



Federal Budget 2009: Municipal Infrastructure

What is in the Budget?

The budget contained some spending for federal, provincial and municipal infrastructure totalling \$10.8 billion over two years. For municipalities and communities Budget 2009 contains:

- A \$4-billion Infrastructure Stimulus Fund over two years for provinces, territories and municipalities with some restrictions on its use. It must be used for rehabilitation only – not for new projects. It must be matched by provinces or municipalities (to the tune of 50 cents on the dollar) and is time sensitive. Projects must begin before 2010 for communities to take advantage of this money.
- A \$1-billion Green Infrastructure Fund over 5 years. Details on the nature of what this will support. It will require matching funds. This was announced in the same budget as announcements that the federal government will be gutting environmental assessments.
- \$500 million in new funding over two years for Recreational Infrastructure Canada, to provide up to 50% of the cost of building or upgrading recreational facilities owned by local communities and other not-for-profit entities.
- \$500 million over 2 years under the Building Canada Fund for “small communities”.
- \$515 million over two years for First Nations community infrastructure projects to be focused on schools,

water and “critical infrastructure” and \$165 million to complete water and wastewater projects that have already been started in 18 First Nations communities.

Privatization through P3s:

- The budget continues to funnel most resources for municipal infrastructure through the 7-year, \$33 billion Building Canada Fund announced in Budget 2007, with its requirements to pursue P3s for larger projects.
- Announced in Budget 2007, PPP Canada Inc, the crown corporation to advance P3s in Canada is finally getting off the ground with a call for applications to access the \$1.25 billion P3 Fund in budget year 2009-2010.

What does it mean?

Municipalities rely on property taxes and user fees that do not grow with the economy for 75% of revenues. Considering Canada’s estimated \$123 billion municipal infrastructure deficit resulting from years of underfunding, this budget offers but a drop in the bucket. While the new money is welcome, it may not help to actually get municipal infrastructure shovels into the grounds.

Since its announcement in 2007, only \$300 million of the \$1.5 billion Building Canada Fund has been spent. This new money may also never be spent because of the strings attached.

Investing in local infrastructure requires long term funding. Many communities can’t afford to match federal contributions themselves, especially since most municipalities have

already set their capital budgets for 2009. This may promote privatization through p3s as communities to seek private finance for their share in order to match the federal contribution.

The current financial crisis has clearly demonstrated the dangers and high cost of relying on private corporations and markets to manage risks and provide public services. P3s are more expensive, risky, time consuming and less accountable than traditional forms of public infrastructure investment.

This infrastructure investment is supposed to stimulate the economy, but these short term investments will not generate the sustainable employment and reliable funding communities need.

What would be better choices?

Municipalities alone require a minimum of \$12 billion a year to eliminate the estimated \$123 billion deficit within 10 years. This could have been funded by reversing the latest 1 percent GST cut and redirecting these revenues to a public infrastructure fund for communities.

This and other new money could flow through the existing Gas Tax transfer mechanism which has a proven track record of ensuring efficiency and accountability.

A national transit strategy alone requires \$40 billion over 5 years. This budget could have invested at minimum \$2 billion per year.

Communities already pay for enough. Requiring that municipalities match any funds from the federal government negates the years of neglect and underfunding and the federal imperative to support local economic development. If they wanted these same dollars to actually be spent, the federal government could have used the pre-existing gas tax

mechanism that already directs infrastructure funds to the cities.

Federal Budget 2009 represents a missed opportunity. Federal municipal infrastructure spending designed to stimulate the economy should target new projects, repairs and upgrades that are ready to go.

The Federation of Canadian Municipalities has prepared a list of thousands of project across the country that have either completed their environmental assessments or do not require them since they are not expanding any environmental footprints. These include 386 water and wastewater projects projected to create more than 30,000 jobs, 144 public transit projects expected to create more than 86,000 jobs and 362 projects in roads and bridges expected to create more than 23,000 jobs.

Communities require long term, multi-year investments that strengthen the public sector. Investments should be targeted to use local industry and benefit public and private sector workers so that skills and economic benefits remain in local economies.

The federal government could strengthen our communities by replacing P3 Canada Inc and the federal P3 Fund with a Public Assets Financing Agency and a Public Assets Fund to support securing lower cost financing for public infrastructure projects and allow the public and pension plans to invest in the secure, long term public benefits of public infrastructure and services.

Ownership and control of community assets allows governments to take action on environmental protection through improvement of public infrastructure and services. Unlike P3s, which result in a loss of local control, local economic benefits and higher costs, public ownership allows for efficient spending of the public's tax dollars and provision of quality municipal infrastructure and services.