

## Provincial Education Property Tax Reform

Moved by: City of St. Albert

Seconded by: TBD

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**WHEREAS** local public infrastructure such as transportation, water/wastewater utilities, stormwater management, and other local priorities are vital to the sustainability of municipalities and the quality of life for Albertans such as recreation and community facilities;

**WHEREAS** municipalities across Alberta have highlighted the need for increased municipal infrastructure funding and alternative financing mechanisms and policies to maintain existing infrastructure, build new infrastructure, and support community growth, through the adoption of several associated resolutions at the 2023 Alberta Municipalities Convention;

**WHEREAS** provincial revenue-sharing with municipalities does not meet the need for local public infrastructure investment, as it has decreased from \$420 per Albertan in 2011 to \$186 in 2024, while municipalities face increasing fiscal pressures related to population growth and high inflation-driven construction costs;

**WHEREAS** the Government of Alberta's 2024-27 Fiscal Plan expects that municipalities will collect over \$2.7 billion in provincial education property tax in 2024 on behalf of the province, and predicts this figure will grow by 4.3% a year to \$3 billion in 2026-27<sup>ii</sup>;

**WHEREAS** on behalf of the Government of Alberta, municipalities collect \$1 billion more for provincial revenue via the provincial education property tax than what they receive in total provincial funding for municipal infrastructure via the Local Government Fiscal Framework (LGFF), competitive grant programs, and other one-time capital investments;

**WHEREAS** the 2023 mandate letter for the Minister of Municipal Affairs directs the ministry to review the feasibility of amending the provincial education property tax to assist municipalities with retaining more funding for local priorities;

**IT IS THEREFORE RESOLVED THAT** Alberta Municipalities advocate to the Government of Alberta to action the Minister of Municipal Affairs' mandate letter from the Premier, to review the provincial education property tax to assist municipalities with retaining more funding for local priorities, with the outcome being that municipalities receive provincial funding for municipal infrastructure equal to or greater than what they are individually requisitioned in provincial education property tax on an annual basis for the Government of Alberta.

**AND THEREFORE BE IT FURTHER RESOLVED THAT** as part of this advocacy effort, Alberta Municipalities aim to ensure that any provincial policy changes to the above do not unintentionally lead to less provincial funding for municipalities.

## BACKGROUND:

The collection of the provincial education property tax by municipalities in its current form was established by the Government of Alberta in 1994. Based on equalized assessment value, the province calculates each year the amount of provincial education property taxes that a municipality must transfer to the Government of Alberta. Municipalities are subsequently responsible to calculate the amount of provincial education property taxes to be charged to each property based on their assessed property values. As the provincial education property tax is typically billed to residents in combination with their municipal property taxes, they may be unaware that approximately 30% of their property tax bill is submitted to the province – it is a reasonable expectation that local property taxes billed by a municipality will fund the services and infrastructure needs within their local community.

The Government of Alberta's 2024-27 Fiscal Plan notes that municipalities are expected to collect \$2.7 billion worth of provincial education property tax in 2024-25, and that this revenue will grow by 4.4% per year to \$3 billion in 2026-27<sup>iii</sup>.

As the provincial education property tax is tied directly to property assessment values, growth in assessment and new development means that growing municipalities have seen their associated tax requisition increase in 2024 despite a provincial freeze on the tax rate. This increase is especially tangible for municipalities witnessing exceptional growth in development and assessment values, which in effect causes them to become victims of their own success as their provincial education property tax rates increase along with their growth in assessed property values.

The 2023 Mandate Letter for the Ministry of Municipal Affairs directed the Minister to “review the feasibility of amending the provincial education property tax to assist municipalities with retaining more funding for local priorities.” At the 2024 Alberta Municipalities Spring Municipal Leaders Caucus, Premier Danielle Smith noted that the Province will provide more public infrastructure funding to municipalities in 2024 – approximately \$3.6 billion total – than what municipalities collect in Education Property Tax, if all infrastructure spending is included in addition to LGFF allocations. Analysis by Alberta Municipalities found this assertion is accurate if inclusive of federal funding for local infrastructure allocated by the province and spending on provincially-owned highways and bridges; due to these funding allocations either being dissociated from provincial revenues and spending, or from funding municipally owned and operated infrastructure, a more accurate figure of \$1.73 billion is being spent on local infrastructure, which is \$1 billion less than what municipalities will collect in provincial education property tax in 2024<sup>iv</sup>.

Should the Government of Alberta reform the provincial education property tax and/or revenue sharing mechanisms with municipalities to be equal to or greater than what they collect in Education Property Tax, the additional \$1 billion in funding would bridge the municipal infrastructure funding gap that exists when current LGFF funding compared with historical funding for municipal public infrastructure<sup>v</sup>. Reforming the Education Property Tax in this manner would provide municipalities with needed fiscal capacity to maintain and build infrastructure to support the quality of life Albertans expect from their local and provincial governments.

There may be some instances across Alberta Municipalities' membership base where individual municipalities currently receive more funding in provincial grants than what they collect in provincial education property tax. The active resolution clause has been worded to consider this factor, as the intent is not to lead to decreased funding for any municipality, but to be equal or greater than what they are individually requisitioned in provincial education property tax.

## ALBERTA MUNICIPALITIES COMMENTS:

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<sup>i</sup> Source: Alberta Municipalities – Preliminary Analysis on Alberta’s 2024 Budget, pg. 5 - <https://www.abmunis.ca/system/files/2024-03/ABmunis%20Preliminary%20Analysis%20on%20Alberta%27s%202024%20Budget.pdf>

<sup>ii</sup> Source – Government of Alberta’s 2024-27 Fiscal Plan, Page 63 - <https://open.alberta.ca/dataset/23c82502-fd11-45c6-861f-99381fffc748/resource/3782cc8f-fdc4-4704-9c50-07fc36e05722/download/budget-2024-fiscal-plan-2024-27.pdf>

<sup>iii</sup> Source – Government of Alberta’s 2024-27 Fiscal Plan, Page 63 - <https://open.alberta.ca/dataset/23c82502-fd11-45c6-861f-99381fffc748/resource/3782cc8f-fdc4-4704-9c50-07fc36e05722/download/budget-2024-fiscal-plan-2024-27.pdf>

<sup>iv</sup> Source: Alberta Municipalities – Breaking Down Alberta’s Capital Support for Municipalities in 2024. <https://www.abmunis.ca/news/breaking-down-albertas-capital-support-municipalities-2024>

<sup>v</sup> Source: Alberta Municipalities: Let’s Talk About Infrastructure - <https://www.abmunis.ca/advocacy-resources/infrastructure/lets-talk-about-infrastructure>