

Provincial-Municipal Revenue Sharing

Moved by: City of St. Albert

Seconded by: TBD

WHEREAS municipalities, their residents and businesses benefit from long-term, stable, and adequate financial commitments from other orders of government;

WHEREAS municipalities receive approximately 8 cents of every tax dollar generated by all orders of government, yet are responsible for over 60 per cent of public infrastructure and are limited in their ability to raise needed revenue other than through property taxes;

WHEREAS Provincial GDP grew by an estimated 5.8 per cent in 2021, and the provincial economy is expected to recover to 2014 levels in 2022, yet infrastructure funding for municipalities is nearly 40 per cent lower than the annual average prior to the 2015 recession in Alberta;

WHEREAS Alberta municipalities have worked with the Province to absorb funding cuts and downloading from the Government of Alberta over the past several years, whilst maintaining core services and infrastructure through times of economic hardship;

WHEREAS notable examples of provincial funding reductions and downloading to municipalities include: a 50 per cent reduction to the Grants in Place of Taxes (GIPOT), the Province is taking a greater share of revenue from municipally-issued fines, downloading DNA/Case Biology costs to municipalities, year-over-year reductions in the Municipal Sustainability Initiative, and downloading disaster recovery costs to municipalities;

WHEREAS the current total funding pot for the Local Government Fiscal Framework is inadequate, and will be 37 per cent less than the annual average of the Municipal Sustainability Initiative (MSI) and BMTG programs over the past decade starting in 2024;

WHEREAS the Local Government Fiscal Framework's total funding pot is legislated to grow at a rate of 50 per cent of provincial revenue growth, which would mean a 0.5 per cent growth in funding based on current provincial government projections, much lower than inflationary increases;

WHEREAS to reinstate historical funding levels of the Municipal Sustainability Initiative under the Local Government Fiscal Framework represents approximately 0.7 per cent of the Province's total budget;

WHEREAS the Local Government Fiscal Framework provides a predictable foundation for provincial revenue-sharing with local governments, building upon the long-term tradition of doing so within Alberta, that can eliminate red-tape by providing a single, streamlined source of revenue-sharing with municipalities;

WHEREAS municipalities are economic drivers across the province, and are partners with the Government of Alberta through times of hardship and prosperity;

IT IS THEREFORE RESOLVED THAT Alberta Municipalities advocate to the Government of Alberta to increase the size of the funding pot of the Local Government Fiscal Framework starting in 2024, and to grow it at a 1:1 ratio linked to provincial revenue as partners in economic prosperity and the provision of public services and infrastructure to Albertans.

BACKGROUND:

Most municipalities rely on federal and provincial revenue transfers to address the infrastructure deficit. As complex organizations delivering meaningful services to citizens, all municipalities in Alberta rely on stable, predictable, and adequate revenue-sharing. Funding of this nature has been leveraged in the past to successfully build and rehabilitate critical community infrastructure, support Albertans, and plan for the future. The projects, enabled by revenue-sharing mechanisms with the Province, have had significant positive community impacts.

The 2022 Government of Alberta Budget was an important milestone, and it is commendable that the Government of Alberta was able to balance their books. This marks the transition from economic recovery to economic growth. Municipalities have been integral partners in helping to enable this milestone, by absorbing provincial funding reductions and downloading of services over the past several years.

Within a City of St. Albert context, since Budget 2020/21 this has included, annual recurring cost-reductions/downloading of the following:

- Government of Alberta taking greater share of municipal fine revenue (Loss of \$620,000 in revenue);
- Grants in Place of Taxes (GIPOT) 50 per cent reduction (loss of \$75,000 in revenue);
- DNA/Biology Caseworks billed to municipalities instead of Government of Alberta (additional \$25,000 cost);
- Municipal Sustainability Initiative 25 per cent reduction (loss of \$4 million in revenue)

In total, this is equivalent to a 0.6 per cent property tax increase (excluding the MSI capital reduction), and means needed capital projects could be deferred and additional efficiencies sought to limit tax increases to ratepayers.

Many other Alberta municipalities have done the same.

The Local Government Fiscal Framework is critical to achieve long-term municipal sustainability and presents the opportunity to be a streamlined mechanism for provincial-municipal revenue sharing. It is positive in that it provides increased predictability, stability, and transparency for municipalities across Alberta. However, it is currently inadequately funded to meet the current and future infrastructure needs of Albertans, and to ensure appropriate asset management.

As partners with the Government of Alberta in achieving positive environmental, social, and economic outcomes, municipalities should share in economic growth and prosperity, as we have shared in reducing costs, red-tape, and delaying projects to limit property tax increases to our shared residents.

This resolution aligns with a 2021 Alberta Municipalities Member adopted Request for Decision (RFD) on the Local Government Fiscal Framework Implementation, sponsored by the Village of Forestburg which called for removal of the 50 per cent limitation in the revenue index factor calculation so that annual changes in LGFF funding is equivalent to annual changes in the Government of Alberta's revenue and that the starting amount be increased.