



Briefing/Speaking Notes

The Need for Permanent Infrastructure Funding

ROMA/OGRA Combined Conference 2012

The Need for Permanent Infrastructure Funding

Issue

Infrastructure investment, particularly for roads and bridges, remains an issue that Eastern Ontario's municipalities cannot fix on their own. It must be addressed by the Province providing predictable and sustained levels of funding support over a long period of time through such programs as a new permanent roads and bridges fund.

Background

Municipalities own almost 50% of Ontario's public infrastructure; more than double the provincial (12.4%) and federal (9.2%) governments combined. Despite record investments by all three orders of government in the last few years, municipalities still need infrastructure assistance. This is of particular importance to Eastern Ontario's small and rural municipalities, whose transit system of roads and bridges is vital to their communities' economic competitiveness and quality of life.

Modeling carried out for the infrastructure working table of the Provincial-Municipal Fiscal and Service Delivery Review estimated that it would take at least \$60 billion or \$6 billion a year for 10 years to close the gap between total infrastructure needs of roughly \$9.8 billion and the \$3.9 billion expended in 2007. It was estimated that the infrastructure gap for roads and bridges represents \$28 billion or almost half of the total investment gap. Municipalities alone cannot fix the \$28 billion gap in roads and bridges, along with all the other infrastructure investment needs for arenas, community centres, housing, transit, water and waste water, libraries, etc.

It has been estimated that the \$6 billion infrastructure gap is the equivalent of adding an extra \$1,203 onto the tax bill of every household in Ontario every year for at least ten years (50% increase to current residential property tax bills). In smaller municipalities each household's contributions would need to be \$1,705 a year. Such increases are not acceptable or achievable in Eastern Ontario where only 25% of the land base is available for full assessment.

Many municipalities throughout Eastern Ontario are "asset rich and revenue poor". Their primary asset is the extensive network of roads and bridges that provides an essential link between their communities and is vital to their local economy. However the property tax base alone cannot provide enough revenue to support the ever-increasing need for infrastructure investment.

New data from the EOWC's landmark Eastern Ontario Financial Sustainability Update Project paints a sobering picture of the fiscal future for the 114 local governments in the

region and adds a sense of urgency to budget and policy deliberations which impact them. Some of the key insights from this project are:

- There is chronic underfunding of maintenance of infrastructure of all types, with municipalities under-spending in this category by more than a third so they can continue to provide the other services mandated to the local level of government.
- Municipalities in Rural Eastern Ontario need to find an additional \$550 million per year to maintain existing capital assets including roads and bridges.
- There is a \$3 billion deficit for roads and bridges infrastructure, not including any provision for growth of transportation systems throughout the region.
- Current spending is roughly two-thirds of what is needed just to maintain assets in their current condition. This spending does not address rebuilding or repairing those assets which have deteriorated over time.
- Rural Eastern Ontario is responsible for 73 percent of the region's roads, and 60 percent of its bridges which together spans a distance equal to 1.5 times around the world. With a low population density in the rural municipalities of the region, the cost of rebuilding or maintaining a lane-kilometre of paved road must be borne by 5 households (approximately \$100,000/ household) versus 25 households (\$20,000/ household) in separated cities.
- Downloaded highways and bridges put stress on local systems. Rural Eastern Ontario received roughly 3,986 lane-kilometres of highways in the provincial downloads of the late 1990s. This amounts to 40 percent of the total download.
- Bridges and large culverts are a particular challenge because each structure is expensive to repair and it is difficult to finance a bridge project in a single year.

Eastern Ontario municipalities have greatly benefited from significant funding for infrastructure investment from the Provincial and Federal Governments through a variety of funding programs over the past few years. In most cases for every federal dollar spent, and every provincial dollar spent, a municipal dollar was spent too. The Eastern Ontario Wardens' Caucus is grateful to the Provincial and Federal Governments for this significant investment in municipal infrastructure.

Nonetheless, in 2012 the only dedicated infrastructure funding from senior levels of government for municipalities is the Federal Gas Tax.

Municipalities have not – either individually or collectively – been able to implement strategies that would address capital infrastructure needs on a sustainable basis. In other words, reserves, debt financing, and the tax levy are insufficient to provide

predictable, sizable revenue streams to support the implementation of the most cost-effective infrastructure strategies.

Rural municipalities in Eastern Ontario cannot possibly meet their infrastructure demands alone. There's little room left to raise taxes, debt levels are rising, and depleting limited reserve funds will only provide a one-time, Band-Aid solution to a significant, long-term problem.

Action Requested

The Eastern Ontario Wardens' Caucus requests that the Provincial Government create a permanent roads and bridges infrastructure fund in order to provide municipalities with predictable and sustained levels of support to address critical infrastructure needs.