

Resolution 3

MUNICIPAL FUNDING RESOLUTION (PASSED)

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;

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 resolution pointed out the fact the formula and funding under the provincial equalization program (operating grant) 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. While NSFM continues to take every opportunity to raise this issue with the Minister, the Department of Municipal Affairs is presently

undertaking its own work to explore the issue. NSFAM recognizes there is a significant challenge if no new monies are allocated to the operating grant program – otherwise any changes would simply move funds from one municipality to another. In the meantime, despite increasing cost pressures the equalization grant has been frozen. While this work needs to continue, immediate financial relief is needed.

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, a new resolution for 2018 should be put forward, with the aim of bringing some 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 issue of mandatory payments for education, corrections, and housing must be addressed. Last year 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 expenses in their municipal budget.

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 tax payers 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.

The equalization program 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. At the very least, the amount in the program from the province should be increasing by the consumer price index. Ideally it should be raised to the level where all taxpayers are paying a reasonable amount for basic municipal services.

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.

Impact on Municipalities

Municipalities, faced with increasing costs, regulations and responsibilities have only two choices – cut services or raise taxes. Municipalities are required by law to have a balanced budget.

Proposed Action

In recognition of the provincial financial situation, municipalities do not expect all of their financial issues to be resolved in the short run. Steps to address insufficient funding need to be taken now. In the short run, the resolution focusses on specific financial requests that address both fairness issues and the need for immediate relief.

Response from:
Department of Municipal Affairs

RESPONSE: