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Guidelines for the Disaster Financial Assistance Arrangements (DFAA) - Interpretation Bulletin 5: Cost-Sharing Formula Adjustment and Extension of the Terms and Conditions

Issue

Cost-sharing formula adjustment and extension of the Terms and Conditions.

Objective

To ensure that the DFAA continues to be sustainable, effective February 1, 2015, the cost-sharing formula will be adjusted on an annual basis for inflation.

The formula will be indexed to inflation annually based on the consumer price index published by Statistics Canada. For consistency purposes, national-level data will be used to calculate inflation.

The revised formula, adjusted for inflation, will take effect on January 1 of every subsequent year, starting in 2016. The DFAA Guidelines will be updated annually during the month of February to reflect the revised formula.

Formula effective January 1, 2025

Effective January 1, 2025, under the adjusted formula, the rate of federal assistance to provincial and territorial governments increases as the amount of expenditures increase, rising from 50% of costs over the initial \$3.84 per capita up to 90% for costs exceeding \$19.24 per capita.

Cost-sharing formula table for January 1, 2025 to March 31, 2025

Eligible provincial/territorial expenses (per capita of population)	Government of Canada share (percentage)
First \$3.84	0
Next \$7.70	50

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Next \$7.70	75
Remainder	90

How was the Consumer Price Index used to calculate the DFAA annual inflation adjustment? See Appendix A.

Please refer to [Interpretation Bulletin 5 \(Archive\)](#) for all events up to December 31, 2024 under the current Guidelines.

Extended Terms and Conditions

The current Terms and Conditions expire on March 31, 2025.

Appendix A: Calculation of the Annual Inflation Adjustment

The DFAA annual inflation adjustment is calculated using the percentage change in the Consumer Price Index (CPI) from the average of one 12-month period to the average of the preceding 12-month period. The observed twelve months for DFAA refer to the period of January through December of the same calendar year.

The following equations show how the CPI was used to calculate the adjusted DFAA cost-sharing formula effective January 1, 2025 using the [annual average index](#) published by Statistics Canada.

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$$(1) \quad \left(\frac{\text{Annual Average CPI for 2024}}{\text{Annual Average CPI for 2023}} \right) = \text{Rate Increase}$$

$$(2) \quad \left(\frac{160.9}{157.1} \right) = \text{Rate Increase of 1.0242}$$

$$(3) \quad \left(1.0242 \times 100 \right) - 100 = \text{Percentage Increase of 2.42}$$

Image description

Equation 1: The annual average CPI for 2024 is divided by the annual average CPI for 2023.

Equation 2: The annual average CPI for 2024 is 160.9. The annual average CPI for 2023 is 157.1. Dividing 160.9 by 157.1 results in 1.0242. This is the CPI rate increase for 2024.

Equation 3: The rate increase of 1.0242 is first multiplied by 100 and then reduced by 100 to obtain the percentage increase of 2.42.

With the 2.42% increase, the respective DFAA brackets of \$3.75 and \$7.52 per capita are adjusted, effective January 1, 2025, as demonstrated in the cost-sharing formula table.