

## **Resolution 4**

### **Municipal Funding (passed in 2018, retained in 2019)**

**WHEREAS** operational costs continue to rise due to factors beyond municipal control, and provincial financial support has not kept pace; and

**WHEREAS** one in five property tax dollars collected by municipalities are transferred to the Province; and

**WHEREAS** the legalization of cannabis is creating a new revenue source for both the federal and provincial governments, yet municipalities are incurring a significant portion of the associated costs;

**THEREFORE, BE IT RESOLVED** that the Province freeze mandatory education payments for each municipality at 2017 levels; and

**FURTHER BE IT RESOLVED** that the Province increase its annual funding for the municipal equalization program by \$20 million over three years, beginning in 2019; and

**FURTHER BE IT RESOLVED** that the Province of Nova Scotia cost share 50/50 in all municipal projects required to comply with the Accessibility Act, if those projects do not receive other funding, beginning in 2019; and

**FURTHER BE IT RESOLVED** that the Province provide municipalities with a substantial share of all the related tax revenues being generated through the sale of cannabis.

### **Issue Identification:**

The provincial assistance to municipalities to offset operating costs has been frozen for several years now, while operating costs continue to increase at rates higher than the Consumer Price Index. The analysis to date suggests those municipalities who need financial assistance the most to provide basic services at reasonable costs are not necessarily the ones receiving assistance. The formulas need to be reviewed and changed to assist those with low tax bases and high taxpayer burdens. The total amount provided is also insufficient.

## **Background:**

The 2017 and 2018 resolutions noted that the formula and funding under the former provincial equalization program had been frozen while a new formula was to be developed. The Partnership Framework signed in 2018 includes a commitment to work collaboratively to address the municipal equalization and provincial grant program. NSFAM continues to take every opportunity to raise this issue with the Minister, and the Department of Municipal Affairs and Housing (DMAH) is undertaking its own work to explore the issue.

Since the 2018 resolution, NSFAM and the Government of Nova Scotia worked together to rename the provincial equalization program. It is now officially called the Municipal Financial Capacity Grant (MFCG). This renaming is a sign that the government has heard our members' concerns, and that they are willing to work with us to resolve our issues.

Despite the change of name, government funding to the program has not increased. NSFAM has been vocal in pointing out that renaming the program is not enough, and that municipalities will face significant challenges if no new monies are allocated to the operating grant program. We have heard that the funding formula is being reviewed, but without any new monies added, any changes to the formula would simply move funds from one municipality to another. Immediate financial relief is needed.

## **Impact on Municipalities:**

Municipalities continue to face increasing cost pressures, many of which are downloaded to them from the Province. Resolutions dealing with cannabis and surplus schools have a significant financial element. In the absence of a new operating grant program, and in the absence of new municipal revenues, the funding resolution for 2018 should be brought forward to 2019, with the aim of bringing financial relief to municipalities. Three areas were identified: mandatory education, the level of funding in the equalization program; and the need to help municipalities comply with provincial accessibility legislation.

The MFCG is an operating grant and is intended to help municipalities provide services at a more reasonable tax burden. Most of the funding for the program comes from the NSPI payment in lieu of taxes, not the Province. The portion coming from NSPI increases each year. It is not clear if provincial funding is being maintained. Ideally, this amount it should be raised to the level where all taxpayers are paying a reasonable amount for basic municipal services. At the very least, the amount in the program from the Province should be increasing by the consumer price index. In the interim NSFPM has asked for a \$20 million increase to the program over three years, at \$6.6 million per year.

The issue of mandatory payments for education, corrections, and housing must be addressed. In 2017 over \$240 million was collected from municipalities through property tax, about 20 per cent of the property taxes collected. The amount increases each year as assessments rise, and there is some evidence to show the share of education costs paid for by property taxes has been increasing over time. For many municipalities, these mandatory payments are one of the top three budget expenses.

Education is a provincial responsibility and municipalities have no say in how these payments are spent. While the Province has not changed the formula for determining mandatory education payments, payments have continued to rise as assessments rise. Furthermore, when taxpayers default on their property taxes, the municipality remains responsible for their share of the mandatory education payments, which means other property taxpayers must pick up the difference - this should be absorbed by the Province. The resolution requests mandatory education payments be frozen at 2017 levels for each municipality, and where taxpayers default on their property taxes, the portion related to mandatory education should be deducted from the amount assigned to the municipality.

Provincial legislation on accessibility requires municipalities to establish advisory committees and develop plans to ensure their communities are accessible by 2030. The legislation covers the built environment and includes information as well as other areas that may impact municipalities. The new federal infrastructure program does not appear to include renovation projects for existing facilities to become accessible, unless they are part of a bigger project. Provincial funding to date has been quite limited. Costs will not only be incurred with respect to built assets, but could also involve website changes and changes at public meetings to ensure the information can

be shared with all persons with disabilities. Municipalities want to comply with the legislation, however costs will become an issue. Financial assistance from the province to support their legislation is needed.

The legalization of cannabis involves the delegation of a considerable number of responsibilities to municipal governments in Nova Scotia. However, many municipal governments in Nova Scotia already struggle to make ends meet. The Province should not expect municipalities to be able to assume these additional responsibilities without better financial and material resources.

**Proposed Action:**

Municipalities require new funds. NSFAM recommends that staff and members continue to work on this issue as described in the 2018 resolution and continue to support municipal funding as a priority.