

**DATE:** March 9, 2021

**TO:** Board of Trustees

**FROM:** Darrel Robertson, Superintendent of Schools

**SUBJECT:** IMR/CMR Funding Differences  
(Response to Request for Information #095)

**ORIGINATOR:** Kathy Muhlethaler, Assistant Superintendent

**RESOURCE  
STAFF:** Terri Gosine, Christopher Wright

**REFERENCE:** [Education Funding Manual](#)  
[School Capital Manual](#)

---

## ISSUE

Trustee Stirling requested the following information at the February 9, 2021 public Board meeting:

1. What are the differences between Infrastructure Maintenance and Renewal (IMR) and Capital Maintenance and Renewal (CMR) funding and how those funds can be used by the Division?
2. Is Administration able to provide clarity on the proposed future of the CMR grant?
3. What opportunities and challenges may be associated with the future direction of CMR funding?

## BACKGROUND

- 1. What are the differences between Infrastructure Maintenance and Renewal (IMR) and Capital Maintenance and Renewal (CMR) funding and how those funds can be used by the Division?**

As noted in the Alberta [Education Funding Manual](#) and the [School Capital Manual](#), **Infrastructure Maintenance and Renewal (IMR)** funding is calculated based on:

- 50 per cent enrolment;
- 24 per cent age of the building;
- 24 per cent eligible school space; and
- 2 per cent for non-refundable GST and other factors

School jurisdictions may only use IMR funding for the purpose for which it is intended. Intended uses include:

- ensuring school facilities meet all regulatory requirements, particularly as they pertain to providing a safe and healthy learning environment
- preserving and improving the quality of the learning environment by:
  - replacing building components that have failed;
  - prolonging the life of the school facility through planned, proactive replacement of major components; and
  - upgrading of the educational areas to meet program requirements.
- meeting the requirements of children/students requiring specialized supports and services

- replacing or upgrading building components to improve energy conservation and efficiency to achieve cost savings as a result

A minimum of 30 per cent of a school jurisdiction's IMR allocation must be capitalized and applied to projects that meet capitalization eligibility requirements.

Last spring, the Province introduced a stimulus package of **Capital Maintenance and Renewal (CMR) funding** for school jurisdictions. At the time, this funding was announced as part of a plan to get Albertans back to work during the pandemic. Information provided by Alberta Education indicates the following parameters for CMR funding:

- Projects must extend the life of a tangible capital asset. One hundred per cent of the costs approved for funding support must be capitalized and applied to specific pre-approved projects that meet capitalization eligibility requirements. No 'operational' or 'expense' expenditures are excluded from CMR eligibility.
- Funds are approved on a project-specific basis, meaning CMR funds can only be expended on the specific pre-approved projects.

Projects that were approved for the Division under the CMR program last spring included mechanical upgrades, building component upgrades and architectural upgrades. Projects that would not be approved for CMR because they cannot be capitalized would include flooring replacements, PA systems, phone systems and millwork replacements.

In September 2020, Alberta Education asked school jurisdictions to submit a list of CMR projects for consideration in the 2021 Provincial budget. Edmonton School Division submitted a list of projects on October 15, 2020. To date, there has been no information provided as to the approval of our submission.

## **CURRENT SITUATION**

### **2. Is Administration able to provide clarity on the proposed future of the CMR grant?**

Administration believes that additional information related to CMR and IMR funding will be provided following the 2021 Provincial budget. There has been a recent indication that the Province intends to move towards project-specific funding approvals for at least a portion of the maintenance renewal funding, through the introduction of CMR.

### **3. What opportunities and challenges may be associated with the future direction of CMR funding?**

If CMR fully replaces the IMR program with only project-specific approvals, we anticipate that the CMR funding formula will limit our jurisdiction's flexibility to address emergent and unexpected infrastructure needs that arise. More specifically, should all Maintenance and Operations funding need to be 'capitalized' costs, certain areas of infrastructure maintenance would be unsupported. Given that up to 70 per cent of current IMR funds can be used for infrastructure needs not considered to be 'capital' expenditures, a shift to a CMR platform with a need for costs to be 100 per cent 'capitalized' would leave jurisdictions with a significant challenge for infrastructure needs historically captured under the 'expense' portion of IMR funding. The 'expense' provides the Division with greater flexibility in attending to varied infrastructure needs.

In a similar fashion, our jurisdiction's ability to respond to the changing needs of our infrastructure and deferred maintenance will be hampered by an approach that is exclusively based on prioritization and project-specific funds. By definition, prioritization would require a significant problem in order to warrant Provincial support. This same premise underpins funding instruments that address space challenges (annual portable requests and new school construction), as well as failing school facilities (modernizations and replacements). Proactive efforts to ensure high quality learning environments are unsupported when the majority of infrastructure renewal funding is distributed on a worst-case scenario basis.

The 2019 Report and Recommendations: Blue Ribbon Panel on Alberta's Finances (McKinnon Report), notes that *"... spending on capital in Alberta has fluctuated widely since 1990. The erratic capital spending pattern has resulted in a 'roller coaster' pattern for Alberta's stock of public infrastructure. The Panel strongly encourages the Government of Alberta to establish a stable and sustainable level of annual capital spending and put an end to the 'boom and bust' cycles."* Administration is concerned that inconsistent funding could be exacerbated when specific projects are considered for funding support. The annual IMR grant, while still subject to fluctuation, likely represents a greater degree of funding certainty than projects ranked in priority Province-wide.

A final concern is related to the timing of CMR approvals, which Administration understands could align with the annual release of the Provincial spring budget. This approval timeline would result in constraints for planned infrastructure work during the summer break. Given the lead times for design, procurement and obtaining City permits after specific per-project funding is confirmed, our ability to complete work during the important summer months when schools are less utilized would be challenged.

Administration remains optimistic that an element of operational funds from the IMR program will still be provided to jurisdictions. We hope that, despite the potential changes to the IMR program, jurisdictions will be provided the ability and sufficient flexibility to react to emergent or changing needs. Notwithstanding, jurisdictions require more clarity around an IMR/CMR program prior to the implementation of any significant revisions.

## KEY POINTS

- There has been a recent indication that the Province may move towards project-specific funding approvals for at least a portion of the maintenance renewal funding.
- If the Capital Maintenance and Renewal (CMR) funding platform fully replaces the IMR program, we anticipate that the CMR funding formula will limit our jurisdiction's flexibility to address emergent and unexpected infrastructure needs that arise.
- Should all Maintenance and Operations funding need to be 'capitalized' costs, certain areas of infrastructure maintenance would be unsupported.

CW:TG:kk