

### **Highlights of Federal 2019 budget released March 19, 2019:**

On March 19, federal finance minister Bill Morneau unveiled the liberal government's final budget before the next election cycle.

- Departure from last year's budget forecasting to be balanced in 2022. This year, the cumulative deficit in 2022 is more than \$12B
- Another interesting fact, every budget for the last 6 years was to be balanced in the 5<sup>th</sup> year. This budget forecasts a deficit of almost \$10B in year 5
- Liberal government campaigned on balancing the budget by 2019 – the current deficit is almost \$20B
- Federal debt-to-GDP ratio is projected to decrease from 30.8% in 2019 to 28.6% by 2023. Morneau insists the benchmark measure is 32-33%
- *(Consideration) economic indicators such as the inverted yield curve as a predictor of recession, how will the unbalanced budget impact the ability to react?*

### **Prominent themes / initiatives in the federal budget related to the CRD include;**

- 1. Gas Tax (*Electoral Areas and Municipalities – capital asset funding*)**
  - one-time additional transfer of Gas Tax Funding (doubling the amount for 2019)
  - For BC \$280M (*CRD EA's \$1.1M*). UBCM summary table by local government with the per-capita distribution. [Link here](#)
- 2. First Nations (*FNR Service?*)**
  - \$1.4B over 7 years to forgive all outstanding comprehensive claim negotiation loans and to reimburse Indigenous governments that have already repaid these loans (*First Nations Capacity Building*)
  - Renew funding for the Specific Claims Settlement Fund for through 2022
  - \$1.2B over 3 years for First Nations children's access to social, educational and health services & an additional \$220M over 5 years for Inuit children. (*First Nations Health/CRHD link?*)
  - \$740M over 5 years for the elimination of drinking water advisories in First Nations communities (*Water*)
  - \$127M in 2020 to establish a National Council for Reconciliation and endow it with funds
  - \$48M over two years to directly support communities in greatest need obtain the expertise, advice and tools required to govern their communities and deliver critical programs and services (*First Nations Capacity Building / Economic Development*)
- 3. Climate Action**
  - \$130M Zero Emissions Vehicle Charging & Refueling - expand the network of stations over five years (*Regional infrastructure*)
  - New federal incentive of \$5,000 for purchases of Electric or Hydrogen vehicles with a MSRP of less than \$45,000 (*consumer – zero emissions feet*)
  - Energy Efficiency Financing (*Climate, CRHC / housing development, commercial retrofits*)
    - \$1B to increase energy efficiency in residential, commercial and multi-unit buildings. FCM will deliver through the Green Municipal Fund in 3 financing streams;
      - \$350M Collaboration on Community Climate Action; providing municipalities and non-profit community organizations with financing and grants to retrofit and improve the energy efficiency of large community buildings as well as community pilot and demonstration projects
      - \$300M Community EcoEfficiency Acceleration; to provide financing for municipal initiatives to support home energy efficiency retrofits
      - \$300M Sustainable Affordable Housing Innovation; to provide financing and support to affordable housing developments to improve energy efficiency in new and existing housing and support on-site energy generation
  - \$150M green infrastructure fund to support priority projects and economic diversification in communities affected by fossil fuel industry decline (*green economic development?*)

- \$15M over 5 years & \$3.5M ongoing to establish Canadian Centre for Energy Information; with the goal to provide factual information essential to support good green decision-making

#### 4. Housing Affordability & Real Estate Tax Compliance

- \$10B over the next 9 years to extend the Rental Construction Financing Initiative. This is intended to help build 42,500 new housing units across Canada with a focus on areas of low rental supply (*CRHC, BC Housing*)
- \$300M for municipalities and stakeholder groups will be invited to apply for the Housing Supply Challenge, with the aim of proposing ways to break down barriers that limit the creation of new housing (*Housing Innovation, CRHC*)
- \$9M for the next two years to fund an expert panel / think tank on the Future of Housing Supply and Affordability including modelling and data collection
- For first time home buyers;
  - Increasing first-time buyers RRSP withdrawal limit through the Home Buyers' Plan to \$35k.
  - \$1.3B over 3 years for the implementation of the First-Time Home Buyer Incentive; a shared equity mortgage program with CMHC funding 5% (existing home) or 10% (new construction) of the home purchase price. The Incentive is only available to first-time home buyers with less than \$120,000 annual household income and caps the mortgage at \$480,000 (*Affordable Home Ownership*)
    - *An example of how the incentive would work; for a new \$400k home purchase, an insured buyer must have 5% (or \$20k) for the down payment. The shared-equity mortgage would offer \$40k, lowering the total borrowing costs to \$340k (\$400k less \$20k down payment, less \$40k equity). The incentive would be repaid to CMHC when the home is sold.*
- BC specifically mentioned in the budget;
  - Creating 4 dedicated real estate audit teams at CRA to monitor real estate transactions, focusing on high-risk areas and strengthen the enforcement framework to deter financial crime in real estate
  - \$1M improve data sharing between the Federal Government and BC to improve enforcement on tax compliance and anti-money laundering.

#### 5. Broadband Connectivity (*Board Priority on broadband*)

- \$1.7B over the next 13 years through the Universal Broadband Fund to meet a commitment that 95% of homes and businesses will have access to 50/10Mbps by 2026 and 100% by 2030
  - *Costing was based on surveys conducted in 2012 and 2013. Results of a 2018 survey on household internet speed is expected to be published this fall – commitment may be much lower.*
- The federal government has also partnered with the Canada Infrastructure Bank to finance the high-speed internet infrastructure. The Bank will invest \$1B over 10 years of public money with a target of finding an additional \$2B in private sector investment

#### 6. Other

- **Disaster Management and Response** (*Emergency Management Service*)
  - \$151M over five years & and \$9M annually, to improve emergency management in Canada, including in Indigenous communities.
- **Asset Management** (*AM Strategy, skills training*)
- \$60M to FCM's Municipal Asset Management Capacity Fund to help support skills training in small communities relating to infrastructure asset management
- **Employees & Skills Training** (*ODP, impacts on benefits / backfilling, etc.*)
  - \$1.7B over 5 years & \$587M ongoing to establish a new Canada Training Benefit to help Canadians get skills and training. The Canada Training Benefit will consist of;
    - A new non-taxable credit that accumulates \$250 per year up to a lifetime limit of \$5,000 for eligible workers between 25-64 to help with the cost of training fees.
    - Expected to launch in late 2020, an enhancement to EI to include EITS (Training Support) to provide income when an individual needs to take time off work to enhance their skills or training. The benefit will provide up to 4 weeks of EI, every 4 years.
    - *Unclear what the impact will be employers – what the impact on EI contributions will be. Budget describes benefits to the individuals.*

- **Healthcare/Hospital & Employee Benefits** (*ODP, significant impacts on benefit load, benefit trust, etc.*)
  - A final report on a national prescription-drug program is due to be released this summer, however Budget 2019 lays out a road map for how this will be rolled out;
    - ~~\$35M over 4 years for creation of the Canadian Drug Agency to manage federal pharmacare.~~  
The agency will be responsible for establishing what will ultimately become a national formulary, listing drugs covered under the program
    - \$1B over 2 years & \$500M ongoing for the development and implementation of a national strategy for high-cost drugs for rare diseases
  - \$50M over 5 years to support the Introduction of a National Dementia Strategy
  - \$31M over 5 years & \$1M ongoing for targeted measures to address persistent gaps in harm reduction and treatment

Non-CRD programs, but of interest to municipalities include;

**1. Policing**

- \$1.2B over 5 years & \$55M ongoing to support implementation of the Border Enforcement Strategy
- \$672M over 5 years & \$35M ongoing to the RCMP to support policing operations, including enhanced federal policing capacity, money laundering, transportation security, and national economic security

**2. Other**

- Following the cancellation of Greyhound bus services in Western Canada, \$15M to support affected communities “where no other service provider has emerged.”

## Federal Gas Tax Agreement - Community Works Fund Allocations

	"Top Up"	2019/20	2020/21	2021/22	2022/23
Capital	1,148,063	1,123,994	1,123,994	1,174,971	1,174,971
<i>approx. JDF</i>	271,727	266,031	266,031	278,096	278,096
<i>approx. SSI</i>	586,143	573,855	573,855	599,881	599,881
<i>approx. SGI</i>	290,193	284,109	284,109	296,994	296,994
Central Saanich	759,271	762,878	762,878	797,563	797,563
Colwood	766,208	764,772	764,772	799,543	799,543
Esquimalt	771,334	798,278	798,278	834,560	834,560
Highlands	148,799	148,782	148,782	155,762	155,762
Metchosin	267,350	253,299	253,299	264,995	264,995
North Saanich	545,102	528,630	528,630	552,747	552,747
Oak Bay	851,133	816,757	816,757	853,873	853,873
Saanich	4,904,613	4,859,964	4,859,964	5,079,488	5,079,488
Sidney	549,035	546,435	546,435	571,356	571,356
Sooke	560,390	602,377	602,377	629,821	629,821
Victoria	3,590,746	3,666,373	3,666,373	3,832,049	3,832,049
View Royal	469,633	493,230	493,230	515,750	515,750
<b>Grand Total</b>	<b>15,331,677</b>	<b>15,365,769</b>	<b>15,365,769</b>	<b>16,062,478</b>	<b>16,062,478</b>

Extracted from UBCM Summary

<https://www.ubcm.ca/assets/Funding~Programs/Renewed~Gas~Tax~Agreement/Community~Works~Fund/FGTF%202019-24%20CWF%20Allocations.pdf>