

STAFF REPORT: Finance & IT Services

REPORT TO: Infrastructure & Recreation
MEETING DATE: May 10, 2011
REPORT NO.: FIS.11.21
SUBJECT: Endorsing the Initiative for the Province to Dedicate HST Revenues to Transportation Infrastructure
PREPARED BY: Finance Staff

A. Recommendations

THAT Council receive Staff Report FIS.11.21 “Endorsing the Initiative for the Province to Dedicate HST Revenues to Transportation Infrastructure” and further endorse the following resolution circulated by Ontario Good Roads Association (OGRA) as partnered with Canadian Automobile Association (CAA);

Whereas the introduction of the Harmonized Sales Tax (HST) on July 1st, 2010, and its application to gasoline and diesel sales will result in new revenue for the Government of Ontario; and

Whereas based on 2010 average price levels of gasoline and diesel and 2009 average consumption levels in Ontario, the Government of Ontario’s projected new revenue will be approximately \$1.53 billion annually; and

Whereas the Provincial-Municipal Fiscal and Service Delivery Review identified a transportation infrastructure investment gap between the Government of Ontario and Ontario’s municipalities of approximately \$3.8 billion; and

Whereas a lack of sufficient funding for essential transportation infrastructure construction, maintenance and rehabilitation has created a situation where many of Ontario’s municipalities do not have the financial capacity to construct new transportation infrastructure and conduct the maintenance and rehabilitation needed to sustain existing transportation infrastructure; and

Therefore be it resolved that the Council of the Town of The Blue Mountains requests that the Government of Ontario consider directing a portion of the revenue derived from HST charged on gasoline and diesel sales to a new predictable funding mechanism that will allow Ontario’s municipalities to make the critical investments needed to be effective stewards of transportation infrastructure; and

Further that a copy of this resolution be forwarded to Premier Dalton McGuinty, Hon. Dwight Duncan, Minister of Finance, Hon. Kathleen Wynne, Minister of Transportation, Hon. Bob Chiarelli, Minister of Infrastructure, the Ontario Good Roads Association and to CAA South Central Ontario.

B. Background

In response to the correspondence received by the Infrastructure & Recreation Committee at their regular meeting of April 12, 2011, a Staff Report has been provided to identify the financial implications and to clarify CAA/OGRA's request.

At the inception of the Harmonized Sales Tax (HST) in July of 2010, the Canadian Automobile Association (CAA) proposed to the Province that the surplus funds raised by the HST should be distributed to local municipalities to maintain the deteriorating municipal roads infrastructure. CAA had lobbied the Province to distribute the HST revenues from fuel sources, to the failing roads, water and wastewater infrastructure. Ontario Good Roads Association (ORGA) agreed this was a valuable initiative and partnered with CAA to obtain support from Ontario municipalities.

The estimated annual HST revenue to be collected by the Province from gasoline and diesel sales is approximately \$1.53 billion. This estimate was based on fuel costs when they were below one dollar. Now that the fuel has increase to \$1.30 and more, the Provincial revenues will also increase, estimated at \$2 billion dollars per year.

Currently Gas Tax Funding is available from the Federal and Provincial governments, under two separate and distinct programs. The Federal Gas Tax program comes with the expectation that the federal grant investments will see cleaner air, cleaner water and reduced greenhouse gas emissions. The Province also provides a gas tax incentive program of 2 cents of Provincial Gas Tax revenues. This program only supports transit system costs.

The Town is not eligible for funding under the criteria of the Provincial Gas Tax program. The Town is currently receiving Federal Gas Tax grant dollars in the amount of \$209,356.88 per year until March 2014.

CAA in conjunction with OGRA is requesting support of the above resolution, appealing for the Harmonized Sales Tax revenue to be shared with local municipalities. Through a new funding mechanism the Town is requesting the Province consider directing a portion of the revenue derived from HST charged on gasoline and diesel sales for failing infrastructure. The recommendation for a funding formula would be to dedicate provincial funding to roads, water, and wastewater infrastructure.

C. The Blue Mountains' Strategic Plan

5. Ensuring long-term financial sustainability.

D. Environmental Impacts

None

E. Financial Impact

The additional grant dollars would help decrease the funding gap of the Town's roads, water and sewer infrastructure.

F. Attached

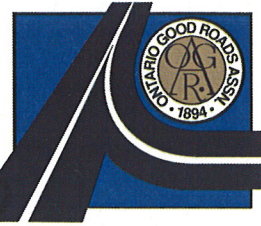
1. March 15, 2011 correspondence received from CAA requesting support of the Harmonized Sales Tax revenue and a new funding mechanism for transportation infrastructure.



Auto
Insurance
Travel

Life-side Assistance

RECEIVED
MAR 23 2011



FIS.11.21
Attachment #1

ENGINEERING & PUBLIC WORKS
TOWN OF THE BLUE MOUNTAINS

RECEIVED

MAR 18 2011

March 15, 2011

Head and Members of Council
Town of The Blue Mountains
P.O. Box 310, 26 Bridge Street East
Thornbury, ON N0H 2P0

To the Head and Members of Council:

Subject: CAA South Central Ontario and OGRA proposal to have H.S.T. gas tax revenue dedicated to transportation infrastructure and maintenance

The need for greater investment and funding support from the Government of Ontario for Ontario's municipalities was clearly highlighted in the Report of the "Provincial-Municipal Fiscal and Service Delivery Review – Facing the Future Together". This report highlighted how Ontario's municipalities continue to struggle to keep up with transportation infrastructure demands needed to support their local economies and to ensure the highest possible standard of living and safety for their residents. With a transportation infrastructure investment gap (roads, bridges and transit) between the Government of Ontario and Ontario's municipalities of approximately \$3.8 billion, it is clear that greater funding support is needed for Ontario's municipalities to build the transportation infrastructure needed to support local economies and to sustain the quality of life that Ontarians have come to expect.

CAA South Central Ontario and the Ontario Good Roads Association are asking municipalities throughout Ontario to support our call for the Government of Ontario to consider dedicating a portion of the new revenue collected from the provincial portion of H.S.T. charged on gasoline and diesel sales to a new predictable funding mechanism directed to Ontario's municipalities for transportation infrastructure investment. Application of the H.S.T. on gas and diesel sales came into effect on July 1, 2010, effectively applying the former Provincial Sales Tax of 8 percent to gasoline and diesel sales. CAA SCO estimates that the Government of Ontario will collect approximately \$1.53 billion annually in new revenue through the application of the H.S.T. on gasoline and diesel sales.

Since the implementation of the H.S.T., over 6000 CAA members and non-members have shown their support of this initiative by signing CAA's petition and e-petition (at <https://www.caasco.com/community/worst-roads/>) calling for a

CAA South Central Ontario, 60 Commerce Valley Dr. E., Thornhill, Ontario L3T 7P9
T. 905-771-3457 F. 905-771-3292 jenn@caasco.ca www.caasco.com

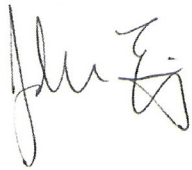
Ontario Good Roads Association, 6355 Kennedy Road, Unit 2 Mississauga, ON L5T 2L5
T. 905-795-2555. Ext. 24 F. 905-795-2660 Scott@ogra.org www.ogra.org

portion of the new revenue collected from H.S.T. on the sale of gasoline and diesel to be dedicated to transportation infrastructure and maintenance. Attaining the support of municipal councils from across the province is the next step in this initiative.

Attached you will find draft resolution text to assist your Council.

Should you have any questions or require further clarification, please do not hesitate to contact us directly.

Kind Regards,



John Ennis
Government Relations Specialist
CAA South Central Ontario



Scott R. Butler
Manager, Policy and Research
Ontario Good Roads Association

Attachments (1)

TITLE: Harmonized Sales Tax (H.S.T.) revenue and a new funding mechanism for transportation infrastructure

AUTHOR: CAA South Central Ontario and the Ontario Good Roads Association

WHEREAS the introduction of the Harmonized Sales Tax (H.S.T.) on July 1, 2010, and its application to gasoline and diesel sales will result in new revenue for the Government of Ontario; and

WHEREAS based on 2010 average price levels of gasoline and diesel, and 2009 average consumption levels in Ontario, the Government of Ontario's projected new revenue will be approximately \$1.53 billion annually; and

WHEREAS the Provincial-Municipal Fiscal and Service Delivery Review identified a transportation infrastructure investment gap between the Government of Ontario and Ontario's municipalities of approximately \$3.8 billion; and

WHEREAS a lack of sufficient funding for essential transportation infrastructure construction, maintenance and rehabilitation has created a situation where many of Ontario's municipalities do not have the financial capacity to construct new transportation infrastructure and conduct the maintenance and rehabilitation needed to sustain existing transportation infrastructure; and

THEREFORE BE IT RESOLVED THAT the Council of the Town of The Blue Mountains requests that the Government of Ontario consider directing a portion of the revenue derived from HST charged on gasoline and diesel sales to a new predictable funding mechanism that will allow Ontario's municipalities to make the critical investments needed to be effective stewards of transportation infrastructure; and

FURTHER THAT a copy of this resolution be forwarded to Premier Dalton McGuinty, Hon. Dwight Duncan, Minister of Finance, Hon. Kathleen Wynne, Minister of Transportation, Hon. Bob Chiarelli, Minister of Infrastructure, the Ontario Good Roads Association and to CAA South Central Ontario; and

FURTHER THAT this resolution be circulated to all municipalities in Ontario requesting their support.