

Closing the Gap

Week 4

Aligning Investment with Rural Realities

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Fair, sustainable funding is the foundation of responsible infrastructure management. Rural municipalities manage Alberta's largest and most economically significant transportation and utility networks, yet current provincial funding programs do not reflect the realities of rural service delivery. Unique rural cost drivers such as large geographic service areas, lower population density, heavy industrial traffic, a primarily non-residential tax base, and rapidly escalating construction costs all contribute to higher per-kilometre and per-project infrastructure maintenance costs in rural regions. When funding formulas fail to account for these realities, the result is a widening infrastructure deficit that threatens Alberta's economic competitiveness.

RMA's 2024 Rural Municipal Infrastructure Deficit Project (RMIDP) reports showed that rural roads, bridges, and utilities are aging rapidly and deteriorating faster than municipalities can maintain them. Without fair and sustainable funding contributions from other levels of government, municipalities are forced into reactive maintenance, emergency repairs, and deferred projects, which increase long-term costs and reduce the reliability of the networks that support Alberta's industries.

Fair funding is not simply about increasing allocations; it is about aligning provincial investment with the true cost of maintaining the infrastructure that drives Alberta's economy. Rural municipalities support 41% of Alberta's investment and 28% of provincial GDP, yet receive a disproportionately small share of provincial infrastructure funding. This imbalance places an unsustainable burden on rural taxpayers and undermines the province's long-term economic potential.

Budget 2026 offers the Government of Alberta a critical opportunity to correct this imbalance. By revising funding formulas to reflect rural cost drivers, increasing allocations to match escalating costs, and committing to long-term collaboration on sustainable funding models, the province can stabilize critical assets, reduce long-term costs, and ensure Alberta's infrastructure remains strong enough to support future growth.

Why Fair Funding Matters

Economic Competitiveness

Rural infrastructure is the first link in Alberta's supply chains. When roads and bridges deteriorate, industries face higher transportation costs, reduced productivity, and increased risk of delays. Fair funding ensures Alberta remains competitive in global markets.

Equity and Fiscal Sustainability

As discussed in Week 1 of this campaign, many rural municipalities are required to allocate 50% or more of their municipal budgets to transportation infrastructure, while urban municipalities typically allocate much less – often around 10%. This disparity is amplified by the fact that rural municipalities depend on a limited and highly variable non-residential tax base, constraining their ability to invest in their essential infrastructure.

Additionally, many of the largest grant fundings programs administered by other levels of government, including the Government of Alberta Local Government Fiscal Framework (LGFF) and the Government of Canada's Canada Community Building Fund (CCBF), rely heavily on population as a metric to determine

funding allocations among municipalities. In rural Alberta, infrastructure needs are driven to a much larger extent by non-residential development and activity, which is not captured in how funding through the LGFF, CCBF, or most other infrastructure grant programs is determined.

Without fair funding levels and allocation formulas that reflect rural infrastructure needs and opportunities, rural taxpayers will shoulder a disproportionate burden, forcing difficult trade-offs between essential services and infrastructure maintenance.

Long-Term Cost Savings

As outlined in Week 1, when assets fall below target condition ratings, holding costs accelerate dramatically. The deterioration curve analysis used in the RMIDP reports shows this acceleration, with the reports indicating that current holding costs, or the costs to keep infrastructure in current conditions, is more than \$5 billion annually; if these same assets were at the target condition rating of around 90%, the annual holding cost would reduce to less than \$1 billion per year.

Nearly 40% of rural roads are already below a 50% condition rating, leaving the rural road portfolio with an average condition rating of just 61%; without increased investment, this condition rating is projected to fall from 61% to just 14% by 2028. The rural bridge portfolio shows a similar trend, with the average condition of rural bridges projected to decline from 49% to 21% over the same period. As assets move further down the deterioration curve, maintenance costs will rise rapidly, and deferring maintenance at these lower condition levels will lead to exponentially higher repair and maintenance costs and increased fiscal pressure on municipalities and the province.

Fair funding allows municipalities to maintain assets proactively, reducing long-term costs for both municipalities and the province.

Community Safety and Access

Reliable roads and bridges are essential for emergency response, health care access, and community well-being. Fair funding ensures rural residents receive equitable access to safe, reliable infrastructure.

The Opportunity for Budget 2026

Budget 2026 is a pivotal moment for Alberta. The province can choose to continue to take a reactive approach to supporting rural municipalities in managing infrastructure networks, or it can invest strategically in the infrastructure that drives the economy across Alberta. By aligning funding programs such as the Strategic Transportation Infrastructure Program (STIP) and the Local Government Fiscal Framework (LGFF) with rural realities and collaborating with municipalities on long-term solutions, the Government of Alberta can:

- ◆ Reduce long-term infrastructure holding and maintenance costs
- ◆ Strengthen supply chains and industrial competitiveness
- ◆ Support diversification and emerging industries
- ◆ Protect communities and ensure equitable access to services
- ◆ Build a resilient, future-ready infrastructure network

There are several ways in which the province can prioritize the economic growth and prosperity that stems from rural infrastructure in Budget 2026 and future years' budgets. These include:

1. Immediate Increase to Existing Funding (Short-Term Relief)

RMA calls for immediate provincial investment to stabilize Alberta's rural transportation network and protect the economic activity it supports. The 2024 RMIDP reports show that critical road and bridge assets are deteriorating faster than municipalities can maintain them, creating escalating financial risks for both municipalities and the province. While the historic Municipal Sustainability Initiative (MSI) occasionally provided higher funding levels, its year-to-year volatility made long-term planning difficult and contributed to its replacement with the Local Government Fiscal Framework (LGFF) in 2024.

Although LGFF was designed to offer more stability, current allocations remain well below what is required to maintain the infrastructure that underpins Alberta's economic competitiveness. LGFF funding sits at approximately \$880 million for 2025-2026, dropping to \$860 million in 2026-2027; this is 15% to 20% below the historical MSI average, even before accounting for the significant inflation and construction cost escalation of the past several years. This gap directly contributes to deferred maintenance, higher long-term costs, and reduced reliability of the transportation corridors that support Alberta's core industries.

Similarly, Strategic Transportation Infrastructure Program (STIP) funding has declined from \$44 million in 2024-2025 to \$33 million in 2025-2026, with only a modest increase to \$39 million projected for 2026-2027. As an oversubscribed program supporting a significant part of Alberta's municipal bridge network, STIP's current funding levels are not aligned with the scale of provincial economic activity that depends on rural bridges and corridors.

Therefore, RMA recommends the Government of Alberta:

- ◆ Align LGFF funding with the 10-year historical MSI average, plus an inflationary adjustment, to ensure provincial investment keeps pace with rising construction and material costs
- ◆ Strengthen STIP to support timely bridge rehabilitation and replacement, reducing the risk of costly emergency closures and supply chain disruptions
- ◆ Provide targeted, short-term investment to address high-risk assets, preventing failures that would impose far greater economic and fiscal costs on the province

Short-term relief will stabilize municipal budgets, reduce taxpayer inequities, and unlock industrial and economic development opportunities province-wide.

2. Collaboration on Fair and Sustainable Funding Models

RMA encourages the Government of Alberta to work in partnership with rural municipalities to re-develop funding and allocation models to ensure that both overall investment amounts and allocation among municipalities reflects the true cost of maintaining the infrastructure that drives Alberta's economy.

Aligning funding frameworks with rural realities is not about increasing municipal revenues; it is about ensuring that provincial investment is targeted where it delivers the greatest economic return, and ensuring that provincial funding complements municipal investment of local tax dollars into core infrastructure. When funding formulas reflect the scale and economic significance of rural infrastructure, Alberta can reduce long-term costs, strengthen supply chains, and protect the competitiveness of its core industries.

To support this strategic alignment, RMA recommends the Government of Alberta:

- ◆ Collaborate with rural municipalities to revise funding models and allocation formulas to reflect rural cost drivers and the economic importance of rural transportation networks
- ◆ Establish rural-specific funding streams where appropriate, particularly for road, bridge, and utility assets that serve existing significant industrial developments or areas of potential economic development
- ◆ Index funding to inflation and construction cost escalation to ensure provincial investment keeps pace with real-world cost pressures

A collaborative, evidence-based approach will ensure provincial investment is fair, economically strategic, and aligned with Alberta's long-term growth objectives.

3. Long-Term Commitments: Funding and Condition Assessment Strategy

To protect Alberta's long-term economic growth, RMA calls for a provincial commitment to co-develop a renewed, long-term funding model paired with a province-wide condition assessment strategy for rural roads, bridges, and utilities. Although LGFF was introduced to improve stability, current allocations do not reflect the scale of rural infrastructure responsibilities or the economic activity they support. A long-term, evidence-based investment framework is essential to ensure Alberta's infrastructure remains reliable as industrial demand, climate pressures, and construction costs continue to rise.

A province-wide condition assessment strategy will allow Alberta to target investment to assets that are high-value and/or high-risk, both locally and at a provincewide level. This will reduce long-term costs, prevent emergency failures, and help ensure that provincial dollars deliver maximum economic impact. This approach shifts Alberta from reactive crisis management to proactive, strategic asset stewardship.

Key components include:

- ◆ A provincial condition assessment framework to track the condition of economically significant rural infrastructure and inform investment decisions
- ◆ Integration of municipal asset management data into provincial capital planning, ensuring provincial investment aligns with real-world asset needs
- ◆ A prioritization matrix to direct funding to high-risk, high-value assets that support major industries and trade corridors
- ◆ Innovation funding to support resilient construction techniques, climate adaptation, and long-term cost savings

This long-term, coordinated approach will reduce future costs, strengthen Alberta's economic backbone, and ensure rural infrastructure remains reliable for decades to come.

4. Asset Management Support

RMA's RMIDP reports show that while asset management practices have improved significantly, many municipalities – particularly smaller and remote ones – still lack the resources to collect, maintain, and analyze the data needed for evidence-based planning. Incomplete data means the true infrastructure deficit may be even larger than projected, increasing the risk of unexpected failures and inefficient investment.

Strengthening municipal asset management capacity is a strategic provincial investment. When municipalities have accurate data, the province can target funding to the highest-value, highest-risk assets, reduce long-term costs, and ensure infrastructure investments deliver maximum economic and community benefit.

To support evidence-based provincial investment, RMA recommends the Government of Alberta:

- ◆ Dedicate provincial funding to expand municipal asset management capacity, ensuring every municipality can quantify asset condition and long-term investment needs
- ◆ Support data collection, asset evaluation, software acquisition, and training, enabling municipalities to maintain accurate, up-to-date asset inventories
- ◆ Integrate municipal asset management data into provincial funding frameworks, ensuring provincial investment decisions are grounded in consistent, high-quality information

Investing in asset management is investing in smarter, more efficient infrastructure spending. It ensures that every provincial dollar is directed to the assets that matter most for Alberta's economic competitiveness and community well-being.

Invest Today to Protect Alberta's Prosperity Tomorrow

Alberta's economic engine runs on rural infrastructure. Budget 2026 is the moment to invest fairly, reflect rural cost drivers, and protect the networks that keep industry moving. Strategic investment today will reduce long-term costs, prevent failures, and secure Alberta's competitiveness for the future.