 259,878
PORT AU PORT EAST	$ 78,031	$ 62,425	$ 152,943
ROBERT'S ARM	$ 196,564	$ 157,251	$ 276,471
NORRIS ARM	$ 139,350	$ 111,480	$ 221,034
RODDICKTON	$ 135,663	$ 108,531	$ 193,793
BADGER	$ 177,542	$ 142,034	$ 245,280
PETTY HARBOUR-MADDOX COVE	$ 174,445	$ 139,556	$ 153,426

Community	Unadjusted Municipal Income Tax	Adjusted to Fund Equalization Municipal Income Tax	Equalization Plus Adjusted Municipal Income Tax
SUMMERFORD	$ 117,526	$ 94,021	$ 224,422
ROCKY HARBOUR	$ 204,527	$ 163,622	$ 163,622
La Scie	$ 152,474	$ 121,979	$ 264,375
CARMANVILLE	$ 128,143	$ 102,514	$ 284,911
TRITON	$ 207,329	$ 165,863	$ 226,424
HARE BAY, Bonavista Bay	$ 120,327	$ 96,262	$ 237,410
ARNOLD'S COVE	$ 297,279	$ 237,824	$ 237,824
MUSGRAVE HARBOUR	$ 180,049	$ 144,039	$ 170,258
WITLESS BAY	$ 258,940	$ 207,152	$ 207,152
Harbour Main-Chapel Cove-Lakeview	$ 304,652	$ 243,722	$ 266,650
BAY BULLS	$ 288,874	$ 231,099	$ 231,099
CENTREVILLE-WAREHAM-TRINITY	$ 173,413	$ 138,730	$ 272,616
MASSEY DRIVE	$ 410,906	$ 328,725	$ 328,725
FLATROCK	$ 345,204	$ 276,163	$ 276,163
ST. GEORGE'S	$ 175,440	$ 140,352	$ 257,334
IRISHTOWN-SUMMERSIDE	$ 259,495	$ 207,596	$ 218,677
CLARKE'S BEACH	$ 268,705	$ 214,964	$ 214,964
ST. LAWRENCE	$ 230,185	$ 184,148	$ 334,071
BAIE VERTE	$ 284,008	$ 227,206	$ 263,932
ST. ALBAN'S	$ 241,834	$ 193,468	$ 381,107
FORTUNE	$ 237,116	$ 189,693	$ 423,277
TRINITY BAY NORTH	$ 241,540	$ 193,232	$ 357,688
BURGEO	$ 274,866	$ 219,892	$ 433,830
KIPPENS	$ 372,079	$ 297,663	$ 297,663
POUCH COVE	$ 345,204	$ 276,163	$ 276,163
WABUSH	$ 889,037	$ 711,229	$ 711,229
UPPER ISLAND COVE	$ 256,138	$ 204,910	$ 398,365
VICTORIA	$ 297,869	$ 238,295	$ 340,402
Logy Bay-Middle Cove-Outer Cove	$ 816,044	$ 652,835	$ 652,835
HUMBER ARM SOUTH	$ 328,246	$ 262,597	$ 355,320
HARBOUR BRETON	$ 309,076	$ 247,261	$ 523,668
GLOVERTOWN	$ 396,474	$ 317,179	$ 400,599
GAMBO	$ 299,271	$ 239,417	$ 452,453
STEPHENVILLE CROSSING	$ 278,699	$ 222,960	$ 421,986
HOLYROOD	$ 599,685	$ 479,748	$ 479,748
Wabana/Bell Island	$ 285,335	$ 228,268	$ 509,419
TWILLINGATE	$ 393,775	$ 315,020	$ 452,509
ST. ANTHONY	$ 675,029	$ 540,023	$ 540,023

Community	Unadjusted Municipal Income Tax	Adjusted to Fund Equalization Municipal Income Tax	Equalization Plus Adjusted Municipal Income Tax
BURIN	$ 490,570	$ 392,456	$ 399,800
NEW-WES-VALLEY	$ 479,393	$ 383,514	$ 682,462
SPANIARD'S BAY	$ 421,266	$ 337,013	$ 929,176
GRAND BANK	$ 455,652	$ 364,521	$ 1,207,725
SPRINGDALE	$ 545,488	$ 436,391	$ 1,033,365
BOTWOOD	$ 536,642	$ 429,313	$ 1,202,920
HARBOUR GRACE	$ 686,750	$ 549,400	$ 1,247,447
PASADENA	$ 957,016	$ 765,613	$ 765,613
LEWISPORTE	$ 679,562	$ 543,649	$ 1,065,882
BISHOP'S FALLS	$ 707,218	$ 565,775	$ 1,373,529
BONAVISTA	$ 575,684	$ 460,547	$ 1,561,548
PLACENTIA	$ 916,022	$ 732,817	$ 1,419,905
CARBONEAR	$ 972,190	$ 777,752	$ 1,361,030
DEER LAKE	$ 891,522	$ 713,218	$ 823,718
CHANNEL-PORT AUX BASQUES	$ 945,767	$ 756,613	$ 1,879,978
CLARENVILLE	$ 1,500,956	$ 1,200,765	$ 1,200,765
MARYSTOWN	$ 1,324,455	$ 1,059,564	$ 2,030,854
BAY ROBERTS	$ 1,226,720	$ 981,376	$ 1,744,671
TORBAY	$ 2,212,154	$ 1,769,723	$ 1,769,723
Portugal Cove-St. Philip's	$ 2,357,591	$ 1,886,073	$ 1,886,073
STEPHENVILLE	$ 1,465,863	$ 1,172,690	$ 1,553,137
LABRADOR CITY	$ 3,640,788	$ 2,912,631	$ 2,912,631
HAPPY VALLEY-GOOSE BAY	$ 2,918,234	$ 2,334,587	$ 2,334,587
GANDER	$ 3,323,159	$ 2,658,528	$ 2,658,528
PARADISE	$ 4,778,885	$ 3,823,108	$ 3,823,108
GRAND FALLS-WINDSOR	$ 3,549,216	$ 2,839,373	$ 3,811,537
CORNER BROOK	$ 5,334,877	$ 4,267,902	$ 4,267,902
CONCEPTION BAY SOUTH	$ 6,359,804	$ 5,087,843	$ 5,087,843
MOUNT PEARL	$ 7,722,777	$ 6,178,222	$ 6,178,222
St. John's	$ 34,601,793	$ 27,681,434	$ 27,681,434
Total	$ 116,484,102	$ 93,187,282	$ 116,484,102

15.5 A Municipal Equalization System for Newfoundland and Labrador – An Illustration of an Equalization Program Without a Split between Large and Small Communities

If there were no distinction between large and small equalization communities, the equalization entitlements would be calculated in the same way as previously, except that there would be only one type of community. That is, there would be no differences considered in expenditure need by size of community

In this case, the single average net expenditure is $939.99 per capita and the standard or average tax would be 1.607%.

The proposed municipal equalization system can be represented as:

$$EE_j = AE * POP_j - t * AV_j$$

<div align="right">**Equation 23**</div>

As before, it is assumed that 20% of the municipal income tax collected will be available to fund the equalization pool. That is, $23.3 million (20% of $116.5 million) will be available to fund the equalization program.

The municipal equalization payments by community and the corresponding calculations are provided in the following table. A comparison of the difference between the equalization entitlements with and without the split between large and small communities is provided in the following table. The impact of removing the split is that none of the larger communities now qualify for equalization, while some of the small communities now qualify.

<div align="center">**Table 43: Estimate Equalization – Assuming No Split Between Large and Small Communities**</div>

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
PORT KIRWAN	85	$2,204,000	$79,899	$35,418	$44,481	$13,909	$164
COACHMANS COVE	95	$1,464,800	$89,299	$23,539	$65,760	$20,563	$216
MILLERTOWN	110	$2,506,200	$103,399	$40,275	$63,124	$19,739	$179
SANDY COVE	130	$6,405,400	$122,199	$102,935	$19,264	$6,024	$46
MORRISVILLE	130	$934,000	$122,199	$15,009	$107,189	$33,519	$258
MILES COVE	135	$2,324,700	$126,899	$37,358	$89,541	$28,000	$207
LITTLE BAY	135	$1,666,200	$126,899	$26,776	$100,123	$31,309	$232
NIPPERS HARBOUR	145	$1,857,100	$136,299	$29,844	$106,455	$33,289	$230
PORT ANSON	155	$2,477,500	$145,698	$39,813	$105,885	$33,111	$214
FRENCHMAN' S COVE	160	$4,457,400	$150,398	$71,630	$78,768	$24,631	$154
POINT OF BAY	160	$3,328,100	$150,398	$53,483	$96,916	$30,306	$189
BEACHSIDE	185	$2,266,100	$173,898	$36,416	$137,482	$42,991	$232

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
ADMIRALS BEACH	185	$2,177,400	$173,898	$34,991	$138,907	$43,437	$235
SALVAGE, BONAVISTA BAY	185	$5,581,900	$173,898	$89,701	$84,197	$26,329	$142
TRINITY	190	$21,700,300	$178,598	$348,724	$-	$-	$-
POOLS COVE	190	$2,794,100	$178,598	$44,901	$133,697	$41,808	$220
HUGHES BROOK	195	$11,685,900	$183,298	$187,792	$-	$-	$-
NEW PERLICAN	200	$6,441,000	$187,998	$103,507	$84,491	$26,421	$132
PACQUET	200	$2,508,200	$187,998	$40,307	$147,691	$46,184	$231
WOODSTOCK	200	$2,707,900	$187,998	$43,516	$144,482	$45,180	$226
INDIAN BAY	200	$2,684,300	$187,998	$43,137	$144,861	$45,299	$226
CROW HEAD	205	$5,003,000	$192,698	$80,398	$112,300	$35,117	$171
BRENTS COVE	205	$1,625,800	$192,698	$26,127	$166,571	$52,088	$254
LONG HARBOUR-MOUNT ARLINGTON HEIGHTS	210	$7,629,500	$197,398	$122,606	$74,792	$23,388	$111
BIRD COVE	210	$3,808,600	$197,398	$61,204	$136,194	$42,589	$203
LORDS COVE	210	$155,600	$197,398	$2,500	$194,897	$60,946	$290
RED HARBOUR	215	$3,302,600	$202,098	$53,073	$149,025	$46,601	$217
BRIGHTON	220	$3,134,400	$206,798	$50,370	$156,428	$48,916	$222
CONCHE	225	$4,058,700	$211,498	$65,223	$146,274	$45,741	$203
HAPPY ADVENTURE	225	$8,402,000	$211,498	$135,020	$76,478	$23,915	$106
PORTUGAL COVE SOUTH	225	$2,296,200	$211,498	$36,900	$174,598	$54,598	$243
L'ANSE AU CLAIR	235	$8,197,100	$220,898	$131,727	$89,170	$27,884	$119
GOOSE COVE EAST	235	$2,678,800	$220,898	$43,048	$177,849	$55,614	$237
RED BAY	240	$3,882,900	$225,598	$62,398	$163,199	$51,033	$213
TILTING	245	$4,008,000	$230,298	$64,409	$165,889	$51,874	$212
ST. LEWIS	250	$6,220,500	$234,998	$99,963	$135,034	$42,226	$169
HEARTS DESIRE	250	$6,037,500	$234,998	$97,023	$137,975	$43,146	$173
RALEIGH	250	$4,287,400	$234,998	$68,899	$166,099	$51,940	$208
SANDRINGHAM	255	$6,738,400	$239,697	$108,286	$131,411	$41,093	$161
HOWLEY	260	$7,488,800	$244,397	$120,345	$124,052	$38,792	$149
POINT MAY	260	$2,377,600	$244,397	$38,208	$206,189	$64,477	$248
COOK'S HARBOUR	260	$3,386,800	$244,397	$54,426	$189,972	$59,405	$228
FLOWER'S COVE	270	$11,335,000	$253,797	$182,153	$71,644	$22,403	$83
COTTLESVILLE	275	$7,246,700	$258,497	$116,454	$142,043	$44,418	$162
FERMEUSE	285	$11,162,400	$267,897	$179,380	$88,517	$27,680	$97
WESTPORT	285	$3,426,600	$267,897	$55,065	$212,832	$66,554	$234
WINTERLAND	290	$13,484,800	$272,597	$216,701	$55,896	$17,479	$60
DANIEL'S HARBOUR	290	$7,187,000	$272,597	$115,495	$157,102	$49,127	$169
MAIN BROOK	290	$6,674,600	$272,597	$107,261	$165,336	$51,702	$178
BAY L'ARGENT	295	$3,734,200	$277,297	$60,009	$217,288	$67,947	$230
CHANGE ISLANDS	300	$7,130,900	$281,997	$114,594	$167,403	$52,348	$174

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
GASKIERS	300	$6,157,100	$281,997	$98,945	$183,052	$57,242	$191
PARKERS COVE	305	$3,684,100	$286,697	$59,203	$227,493	$71,138	$233
LAMALINE	315	$4,646,700	$296,097	$74,672	$221,424	$69,241	$220
PILLEYS ISLAND	315	$8,142,800	$296,097	$130,855	$165,242	$51,672	$164
ANCHOR POINT	320	$8,976,800	$300,797	$144,257	$156,540	$48,951	$153
WHITEWAY	320	$10,276,200	$300,797	$165,139	$135,658	$42,421	$133
SEAL COVE, F.B.	320	$3,041,200	$300,797	$48,872	$251,925	$78,778	$246
LITTLE BURNT BAY	320	$6,262,100	$300,797	$100,632	$200,165	$62,593	$196
ST. PAUL'S	320	$7,487,100	$300,797	$120,318	$180,479	$56,437	$176
FLEUR DE LYS	325	$5,452,100	$305,497	$87,615	$217,882	$68,133	$210
ELLISTON	330	$7,295,400	$310,197	$117,237	$192,960	$60,340	$183
RUSHOON	335	$4,202,800	$314,897	$67,539	$247,358	$77,350	$231
BAULINE	335	$16,864,300	$314,897	$271,009	$43,887	$13,724	$41
SEAL COVE, W. B.	335	$4,420,500	$314,897	$71,037	$243,859	$76,256	$228
LEADING TICKLES	350	$6,372,900	$328,997	$102,413	$226,584	$70,854	$202
PORT REXTON	350	$10,457,100	$328,997	$168,046	$160,951	$50,330	$144
WOODY POINT	355	$21,690,000	$333,696	$348,558	$-	$-	$-
GREENSPOND	360	$5,720,000	$338,396	$91,920	$246,476	$77,074	$214
YORK HARBOUR	360	$14,806,700	$338,396	$237,944	$100,453	$31,412	$87
CHARLOTTETOWN	365	$8,181,800	$343,096	$131,482	$211,615	$66,173	$181
MINGS BIGHT	365	$5,795,700	$343,096	$93,137	$249,959	$78,164	$214
JACKSON'S ARM	385	$7,302,300	$361,896	$117,348	$244,548	$76,472	$199
NORTHERN ARM	385	$17,465,500	$361,896	$280,671	$81,226	$25,400	$66
PORT AUX CHOIX	385	$32,651,200	$361,896	$524,705	$-	$-	$-
COME BY CHANCE	390	$168,631,300	$366,596	$2,709,905	$-	$-	$-
GILLAMS	400	$13,756,000	$375,996	$221,059	$154,937	$48,450	$121
HEARTS CONTENT	410	$13,970,600	$385,396	$224,508	$160,888	$50,311	$123
HANTS HARBOUR	415	$10,278,100	$390,096	$165,169	$224,927	$70,336	$169
BRYANT'S COVE	415	$12,524,100	$390,096	$201,262	$188,834	$59,049	$142
BELLEORAM	420	$3,879,900	$394,796	$62,350	$332,446	$103,958	$248
MARY'S HARBOUR	425	$12,252,000	$399,496	$196,890	$202,606	$63,356	$149
STEADY BROOK	435	$56,001,500	$408,896	$899,944	$-	$-	$-
SELDOM	435	$9,733,100	$408,896	$156,411	$252,485	$78,953	$182
FORTEAU	445	$10,979,100	$418,296	$176,434	$241,861	$75,631	$170
COMFORT COVE-NEWSTEAD	450	$11,321,900	$422,996	$181,943	$241,053	$75,378	$168
SUNNYSIDE	470	$12,696,700	$441,795	$204,036	$237,759	$74,349	$158
LITTLE CATALINA	470	$6,522,500	$441,795	$104,817	$336,979	$105,375	$224
SOUTHERN HARBOUR	475	$10,014,100	$446,495	$160,927	$285,569	$89,299	$188
BAY DE VERDE	480	$12,569,800	$451,195	$201,997	$249,199	$77,926	$162
ST. MARY'S	480	$12,807,200	$451,195	$205,812	$245,383	$76,733	$160

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
PARSON'S POND	485	$8,328,400	$455,895	$133,837	$322,058	$100,709	$208
NORTH WEST RIVER	495	$22,242,100	$465,295	$357,431	$107,865	$33,730	$68
HERMITAGE-SANDYVILLE	495	$8,202,900	$465,295	$131,821	$333,474	$104,279	$211
COWHEAD	495	$15,266,700	$465,295	$245,336	$219,959	$68,782	$139
EASTPORT	500	$23,497,200	$469,995	$377,600	$92,395	$28,892	$58
REIDVILLE	515	$24,840,800	$484,095	$399,192	$84,903	$26,550	$52
MIDDLE ARM	520	$5,599,100	$488,795	$89,978	$398,817	$124,712	$240
BURLINGTON	530	$4,056,800	$498,195	$65,193	$433,002	$135,402	$255
TERRENCEVILLE	530	$11,385,000	$498,195	$182,957	$315,238	$98,577	$186
PORT HOPE SIMPSON	530	$9,979,800	$498,195	$160,375	$337,819	$105,638	$199
LUMSDEN	535	$17,911,900	$502,895	$287,844	$215,050	$67,247	$126
PORT BLANDFORD	535	$31,468,300	$502,895	$505,696	$-	$-	$-
SOUTH RIVER	535	$28,197,700	$502,895	$453,137	$49,758	$15,559	$29
ST. BERNARDS	535	$9,543,800	$502,895	$153,369	$349,526	$109,299	$204
SOUTH BROOK, HALLS BAY	545	$9,108,900	$512,295	$146,380	$365,915	$114,424	$210
FERRYLAND	545	$19,331,300	$512,295	$310,654	$201,641	$63,054	$116
WINTERTON	555	$16,514,100	$521,694	$265,382	$256,313	$80,150	$144
NORTH RIVER	555	$14,783,500	$521,694	$237,571	$284,124	$88,847	$160
McIVERS	570	$14,911,000	$535,794	$239,620	$296,175	$92,615	$162
CARTWRIGHT	575	$9,347,600	$540,494	$150,216	$390,278	$122,042	$212
LEWINS COVE	580	$15,318,100	$545,194	$246,162	$299,032	$93,509	$161
APPLETON	585	$27,628,300	$549,894	$443,987	$105,907	$33,118	$57
HAMPDEN	585	$9,437,900	$549,894	$151,667	$398,227	$124,528	$213
CAMPBELLTON	585	$14,040,400	$549,894	$225,629	$324,265	$101,399	$173
LARK HARBOUR	585	$18,919,200	$549,894	$304,032	$245,863	$76,883	$131
GARNISH	595	$12,518,800	$559,294	$201,177	$358,117	$111,985	$188
L'ANSE AU LOUP	600	$17,848,700	$563,994	$286,829	$277,165	$86,671	$144
PORT AU PORT WEST	605	$18,713,800	$568,694	$300,731	$267,963	$83,794	$139
BIRCHY BAY	610	$13,500,600	$573,394	$216,955	$356,439	$111,461	$183
ENGLEE	625	$11,334,100	$587,494	$182,139	$405,355	$126,757	$203
TROUT RIVER	630	$10,624,500	$592,194	$170,736	$421,458	$131,792	$209
RAMEA	640	$5,718,300	$601,594	$91,893	$509,701	$159,386	$249
MEADOWS	640	$27,212,400	$601,594	$437,303	$164,290	$51,375	$80
ROSE BLANCHE	640	$7,111,700	$601,594	$114,285	$487,309	$152,384	$238
COX'S COVE	645	$11,566,300	$606,294	$185,870	$420,423	$131,469	$204
CORMACK	655	$33,960,000	$615,693	$545,737	$69,956	$21,876	$33
HEARTS DELIGHT-ISLINGTON	665	$22,049,300	$625,093	$354,332	$270,761	$84,669	$127
ST. LUNAIRE-GRIQUET	665	$12,898,600	$625,093	$207,281	$417,813	$130,652	$196
EMBREE	665	$15,515,000	$625,093	$249,326	$375,767	$117,505	$177

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
POINT LEAMINGTON	670	$15,819,600	$629,793	$254,221	$375,572	$117,444	$175
ST. JACQUES - COOMBS COVE	670	$9,119,600	$629,793	$146,552	$483,241	$151,112	$226
OLD PERLICAN	675	$30,397,400	$634,493	$488,486	$146,007	$45,657	$68
KINGS POINT	675	$16,689,900	$634,493	$268,207	$366,287	$114,540	$170
DOVER	680	$11,592,600	$639,193	$186,293	$452,900	$141,624	$208
NORRIS POINT	700	$45,535,200	$657,993	$731,751	$-	$-	$-
SALMON COVE	705	$18,939,300	$662,693	$304,355	$358,338	$112,054	$159
LAWN	705	$11,770,700	$662,693	$189,155	$473,538	$148,078	$210
BURNT ISLANDS	710	$13,251,900	$667,393	$212,958	$454,435	$142,104	$200
ISLE AUX MORTS	725	$14,721,400	$681,493	$236,573	$444,920	$139,129	$192
PORT SAUNDERS	740	$22,762,200	$695,593	$365,789	$329,804	$103,132	$139
MOUNT MORIAH	740	$30,779,500	$695,593	$494,627	$200,966	$62,843	$85
TREPASSEY	760	$13,529,100	$714,392	$217,413	$496,980	$155,408	$204
GLENWOOD	760	$23,428,800	$714,392	$376,501	$337,892	$105,661	$139
JOE BATTS ARM	770	$14,443,400	$723,792	$232,105	$491,687	$153,753	$200
BUCHANS	770	$10,932,300	$723,792	$175,682	$548,110	$171,397	$223
FOGO	785	$20,845,100	$737,892	$334,981	$402,911	$125,993	$161
CUPIDS	790	$22,362,600	$742,592	$359,367	$383,225	$119,837	$152
NORMAN'S COVE	795	$15,633,600	$747,292	$251,232	$496,060	$155,121	$195
PETERVIEW	800	$10,733,800	$751,992	$172,492	$579,500	$181,213	$227
BRIGUS	820	$36,982,800	$770,792	$594,314	$176,478	$55,186	$67
WHITBOURNE	855	$41,776,000	$803,691	$671,340	$132,351	$41,387	$48
MILLTOWN-BAY D'ESPAIR	865	$17,894,000	$813,091	$287,557	$525,535	$164,338	$190
PORT AU PORT EAST	870	$22,764,500	$817,791	$365,826	$451,966	$141,332	$162
ROBERTS ARM	890	$19,551,800	$836,591	$314,197	$522,394	$163,355	$184
NORRIS ARM	890	$20,908,300	$836,591	$335,996	$500,595	$156,539	$176
RODDICKTON	900	$24,725,100	$845,991	$397,332	$448,659	$140,298	$156
BADGER	920	$23,016,500	$864,791	$369,875	$494,916	$154,763	$168
PETTY HARBOUR - MADDOX COVE	940	$36,375,100	$883,591	$584,548	$299,043	$93,512	$99
SUMMERFORD	965	$21,040,100	$907,090	$338,114	$568,976	$177,922	$184
ROCKY HARBOUR	980	$70,353,600	$921,190	$1,130,582	$-	$-	$-
La Scie	980	$19,968,300	$921,190	$320,891	$600,300	$187,717	$192
CARMANVILLE	1,010	$15,577,600	$949,390	$250,332	$699,058	$218,599	$216
TRITON	1,020	$33,083,800	$958,790	$531,657	$427,133	$133,567	$131
HARE BAY	1,030	$22,181,800	$968,190	$356,462	$611,728	$191,291	$186
ARNOLDS COVE	1,035	$116,559,400	$972,890	$1,873,110	$-	$-	$-
MUSGRAVE HARBOUR	1,080	$40,349,400	$1,015,189	$648,415	$366,774	$114,692	$106
WITLESS BAY	1,090	$62,750,700	$1,024,589	$1,008,404	$16,185	$5,061	$5
HARBOUR MAIN	1,090	$41,219,000	$1,024,589	$662,389	$362,200	$113,262	$104

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
BAY BULLS	1,110	$72,121,500	$1,043,389	$1,158,993	$-	$-	$-
CENTREVILLE-WAREHAM-TRINITY	1,120	$26,870,200	$1,052,789	$431,804	$620,985	$194,185	$173
MASSEY DRIVE	1,170	$89,408,700	$1,099,788	$1,436,798	$-	$-	$-
FLATROCK	1,195	$78,083,300	$1,123,288	$1,254,799	$-	$-	$-
ST. GEORGE'S	1,245	$34,338,400	$1,170,288	$551,818	$618,469	$193,399	$155
IRISHTOWN - SUMMERSIDE	1,290	$51,035,100	$1,212,587	$820,134	$392,453	$122,722	$95
CLARKES BEACH	1,290	$57,111,000	$1,212,587	$917,774	$294,813	$92,190	$71
ST. LAWRENCE	1,345	$33,792,200	$1,264,287	$543,041	$721,246	$225,538	$168
BAIE VERTE	1,360	$50,289,800	$1,278,386	$808,157	$470,229	$147,043	$108
ST. ALBANS	1,435	$32,168,100	$1,348,886	$516,941	$831,944	$260,154	$181
FORTUNE	1,465	$26,943,200	$1,377,085	$432,977	$944,108	$295,228	$202
TRINITY BAY NORTH	1,540	$39,702,200	$1,447,585	$638,014	$809,570	$253,157	$164
BURGEO	1,630	$36,427,100	$1,532,184	$585,383	$946,800	$296,070	$182
KIPPENS	1,740	$94,332,400	$1,635,583	$1,515,922	$119,661	$37,419	$22
POUCH COVE	1,745	$91,281,800	$1,640,283	$1,466,899	$173,384	$54,218	$31
WABUSH	1,755	$155,875,000	$1,649,682	$2,504,911	$-	$-	$-
UPPER ISLAND COVE	1,755	$44,397,600	$1,649,682	$713,469	$936,213	$292,759	$167
VICTORIA	1,765	$57,625,100	$1,659,082	$926,035	$733,047	$229,228	$130
LOGY BAY-MIDDLE CV.-OUTER CV.	1,820	$198,541,100	$1,710,782	$3,190,555	$-	$-	$-
HUMBER ARM SOUTH	1,855	$62,611,100	$1,743,681	$1,006,160	$737,521	$230,627	$124
HARBOUR BRETON	1,905	$38,871,200	$1,790,681	$624,660	$1,166,021	$364,621	$191
GLOVERTOWN	2,065	$72,477,900	$1,941,079	$1,164,720	$776,359	$242,772	$118
GAMBO	2,075	$54,695,200	$1,950,479	$878,952	$1,071,527	$335,073	$161
STEPHENVILLE CROSSING	2,135	$59,107,400	$2,006,879	$949,856	$1,057,023	$330,537	$155
HOLYROOD	2,355	$114,250,900	$2,213,676	$1,836,012	$377,664	$118,098	$50
WABANA	2,415	$58,996,900	$2,270,076	$948,080	$1,321,996	$413,395	$171
TWILLINGATE	2,450	$80,585,400	$2,302,976	$1,295,007	$1,007,968	$315,197	$129
ST. ANTHONY	2,475	$114,443,000	$2,326,475	$1,839,099	$487,376	$152,405	$62
BURIN	2,480	$100,073,000	$2,331,175	$1,608,173	$723,002	$226,087	$91
NEW-WES-VALLEY	2,490	$59,556,900	$2,340,575	$957,079	$1,383,496	$432,627	$174
SPANIARD'S BAY	2,540	$89,283,300	$2,387,575	$1,434,783	$952,792	$297,943	$117
GRAND BANK	2,690	$65,561,600	$2,528,573	$1,053,575	$1,474,998	$461,240	$171
SPRINGDALE	2,765	$103,585,600	$2,599,072	$1,664,621	$934,452	$292,208	$106
BOTWOOD	3,055	$99,149,600	$2,871,669	$1,593,334	$1,278,335	$399,743	$131
HARBOUR GRACE	3,075	$110,617,500	$2,890,469	$1,777,623	$1,112,846	$347,993	$113
PASADENA	3,195	$226,563,700	$3,003,268	$3,640,879	$-	$-	$-
LEWISPORTE	3,310	$149,822,300	$3,111,367	$2,407,644	$703,723	$220,058	$66
BISHOPS FALLS	3,530	$126,124,000	$3,318,165	$2,026,813	$1,291,352	$403,813	$114
BONAVISTA	3,860	$108,697,100	$3,628,361	$1,746,762	$1,881,599	$588,387	$152

Community	Pop	Assessed Value	Standard Expenditure	Standard Revenue	Equalization Entitlement	Equalization Payment	Equalization Per Capita
PLACENTIA	3,900	$166,897,200	$3,665,961	$2,682,038	$983,923	$307,678	$79
CARBONEAR	4,720	$235,304,200	$4,436,753	$3,781,338	$655,414	$204,952	$43
DEER LAKE	4,825	$305,721,800	$4,535,452	$4,912,949	$-	$-	$-
CHANNEL-PORT AUX BASQUES	4,880	$173,459,900	$4,587,151	$2,787,501	$1,799,651	$562,761	$115
CLARENVILLE	5,275	$368,064,000	$4,958,447	$5,914,788	$-	$-	$-
MARYSTOWN	5,435	$230,738,300	$5,108,846	$3,707,964	$1,400,881	$438,063	$81
BAY ROBERTS	5,705	$276,586,500	$5,362,643	$4,444,745	$917,898	$287,032	$50
TORBAY	6,280	$486,757,300	$5,903,137	$7,822,190	$-	$-	$-
PORTUGAL COVE ST. PHILLIPS	6,565	$559,150,800	$6,171,034	$8,985,553	$-	$-	$-
STEPHENVILLE	6,855	$404,361,200	$6,443,631	$6,498,084	$-	$-	$-
LABRADOR CITY	7,230	$561,224,500	$6,796,128	$9,018,878	$-	$-	$-
HAPPY VALLEY GOOSE BAY	7,600	$598,503,700	$7,143,924	$9,617,954	$-	$-	$-
GANDER	9,930	$796,273,800	$9,334,101	$12,796,120	$-	$-	$-
PARADISE	12,640	$1,212,671,300	$11,881,474	$19,487,628	$-	$-	$-
GRAND FALLS-WINDSOR	13,740	$782,365,200	$12,915,463	$12,572,609	$342,854	$107,212	$8
CORNER BROOK W1	20,085	$1,534,898,800	$18,879,699	$24,665,824	$-	$-	$-
CONCEPTION BAY SOUTH	21,860	$1,460,449,300	$20,548,181	$23,469,420	$-	$-	$-
MOUNT PEARL	24,805	$1,824,330,400	$23,316,452	$29,316,990	$-	$-	$-
St. John's	100,645	$7,852,175,658	$94,605,294	$126,184,463	$-	$-	$-
Totals	436,455	$25,520,779,658			$74,500,813	$23,296,820	$53

Table 44: A Comparison of the Equalization Entitlements When Small Communities are Split from Large Communities Versus When There is No Distinction by Size of Community

Community	Split Equalization	No-Split Equalization	Difference Split - No Split
PORT KIRWAN	$ 8,987.05	$ 13,909	$4,922.36
COACHMAN'S COVE	$ 17,159.16	$ 20,563	$3,404.27
MILLERTOWN	$ 14,095.99	$ 19,739	$5,643.32
Sandy Cove, Bonavista Bay	$ -	$ 6,024	$6,023.94
MORRISVILLE	$ 31,108.59	$ 33,519	$2,410.11
MILES COVE	$ 22,651.56	$ 28,000	$5,348.33
Little Bay, Notre Dame Bay	$ 27,343.73	$ 31,309	$3,965.24
NIPPERS HARBOUR	$ 28,888.37	$ 33,289	$4,400.69
PORT ANSON	$ 27,372.60	$ 33,111	$5,738.24
Frenchman's Cove, Fortune Bay	$ 14,717.20	$ 24,631	$9,913.99

Community	Split Equalization	No-Split Equalization	Difference Split - No Split
POINT OF BAY	$ 22,764.07	$ 30,306	$7,542.05
BEACHSIDE	$ 37,593.67	$ 42,991	$5,397.70
ADMIRAL'S BEACH	$ 38,225.71	$ 43,437	$5,211.39
SALVAGE	$ 13,966.80	$ 26,329	$12,362.07
Trinity, Trinity Bay	$ -	$ -	$0.00
POOL'S COVE	$ 35,283.84	$ 41,808	$6,523.93
HUGHES BROOK	$ -	$ -	$0.00
NEW PERLICAN	$ 12,202.62	$ 26,421	$14,218.23
PACQUET	$ 40,225.94	$ 46,184	$5,957.93
WOODSTOCK	$ 38,802.97	$ 45,180	$6,377.37
INDIAN BAY	$ 38,971.14	$ 45,299	$6,327.80
CROW HEAD	$ 23,901.60	$ 35,117	$11,215.15
BRENT'S COVE	$ 47,965.98	$ 52,088	$4,121.81
LONG HARBOUR-MOUNT ARLINGTON HEIGHTS	$ 6,638.83	$ 23,388	$16,749.00
BIRD COVE	$ 33,864.80	$ 42,589	$8,723.73
LORD'S COVE	$ 59,894.40	$ 60,946	$1,051.11
RED HARBOUR	$ 38,922.78	$ 46,601	$7,678.19
BRIGHTON	$ 41,573.75	$ 48,916	$7,342.15
CONCHE	$ 36,440.07	$ 45,741	$9,300.76
HAPPY ADVENTURE	$ 5,491.71	$ 23,915	$18,423.26
PORTUGAL COVE SOUTH	$ 48,998.84	$ 54,598	$5,598.88
L'ANSE AU CLAIR	$ 9,856.65	$ 27,884	$18,027.39
GOOSE COVE EAST	$ 49,177.51	$ 55,614	$6,436.97
RED BAY	$ 42,050.11	$ 51,033	$8,983.26
TILTING	$ 42,611.16	$ 51,874	$9,263.26
ST. LEWIS	$ 28,298.36	$ 42,226	$13,927.55
HEART'S DESIRE	$ 29,602.33	$ 43,146	$13,543.18
RALEIGH	$ 42,072.74	$ 51,940	$9,867.34
SANDRINGHAM	$ 26,060.49	$ 41,093	$15,032.57

Community	Split Equalization	No-Split Equalization	Difference Split - No Split
HOWLEY	$ 22,165.94	$ 38,792	$16,625.93
POINT MAY	$ 58,586.01	$ 64,477	$5,890.56
COOK'S HARBOUR	$ 51,394.91	$ 59,405	$8,010.25
FLOWER'S COVE	$ -	$ 22,403	$22,403.43
COTTLESVILLE	$ 28,248.40	$ 44,418	$16,169.17
FERMEUSE	$ 3,251.84	$ 27,680	$24,428.04
WESTPORT	$ 58,373.59	$ 66,554	$8,180.07
WINTERLAND	$ -	$ 17,479	$17,479.11
DANIEL'S HARBOUR	$ 33,031.17	$ 49,127	$16,095.51
MAIN BROOK	$ 36,682.29	$ 51,702	$15,019.28
BAY L'ARGENT	$ 59,086.69	$ 67,947	$8,860.63
CHANGE ISLANDS	$ 36,335.82	$ 52,348	$16,012.17
Gaskiers-Point la Haye	$ 43,274.67	$ 57,242	$13,966.84
PARKERS COVE	$ 62,348.59	$ 71,138	$8,789.89
LAMALINE	$ 58,394.45	$ 69,241	$10,846.19
PILLEY'S ISLAND	$ 33,482.85	$ 51,672	$18,189.26
ANCHOR POINT	$ 28,992.61	$ 48,951	$19,958.21
WHITEWAY	$ 19,733.68	$ 42,421	$22,687.42
Seal Cove, Fortune Bay	$ 71,286.96	$ 78,778	$7,491.30
LITTLE BURNT BAY	$ 48,336.31	$ 62,593	$14,256.36
ST. PAUL'S	$ 39,607.52	$ 56,437	$16,829.30
FLEUR DE LYS	$ 55,560.45	$ 68,133	$12,572.31
ELLISTON	$ 43,878.40	$ 60,340	$16,461.15
RUSHOON	$ 67,367.30	$ 77,350	$9,982.82
BAULINE	$ -	$ 13,724	$13,723.82
Seal Cove, White Bay	$ 65,816.07	$ 76,256	$10,440.07
LEADING TICKLES	$ 56,261.54	$ 70,854	$14,592.55
PORT REXTON	$ 27,159.40	$ 50,330	$23,170.84
WOODY POINT	$ -	$ -	$0.00
GREENSPOND	$ 63,818.71	$ 77,074	$13,255.71

Community	Split Equalization	No-Split Equalization	Difference Split - No Split
YORK HARBOUR	$ -	$ 31,412	$31,412.13
CHARLOTTETOWN, Labrador	$ 47,729.51	$ 66,173	$18,443.63
MING'S BIGHT	$ 64,731.76	$ 78,164	$13,431.95
JACKSON'S ARM	$ 59,806.25	$ 76,472	$16,665.34
NORTHERN ARM	$ -	$ 25,400	$25,399.69
PORT AU CHOIX	$ -	$ -	$0.00
COME-BY-CHANCE	$ -	$ -	$0.00
GILLAMS	$ 18,177.52	$ 48,450	$30,272.18
HEART'S CONTENT	$ 19,553.29	$ 50,311	$30,757.40
HANT'S HARBOUR	$ 47,316.80	$ 70,336	$23,019.06
BRYANT'S COVE	$ 31,312.83	$ 59,049	$27,736.47
BELLEORAM	$ 94,359.88	$ 103,958	$9,597.78
MARY'S HARBOUR	$ 36,156.61	$ 63,356	$27,199.46
STEADY BROOK	$ -	$ -	$0.00
Seldom-Little Seldom	$ 57,010.04	$ 78,953	$21,943.35
FORTEAU	$ 51,036.53	$ 75,631	$24,594.89
COMFORT COVE-NEWSTEAD	$ 50,046.35	$ 75,378	$25,332.14
Sunnyside, Trinity Bay	$ 46,059.98	$ 74,349	$28,288.69
LITTLE CATALINA	$ 90,054.49	$ 105,375	$15,320.64
SOUTHERN HARBOUR	$ 66,627.41	$ 89,299	$22,671.51
BAY DE VERDE	$ 49,869.12	$ 77,926	$28,056.65
ST. MARY'S	$ 48,177.52	$ 76,733	$28,555.27
PARSON'S POND	$ 81,543.84	$ 100,709	$19,165.42
NORTH WEST RIVER	$ -	$ 33,730	$33,729.83
HERMITAGE-SANDYVILLE	$ 85,343.01	$ 104,279	$18,936.31
COW HEAD	$ 35,009.62	$ 68,782	$33,772.85
EASTPORT	$ -	$ 28,892	$28,892.43
REIDVILLE	$ -	$ 26,550	$26,549.70
MIDDLE ARM	$ 111,158.77	$ 124,712	$13,553.62

Community	Split Equalization	No-Split Equalization	Difference Split - No Split
BURLINGTON	$ 125,053.40	$ 135,402	$10,348.72
TERRENCEVILLE	$ 72,836.02	$ 98,577	$25,740.59
PORT HOPE SIMPSON	$ 82,848.82	$ 105,638	$22,789.16
LUMSDEN	$ 27,780.78	$ 67,247	$39,466.68
PORT BLANDFORD	$ -	$ -	$0.00
SOUTH RIVER	$ -	$ 15,559	$15,559.48
St. Bernard's-Jacques Fontaine	$ 87,408.02	$ 109,299	$21,890.65
South Brook	$ 93,411.82	$ 114,424	$21,011.69
FERRYLAND	$ 20,571.70	$ 63,054	$42,482.43
WINTERTON	$ 43,550.69	$ 80,150	$36,599.78
NORTH RIVER	$ 55,882.15	$ 88,847	$32,964.89
McIVER'S	$ 59,331.01	$ 92,615	$33,284.42
CARTWRIGHT	$ 100,425.69	$ 122,042	$21,616.52
LEWIN'S COVE	$ 59,335.11	$ 93,509	$34,173.97
APPLETON	$ -	$ 33,118	$33,117.83
HAMPDEN	$ 102,687.17	$ 124,528	$21,840.67
CAMPBELLTON	$ 69,891.87	$ 101,399	$31,507.58
LARK HARBOUR	$ 35,127.78	$ 76,883	$41,754.83
GARNISH	$ 83,639.00	$ 111,985	$28,346.16
L'ANSE AU LOUP, Labrador	$ 47,113.04	$ 86,671	$39,558.13
Port au Port West-Aguathuna-Felix Cove	$ 42,401.19	$ 83,794	$41,392.39
BIRCHY BAY	$ 81,000.51	$ 111,461	$30,460.03
ENGLEE	$ 100,795.36	$ 126,757	$25,961.34
TROUT RIVER	$ 107,304.10	$ 131,792	$24,488.17
RAMEA	$ 145,168.34	$ 159,386	$14,217.86
MEADOWS	$ -	$ 51,375	$51,374.50
ROSE BLANCHE-Harbour le Cou	$ 135,239.61	$ 152,384	$17,144.51
COX'S COVE	$ 104,950.63	$ 131,469	$26,518.02
CORMACK	$ -	$ 21,876	$21,875.71
HEART'S DELIGHT-ISLINGTON	$ 36,063.42	$ 84,669	$48,605.09

Community	Split Equalization	No-Split Equalization	Difference Split - No Split
ST. LUNAIRE-GRIQUET	$ 101,267.10	$ 130,652	$29,385.31
EMBREE	$ 82,623.84	$ 117,505	$34,880.70
POINT LEAMINGTON	$ 81,905.85	$ 117,444	$35,537.71
St. Jacques-Coomb's Cove	$ 129,646.97	$ 151,112	$21,465.29
OLD PERLICAN	$ -	$ 45,657	$45,657.21
KING'S POINT	$ 77,156.95	$ 114,540	$37,382.90
DOVER	$ 114,930.42	$ 141,624	$26,693.98
NORRIS POINT	$ -	$ -	$0.00
SALMON COVE	$ 69,843.49	$ 112,054	$42,210.93
LAWN	$ 120,923.64	$ 148,078	$27,154.28
BURNT ISLANDS	$ 111,821.75	$ 142,104	$30,282.58
ISLE AUX MORTS	$ 105,708.13	$ 139,129	$33,420.79
PORT SAUNDERS	$ 52,770.45	$ 103,132	$50,361.11
MOUNT MORIAH	$ -	$ 62,843	$62,843.20
TREPASSEY	$ 124,371.10	$ 155,408	$31,037.25
GLENWOOD	$ 53,830.39	$ 105,661	$51,830.19
Joe Batt's Arm-Barr'd Islands-Shoal Bay	$ 120,761.13	$ 153,753	$32,992.10
BUCHANS	$ 145,779.62	$ 171,397	$25,617.52
FOGO	$ 79,502.93	$ 125,993	$46,489.72
CUPIDS	$ 70,142.38	$ 119,837	$49,694.26
NORMAN'S COVE-Long Cove	$ 119,542.59	$ 155,121	$35,578.17
PETERVIEW	$ 155,908.77	$ 181,213	$25,304.07
BRIGUS	$ -	$ 55,186	$55,185.72
WHITBOURNE	$ -	$ 41,387	$41,386.94
MILLTOWN-Head of BAY D'ESPOIR	$ 123,770.40	$ 164,338	$40,567.26
PORT AU PORT EAST	$ 90,517.91	$ 141,332	$50,814.31
ROBERT'S ARM	$ 119,219.96	$ 163,355	$44,135.46
NORRIS ARM	$ 109,554.16	$ 156,539	$46,984.60
RODDICKTON	$ 85,262.31	$ 140,298	$55,035.75
BADGER	$ 103,246.83	$ 154,763	$51,516.06

Community	Split Equalization	No-Split Equalization	Difference Split - No Split
PETTY HARBOUR-MADDOX COVE	$ 13,869.41	$ 93,512	$79,642.92
SUMMERFORD	$ 130,401.85	$ 177,922	$47,520.11
ROCKY HARBOUR	$ -	$ -	$0.00
La Scie	$ 142,396.37	$ 187,717	$45,320.68
CARMANVILLE	$ 182,397.21	$ 218,599	$36,202.09
TRITON	$ 60,560.99	$ 133,567	$73,005.93
HARE BAY, Bonavista Bay	$ 141,148.54	$ 191,291	$50,142.28
ARNOLD'S COVE	$ -	$ -	$0.00
MUSGRAVE HARBOUR	$ 26,219.13	$ 114,692	$88,473.25
WITLESS BAY	$ -	$ 5,061	$5,061.25
Harbour Main-Chapel Cove-Lakeview	$ 22,927.67	$ 113,262	$90,334.22
BAY BULLS	$ -	$ -	$0.00
CENTREVILLE-WAREHAM-TRINITY	$ 133,885.36	$ 194,185	$60,300.02
MASSEY DRIVE	$ -	$ -	$0.00
FLATROCK	$ -	$ -	$0.00
ST. GEORGE'S	$ 116,981.79	$ 193,399	$76,417.07
IRISHTOWN-SUMMERSIDE	$ 11,080.88	$ 122,722	$111,641.38
CLARKE'S BEACH	$ -	$ 92,190	$92,189.77
ST. LAWRENCE	$ 149,922.87	$ 225,538	$75,614.75
BAIE VERTE	$ 36,725.93	$ 147,043	$110,317.41
ST. ALBAN'S	$ 187,639.66	$ 260,154	$72,513.96
FORTUNE	$ 233,584.63	$ 295,228	$61,643.26
TRINITY BAY NORTH	$ 164,456.70	$ 253,157	$88,700.44
BURGEO	$ 213,937.75	$ 296,070	$82,131.96
KIPPENS	$ -	$ 37,419	$37,418.64
POUCH COVE	$ -	$ 54,218	$54,218.15
WABUSH	$ -	$ -	$0.00
UPPER ISLAND COVE	$ 193,455.02	$ 292,759	$99,304.02
VICTORIA	$ 102,106.85	$ 229,228	$127,121.04

Community	Split Equalization	No-Split Equalization	Difference Split - No Split
Logy Bay-Middle Cove-Outer Cove	$ -	$ -	$0.00
HUMBER ARM SOUTH	$ 92,723.11	$ 230,627	$137,903.85
HARBOUR BRETON	$ 276,407.28	$ 364,621	$88,213.93
GLOVERTOWN	$ 83,419.96	$ 242,772	$159,351.99
GAMBO	$ 213,036.22	$ 335,073	$122,036.38
STEPHENVILLE CROSSING	$ 199,026.38	$ 330,537	$131,510.54
HOLYROOD	$ -	$ 118,098	$118,097.79
Wabana/Bell Island	$ 281,151.26	$ 413,395	$132,244.17
TWILLINGATE	$ 137,488.73	$ 315,197	$177,708.54
ST. ANTHONY	$ -	$ 152,405	$152,405.27
BURIN	$ 7,343.78	$ 226,087	$218,743.01
NEW-WES-VALLEY	$ 298,947.79	$ 432,627	$133,679.05
SPANIARD'S BAY	$ 592,163.00	$ 297,943	-$294,219.63
GRAND BANK	$ 843,203.29	$ 461,240	-$381,963.12
SPRINGDALE	$ 596,974.23	$ 292,208	-$304,765.94
BOTWOOD	$ 773,606.52	$ 399,743	-$373,863.91
HARBOUR GRACE	$ 698,047.75	$ 347,993	-$350,054.58
PASADENA	$ -	$ -	$0.00
LEWISPORTE	$ 522,232.74	$ 220,058	-$302,174.78
BISHOP'S FALLS	$ 807,754.59	$ 403,813	-$403,941.60
BONAVISTA	$ 1,101,000.37	$ 588,387	-$512,613.85
PLACENTIA	$ 687,088.08	$ 307,678	-$379,409.87
CARBONEAR	$ 583,278.58	$ 204,952	-$378,326.86
DEER LAKE	$ 110,500.20	$ -	-$110,500.20
CHANNEL-PORT AUX BASQUES	$ 1,123,364.92	$ 562,761	-$560,604.13
CLARENVILLE	$ -	$ -	$0.00
MARYSTOWN	$ 971,289.92	$ 438,063	-$533,226.55
BAY ROBERTS	$ 763,295.29	$ 287,032	-$476,263.49

Community	Split Equalization	No-Split Equalization	Difference Split - No Split
TORBAY	$ -	$ -	$0.00
Portugal Cove-St. Philip's	$ -	$ -	$0.00
STEPHENVILLE	$ 380,446.95	$ -	-$380,446.95
LABRADOR CITY	$ -	$ -	$0.00
HAPPY VALLEY-GOOSE BAY	$ -	$ -	$0.00
GANDER	$ -	$ -	$0.00
PARADISE	$ -	$ -	$0.00
GRAND FALLS-WINDSOR	$ 972,164.15	$ 107,212	-$864,951.84
CORNER BROOK	$ -	$ -	$0.00
CONCEPTION BAY SOUTH	$ -	$ -	$0.00
MOUNT PEARL	$ -	$ -	$0.00
St. John's	$ -	$ -	$0.00
0	$ 23,296,820.39	$ 23,296,820	$0.00

16.0 An Assessment of Municipalities Newfoundland and Labrador's Regional Government Initiative

Municipalities Newfoundland and Labrador has proposed that the concept of regional government be considered for adoption in Newfoundland and Labrador. Along with six illustrative models of regional government,[238] this concept proposed by Municipalities Newfoundland and Labrador is described in Keenan and Whelan (2010a). The context and perceived need for this proposal are contained in two companion pieces, Keenan and Whelan (2010b) and Keenan and Whelan (2010c).

While there is no hard and fast structure proposed for regional government, it is clear what the general idea being proposed is and the rationale or need for its adoption. Given that most communities in Newfoundland and Labrador are too small to benefit from scale economies[239]

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[238] Keenan and Whelan (2010a) describe and evaluate what they refer to as the Newfoundland and Labrador Model, the Whelan Commission Model, the British Columbia Model, The Quebec Mode, the Nova Scotia Model and the American Model.

[239] Economies of scale occur when the cost of providing services fall with the number of people being served. For example, in going from a population of 1,000 people to 2,000 people, one town clerk may be sufficient to handle municipal issues, but the salary of the clerk is now spread over twice as many people or the cost of the clerk per

or economies of scope,[240] public good provision is not efficient. That is, local public service provision in Newfoundland and Labrador involves higher resource costs than are absolutely necessary. As well, some goods that provide benefits in excess of their costs are not being provided because large fixed costs preclude smaller communities from providing them. In fact, from an economic perspective, Keenan and Whelan (2010a, p.13) see the realization of economies of scale and of scope as one of the primary benefits to be had from implementing a regional government in Newfoundland and Labrador. While these are no empirical studies for Newfoundland and Labrador to which one can appeal to determine whether these savings exist or whether they are significant within the Newfoundland and Labrador context, national and international studies and common sense do support the proposition that costs savings can be realized with regional provision of certain goods and services.

The regional government concept envisioned by Municipalities Newfoundland and Labrador would be expected to have the following characteristics:

- It needs to facilitate access of resident to local representatives so that they can express their desires for local services and their preferences on local issues. While a regional government would, by its very nature, serve a broader constituency base, access is unlikely to be significantly affected, especially since the municipal governments will not disappear under the system of regional government envisioned by Municipalities Newfoundland and Labrador;
- An effective government structure needs to have the capacity to match local services and provide facilities that match the needs and preferences of the local residents. Since the regional government is anticipated to have sufficient resources to hire professional staff and is expected to be large enough and broad enough to capture scale economies and economies of scope, the regional government concept envisioned by Municipalities Newfoundland and Labrador should be able provide more services and a more diverse set of services that are tailored to the needs of the residents and in a more efficient manner than is currently available within existing municipalities;

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person served in the 1,000 population community is twice as large as the cost per person served in 2000 person community. Similarly, the volume that of fluid that passes through a pipe increases faster than the material costs associated with the pipe as the diameter of the pipe increases. Therefore, as larger diameter pipes are used to service a large population, the cost per person falls or economies of scale are achieved. Keenan and Whelan (20101, p. 12) have other examples of scale economies.

[240] Keehan and Whelan (2010a, p. 12) describe economies of scope as occurring when a single entity producing a number of joint products can do so more cheaply than a number of entities each producing a single product. This could be due to the spreading of common services over a number of products. Keenan and Whelan (2010a, p. 13) suggest that central administration might fit into this category.

- A new government structure ought not to compromise how people identity or see themselves, while allowing for the possibility that another facet to their self-determined identity could be a regional one and one that already exists;

- A regional government structure should represent the people of the region in such a manner as the regional decisions and initiatives are owned and controlled by the constituents of the region. This can occur through elections or appointments to the regional council or through collaboration on various joint initiatives that involve the municipalities and the regional government;

- The delivery of local public goods needs to be undertaken in an efficient manner. That is, without wasting resources through the elimination of duplication and resource sharing. This would be achieved through the realization of economies of scale and economies of scope, both of which are more likely to occur under the larger regional entity than the smaller municipal entity;

- The effectiveness of a regional government in achieving its goals and objectives is one measure of the success of the concept. These goals can be democratic, which involve fuller inclusion of their constituents in the political process, service oriented, which involves providing the correct mix of goods and services to meet local needs. A larger regional government that encompasses areas not previous served by a municipal government or through the hiring of professional staff should be an effective entity in this context;

- An autonomous, self-reliance government structure will increase the likelihood that the benefits of government actions are better matched against the cost. This better matching should promote efficiency and good governance. While this is a longer term strategy for the regional government concept proffered by Municipalities Newfoundland and Labrador, additional funds from the central government beyond those already being allocated to existing municipalities. This, of course, could involve or some share of new revenue source being proposed to deal with municipal sustainability within the province.

- Interestingly, the possibility exists that regional government can serve as a conduit for more effective utilization of provincial and federal funding sources through the prioritization of regional spending initiatives. As well, it might be possible to reduce local tax collection costs by having the regional government act as an agent for the municipalities and collect local taxes due to the municipal government. In any event, with certain expenditure responsibilities being transferred to the regional government, it will free up tax room at the municipal level for the imposition of a regional levy;

- Simplicity and transparency can be enhanced with a move to a regional government concept as the regional government takes on expenditure responsibilities that were previously allocated to special purpose bodies or to the provincial government in the

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case of local service districts and unincorporated areas. Once the expenditure responsibilities have been specified, then local expenditures will either be a regional or a municipal responsibility. In particular, having comprehensive coverage at either the municipal or regional level will also improve perceived fairness. Specifically, this will eliminate the need to have one group of citizen receive services from the provincial government while another group of citizens are required to pay for these services through local property taxes; and

- Accountability is a concept that is intimately linked to responsibility, autonomy and efficiency. Without accountability and the autonomy to make expenditure decisions and the responsibility to make to take ownership of these decisions, efficiency in local government expenditure decisions will not exist.

Whatever configuration for a regional government framework is agreed upon through consultation with the various stakeholders, it is clear that to be effective and to meet the other desirable characteristics identified above, the regional government system needs to augment the existing system of municipal governments. It needs to be a positive force that contributes to the sustainability of local governments within the province and enables local government to perform the role that it needs to in a dynamic and growing economy.

While municipalities within Newfoundland and Labrador may have legislative authority to perform functions such as regional and municipal planning, this authority may not be exercised in many communities because of fiscal and human resource constraints. It is not that these services are unimportant or unnecessary. It is just that constraints faced by some municipalities preclude them from being moved up the priority list. One positive characteristic of a regional government structure is that it will enable the provision of services that are needed or it will enable local governments to better meet environmental and service delivery standards.

The powers and responsibilities that are included in the regional government concept for Newfoundland and Labrador are:

- Regional and Municipal Planning – since planning is outside of the technical or financial capability of many smaller communities within the province, this represents one of the positive contributions that a regional government can make. However, since the regional government proposal is still at the conceptual stage, it is not clear what the precise financial implications of shifting planning to a regional entity. This might involve, for example, the hiring of a professional planner as part of the regional government's staff and this will enable the region, and the municipalities contained within the region, the opportunity to plan for and manage development.

- Economic Development – While larger municipalities can allocate funds for economic development initiatives, smaller communities do not have the resources to effectively manage development or to implement economic plans at an appropriate level. A regional government can retain an economic development officer who can be shared amongst the municipalities, while simultaneously coordinating economic development initiatives on a regional basis. This should make the implementation of these economic development initiatives more effective.

- Set Business Tax Rates – the argument here is that regional government should have the authority to set common tax rates for business. This should prevent inefficient tax competition and a race to the bottom as communities try to attractive mobile businesses by offering lower tax rates than their neighbours. Of course, the argument could be extended to having only a provincially-set tax rate for exactly the same reason. As well, there is no empirical work to which one could appeal to identify the extent of tax competition within the province and the national and international literature has mixed results with respect to the extent of tax competition at the local level. While it is possible, and some may argue, even likely, the unambiguous evidence in support of the detrimental impacts of tax competition is not there. However, the substitution of regional business tax for the municipal business rate would improve fairness in that all parts of the province would come under a regional jurisdiction, even if areas such as local service districts and unincorporated areas are not governed by municipal taxation.

- Regional Taxation – Clearly, if there is a regional government structure that is responsible for providing local public services, then this government entity will have to be funded in some manner. This could be in the form of a regional property tax that adds to the municipal property tax and could be collected at the same time. As municipal services are assumed by the regional government, the local tax rate can fall, making room for the regional levy.[241] While scale economies and economies of scope should reduce the costs of providing local public services, it is expected that the service mix will be expanded. Consequently, in the short term, local taxes may rise. In the longer term economic growth and enhanced sustainability may grow the tax base which will mitigate the need for higher combined taxes. As well, if a municipal income tax or a municipal sales tax gets adopted in Newfoundland and Labrador, a portion of that can be allocated to the regional government to help defray some of their costs. Unfortunately, until the regional government concept gets formalized and expenditure

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[241] HRM (2009, p. 17) discusses a Regional Tax Rate that could be applied to all homes at a set rate. It would cover municipal services that benefit the entire region such as Police, Fire, Library and regional recreational facilities such as rinks and pools and the Metro Centre. A similar level could be considered for Newfoundland and Labrador's regional government.

responsibility specified, it is not possible to be more precise in terms of tax increases or revenue requirements that will be associated with the regional government.

- Establish Variable Tax Rates – while regional government could impose variable rates on homes in different parts of the region based on the benefits that they receive from regional services, this, with appropriate legislative changes, could be implemented at the municipal level. The idea of a variable rate would be fair and it would make the local tax a benefit tax, which would improve efficiency in local public goods provision. On the other hand, a variable tax rate should reduce the opposition by people who currently live in unincorporated areas because they would only pay for services they receive. This might make the politics a little easier as well.

- Provide Emergency Services – to the extent that emergencies cross municipal boundaries, a regional response would be more efficient. It might facilitate the rationalization of fire protection services and allow Newfoundland and Labrador municipalities to have an increased ability to meet changing firefighting standards. To the extent that the needs spill across municipal boundaries, the economic case for regional provision is stronger.

- Dispute Resolution – there has to be an effective mechanism in place to deal with differences and disputes that emanate from those differences. With an acceptable resolution mechanism, the likelihood that voluntary cooperation for the good of the whole is increased because people do not have to fear that negative decisions will be imposed upon them without due consideration of their needs.[242]

- Municipal Tax Collection – with a regional government, the possibility exist that a regional tax collection agency can reduce collection costs for the municipalities within the region by collecting municipal taxes and remitting them to the municipality. This is the model that currently exists between the federal and provincial governments for personal income tax collections, for example. There is no obvious reason why this cannot be workable in the regional government context.

- Waste Management – having regional governments be responsible for waste management might facilitate more local input into management decisions. Whether or not this is the most effective means of dealing with waste management remains to be seen.

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[242] Robotti and Dollery (2008, p. 5) notes that whatever model of local government councils have chosen, the various national experiences lead to the conclusion that local structural reforms work if inter-communal cooperation is based largely on voluntary participation.

17.0 Conclusion

This study reviewed the literature on municipal fiscal instruments; it developed a simulation model of local government finance in Newfoundland and Labrador and utilized the model to simulate the impact of supplementing the property tax with a municipal income tax and a municipal sales tax. It also reviewed existing approaches utilized worldwide to fund municipal expenditures and it proposed a set of municipal indicators was proposed. As well, an illustrative municipal equalization system was developed and simulated for Newfoundland and Labrador municipalities. Finally, an evaluation of MNL's regional government initiative was considered.

The principle result of this analysis was the illustration of how a municipal income tax and a municipal sales tax could technically be implemented within Newfoundland and Labrador by adding one percentage point to the existing provincial personal income tax or to the provincial portion of the HST. Another important result was the impact that these alternative funding instruments would have on municipal fiscal sustainability within the Newfoundland and Labrador context.

The municipal income tax simulated in this analysis, if adopted, would increase average municipal fiscal capacity by 20.7% for the entire sample of communities. The increment in average fiscal capacity by community size would be:

- 19.1% for municipalities with a population of less than 250 people;
- 17.1% for municipalities with a population between 250 and 500 people;
- 21.9% for municipalities with a population of between 500 and 1,000 people;
- 25.2% for municipalities with a population between 1,000 and 2,500 people;
- 22.1% for municipalities with a population between 2,500 and 5,000 people;
- 25.5% for municipalities with a population between 5,000 and 10,000 people;
- 21.9% for municipalities with a population between 10,000 and 100,000 people; and
- 16.9% for St. John's.

Likewise, if it is adopted, the municipal sales tax simulated in this analysis would increase average municipal fiscal capacity by 15.7% for the entire sample of communities. The increment in average fiscal capacity by community size would be:

- 20.0% for municipalities with a population of less than 250 people;
- 17.7% for municipalities with a population between 250 and 500 people;
- 22.6% for municipalities with a population of between 500 and 1,000 people;
- 22.4% for municipalities with a population between 1,000 and 2,500 people;
- 20.6% for municipalities with a population between 2,500 and 5,000 people;

- 17.5% for municipalities with a population between 5,000 and 10,000 people;
- 15.8% for municipalities with a population between 10,000 and 100,000 people; and
- 10.9% for St. John's.

As well, an equalization system was proposed that would be funded out of the municipal income tax. Specifically, it was assumed that 20% of the municipal income tax collected would be available to fund the equalization program. This meant that $23.3 million would be available to fund the equalization program.

When smaller communities (less than 2,500) were separated from larger communities (more than 2,500 people), $23.3 million is paid out in equalization payments, with $11.5 million (49.5%) to going to the larger communities and $11.8 million (50.5%) going to the smaller communities. For the communities that received equalization payments, the average payment to the smaller communities is $107 per capita and it is $104 per capita for the larger communities that qualify for any payment.

Equalization was also calculated for Newfoundland and Labrador municipalities under the assumption that there was no split between larger and smaller communities. A comparison of the difference between the equalization entitlements with and without the split between large and small communities revealed that none of the larger communities would now qualified for equalization without the split, while some of the small communities that previous did not qualify, would qualify.

The Municipalities Newfoundland and Labrador's regional government initiative was also considered. There are obvious benefits from the implementation of the regional government concept. There will be financial and taxation issues that will need to be resolved. Until there is a full debate and consultation on the options and issue and a formal system is outlined, it is impossible to evaluate its revenue and funding implications. However, it is a good idea whose time has come and it is worthy of further consideration and discussion.

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Municipalities

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Municipal Fiscal Sustainability

Dr. Wade Locke's review of Municipal Revenue