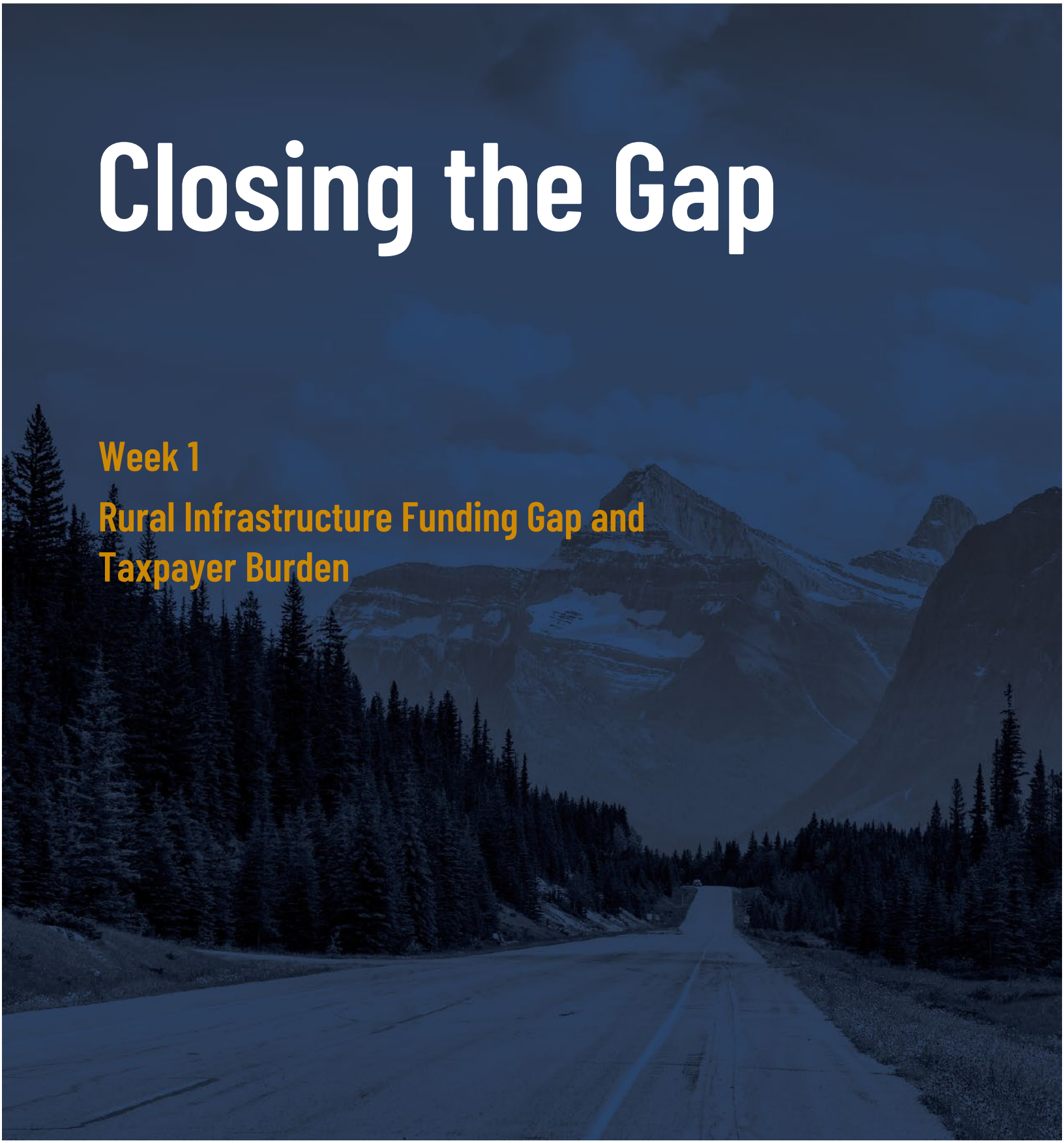
RMA
RURAL MUNICIPALITIES *of* ALBERTA

Closing the Gap

Week 1

Rural Infrastructure Funding Gap and Taxpayer Burden



Week 1: The Rural Infrastructure Funding Gap and Taxpayer Burden

Rural municipalities in Alberta manage the majority of the province's transportation infrastructure and a sizeable part of water utility infrastructure, including 75% of the province's bridges, 135,000 km of roads, and 30% of Alberta's water and wastewater systems. These assets are essential to Alberta's economy, connecting industries to markets and residents to services; however, despite their importance, rural municipalities receive only a fraction of provincial and federal funding.

The result is a widening infrastructure deficit that forces municipalities to spend disproportionate shares of their budgets, often over 50%, on transportation. Without immediate and sustained provincial intervention, the economic development in rural areas that benefits the province as a whole is at risk.

The Scale of the Deficit

Individual Asset Type Results

CATEGORY	BRIDGES & CULVERTS	ROADS	UTILITIES
Deficit:	$2.29 Billion	$11.99 Billion	$2.96 Billion
Portfolio Value:	$2.54 Billion	$21.95 Billion	$10.27 Billion
Life Consumed:	77.60%	74.90%	78.10%
Condition:	49.34%	60.76%	67.20%
Holding Cost:	$373.14 Million	$5.55 Billion	$492.37 Million

- Alberta's rural municipal road portfolio faces a deficit of nearly $12 billion in unmet funding and investment. Rural bridges face a deficit of over $2 billion, and rural water utilities face a deficit of nearly $3 billion. Therefore, the total rural infrastructure deficit is approximately $17 billion, as of 2024. Without significant changes, this deficit is projected to grow to over $25 billion in 2026.
- 49,000 km, or around 36%, of rural roads are already below 50% condition rating, while only 175 km remain at full condition.

What is an infrastructure deficit?

The infrastructure deficit is the difference between the current condition of assets observed and the target state level of condition. The deficit calculation, therefore, is based on the one-time investment required to move the portfolio to its target state, and can be represented by:

Infrastructure Deficit = Portfolio Target State Value ($) – Portfolio Observed Condition Value ($)

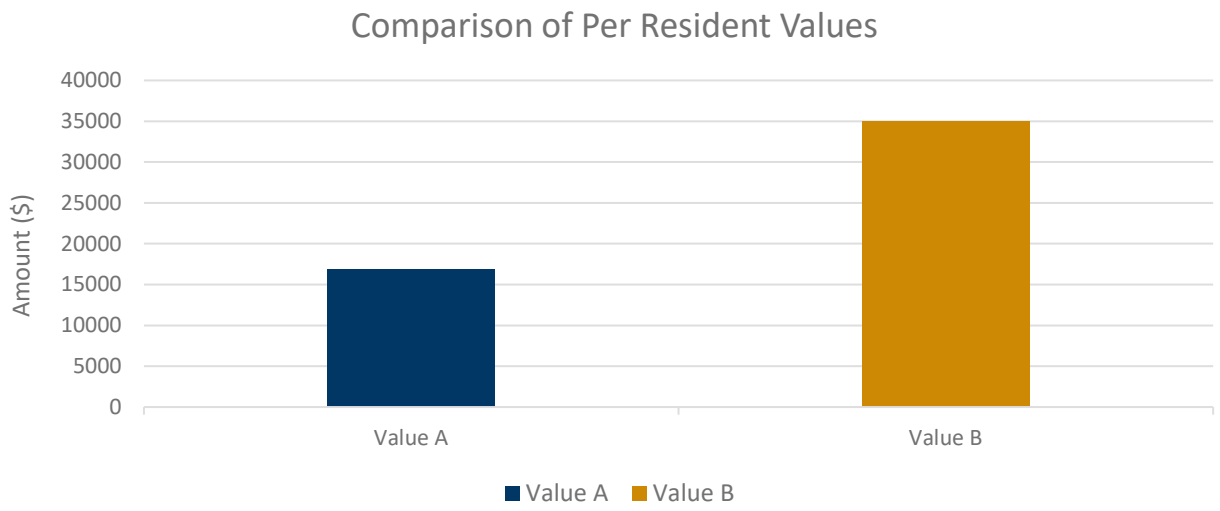
- Overall, as of 2023, rural bridges had a condition rating of 49.34%, and an effective age of 41.95 years based on an average useful life of 54.05 years.
- Rural water utilities fare slightly better, with a condition rating of 67.20% and an effective age of 50.76 years, based on an average useful life of 65 years.
- Rural roads have a condition rating of 60.76% and an effective age of 20.44 years, based on a useful life of just over 27 years.
- Current provincial funding programs and grants cover less than 5% of the annual holding costs for rural roads alone. These competitive programs sometimes rely on per-capita statistics, rather than reflecting rural cost drivers.

This imbalance leaves municipalities unable to plan responsibly, forcing them into reactive, crisis-driven decisions that undermine fiscal stability and long-term asset management.

The Taxpayer Burden

Rural municipalities spend upwards of 50% of their budgets on transportation infrastructure, while urban municipalities spend closer to 10%. This suggests that rural municipalities are already spending a disproportionate share of local revenue sources (mainly property taxes) on maintaining roads, bridges, and water/wastewater infrastructure, and increasing that further would require reducing other services or raising taxes.

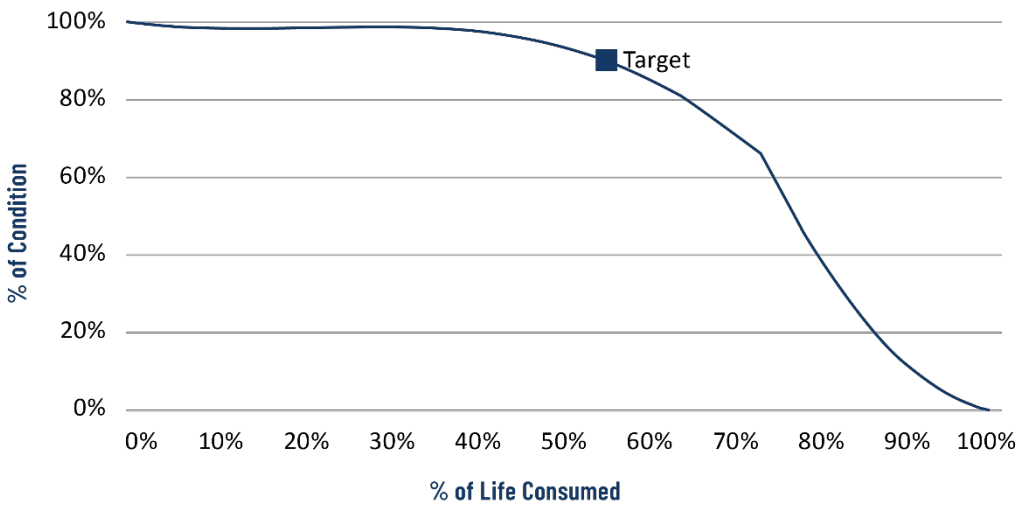
With a rural infrastructure deficit of over $17B in 2024 and the population of RMA member municipalities (~714,000 people), this equates to $16,800 per rural resident in 2024. In 2026, when the deficit is projected to reach $25 billion, this grows to over $35,000 per rural resident.



The deterioration curve analysis below shows that once assets fall below the 94% target condition rating and the percent of their lives are consumed, infrastructure holding costs accelerate dramatically.

- Current annual holding cost for rural road, bridge, and utility infrastructure: $5.55 billion
- Target annual holding cost (at 94% condition): $870.9 million
- Potential annual savings: $4.68 billion per year

Deterioration Curve Interpretation



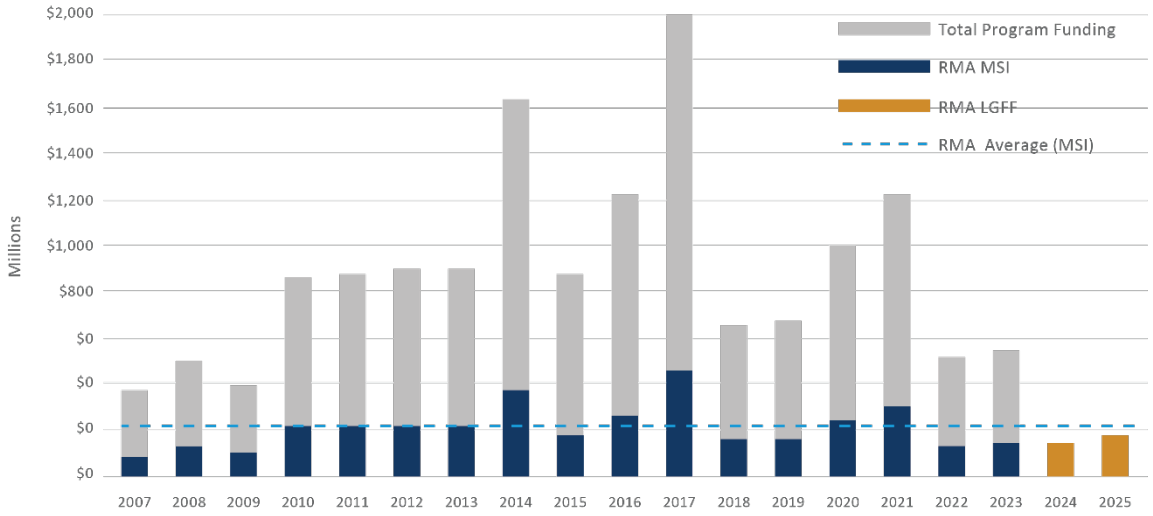
The graph above shows the deterioration curve. The curve is a function of two factors: **the percentage of life consumed of the assets**, and **the percentage condition rating of the assets**. The horizontal axis represents the average age of the infrastructure as a percentage of its lifespan (e.g., infrastructure at the end of its life would be rated 100%). The vertical axis represents the average condition of the infrastructure as a percentage of its value. For example, a new asset, worth 100% of its value, would be rated at the 100% condition. Alternatively, a completely failed asset would be rated at a 0% condition.

This means rural municipalities are paying over six times more than the ideal holding cost just to hold aging, deteriorating assets in their current state. Without provincial investment in rural infrastructure, the burden falls directly on rural taxpayers, creating inequities with urban communities and discouraging industrial growth.

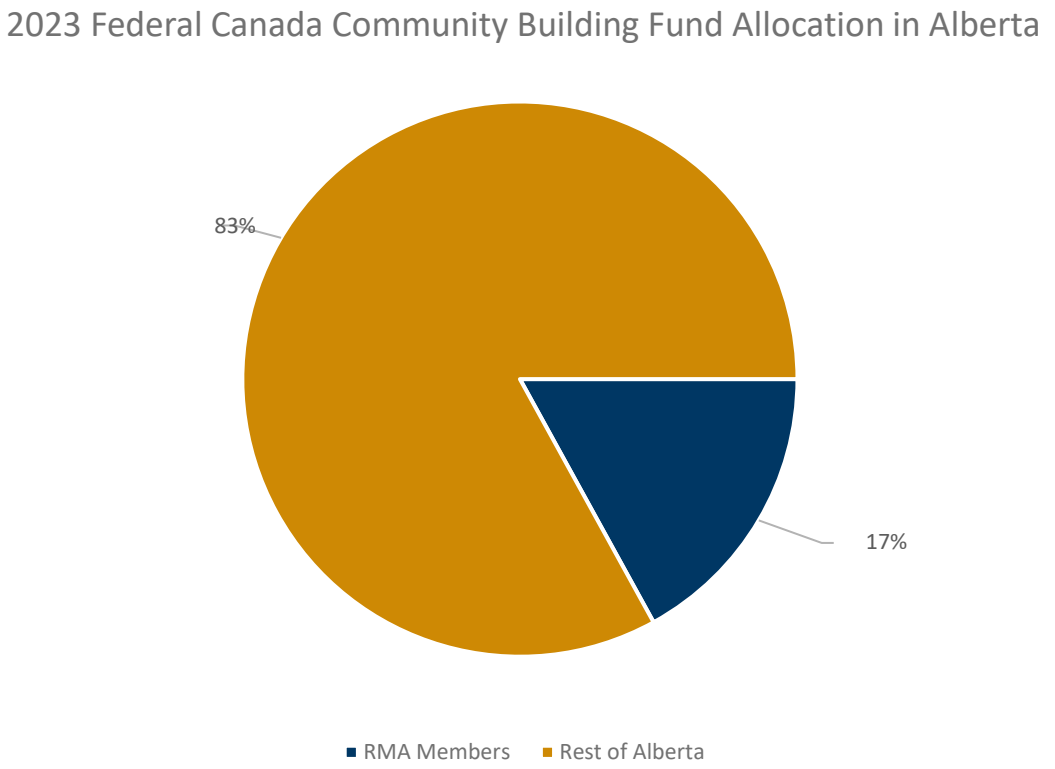
Funding Inequities

Several funding programs illustrate the imbalance:

- **Water Utility Funding:** According to RMA's 2024 Infrastructure Deficit Report, RMA members received only 17% of provincial water funding in 2023, despite managing 30% of Alberta's water utility infrastructure.
    - Funding under the Municipal Water and Wastewater Program dropped from $85M in 2023 to $33M in 2025.
- **Local Government Fiscal Framework (LGFF):** In 2024, LGFF replaced MSI as the primary funding program for rural municipal transportation infrastructure. Unfortunately, LGFF is funded well below historical MSI averages; MSI averaged $1B annually between 2013–2023, while LGFF in 2025 provided just $800M – a reduction of nearly 20%, *before* accounting for high inflation



- **Strategic Transportation Infrastructure Program (STIP):** STIP is funded 75% by the province and 25% by municipalities. STIP funding decreased from $43.5M in 2024 to $32.6M in 2025, despite RMA members managing 75% of Alberta's bridges, with those assets valued in the billions.
- **Canada Community-Building Fund (CCBF):** In 2023, RMA municipalities received only $45M (17%) of Alberta's $265M allocation, due to per capita formulas that rely on per-capita metrics and fail to account for rural cost drivers such as rural and remote construction and maintenance costs and longer overall lengths.



Why This Matters

Reliable roads, bridges, and water systems are the foundation of both Alberta's economy and prosperous rural communities. When funding falls short, the impacts are felt immediately and disproportionately in rural municipalities.

- **Economic Competitiveness:** Rural infrastructure connects Alberta's industries to markets. Oil and gas, forestry, agriculture, and manufacturing all rely on rural roads and bridges to move products and equipment. When these assets deteriorate, transportation costs rise, supply chains slow, and Alberta's competitiveness in global markets is weakened. Underfunding rural infrastructure is not just a local issue; it undermines the province's economic engine.
- **Equity and Community Viability:** Rural municipalities spend far more of the income received from their limited tax bases on transportation infrastructure when compared to the urban centres who benefit from funding formulas heavily skewed towards denser urban centres. This forces difficult trade-offs for rurals such as raising property taxes, cutting other essential services, or deferring maintenance. Families and businesses in rural Alberta bear a disproportionate burden, paying more for less reliable infrastructure.
- **Public Safety and Access:** Roads and bridges are lifelines for residents, connecting people to health care, schools, and emergency services. Poor infrastructure conditions and inadequate funding translate into longer emergency response times, unsafe travel conditions, and reduced access to critical services.
- **Fiscal Sustainability:** Once assets fall below an ideal condition rating, holding costs accelerate and become fiscally unsustainable.

In short, the infrastructure deficit is not just about deteriorating assets; it is about the viability of rural municipalities, the competitiveness of Alberta's industries, and the fairness of asking rural taxpayers to shoulder a disproportionate burden. Without predictable, equitable funding, municipalities cannot remain strong partners in Alberta's governance framework, and the province risks losing the economic and social benefits that rural communities provide.

Call to Action

RMA urges the province to seize Budget 2026 as an opportunity to invest in rural Alberta and close the rural infrastructure funding gap by revising funding formulas to reflect rural realities and provide predictable, equitable support for the infrastructure that underpins Alberta's prosperity. While immediate attention must be given to the fiscal imbalance, it should also be paired with longer-term commitments to collaborate on solutions that ensure rural municipalities remain partners with the province as they work together on Alberta's growth.