



# Analysis of Federal Budget 2017

## A game-changing budget for municipalities

Finance Minister Bill Morneau tabled the 2017 Federal Budget on March 22, 2017, in the House of Commons. This document summarizes key points of interest for FCM and its members.

Budget 2017 provides additional details on the infrastructure funding framework announced in the Fall Economic Statement 2016. At that point, the government committed to invest \$81 billion over 11 years—a significant increase from the \$48 billion over eight years originally proposed for Phase 2 infrastructure investments in Budget 2016.

The unprecedented gains in this budget flow from the unprecedented advocacy efforts of FCM’s Board, its elected leaders, its staff, and municipal leaders across Canada. The result is truly a game-changer for cities and communities of all sizes.

- **This budget launches the next era of Canadian public transit.** It responds directly to our call for a large-scale, long-term, allocation-based investment plan to enable public transit expansions in cities across Canada.
- **This budget confronts Canada’s housing crisis.** It responds directly to our call for a significant federal re-engagement—both to protect existing social housing and to expand the supply of social and affordable housing.
- **This budget brings growth to rural Canada.** It locks in and provides additional detail for the unprecedented new \$2 billion dedicated fund for the unique infrastructure priorities of rural, northern and remote communities.
- **This budget will enable local climate action.** It opens doors to an expanded municipal role in achieving national objectives on climate change and adaptation—while making progress on other local environmental priorities.

Budget 2017 adopts our long-term vision of strengthening Canada by building more livable, competitive communities. It does that by putting cities in the driver’s seat on transit, by acting on local leaders’ advice on housing, and by recognizing that Canada’s future depends on communities of all sizes.

In short, this budget endorses the idea that Canadian municipalities are leading nation-builders. They are best positioned to design and deliver cost-effective solutions to local needs. In doing that, they are driving vital national outcomes—including job-creation, economic growth, productivity gains, and emissions reductions.

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*Important notes:*

While Budget 2017 includes details in several areas of importance to FCM, many specific program details—including eligibility criteria, allocation or application processes, stacking of federal funds, provincial and territorial cost-share and reporting—will be determined over the coming months.

While tables in this document show funding rollouts for the five-year 2017–22 period, funding did also flow in some cases in 2016–17.

## Public transit

*“The benefits of public transit—shorter commute times, less air pollution, more time with family and friends, and stronger economic growth—are well understood. So too is the cost of inaction; the gridlock that results from traffic congestion costs Canada’s economy billions of dollars in lost productivity every year.”—Budget 2017, p. 119*

**Budget 2017 proposes to invest \$20.1 billion over the next 11 years in public transit construction, expansion and rehabilitation projects, including more than \$3.9 billion in the next five years.** An additional \$5 billion will be invested in public transit projects through the Canada Infrastructure Bank (CIB).

The funding for public transit bilateral agreements is profiled over the next five years as follows (in millions of dollars):

2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	<b>5-year total</b>
0	950	851	977	1,150	<b>3,926</b>

Provincial and territorial allocations will be determined using a formula based on ridership (70 per cent) and population (30 per cent). The Minister responsible has confirmed to the FCM Executive that funds will be allocated directly to transit systems.

The federal government will provide up to 40 per cent of eligible costs for new public transit construction and expansion projects, while funding for rehabilitation projects will be cost-shared with up to 50 per cent federal funding. Rehabilitation projects will be capped at 15 per cent of total public transit funding.

These commitments build on the successful program changes of Phase 1—including how funding will flow and expanded eligible costs—and respond directly to FCM’s request for an allocation-based investment model that will empower local governments to plan, consult, leverage local expertise and move strategic transit projects forward across Canada.

The federal government will determine specific program details, including eligibility criteria, the system-based allocation formula and provincial cost-share in the bilateral agreements with provinces and territories over the coming months.

### *Next steps:*

- FCM welcomes this long-term and predictable funding plan to support the build-out of transit systems in our cities and communities. Delivering this funding through a long-term, predictable, allocation-based system signals an important change in how transit funding is delivered, reflecting the necessary role of municipalities in planning and delivering on transformative investments in transit.
- FCM will continue to work with the federal government on key design elements for this phase of investments in public transit, calling for these funds to:
  - consistently achieve a minimum 33 per cent provincial share toward eligible costs;
  - implement a system-based allocation formula that enables cities and communities to realize large-scale, transformative transit projects—while ensuring that transit-providing communities of all sizes are included in this nation-building project;
  - apply funding toward a project’s full capital cost, P3-specific design and legal costs; long-term capital-related financing costs (including in availability payments to P3 partners), while extending the Phase 1 decision to include design and planning costs;
  - build maximum flexibility into stacking rules to ensure municipalities have the ability to pool federal transit funds with other federal funding sources to advance projects;
  - align transit funding and green infrastructure funding to both be applied to complementary projects, such as greening of transit fleets;
  - be designed in a way that allows municipalities to plan and prioritize projects from a in accordance with sound asset management practices, modeled on the gas-tax definition of incrementality;
  - ensure that outcomes reporting requirements are simple, transparent, and leverage existing reporting mechanisms where possible.
- FCM will seek confirmation that unused portions of the \$5 billion allocated from Phase 2 to the CIB are redirected to public transit grant programs after a reasonable period of time, and through a clear process.
- FCM will continue to work with the government on the implementation of Phase 1 investments through the Public Transit Infrastructure Fund announced in Budget 2016.

## **Social infrastructure: housing and homelessness**

*“The Government will be investing over \$11 billion—the largest single commitment in Budget 2017—in support of a National Housing Strategy, to help ensure every Canadian has a safe and affordable place to call home. Our Government has shown, and will continue to show, national leadership on housing.”*—Minister Morneau, Budget 2017 speech

**Budget 2017 proposes to invest more than \$11.2 billion over 11 years in a variety of initiatives designed to build, renew and repair Canada’s stock of affordable housing and help ensure that Canadians have affordable housing that meets their needs.**

These investments will be made as part of the forthcoming National Housing Strategy (NHS). Many NHS components reflect FCM recommendations as articulated in [Canada’s Housing Opportunity](#) provided to the federal government in October 2016.

Over and above the \$11.2 billion commitment, the federal government also committed to preserving the baseline funding related to social housing operating agreements, to be used for affordable housing. The use and renewal of these funds will be determined over the next year.

The federal government currently spends approximately \$1.6 billion annually on social housing through operating agreements, but these agreements are expiring. Therefore, the commitment to preserve these funds for housing is significant and reflects a long-standing call from FCM and other housing stakeholders. Over 10 years, early calculations reveal this commitment is worth approximately \$4 billion.

The \$11.2 billion NHS commitment includes \$3.2 billion to provinces and territories to support key priorities for affordable housing through a new, expanded, multilateral investment framework. This will replace the existing Investment in Affordable Housing initiative.

The NHS will also include \$5 billion for a new National Housing Fund. This reflects FCM’s call for federal leadership in housing and represents a significant shift away from current provincial/territorial design and delivery in housing.

Components will include direct lending for rental housing; a co-investment fund; capital contributions for affordable housing innovations; temporary funding to social housing providers with expiring operating agreements to maintain rent-geared-to-income subsidies; and technical assistance for social housing providers to support strengthened operating models. The last three components especially reflect FCM’s recommendations.

Other components of the NHS, all of which are consistent with FCM’s requests, include:

- An expansion of the Homelessness Partnering Strategy (\$2.1 billion). Starting in 2018-19, this reflects an average of \$191 million per year, an increase from the \$175 million two-year annual commitment from Budget 2016.
- Support for northern housing, to offset the higher cost of construction and to support territorial efforts to improve housing conditions (\$300 million). This will be a top-up that goes to the territories through Investment in Affordable Housing (IAH) initiative, and then the new multilateral framework that will replace the IAH. Within this will be a further top-up to Inuit communities in Nunavut, where housing needs are the most pressing.
- Support for Indigenous off-reserve housing (\$225 million), which will support repairs, rent subsidies and the development of new housing, in collaboration with Indigenous partners.
- Improving housing data collection and analytics (\$241 million), including working with other orders of government, to better understand key housing market factors, such as proportion of foreign ownership and financing characteristics.
- Federal lands for affordable housing (\$202 million), which will include funding for environmental remediation needed to ensure the land can be used for housing development.

Funding for NHS components is profiled over the next five years as follows (millions of dollars):

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	<b>5-year total</b>
20	305	836	917	1,030	<b>3,108</b>

For some components of the NHS, the dollars are spread unevenly over the five years, with the greatest level of investment anticipated in the last six years of the 11-year commitment.

Overall, FCM had calculated that at least \$12.66 billion over eight years in new spending was needed to meaningfully address affordable housing and homelessness needs in cities and communities. The combination of Budget 2017's NHS funding of \$11.2 billion and the commitment to preserve baseline social housing operating agreement funding brings the federal investment very close to that marker.

#### *Next steps:*

- FCM welcomes the federal re-engagement in housing through a long-term commitment to affordable housing and homelessness. We will continue to work with the federal government on important delivery and design considerations so that the NHS:
  - Prioritizes the ongoing affordability (through rent subsidy replacement) and quality (through repairs and retrofits) of existing social housing affected by expiring operating agreements. This should be available to social housing providers regardless of which jurisdiction administers its operating agreement.
  - Ensures that the renewal and expansion of the Homelessness Partnering Strategy (HPS) supports additional communities, provides maximum flexibility for communities receiving HPS funds and includes greater allocations for communities with the greatest needs.
  - Ensures the first year of the renewed Homelessness Partnering Strategy in 2018–19 enables communities to continue to deliver a similar scale of programming by accelerating the timeline of the allocation.
  - Emphasizes outcomes related to addressing core housing need within the new federal/provincial/territorial multilateral framework to ensure the construction of new non-profit affordable and social housing gets as close as possible to meeting FCM's recommendation of 10,000 new units per year.
- FCM was particularly pleased to see the commitment to preserving the baseline funding related to social housing operating agreements. The plan for the use of these funds will be developed over the next year. FCM looks forward to working directly with the federal government, along with housing stakeholders, to ensure these funds support social and affordable housing across the country.
- We will seek clarification of provincial/territorial cost-sharing expectations, both within the new multilateral framework and within the other components of the NHS.

## **Social infrastructure: child care**

*“Budget 2017 proposes measures that will increase support for early learning and child care, so that more Canadian parents can pursue new opportunities to learn and to work. With stronger skills and more work experience under their belts, families can focus on what matters most—building a better future for themselves, and their children.”*

–Budget 2017, p. 131

Budget 2017 proposes to invest \$7 billion over 10 years, starting in 2018-19, to support and create more high-quality, affordable child care spaces. A portion of this investment will be dedicated to early learning and child care programs for Indigenous children living on and off-reserve.

Budget 2017 also indicates that the federal government is pursuing the development of a National Framework on Early Learning and Child Care with provinces and territories, as well as

a distinct Indigenous Framework on Early Learning and Child Care in cooperation with Indigenous partners.

Funding for the government’s child care commitment is profiled over the next five years as follows (in millions of dollars):

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	5-year total
0	540	545	550	550	2,185

*Next steps:*

- FCM welcomes the federal commitment to child care and early learning. The budget notes that the investment *could* result in 40,000 new subsidized child care spaces for low and modest-income families. FCM will seek clarification on whether this target will be pursued within this investment stream, as well as how funds would be allocated across the country.

## Social infrastructure: support for Indigenous people in municipalities

*“We know that strong partnerships between the federal government and Indigenous communities are crucial for our success ... setting Canada on a path toward true reconciliation with Indigenous Peoples.”* –Minister Morneau, Budget 2017 speech

In addition to affordable housing and child care investments to be dedicated to Indigenous people living in cities and communities, as noted above, Budget 2017 proposes to continue investing in the Urban Indigenous Strategy. Formerly known as the Urban Aboriginal Strategy, this funding stream will provide \$118.5 million over five years, beginning in 2017-18.

Funding for the Urban Indigenous Strategy is profiled over the next five years as follows (in millions of dollars):

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	5-year total
24	24	24	24	24	119

Budget 2017 also includes a commitment to the Indigenous Justice Program (\$55.5 million over five years) and will invest \$65.2 million over five years to help close gaps in services for Indigenous Peoples in the criminal justice system by focusing on reintegration. Support for Indigenous youth in sport was also included, at \$18.9 million over five years. These funds will begin to flow in 2017-18.

*Next steps:*

- FCM welcomes the federal commitment to renew support for Indigenous people in cities and communities, particularly through the renewal of the Urban Indigenous Strategy (UIS).
- In consultation with Indigenous organizations, FCM had developed comprehensive recommendations to the federal government toward their planned renewal of the Urban Aboriginal Strategy, now the UIS. FCM looks forward to clarifying the scope and nature of the UIS, and urges the government to consider the recommendations of FCM and Indigenous organizations as it finalizes the detail of the UIS.

## Social infrastructure: recreation and cultural infrastructure

Budget 2017 proposes to invest \$1.8 billion over 10 years for cultural and recreation infrastructure. More than \$1.3 billion of this will be provided to provinces and territories through integrated bilateral agreements, on a base-plus-per-capita allocation basis.

Funding for the government’s cultural and recreation commitment through bilateral agreements is profiled over the next five years as follows (in millions of dollars):

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	5-year total
0	50	50	50	50	200

Additionally, \$300 million over 10 years will be provided to the Canada Cultural Spaces Fund to support the development of Canadian talent, and support entrepreneurialism in the arts and cultural communities. This will begin in 2018/19 with \$30 million to be provided annually for four years.

*Next steps:*

- FCM welcomes the federal commitment to support cultural and recreation infrastructure, and urges the government to ensure that municipal priorities in cultural and recreation infrastructure can be funded through this initiative.
- FCM will seek clarification on cost-share expectations of this fund.

## Green infrastructure

*“The investments in infrastructure we make today will pay dividends for years to come: delivering clean, sustained economic growth; building stronger, more inclusive communities; and creating more, good, middle class jobs for Canadians.”—Budget 2017, p. 113*

**The federal government is proposing \$21.9 billion over 11 years for green infrastructure investments—including projects that reduce greenhouse gas emissions, deliver clean water, safely manage wastewater and help communities adapt to challenges that result from climate change.**

Green infrastructure funding is profiled over the next five years as follows (in millions of dollars):

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	5-year total
21	999	1,199	1,400	1,731	5,351

Of the \$21.9 billion total, \$2 billion is dedicated to improving infrastructure in First Nations Communities, and \$5 billion will be provided through the proposed Canadian Infrastructure Bank (see section below on the Canada Infrastructure Bank).

*Provincial and territorial green infrastructure allocation*

The largest category of green infrastructure funding, \$9.2 billion, will be provided to provinces and territories over the next 11 years (\$1.6 billion over the next five years), **on a base-plus-per-**

**capita allocation basis, to support priority projects, including water and wastewater, climate change adaptation and projects that reduce greenhouse gas emissions.**

This commitment addresses FCM's call for green infrastructure funding for priorities beyond projects that reduce emissions, such as water and wastewater. Detailed eligibility criteria will be determined in bilateral funding agreements that will be negotiated between the federal government and the provinces and territories in the coming year.

### *New national climate change programs*

Reflecting FCM's call for a shift away from exclusive provincial/territorial control over the design and delivery of infrastructure funding, **\$2.8 billion of the Green Infrastructure Fund will be invested over the next 11 years through a series of national programs.** These include:

- **Climate change adaptation and disaster mitigation.** Budget 2017 proposes a new Disaster Mitigation and Adaptation Fund. It will support large-scale national, provincial and municipal infrastructure projects that help mitigate natural disasters, extreme weather events, and effects of a changing climate. The fund will provide \$2 billion over 11 years (\$445 million over the next five years). A further \$73.5 million over five years is proposed to establish a new Canadian Centre for Climate Services to improve access to climate science and establish regional climate resilience centres.
- **Electrical vehicle charging.** The budget commits to invest \$120 million over five years to deploy infrastructure for electric vehicle charging and natural gas and hydrogen refuelling stations, as well as to support technology demonstration projects.
- **Building energy efficiency retrofits and net-zero buildings.** The budget commits to invest \$182 million—including \$87 million over the next five years—to develop and implement new building codes to retrofit existing buildings and build new net-zero energy consumption buildings across Canada.
- **Rural and remote and northern renewable energy.** The budget commits to invest \$220 million over 11 years—including \$160 million over the next five years—to reduce the reliance of rural and remote communities south of the 60th parallel on diesel fuel, and to support the use of more sustainable, renewable power solutions; and \$400 million over 11 years (\$160 million over four years, beginning in 2018-19) for a new Arctic Energy Fund to address energy security for communities north of the 60th parallel, including Indigenous communities.
- **Smart grid and renewable energy demonstration projects.** The budget commits to invest \$100 million over five years to support next generation smart grid, storage and clean electricity technology demonstration projects; and \$200 million over 11 years (\$175 million over the next five) to support the deployment of emerging renewable energy technologies nearing commercialization.

The mechanisms through which these programs will be delivered are yet to be confirmed. Our understanding, however, is that they will be delivered outside the provincial and territorial bilateral agreements.

### *Other federal investments to fight climate change*

Additional federal climate change initiatives announced or continued in Budget 2017 will help municipalities achieve local emissions reduction goals. This includes new funding to phase out coal power and introduce a national Clean Fuel Standard. There is also funding for Natural



Resources Canada to renew and continue existing energy efficiency programs and to support projects and activities that increase the use of wood as a greener substitute material in infrastructure projects (for example, in mid-rise commercial and industrial buildings).

### *Low Carbon Economy Fund*

Finally, the \$2 billion Low Carbon Economy Fund has been adjusted to span five years, starting in 2017-18. This will support provincial and territorial actions that reduce greenhouse gas emissions, that are incremental to current plans, and that achieve significant reductions toward meeting or exceeding Canada's national 2030 target. Further details are expected to be confirmed in the coming months.

### *Next steps:*

- FCM will continue to work closely with the federal government to ensure that the design and delivery of all the sources of green infrastructure funding announced in Budget 2017—including the \$9.2 billion P/T allocation, the Disaster Mitigation and Adaptation Fund, the Low Carbon Economy Fund and other climate change programs—are accessible to municipal governments and address municipal priorities. Specifically, FCM will continue to advocate for the following:
  - A proportion of green infrastructure funding that is commensurate with the percentage of green infrastructure owned and operated by municipalities;
  - A higher federal-provincial/territorial cost share that reflects the municipal role in operating and maintaining public infrastructure through its entire lifecycle;
  - Permeability between green infrastructure, social infrastructure and transit funds in order to maximize the benefits of complementary projects, such as greening of transit fleets or energy efficiency retrofits in social housing;
  - Program designs that allow municipalities to plan and prioritize projects from a local perspective, avoiding incrementality requirements that do not support sound asset management practices; and
  - Reporting requirements that are simple, transparent, and leverage existing reporting mechanisms where possible.
- Budget 2017 includes \$2 billion within the green infrastructure funding envelope that is “reserved for future priorities.” FCM will seek further details and advocate for this funding to be applied to municipal priorities.
- Green infrastructure funding is also allocated to the Smart Cities Challenge (\$100 million over 11 years) and the Accelerating Innovation through Superclusters initiative (\$75 million over five years). FCM will work with the federal government to ensure that this funding tangibly supports green infrastructure and results in direct benefits to municipalities.

## **Rural, northern and remote infrastructure**

*“Investments in rural and northern infrastructure will help grow local economies, build stronger, more inclusive communities, and help safeguard the environment and the health of Canadians.” –Budget 2017, p. 130*

**Budget 2017 confirmed additional details on the \$2 billion Rural and Northern Communities Fund that was announced in the 2016 Fall Economic Statement to support**

**a broad range of infrastructure projects.** Funds will be allocated to provinces and territories, using a base-plus-per-capita formula.

The Minister responsible has confirmed to the FCM Executive that the federal government will contribute up to 50 per cent of eligible costs for municipal projects in communities located in provinces, and up to 75 per cent of eligible costs for projects in communities in the territories. Eligible projects could include those that improve road access, expand internet connectivity, and renew and replace energy systems in northern communities. Additional details on the eligibility criteria and funding mechanism will be determined in the bilateral agreements with provinces and territories.

The Rural and Northern Communities Fund is profiled over the next five years as follows (in millions of dollars):

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	5-year total
0	150	150	150	200	650

As announced in the 2016 Fall Economic Statement, the government will also invest \$10.1 billion over 11 years in trade and transportation projects across Canada. Budget 2017 proposes to implement this commitment through a new application-based program, Canada's Trade and Transportation Corridors Initiative, which will use Transport Canada's "gateways" model. For details on this program, please see the section below on Trade and Transportation.

For rural, northern and remote regions, investments through this fund could be used to connect communities to trade and investment opportunities and resolve critical transportation needs. While FCM advocated for a specific carve-out for northern airport, marine and road infrastructure under this fund, no specific program details were included in Budget 2017.

The federal government also committed an additional \$400 million to an Arctic Energy Fund to address energy security for communities north of the 60th parallel, including Indigenous communities. This investment will be made through bilateral agreements with provinces and territories, and will have flexible terms, so that funds can be directed to areas with the greatest need.

Funds will begin to flow in 2018-2019, with \$40 million allocated per year over the first four years. In addition to these northern renewable energy investments, Budget 2017 proposes \$21.4 million over four years, starting in 2018-19, to continue the Northern Responsible Energy Approach for Community Heat and Electricity Program.

For rural and remote communities south of the 60th parallel, Budget 2017 proposes \$220 million to reduce reliance on diesel fuel and to support the use of more sustainable, renewable power solutions. This 11-year funding commitment begins with \$40 million per year over the first five years. Program details are to be determined.

FCM also welcomes \$300 million over 11 years for affordable housing dedicated to Northern communities in the territories. This investment is in addition to federal contributions for affordable housing to all province and territories through bilateral agreements, as well as eligibility for direct funding. Further detail is provided in the Social Infrastructure section of this document.

### *Next steps:*

FCM welcomes this budget's substantial investments in rural, northern and remote infrastructure and will continue to work with the government to ensure appropriate design and delivery of those investments. This includes:

- Determining the eligibility requirements of the Rural and Northern Communities Fund and the Arctic Energy Fund, and developing a predictable and transparent funding mechanism that recognizes the fiscal limitations of rural, remote and northern communities.
- In consultation with their municipal associations, empowering provinces/territories to define eligible population thresholds for the Rural and Northern Communities Fund that reflect the size of small communities in those regions.
- Streamlining administration to ensure rural, remote and northern communities can access funds efficiently and fairly through simplified project identification and consistent reporting requirements.
- Expanding cost-sharing to encompass design and planning, repairs, and other costs—while empowering municipalities to “stack” multiple federal funding sources.
- Empowering local governments to collaborate and bundle projects to achieve economies of scale.
- Advocating for a northern-specific carve-out of Canada's Trade and Transportation Corridors Initiative to support airport, marine and road infrastructure projects in these areas.

## **Trade and Transportation**

*“As a large country that relies on trade for its economic success, Canada needs to ensure that people and products can move quickly and safely—whether from home to work, or from harvest to warehouse” –Budget 2017, p. 138*

**Budget 2017 proposes to invest \$10.1 billion over 11 years in trade and transportation projects, through the Trade and Transportation Corridors Initiative.** This initiative includes the following investments and programs:

- ***National Trade Corridors Fund.*** These investments will target congestion and inefficiencies at marine ports such as Vancouver and Montreal, as well as along the busiest rail and highway corridors around urban centres across the country. Budget 2017 proposes \$2 billion over 11 years to support the fund's activities. At least an additional \$5 billion will be provided through the Canada Infrastructure Bank to address trade and transportation priorities. The fund will also look for ways to improve the flow of supplies to northern communities and unlock economic development in Canada's three territories.
- ***Trade and transportation information system.*** The federal government proposes to establish a new Canadian Centre on Transportation Data. To support this measure, the government is committing \$50 million for Transport Canada to enhance the collection and analysis of transportation and trade-related data to help target investments, support innovation and track results. The total funding for the first five years will be \$23 million.
- ***Connecting communities by rail and water.*** Budget 2017 proposes to provide \$867.3 million over three years on a cash basis, starting in 2017-18, to support VIA Rail's operations and capital requirements. Marine Atlantic Inc., through Budget 2017 may receive funding up to \$445.3 million over three years on a cash basis, starting in 2017-18, including existing resources. Budget 2017 also proposes \$278.3 million over five years on a

cash basis, starting in 2017-18, including existing resources, for operations of federal ferry services between Quebec and Maritime Provinces.

- **Modernizing Canada’s transportation system.** Budget 2017 proposes developing regulations for the safe adoption of connected and autonomous vehicles and unmanned air vehicles, as well as working with industry, provinces, territories and municipalities to establish pilot projects. To complete these and other related activities, Budget 2017 proposes to provide Transport Canada with \$76.7 million over five years, starting in 2017-18, on a cash basis, including existing resources.

The funding for trade and transportation projects and programs is profiled over the next five years as follows (in millions of dollars):

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	5-year total
504	407	501	277	306	1,995

FCM welcomes Budget 2017’s commitment to improving access to trade gateways and corridors, which responds directly to FCM’s call for funding to be dedicated to this priority. The funding for marine and rail transportation is particularly important for ensuring communities are well connected to economic activity and innovation.

*Next steps:*

- FCM will continue to work with the government to optimize transportation funding to ensure municipal projects move forward—including by maintaining 50 per cent federal cost-sharing (75 per cent in the territories) and empowering local governments to stack funding from multiple federal programs.
- FCM will also continue to call on the federal government to support the transportation needs of northern and remote communities, especially through a carve-out for projects in these areas.
- In addition, FCM will continue to work with the federal government to ensure that rural transportation assets are recognized as key infrastructure that contributes to increasing trade.

## Canada Infrastructure Bank

*“Leveraging the expertise and capital of the private sector, the Canada Infrastructure Bank will provide better results for middle class Canadians. Public dollars will go farther and be used more strategically, maximizing opportunities to create the good, well-paying jobs needed to grow the middle class now, and strengthen Canada’s economy over the long term.” –Budget 2017, p. 118*

**Budget 2017 confirmed that the Canada Infrastructure Bank (CIB) will invest at least \$35 billion over 11 years, with over \$2.8 billion in the first five years,** using loans, loan guarantees and equity investments in large, transformative projects, with a specific focus on revenue-generating infrastructure projects and plans.

Funding for the CIB will flow as follows (in millions of dollars):

2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	<b>5-year total</b>
149	261	476	850	1108	<b>2844</b>

The CIB will be accountable to the federal government, but will operate at greater arm's length than a department—working with provincial, territorial, municipal, Indigenous and investment partners. To support the timely implementation of the Phase 2 infrastructure plan, the budget also committed to accelerating the implementation of the CIB by proposing legislation to establish the bank and by identifying a Chief Executive Officer and Chairperson of the Board of Directors in the coming months, with the goal of having the Bank operational in late 2017.

A portion of the CIB's initial capitalization totalling \$15 billion will be sourced equally from the public transit, green infrastructure and trade and transportation funds. Budget 2017 confirms that funding for the CIB will **not** be drawn from the social infrastructure funds. As outlined in the 2016 Fall Economic Statement, the remaining \$20 billion in capital will be available to the CIB for investments which will result in the Bank having ownership of infrastructure assets in the form of equity or debt and will not have a fiscal impact for the government.

The CIB's investments are profiled over the next five years as follows (in millions of dollars):

2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022	<b>5-Year Total</b>
149	261	476	850	1,108	<b>2,844</b>

The federal government will determine specific CIB design details including eligibility criteria, governance mechanisms, and specific financial instruments to support revenue-generating projects in the coming months.

The CIB will also partner with Statistics Canada to deliver a data initiative to track and assess the impact of infrastructure investments. The data initiative will help all orders of government by providing information and analysis to better direct infrastructure investments, and will support efforts to:

- provide comparable data and information on issues such as infrastructure demand and usage for jurisdictions across the country;
- provide a national picture on the state and performance of public infrastructure across asset classes;
- deliver high-quality data analytics to help inform policy and decision-making, and promote fact-based dialogue between all orders of government;
- track the impacts of infrastructure investments so that governments can report back to Canadians on what has been achieved.

*Next steps:*

- FCM will continue to work with the federal government to design an infrastructure bank that matches local needs and realities in communities of all sizes while ensuring that:
  - financing remains a complement—not an alternative—to predictable public funding;
  - decisions on using an infrastructure bank remain at the local level;

- financing is not conditional on certain types of projects or degrees of private-sector involvement;
  - the CIB supports multiple municipalities “bundling” smaller projects to secure low-cost financing;
  - unused portions of the \$15 billion allocated from Phase 2 to the CIB are redirected to grant programs, after a period to be determined.
- FCM will work to ensure that the data collection function of the CIB is designed in a manner that is transparent, efficient, and does not create an undue burden on municipalities who may face enhanced data reporting requirements.

Municipalities are the on-the-ground experts that understand community needs, public sentiment and potential barriers to designing and implementing the CIB. FCM will ensure that municipal governments are formally involved in the development of a CIB governance model that incorporates municipal perspectives in the deployment and oversight of the CIB.

## Smart Cities Challenge

*“Smart infrastructure investments can help to address current problems while helping Canada’s cities prepare for the challenges ahead.” – Budget 2017, pg. 118*

In Budget 2017, the federal government proposes to provide Infrastructure Canada with \$300 million over 11 years to launch a Smart Cities Challenge Fund, of which \$125 million will be allocated over the next 5 years.

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	5-Year Total
5	55	5	55	5	125

This challenge is modelled on a similar competition in the U.S., and will invite cities across Canada to develop Smart Cities Plans, together with local government, citizens, businesses and civil society. Participants will create plans to improve quality of life for urban residents, through better city planning and implementation of clean, digitally-connected technology including greener buildings, smart roads and energy systems, and advanced digital connections for homes and businesses.

Winning cities will be selected through a nationwide, merit-based competition, facilitated by the federal government’s new Impact Canada Fund. This fund is a new initiative to help the federal government focus and accelerate efforts to solve challenges, including a clean technology stream and the Smart Cities Challenge. This initiative also helps the federal government meet its commitment to devote a fixed percentage of its program funding to experimentation.

### Next steps:

- FCM will continue to work with the government to provide advice on the design of the Smart Cities Challenge.

## Public safety

*“Canada faces a serious opioid crisis. We see its consequences in the rates of addiction, overdoses and deaths across the country. This is a complex health and social issue with devastating consequences for individuals, families and communities. The response to this crisis needs to be comprehensive, collaborative, compassionate and evidence-based.”*

– Budget 2017, p. 159

Budget 2017 proposes to invest an additional \$35 million over five years in Health Canada, the Public Health Agency of Canada and the Canadian Institutes of Health Research to further support the Canadian Drugs and Substances Strategy. This is in addition to the \$65 million announced in February 2017 to implement the federal government’s Opioid Action Plan.

As part of the Canadian Drugs and Substances Strategy, Budget 2017 also re-allocates \$9.6 million in funding over five years, with \$1 million per year ongoing, to support marijuana public education programming and surveillance activities in advance of the government’s plan to legalize cannabis.

The federal budget also includes numerous commitments to mitigate the risks of natural disasters and safeguard critical infrastructure. It proposes to provide \$1.37 million in 2017–18 to Public Safety Canada for the operations of the Regional Resilience Assessment Program and the Virtual Risk Analysis Cell, which will improve site assessments and enhance information sharing for critical infrastructure operators. The government has also committed \$16.4 million over five years to Transport Canada to undertake risk assessments on federal transportation infrastructure assets to ensure they can withstand the effects of natural disasters, climate change and extreme weather events.

The budget also commits new funding to improve Canada’s correctional system and the reintegration of offenders. This includes \$57.8 million over five years, and \$13.6 million per year thereafter, to expand mental health care capacity for all inmates in federal correctional facilities and \$65.2 million over five years, and \$10.9 million per year thereafter, to help reintegrate previously incarcerated Indigenous offenders and reduce recidivism.

Budget 2017 proposes to invest \$100.9 million over five years, and \$20.7 million per year thereafter, to establish a National Strategy to Address Gender-Based Violence that will create a centre of excellence within Status of Women Canada, to better align existing resources to address gender-based violence. Additional details will be announced in the coming months.

### *Next steps:*

- Many of these commitments respond directly to the public safety concerns of Canada’s municipalities. FCM will continue to work with the government to ensure municipal priorities are fully considered in the design and implementation of these critical programs. Additional details on these initiatives will be confirmed in the coming months.

## **Tax measures**

Budget 2017 includes two tax measures of interest to municipalities:

- Eliminating the Public Transit Tax Credit, effective in respect of transit use occurring after June 30, 2017.
- Removing the tax exemptions for non-accountable expense allowances paid to members of provincial and territorial legislative assemblies and to certain municipal office-holders.

### *Next steps*

- FCM will seek additional information on both of these tax changes to better understand their implications for municipalities.