



MEMBER ADVISORY

Federal Budget 2007

The release of last week's Federal Budget was widely anticipated by municipal associations across Canada. While it will take time to fully analyze the budget, we have narrowed down some of the main points of interest for our members.

Fiscal imbalance

To address the fiscal imbalance, Budget 2007 has provided more than \$39 billion over seven years.

While this is a sizable investment, Budget 2007 does not provide a long-term plan to eliminate the estimated \$60-billion infrastructure deficit that is the key driver of the municipal fiscal imbalance.

Gas tax

The gas tax transfer has been extended for an additional four years at the 2009 level.

This fell short of expectations of a longer-term commitment. Furthermore, there is no escalator clause to protect the 2009 value over the following years. A permanent gas tax transfer with an escalator is needed.

Infrastructure Programs

The \$8.8 billion Building Canada Fund (BCF) will be allocated among provinces and territories on an equal per capita basis. This fund is an amalgamation and slight expansion of existing infrastructure programs, including the Municipal Rural Infrastructure Fund (MRIF).

BCF will support investments in the national highway system, large-scale projects such as public transit and sewage treatment infrastructure, and small-scale municipal projects such as cultural and recreational facilities. It will provide each province and territory with an additional \$25 million per year, for a total investment of \$2.3 billion over the next seven years, to support investments to national priorities including trade-related infrastructure such as gateways, roads, highways and other transportation facilities.

While the BCF includes transit as an eligible project category, there is no substantial incremental investment in transit nor is there a long-term vision or plan for transit in Canada.

While the BCF does include funding for investment in cultural and recreational facilities, these projects will have to compete for funds against other infrastructure projects that may be more visible, such as road repairs. A dedicated fund for recreation infrastructure is still needed.

P3s

The Federal Budget commits to establishing a new federal office to seek opportunities for public-private partnerships in infrastructure. Large projects seeking funding from the BCF will be required to consider undertaking the project as a P3.

While P3s may be useful in some cases, they are also complex, and cannot override the need for a federal commitment to stable, long-term financial support to municipalities.

Environment and sustainable development

Budget 2007 invests \$4.5 billion to clean air and water, reduce greenhouse gases, combat climate change, and protect the natural environment. A new National Water Strategy and a commitment to working with the provinces on tougher municipal wastewater effluent regulations is also included.

While all of the “green” initiatives introduced within this investment are laudable, there is no mention of a dedicated infrastructure fund to assist municipal governments in meeting new requirements in managing municipal wastewater effluent.

Community safety and crime prevention

Budget 2007 commits to a new National Anti-Drug Strategy with \$64 million over two years to crack down on gangs, combat illicit drug production such as grow-ops and methamphetamine labs, prevent and treat illicit drug use and dependency.

The budget also provides \$2 million over two years to the International Association of Fire Fighters to help implement a hazardous materials training program for all first responders.

Rural and northern issues

Budget 2007 included \$365 million to assist farmers in realizing opportunities through agriculture bio-products, including renewable fuels.