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The Bill Comes Due: What's Really Behind the Municipal Facilities Crisis in North America

By Roth IAMS | August 2026

Summary. Facility condition has stopped being an operations problem and become a financial one. Municipalities own the asset risk, but the funding tools that could close the gap mostly sit with other levels of government. Cities can no longer manage the backlog informally, the way many have for decades. Here's what's driving it, and the six things municipalities can do about it.

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For years, deferred maintenance on municipal facilities was treated as a manageable, if unglamorous, budget line: a repair pushed to next year, a roof patched instead of replaced, a HVAC system nursed along past its service life. In 2026, the scale of that deferral has become impossible to treat as routine, on either side of the Canada-U.S. border. From Toronto to Portland, the bill for decades of postponed investment in public buildings and infrastructure is coming due, and municipal leaders are being forced to rethink how they plan, fund, and maintain the facilities their communities depend on.

The Scale of the Problem

In the United States, the numbers are difficult to overstate. A May 2026 analysis of nearly 2,000 U.S. cities by Merritt Research Services put the collective “infrastructure and capital asset burden” from deferred maintenance at $1.03 trillion, 2.6 times the total direct debt those cities carry, and more than four times their unfunded pension liabilities combined. Some individual cities illustrate just how uneven that burden is: Portland, Oregon faces an estimated $19.8 billion in deferred maintenance, or roughly $31,000 per resident, while Baltimore carries an estimated $8 billion backlog.[1,2,3]

At the federal level, the pattern is the same. Government Accountability Office figures show deferred maintenance and repair backlogs across Department of Defense and federal civilian buildings more than doubled from $171 billion to $370 billion between fiscal years 2017 and 2024.[4]

State-level tracking, where it exists, tells the same story. Arizona, one of the few states that has tracked deferred maintenance consistently for decades, disclosed $863 million in accumulated deferred costs for state-owned buildings in fiscal year 2026 alone. According to the Pew Charitable Trusts, most states don’t track the number at all, which means many policymakers are making capital decisions without a clear picture of what they’re actually managing.[5]

In Canada, the picture is strikingly similar in shape, even if the numbers and structure differ. Canadian municipalities own and maintain roughly 60% of the country’s core public infrastructure, including roads, bridges, water and wastewater systems, transit, and public buildings, according to the Federation of Canadian Municipalities. Estimates of Canada’s overall infrastructure deficit range from a minimum of roughly $150 billion up to as much as $1 trillion, depending on methodology and scope.[6,7]

Toronto’s own numbers illustrate the trend clearly. The city’s state-of-good-repair backlog stood at $9.4 billion as recently as last year’s budget cycle; this year’s 10-year capital plan now projects it will reach $21 billion by 2033, even after a historic capital spending increase intended to flatten the growth curve. In Toronto’s 2026 budget, departments including parks and recreation are facing hundreds of millions of dollars in deferred capital work, with city officials describing a “cascading deferral” effect, where pushing back one project delays the next, and the next after that. A structural fiscal mismatch compounds the problem: Toronto is responsible for 60% of the infrastructure in the city but receives only 9% of the tax revenue generated there, with the remainder flowing to the provincial and federal governments.[8,9]

Why It's Gotten Harder to Ignore

A few forces are converging to make deferred maintenance a front-burner issue for municipal leaders rather than a background problem:

- The math stops working. Deferred maintenance compounds. A repair postponed for a few years becomes a system replacement; a system replacement postponed becomes a full facility overhaul. The Merritt Research analysis found the deferred maintenance burden now dwarfs both the direct debt and pension liabilities many cities are already straining to manage, meaning facilities risk has quietly become one of the largest financial exposures on municipal balance sheets, even though it rarely shows up as a line item the way debt does.[1]
- Budget cycles fight long-term planning. Municipal capital planning is still largely organized around annual or biennial budget cycles, multi-department coordination, and public accountability requirements that make it hard to fund the kind of sustained, multi-year investment deferred maintenance actually requires. Short-term budget pressure consistently pushes routine maintenance further down the priority list, which only accelerates the compounding problem.
- Public buildings compete for attention against more visible priorities. The National League of Cities' 2026 Municipal Infrastructure Conditions Report found that cities continue to prioritize streets, water, sewer, stormwater, and water treatment systems, the infrastructure residents notice immediately when it fails. Public buildings, parking facilities, and other civic assets remain comparatively lower priorities in many communities, even as their condition quietly deteriorates.[10]

Municipal revenue structures haven't kept pace with what municipalities are responsible for. This shows up clearly in Canada, where cities like Toronto own the majority of local infrastructure but collect a small fraction of the tax revenue generated within their borders, with most flowing to provincial and federal governments instead. The result is a structural gap between who owns the asset risk and who controls the primary funding tools to address it, a mismatch that shows up, in different forms, in municipal finance on both sides of the border.[6,9]

What Municipalities Need to Do

- Measure the backlog honestly, and keep measuring it. You can't manage what you don't track. States and cities that maintain consistent, long-term deferred maintenance data — Arizona's multi-decade tracking is a rare example — are far better positioned to make informed capital decisions than those relying on periodic, incomplete assessments. A current Facility Condition Index across the full building portfolio should be table stakes, not an occasional exercise.[5]
- Treat facilities risk as financial risk, not just an operations issue. Deferred maintenance needs to be discussed in the same conversations as debt and pension liabilities, because at the scale it's reached in many cities, it functionally is a liability. That reframing helps justify sustained capital investment rather than one-time patches.

- Prioritize by risk and consequence, not just age. Not every deferred repair carries the same risk. A risk-based prioritization framework, weighing safety, regulatory compliance, and service continuity, makes limited capital dollars go further.
- Build maintenance into the budget cycle, not around it. Preventive maintenance approaches, supported by computerized maintenance management systems, allow municipalities to catch problems before they become emergencies and to build predictable, multi-year investment plans instead of reactive one-off repairs. The goal is shifting the culture from "fix it when it breaks" to "plan for when it will need attention."
- Push for funding structures that match where the risk actually sits. In Canada in particular, the gap between municipal infrastructure ownership (roughly 60%) and municipal tax revenue share (in Toronto's case, roughly 9%) is a structural problem that facility-level fixes alone can't solve. Municipal leaders advocating for revenue-sharing reform or dedicated infrastructure transfers are addressing the root cause, not just the symptom.[6,9]
- Make the case to residents and elected officials in terms they can act on. Deferred maintenance is often invisible until it fails: a boiler that finally quits, a roof that finally leaks through. Municipal leaders who can translate a facility condition assessment into a clear and defensible asset management story: what it costs to fix now versus later, what's at risk if it's ignored, are in a stronger position to secure the sustained funding these problems actually require.

The Bottom Line

Deferred maintenance on municipal facilities isn't a problem that resolves itself, in the U.S., Canada, or anywhere else, and in 2026, the accumulated cost of decades of postponement has become too large for many cities on both sides of the border to keep managing informally. The municipalities in the best position going forward are the ones treating facility condition as a measurable, trackable financial exposure, not an afterthought behind roads and water systems, and building the data, prioritization frameworks, and funding strategies to start closing the gap before it grows further.

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