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**FINANCIAL STATISTICS
OF
PROVINCIAL GOVERNMENTS
1957**

(Fiscal Year Ended March 31, 1958)

Revenue and Expenditure
(First Analysis)

Summary of Estimates

Memorandum

Formerly
Summary of Estimates of Revenue and Expenditure of Provincial Governments

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FINANCIAL STATISTICS OF PROVINCIAL GOVERNMENTS

1957

(Fiscal Year Ended March 31, 1958)

REVENUE AND EXPENDITURE – SUMMARY OF ESTIMATES (First Analysis)

This memorandum provides a summary analysis of revenue and expenditure estimates of provincial governments for the current fiscal year. The information was mostly derived from the Estimates and Budget Speeches presented to the provincial legislatures in the spring of 1957.

Because of variations in accounting and reporting practices among the provinces, certain adjustments to the provincial figures are necessary to achieve interprovincial comparability. The accuracy of such adjustments and also of the presentation of revenue and expenditure in terms of standard statistical categories depends upon the extent and detail of the available sources of information.

"Net General Revenue" and "Net General Expenditure" are arrived at by first analyzing the combined revenues (and expenditures) of capital account, current or ordinary account and those working capital funds and special funds for which separate accounts are kept. Then the following types of revenue are deducted from revenue and offset against the related expenditures: (a) interest, premium, discount and exchange; (b) institutional revenue; (c) grants-in-aid and shared-cost contributions from other governments; and (d) capital revenue.

The reports "Financial Statistics of Provincial Governments – Revenue and Expenditure (Actual)" explain more fully the various adjustments to provincial figures that are required to produce statistics on this basis.

BUDGET COMMENTS

The budgets for the 1957-58 fiscal year reflect a continued optimism regarding economic conditions. Concern was nevertheless expressed about the effects of the substantially higher interest rates on municipal and school borrowings.

Considerable attention was focused on the new "Federal-Provincial Tax-Sharing Arrangements Act", effective April 1, 1957, replacing the "Tax-Rental Agreements Act, 1952". The new arrangements attempt to put every province in a "neutral" position in which a decision to impose its own taxes can be made with no material financial penalty for not signing a rental agreement. All provinces except Ontario and Quebec agreed to rent the fields of personal and corporation income taxes, other corporation taxes and succession duties to the federal government. Ontario agreed to rent only the personal income tax field; Quebec did not sign an agreement.

The basic provision of the new approach is that all provinces are offered the means by which they can obtain revenue yields from "standard rates of taxation" (viz, 10% of the federal tax on personal income, 9% of taxable corporate income and 50% of federal succession duties) equal to the average of the two highest per capita provincial yields. A stabilization clause assures the provinces of as much revenue as they would have received had the former agreements continued. Complex calculations are required to determine the rental, equalization and stabilization payments (if any) to be made to each province.

In these statistics the estimated payments as calculated by the Government of Canada have been

substituted for amounts appearing in the provincial Estimates, since the latter were prepared in most cases at an earlier date than the federal figures. Payments to the ten provinces are expected to amount to \$344.6 million compared with \$366.1 million paid in 1956-57, the last year of the former agreements. Payments to all provinces except Ontario show increases over the previous year. Ontario will receive less under the new tax rental agreement; that Province re-entered the corporation tax field and is now renting only the personal income tax field.

In Newfoundland a federal Royal Commission has already been appointed, under the Terms of Union, to review the financial position of the Province and to recommend such changes in financial assistance as are deemed necessary to enable Newfoundland "to continue public services at the levels and standards reached subsequent to the date of Union, without resorting to taxation more burdensome, having regard to capacity to pay, than that obtaining generally in the region comprising the Maritime Provinces of Nova Scotia, New Brunswick and Prince Edward Island".

The following revenue changes were introduced in the 1957 budget speeches.

In Prince Edward Island the gasoline tax was raised from 13 cents to 16 cents per gallon. It is estimated that the increase in the tax rate and in the sales of gasoline will produce \$300,000 additional revenue.

In Nova Scotia the Highway Tax, which was an annual levy of \$245,000 against municipalities as a special contribution towards provincial highway expenditures, was abolished.

In Quebec the tax on corporation profits was increased from 7% to 9%. The revenue from this source is estimated at \$76 million, an increase of \$22 million over the previous year's estimate.

Effective January 1, 1957 corporations in Ontario are to be taxed at 11% of the income earned in Ontario. The Province's special business taxes on capital and places of business, in effect from 1947 to 1951, are reimposed with the provision that they will be payable only to the extent that they exceed the 11% income tax referred to above. The yield from these corporation taxes is estimated at \$150 million. The gasoline tax rate was increased from 11 cents to 13 cents per gallon. Revenue from this source is expected to increase by \$20 million to \$131 million. An increase in the tax rate on diesel fuel from 11 cents to 20 cents per gallon is expected to yield an additional revenue of \$1.5 million.

The amusement tax was again reduced in Manitoba. Tickets not exceeding 50 cents in price are now exempt from the tax. The estimated reduction in provincial revenue due to this change is \$150,000.

In Saskatchewan oil and natural gas revenues are expected to increase by \$4 million as a result of a much larger volume of production and a revision of the royalty schedule on production from Crown leases. A further gain of \$1 million is expected from the increased output of uranium ore in Northern Saskatchewan. In the belief that highway users should pay a larger share of highway costs, the gasoline tax was increased from 11 cents to 12 cents per gallon. Revenue from this source is expected to increase by \$1.8 million to \$16.5 million.

In Alberta the amusement tax will now apply only on admission prices over 60 cents, at an estimated loss of provincial revenue of \$420,000.

Special provisions under the new tax-sharing arrangements with respect to basic natural resource taxation (logging and mining) are expected to increase the revenue that British Columbia derives from such levies by \$2.1 million.

The federal government abolished its tax on premium income of insurance companies effective January 1, 1957 and permitted the provinces to levy a similar tax at 2% of premium income. This new provincial tax (included in "other taxes" in these statistics) is estimated to yield the following revenue: Newfoundland \$235,000; Prince Edward Island \$75,000; Nova Scotia \$600,000; New Brunswick \$520,000; Quebec — not available, assumed to be included in corporation taxes (item 1 of the revenue

table); Ontario \$10,000,000; Manitoba \$1,200,000; Saskatchewan \$650,000; Alberta \$1,700,000; British Columbia \$2,100,000.

On the expenditure side, several new plans were introduced.

In Quebec, education expenditures were increased by \$22 million over the previous year's estimate, partly as a result of the government's decision to assume one-half of the debt service of long-term construction loans of school boards. It was also announced that allowances paid to needy mothers would be nearly doubled.

In Ontario, grants to local schools were increased by \$20 million as a result of changes in the grant formulae. The schedule of payments of municipal unconditional subsidies was also revised upward. Payments are expected to amount to \$20.9 million. The grants are to be applied by the municipalities to reduce the mill rate on residential and farm property only; i.e., commercial and business property will be taxed at a higher mill rate in 1957.

In Manitoba, unconditional subsidies totalling \$2 million will be paid to municipalities. The Province also assumed a larger share of municipal hospital and welfare costs; in no case will the provincial grant be less than 40% of the total costs incurred by each municipality for these services. This programme will involve new provincial expenditures of approximately \$2 million. Revisions in school grant formulae largely account for the increase of \$1.7 million in school grants.

In Saskatchewan, the provincial share of municipal social aid costs was increased from 50 per cent to 75 per cent, retroactive to July 1, 1956. This will cost the Province an additional \$525,000. Grants to schools are to be increased by \$4.4 million.

School grants in Alberta were increased by \$4.7 million to \$38 million and will account for approximately one-half of the total cost of local school operation in the Province. One-third of the net royalties from oil and gas produced from provincial lands in the previous fiscal year is to be distributed as a "dividend" to all Canadian citizens who have resided in the Province of Alberta for five years and who have attained the age of twenty-one years. Expenditures under this plan are expected to amount to \$11 million.

A "home-owner's subsidy" has been introduced by British Columbia with the aims of providing further property tax relief to residential home-owners and stimulating home-ownership. A grant not exceeding \$28 annually will be paid to an estimated 267,500 individual resident home-owners, provided that in no instance the balance of property taxes payable be less than \$1. The estimated cost of these grants in 1957-58 is \$7,490,000.

DESCRIPTION AND COVERAGE OF "SOURCE" AND "FUNCTION" HEADINGS

REVENUE

Other taxes, item 12, includes the new tax on premium income of insurance companies (see Budget Comments); security transfer and property transfer taxes in Ontario and Quebec and the Hospital Insurance Tax in Saskatchewan.

Privileges, Licences, and Permits, item 18, includes licences and permit fees for the manufacture, purchase, sale or use of alcoholic beverages; motor vehicle licences and permit fees; licences, royalties and permit fees for the use of natural resources, such as fishing and hunting licences, timber royalties, Crown land leases, mining royalties, water power or storage leases and also the income taxes on logging and mining corporations which the provinces may levy under the federal-provincial tax-sharing arrangements; and corporation and other business or occupational licences, rentals of government real estate and court and legal fees.

Subsidies, item 19. This item includes only general and unconditional grants. Grants in aid of specific projects, such as health grants and trans-Canada highway grants from the Government of Canada, are offset against the related expenditure to arrive at the "net" presentation used in these tables.

Share of Income Tax on Power Utilities, item 20. The provinces receive a share of the income tax collected by the Government of Canada from corporations whose main business is the distribution to, or generation for distribution to, the public of electric energy, gas or steam. These payments are not contingent upon a province signing a tax rental agreement.

Other Revenue, item 23, combines revenue from the following sources: sales and services, fines and penalties, and miscellaneous items not otherwise provided for in the classification, as well as non-revenue and surplus receipts, such as refunds of previous years' expenditure and repayments of

loans and advances, where such have been included in current account revenue by the provinces.

EXPENDITURE

Health — Other, item 3, includes expenditures on public health; medical, dental and allied services; and administration of health services generally.

Aid to Unemployed Employables and Unemployables, item 7, includes the net provincial expenditures on permanent total disability pensions which all provinces are paying on a 50-50 basis with the Government of Canada.

Social Welfare — Other, expenditure item 8, includes expenditures on child welfare, labour and general social welfare administration.

Contributions to Municipalities, expenditure item 15, includes payments in the form of general **subsidies** having no relation to any particular municipal expenditure and **shared-revenue contributions** whether or not such contributions are related to specific municipal expenditures. All other payments to municipal governments have been classified according to the nature of the municipal expenditure to which the provincial payment is related. For example municipal highway subsidies are included under "Transportation and Communications" in these statistics.

Other Expenditure, item 16, includes expenditures on the following functions: general government, protection of persons and property, recreational and cultural services, trade and industrial development, local government planning and development, and miscellaneous items not otherwise specifically provided for in the classification as well as non-expenditure and surplus payments such as refunds of previous years' revenue and loans and advances where such have been included in current account expenditures by the provinces.

LIQUOR CONTROL REVENUE

Revenues of this nature arise from the following sources: profits on the operation of provincial wholesale vendors and retail outlets, item 22; privileges, licences and permit fees, included in item 18; taxes on the sale of liquor, item 5; and miscellaneous revenue such as fines, penalties and

confiscations arising from infractions of the liquor acts and regulations, included in item 23. The following table shows the amount estimated for the current year in relation to the latest totals available for prior years.

The following symbols have been used in the tables in this report:

- to indicate nil and amounts under \$500.

.. to indicate figures are not available.

Total Liquor Control Revenue
Fiscal Years Ended March 31
(Thousands of Dollars)

Province	1954	1955	1956	1957 ¹	1958 ²
Newfoundland	3,115	3,131	3,248	3,245	5,235
Prince Edward Island	1,182	1,202	1,200	1,200	1,185
Nova Scotia	9,815	9,913	10,587	10,780	10,875
New Brunswick	6,490	6,335	7,072	7,370	6,825
Quebec	35,856	35,868	39,539	42,200	41,650
Ontario	45,034	48,065	53,695	55,430	66,470
Manitoba	8,722	8,311	8,835	9,450	10,360
Saskatchewan	11,408	10,416	10,259	10,160	10,070
Alberta	15,721	15,367	16,260	17,200	16,200
British Columbia	21,383	21,263	22,819	24,700	23,940
Total	158,726	159,871	173,514	181,735	192,810

1. Preliminary.
2. Estimates.

Net General Revenue of Provincial Governments
Fiscal Years Ended March 31
(Millions of Dollars)

Province	1954	1955	1956	1957 ¹	1958 ²
Newfoundland	32	33	33	36	41
Prince Edward Island	8	8	8	8	9
Nova Scotia	49	51	54	58	64
New Brunswick	49	51	53	57	59
Quebec	300	339	413	437	481
Ontario	371	399	432	462	580
Manitoba	56	57	59	65	73
Saskatchewan	98	99	103	119	125
Alberta	186	175	225	233	237
British Columbia	186	200	231	270	273
Total	1,335	1,412	1,611	1,745	1,942

1. Preliminary.
2. Estimates.

Net General Expenditure of Provincial Governments
(Exclusive of Debt Retirement)
Fiscal Years Ended March 31
(Millions of Dollars)

Province	1954	1955	1956	1957 ¹	1958 ²
Newfoundland	33	39	42	44	49
Prince Edward Island	7	9	10	11	11
Nova Scotia	51	53	58	70	78
New Brunswick	48	51	54	59	61
Quebec	311	350	400	440	462
Ontario	384	421	489	563	678
Manitoba	47	48	52	63	74
Saskatchewan	86	96	101	111	122
Alberta	118	138	159	173	201
British Columbia	172	179	208	255	269
Total	1,257	1,384	1,573	1,789	2,005

1. Preliminary.
2. Estimates.

Net General Revenue of Provincial Governments
Fiscal Years Ended March 31
(Millions of Dollars)

Source	1954	1955	1956	1957 ¹	1958 ²
Taxes:					
Corporations	17	16	20	20	19
Income — corporations	49	49	54	61	226
individuals	—	25	30	35	37
Property	6	7	7	8	7
Sales:					
Amusements and admissions	23	22	21	20	19
Motor fuel and fuel oil	224	240	269	293	326
General	108	129	149	178	179
Other	21	20	22	24	25
Succession duties	31	41	72	59	38
Other	27	17	20	19	37
Total taxes	506	566	664	717	913
Federal tax rental agreements	309	327	320	366	—
Federal-provincial tax-sharing arrangements	—	—	—	—	345
Privileges, licences and permits	331	327	422	451	468
Government of Canada:					
Subsidies	25	24	24	23	22
Share of income tax on power utilities	7	7	8	6	6
Liquor profits	125	127	138	144	150
Other revenue	32	34	35	38	38
Total net general revenue	1,335	1,412	1,611	1,745	1,942

1. Preliminary.
2. Estimates.

Net General Expenditure of Provincial Governments
Fiscal Years Ended March 31
(Millions of Dollars)

Function	1954	1955	1956	1957 ¹	1958 ²
Transportation and communications	353	371	448	560	585
Health:					
Hospital care	182	206	214	236	262
Other	27	28	32	34	40
Total health	209	234	246	270	302
Social welfare:					
Aid to aged and blind persons	37	42	44	49	53
Aid to unemployed	16	20	22	25	25
Mothers' allowances	22	23	23	23	31
Other	29	39	45	47	50
Total social welfare	104	124	134	144	159
Total health and social welfare	313	358	380	414	461
Education	234	274	332	364	436
Natural resources and primary industries	102	106	122	133	152
Debt charges:					
Debt retirement	81	71	84	86	88
Interest and other charges	53	57	55	57	63
Contributions to municipalities	29	37	36	41	54
Other expenditures	173	181	200	220	254
Total net general expenditure	1,338	1,455	1,657	1,875	2,093
Less debt retirement included above	81	71	84	86	88
Total excluding debt retirement	1,257	1,384	1,573	1,789	2,005

1. Preliminary.
2. Estimates.

Net General Revenue Estimates
Fiscal Year Ending March 31, 1958
(Thousands of Dollars)

No.	Revenue by Source	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
	Taxes:											
1	Corporations ¹	—	—	—	—	19,200	2	—	—	—	—	19,200
	Income:											
2	Corporations ¹	—	—	—	—	75,815	150,000	—	—	—	—	225,815
3	Individuals ³	—	—	—	—	37,000	—	—	—	—	—	37,000
4	Property	—	—	104	230	—	1,910	—	—	—	5,240	7,484
	Sales:											
5	Alcoholic beverages	—	270	—	—	1,850	—	—	—	—	—	2,120
6	Amusements and admissions	180	95	505	375	5,250	8,725	280	70	1,030	2,400	18,910
7	Motor fuel and fuel oil	4,500	1,695	14,150	10,950	78,600	135,400	12,940	16,550	24,600	28,720	326,105
8	Tobacco	—	175	—	1,300	15,250	—	—	—	—	—	16,725
9	General	7,750	—	—	7,200	61,000	—	—	16,800	—	86,250	179,000
10	Other commodities and services ⁴	—	—	225	—	5,500	—	—	—	—	—	5,725
11	Succession duties ¹	—	—	2 ⁵	—	15,000	23,000	3 ⁵	—	5 ⁵	—	38,010
12	Other	505	75	675	615	1,675	18,030	1,225	10,245	1,740	2,160	36,945
13	Total taxes	12,935	2,310	15,661	20,670	316,140	337,065	14,448	43,665	27,375	122,770	913,039
	Federal-Provincial tax-sharing arrangements:⁶											
14	Tax rental agreements	4,405	720	10,117	12,480	—	68,242	19,205	14,384	28,902	48,836	207,291
15	Tax equalization	11,659	3,123	16,770	8,985	38,369	—	13,694	19,700	14,567	5,286	132,153
16	Revenue stabilization	—	293	—	—	—	—	—	—	—	4,861	5,154
17	Total tax-sharing arrangements	16,064	4,136	26,887	21,465	38,369	68,242	32,899	34,084	43,469	58,983	344,598
18	Privileges, licences and permits	5,025	675	7,315	7,935	87,050	114,480	13,875	31,120	141,230	58,730	467,435
	Government of Canada:											
19	Subsidies	2,969 ⁷	657	2,057	1,679	3,300	3,641	2,032	2,078	2,250	1,281	21,944
20	Share of income tax on power utilities	250	50	200	225	1,185 ⁸	1,000	—	50 ⁸	2,000	1,500	6,460
21	Total Government of Canada	3,219	707	2,257	1,904	4,485	4,641	2,032	2,128	4,250	2,781	28,404
22	Liquor profits	3,200	870	10,530	6,785	26,500	45,400	7,750	10,000	15,250	23,600	149,885
23	Other revenue	487	232	1,250	661	8,656	10,622	1,486	3,783	4,946	6,086	38,209
24	Total net general revenue	40,930	8,930	63,900	59,420	481,200	580,450	72,490	124,780	236,520	272,950	1,941,570

1. Suspended under terms of the 1957 tax rental agreements in all provinces except Quebec and Ontario.

2. Not separable from item 2. See Budget Comments.

3. Suspended under terms of the 1957 tax rental agreements in all provinces except Quebec.

4. N.S. — Long distance telephone tax; Que. — hospital tax on meals.

5. Estimated collections of arrears.

6. Payments expected to be made by the Government of Canada have been substituted for amounts appearing in the provincial estimates.

7. Includes transitional grant 1,400.

8. Not shown separately in the provincial estimates hence the actual amount received in the previous year has been shown.

Net General Expenditure Estimates
(Current and Capital)
Fiscal Year Ending March 31, 1958
(Thousands of Dollars)

No.	Expenditure by Function	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
1	Transportation and communications	8,420	4,145	26,140	20,520	117,720	231,100	25,680	25,740	57,520	68,300	585,285
	Health and social welfare:											
	Health:											
2	Hospital care	8,390	1,140	9,190	6,395	50,970	66,880	7,900	31,760 ¹	28,150	51,360 ¹	262,135
3	Other	1,715	380	1,500	1,330	7,250	9,720	1,770	7,150	3,400	5,865	40,080
4	Sub-total health	10,105	1,520	10,690	7,725	58,220	76,600	9,670	38,910	31,550	57,225	302,215
	Social welfare:											
5	Aid to aged and blind persons	1,620	300	1,530	1,645	12,470	10,230	1,550	4,740	6,490	11,830	52,405
6	Aid to unemployed and unemployables ..	3,010	85	600 ²	385	4,620	6,500	575 ³	1,820	2,465	5,015	25,075
7	Mothers' allowances	4	90	1,670	1,350	15,000	8,660	1,115	1,520	1,340	285	31,030
8	Other	1,465	65	890	520	28,890	8,920	1,330	2,880	1,795	3,565	50,320
9	Sub-total social welfare	6,095	540	4,690	3,900	60,980	34,310	4,570	10,960	12,090	20,695	158,830
10	Total health and social welfare	16,200	2,060	15,380	11,625	119,200	110,910	14,240	49,870	43,640	77,920	461,045
11	Education	12,140	1,560	17,990	10,385	104,590	151,620	16,890	22,590	49,175	49,435	436,375
12	Natural resources and primary industries	2,230	555	3,540	4,655	50,590	37,010	6,370	9,170	15,935	21,845	151,900
	Debt charges:											
13	Debt retirement (from current account)	1,310	670	5,530	4,840	13,780	15,060	5,190	9,230	2,940	29,780	88,330
14	Interest and other charges	2,300	1,035	7,290	6,225	14,260	34,890	- 875 ⁵	1,440	- 8,800	4,710	62,475
15	Contributions to municipalities	590	125	930	3,420	250	24,570	2,140	-	11,150	11,000	54,175
16	Other expenditure	6,730	1,220	7,070	4,560	55,580	88,120	9,925	12,780	32,210	35,960	254,155
17	Total net general expenditure	49,920	11,370	83,870	66,230	475,970	693,280	79,560	130,820	203,770	298,950	2,093,740
18	Deduct debt retirement included above	1,310	670	5,530	4,840	13,780	15,060	5,190	9,230	2,940	29,780	88,330
19	Total net general expenditure exclu- sive of debt retirement	48,610	10,700	78,340	61,390	462,190	678,220	74,370	121,590	200,830	269,170	2,005,410

1. Includes hospital insurance plan expenditures.

2. Includes "social assistance grants" 195, paid under the Social Assistance Act, 1956. This Act provides for aid similar to Mothers' Allowances to persons who do not qualify under the Mothers' Allowances Act.

3. After deducting 1,435 expected to be received from the federal government under the Unemployment Assistance Agreement. This revenue offset against expenditure covers a two-year period due to an adjustment of arrears.

4. Replaced by "social assistance" which is included in item 6.

5. Excess of interest, premium, discount and exchange revenue over interest expenditure and other debt charges.

6. Includes oil and gas royalty dividends 11,000. See Budget Comments.

7. Includes home-owner subsidies 7,490. See Budget Comments.

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