LGFF Capital Funding Allocation Formula
Fact Sheet

Total Program Funding

Calculation of total LGFF capital funding is specified in the *Local Government Fiscal Framework (LGFF) Act*.

Program funding starts in 2024 at a baseline amount of $722 million, with $382 million (approximately 53 per cent) allocated to the cities of Calgary and Edmonton, and $340 million (approximately 47 per cent) allocated to the remaining local governments.

In subsequent years, funding will change at the same rate as the rate of change in provincial revenues from three years prior. For example, funding in 2025 will increase by 13.6 per cent to $820 million, based on the 13.6 per cent growth in provincial revenues between 2021-22 and 2022-23[1]. The percentage change, referred to as the Revenue Index Factor, is applied both to Calgary's and Edmonton's funding share and the funding share for other local governments. This means that in 2025, Calgary's and Edmonton's combined funding will be $434 million, and funding for other local governments will be $386 million.

Under the *LGFF Act,* funding amounts for Calgary and Edmonton, and the funding amount for other local governments at an aggregate level, must be communicated by September 30 two years in advance. Accordingly, 2025 funding amounts were communicated on August 31, 2023 through the 2023-24 First Quarter Fiscal Update and Economic Statement.

LGFF FUNDING
(millions of dollars)

	2024	2025
Calgary	224	255
Edmonton	158	179
Other Local Governments	340	386
Total Funding	**722**	**820**

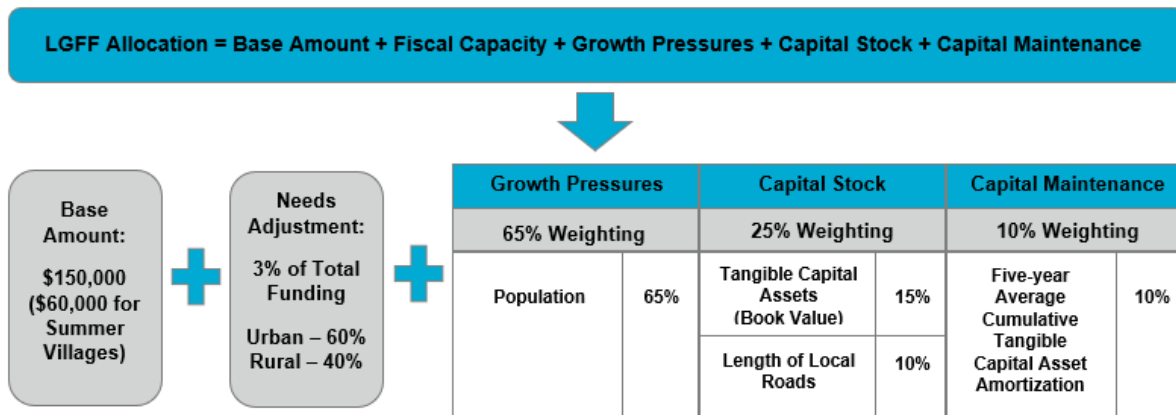## Allocation Formula at a Glance

Cities of Calgary and Edmonton

Funding is distributed between Calgary and Edmonton in proportion to their population (48 per cent weighting), education property tax requisitions (48 per cent weighting), and length of local roads (4 per cent weighting). This formula is outlined in the *LGFF Act*.

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[1]Provincial revenues exclude revenue from the Technology Innovation and Emissions Reduction Fund and are adjusted for policy changes with an impact greater than $100 million. In 2022-23, provincial revenues were adjusted to account for the impact of the fuel tax relief program and reinstatement of Personal Income Tax indexation.

Other Local Governments

Funding is allocated based on population (65 per cent), tangible capital assets (15 per cent), length of local roads (10 per cent), and cumulative amortization of tangible capital assets averaged over a five year period (10 per cent), after providing base funding to all local governments and needs-based funding to local governments with a limited local assessment base.

LGFF Allocation = Base Amount + Fiscal Capacity + Growth Pressures + Capital Stock + Capital Maintenance

Base Amount: $150,000 ($60,000 for Summer Villages)	+	Needs Adjustment: 3% of Total Funding Urban – 60% Rural – 40%	+	Growth Pressures 65% Weighting		Capital Stock 25% Weighting		Capital Maintenance 10% Weighting	
				Population	65%	Tangible Capital Assets (Book Value)	15%	Five-year Average Cumulative Tangible Capital Asset Amortization	10%
						Length of Local Roads	10%		

Formula Factors for Local Governments other than Calgary and Edmonton

The LGFF allocation formula for other local governments is a fair and equitable distribution of funding, in recognition of the varying needs of different local governments. The formula is aimed at supporting all types of local governments, ranging from small summer villages to large cities, urban communities with rapidly growing populations and rural communities with large road networks, as well as those with less revenue generation opportunities due to limited local assessment bases. Formula factors and their weighting were selected after considering input from local government stakeholders.

LGFF FUNDING BY COMPONENT
(dollars)

	2024	2025
Base Funding	47,310,000	47,160,000[2]
Needs-based Funding	10,200,000	11,589,778
Population Funding Component	183,618,500	212,924,495
TCA Funding Component	42,373,500	49,136,422
Road Funding Component	28,249,000	32,757,615
Amortization Funding Component	28,249,000	32,757,615
Total Funding	**340,000,000**	**386,325,924**

Base Amount

The base amount ensures that smaller municipalities receive sufficient funding to complete meaningful infrastructure projects. Each local government receives $150,000 in base funding, except for summer villages, which receive $60,000. The base amount was set at a lower level for summer villages because they generally tend to provide fewer year-round services and have less infrastructure than similarly-sized villages.

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[2]The base amount is reduced by $150,000 in 2025 due to the expiry of the five year LGFF funding policy for restructured municipalities for one of the impacted municipalities.

Needs-based Funding

Needs-based funding is set at 3 per cent of total funding for local governments other than Calgary and Edmonton, with 60 per cent of needs-based funding allocated to urban municipalities and Metis Settlements, and 40 per cent allocated to rural municipalities.

Needs-based Funding Calculation for Urban Municipalities and Metis Settlements
For an urban municipality to be eligible for needs-based funding, its population must be less than 10,000 and its equalized assessment per capita must be below 80 per cent of the provincial average. For this purpose, provincial average equalized assessment per capita is based on urban municipalities with fewer than 10,000 people (i.e., towns and cities with populations over 10,000 are not included in the calculation of provincial average). This ensures that shifts in equalized assessment that may be experienced by larger urban municipalities do not impact the average against which the smaller municipalities are measured.

The amount of needs-based funding allocated to an urban municipality is based on the share of its weighted population relative to the total weighted population of urban municipalities eligible for needs-based funding. The factor for weighting each municipality's population is determined by comparing that municipality's equalized assessment per capita to the provincial average multiplied by 80 per cent.

For example, if average provincial equalized assessment per capita is $150,000, then the 80 per cent threshold is $120,000 (0.8 x $150,000), meaning any municipality with a population less than 10,000 and equalized assessment per capita below $120,000 receives needs-based funding based on its weighted population.

If, for example, a municipality has a population of 3,000 and its equalized assessment is $96,000 per person, then:
- The municipality's population weighting factor is 0.2 (1 – $96,000 /($150,000 x 0.8)).
- The 0.2 weighting factor is then applied to municipality's population of 3,000, and its weighted population is set at 600.
- This calculation is then repeated for all urban municipalities eligible for needs-based funding so that total weighed population can be determined.
- To calculate an urban municipality's needs-based funding, its weighted population is measured as a proportion of the total weighted population. This ratio is then applied to the urban share of the total needs-based funding pool.
- If total weighted population is 20,000, then the above municipality would be allocated 3 per cent (600/20,000) of available funding. In 2024, this would be $183,600 (0.03 x $10,200,000 x 0.6).

Needs-based Funding Calculation for Rural Municipalities
For a rural municipality to be eligible for needs-based funding, its population must be less than 10,000 and its equalized assessment per kilometre of locally managed road must be below 80 per cent of the provincial average. For this purpose, provincial average equalized assessment per kilometre of road is based on rural municipalities with fewer than 10,000 people (i.e., municipal districts and counties with populations over 10,000 are not included in the calculation of provincial average). Similar to urban municipalities, this ensures that shifts in equalized assessment that may be experienced by larger rural municipalities do not impact the average against which the smaller municipalities are measured.

The amount of needs-based funding allocated to a rural municipality is based on the share of its weighted road length relative to total weighted road length of rural municipalities eligible for needs-based funding. The factor for weighting each municipality's road length is determined by comparing that municipality's equalized assessment per kilometre of road to the provincial average multiplied by 80 per cent.

For example, if average provincial equalized assessment per kilometre of road is $1,000,000, then the 80 per cent threshold is $800,000 (0.8 x $1,000,000), meaning any municipality with a population less than 10,000 and equalized assessment per kilometre of road below $800,000 receives needs-based funding based on their weighted road length.

If, for example, a municipality's road length is 1,000 kilometres and its equalized assessment is $560,000 per kilometre of road, then:
- The municipality's road length weighting factor is 0.3 (1 – $560,000 /($1,000,000 x 0.8)).
- The 0.3 weighting factor is then applied to the municipality's road length of 1,000, and its weighted road length is set at 300.

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- This calculation is then repeated for all rural municipalities eligible for needs-based funding so that total weighed road length can be determined.
- To calculate a rural municipality's needs-based funding, its weighted road length is measured as a proportion of the total weighted road length. This ratio is then applied to the rural share of the total needs-based funding pool.
- If total weighted road length is 25,000 kilometres, then the above municipality would be allocated 1.2 per cent (300/25,000) of available funding. In 2024, this would be $48,960 (0.012 x $10,200,000 x 0.4).

Funding based on Growth Pressures, Capital Stock, and Capital Maintenance

After the base amount and needs-based funding are calculated, the remaining funding is allocated based on population, book value of tangible capital assets, kilometres of local roads, and cumulative amortization of tangible capital assets (measured as a five year average). These factors were selected as broad measures that reflect local infrastructure requirements.

The population factor is a commonly accepted measure used to quantify growth pressures and overall infrastructure needs to support residents; book value of tangible capital assets and length of local roads serve as a measure of what infrastructure the municipality is responsible for, and amortization of tangible capital assets serves as a proxy for how old the infrastructure is and related maintenance needs. Data on these factors is publicly available and regularly updated (see Data Sources for more information).

The amount of funding each local government receives based on these factors depends on the local government's share of each factor relative to the provincial total. For example, if a local government makes up 3 per cent of total population, it will be allocated 3 per cent of funding available under the population-based component.

Funding Model Data

In general, the calculations for Calgary and Edmonton, and other local governments are based on data from three years prior, with the exception of average amortization, which is based on a five-year period beginning eight years prior to the allocation year.

Data for Calgary and Edmonton

2024 calculations are based on 2021 population estimates, 2021 education tax requisitions, and 2021 length of local roads.

2025 calculations are based on 2022 population estimates, 2022 education tax requisitions, and 2022 length of local roads.

Data Sources
The data is publicly available and can be accessed through the following links:

- Population estimates: Municipal (Census Subdivision) Population Estimates : 2016 - 2022 (updated January 11, 2023)
- Education tax requisition: 2021 Education property tax requisition comparison report and 2022 Education property tax requisition comparison report
- Length of local roads: Municipal Financial and Statistical Data (2021 and 2022 Financial Year, General Statistics Schedule, Length of all Open Roads Maintained (km))

Data for Other Local Governments

2024 calculations are based on the 2019 Municipal Affairs Population List (MAPL), 2021 book value of tangible capital assets (excluding electricity and gas distribution systems, machinery and equipment, and land), average annual cumulative amortization (excluding electricity and gas distribution systems, machinery and equipment, and land) for the 2017-2021 period, and 2021 length of local roads. In addition, 2021 equalized assessment data is used in the calculation of needs-based funding.

2025 calculations are based on the 2019 MAPL, 2022 book value of tangible capital assets (excluding electricity and gas distribution systems, machinery and equipment, and land), average annual cumulative amortization (excluding electricity and gas distribution systems, machinery and equipment, and land) for the 2018-2022 period, and 2022 length of local roads. In addition, 2022 equalized assessment data is used in the calculation of needs-based funding.

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Using the 2019 MAPL

The 2019 MAPL is the most current data available that meets the needs of the LGFF funding model for other local governments and is used to calculate 2024 and 2025 funding. With the new Municipal Census Regulation introduced in 2023, Municipal Affairs expects the 2023 MAPL to be used in the 2026 LGFF funding model for other local governments.

Municipalities with Outstanding Financial Information Returns

Municipalities are required to submit annual Financial Information Returns (FIR) along with audited financial statements by May 1 of the following year. For example, the deadline for submission of 2022 FIRs was on May 1, 2023.

In rare cases where a FIR is outstanding, the most current data available is used. For example, if the 2020 FIR is the most current return available for a given municipality, that municipality's 2024 and 2025 allocation calculation is based on its 2020 tangible capital assets, average cumulative amortization for the 2016-2020 period, and 2020 local road length. Municipalities are strongly encouraged to submit their financial information on time to ensure up to date information is used.

Data Sources

The data is publicly available and can be accessed through the following links.

- Population counts: 2019 Alberta Municipal Affairs Population List
- Book value of tangible capital assets: Municipal Financial and Statistical Data (2021 and 2022 Financial Year, Schedule G: Change In Tangible Capital Assets – Balance at End of Year, Total Capital Property Cost (3260) less Electricity Systems (3207), Gas Distribution Systems (3208), Machinery and Equipment (3230), and Land (3240))
- 5 year average accumulated amortization: Municipal Financial and Statistical Data (2017 to 2022 Financial Year, Schedule G: Change In Tangible Capital Assets – Balance at End of Year, Total Accumulated Amortization (3330) less Electricity Systems (3277), Gas Distribution Systems (3278), Machinery and Equipment (3300), and Land (3310))
- Length of local roads: Municipal Financial and Statistical Data (2021 and 2022 Financial Year, General Statistics Schedule, Length of all Open Roads Maintained (km))
- Total Equalized Assessment: Provincial 2021 Equalized Assessment Report and Provincial 2022 Equalized Assessment Report

Funding Beyond 2025

LGFF funding for cities of Calgary and Edmonton and LGFF funding for other local governments at an aggregate level must be communicated by September 30 two years in advance. It is anticipated that when this information is released by September 30, individual allocations will be announced several weeks later. For example, information on 2026 LGFF allocation amounts to individual local governments is expected to be released in fall 2024. The future amount of funding each local government will be allocated will depend on the overall LGFF funding available and how each local government's formula factors change relative to other local governments.

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