

## ROAD NEEDS STUDIED IN ONTARIO

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Funds are provided to municipalities by the Province of Ontario to subsidize road maintenance and construction of roads under the municipality's jurisdiction. The province also is responsible for the maintenance and construction of its own highway system. This is funded separately.

For most of the larger municipalities, the funds are allocated on the basis of (a) the condition of the roads as measured by the "needs study" and (b) the capability of the municipality to provide funding through its local taxing capability, as measured by its total assessment. The level of subsidy varies between 50 and 80 percent of the expenditures for maintenance and construction. A maximum subsidy is established from the needs study and "fixed costs" based on historic maintenance expenditures.

The needs study is updated annually. It involves breaking the road system into sections of similar characteristics. Each section is evaluated and any deficiencies are identified, costed (according to benchmark costs) and the timing of the needed improvement estimated. The timing is broken into three time categories: now, 1-5 years, and 6-10 years.

The province's stated policy is to maintain the road system at its current level of adequacy (or lack of deficiency). The total amount of needs in the now time period for all municipalities indicates the level of adequacy of all municipal roads. The amount of subsidy in relation to the needs can be established as a percentage of needs. Funding is based on the now, plus 1-5 year deficiencies, with a five-year objective established. For example, recently the province's objective was to provide funds to eliminate 45 percent of the now plus 1-5 year needs over a five-year period as the construction portion of its allocation. This percentage has now been reduced to 30 as a result of the most recent information updating.

Maintenance funding is based on historic spending and a determination by the province of the estimated fixed cost is adequate.

Once the total spending objective has been established, the province and the municipality contribute equally up to 1.25 mills based on total assessment. The unmet needs are funded by the province at 90.9090 percent. The amount of subsidy can vary between 50 and 80 percent. An example calculation follows. A municipality received subsidy based on the following: (a) needs--6 percent of now and 1-5 year needs (e.g., \$30 million = 1.8 million; and (b) fixed cost--based on historic maintenance spending = \$1.7 million. The total spending objective then is \$3.5 million.

Next, the municipality's ability to provide matching funds is evaluated. If its total assessment is \$200 million and a standard mill rate of 1.25 mills is applied, the local effort at 50 percent subsidy would be \$2.5 million. A matching contribution from the province would result in a total effort of \$5 million. Because this is greater than the total spending objective, its subsidy rate would be 50 percent. However, if it were a poorer municipality with similar needs, the following might occur. Suppose its assessment was \$100 million, then its local effort would be \$1.25 million. The province's matching contribution results in a total effort of \$2.5 million with a spending objective of \$3.5 million; this results in \$1 million of unmet needs that are funded at 90.90909 percent. The total subsidy would therefore be \$1.25 million plus \$909 090 or \$2 159 090, resulting in an optimum subsidy rate of 61.7 percent. There is a restriction that the optimum subsidy rate (total subsidy divided by total spending objective) cannot exceed 80 percent.

The municipality is not obligated to spend the construction portion of its subsidy on construction nor the maintenance portion on maintenance; however, it cannot be spent on non-road items.

For more information, contact John Moffat, Manager, Municipal Roads Office, Ministry of Transportation and Communications, 1201 Wilson Avenue, Downsview, Ontario, Canada. A manual explaining the process in detail is available.