

Cannabis Legalization Implementation Funding for Ontario Municipalities

AMO Member Q and A

Why is the Government of Ontario Providing Funding to Municipal Governments?

- Cannabis legalization experiences in other jurisdictions, while somewhat helpful, took place in different legal and social environments than Ontario's. This has made forecasting needs a challenging task for everyone.
- Ontario recognizes that legally available recreational cannabis (storefront and on-line retail) is likely to impact municipal services such as policing and bylaw enforcement, public health, paramedic, and other services that can deal with community impacts. This will increase municipal costs incrementally.
- New, upfront funds will help Ontario municipal governments manage costs brought by legal cannabis implementation and impacts on their communities for the next two years.

What is the funding approach developed between the Government of Ontario, AMO and the City of Toronto? The funding approach:

- Reflects a provincial estimate of \$100 million as Ontario's portion of the federal cannabis excise duty on recreational cannabis for the first two years. The Province will provide \$40 million over two years to all Ontario municipal government to support their incremental implementation costs.
- If Ontario's portion of the federal excise duty for the first two years of legalization exceeds \$100 million, the Province will provide 50% of the surplus to municipal governments.
- Involves provincial cost containment for some municipal activities that will bring a benefit.
- Half of the \$40 million to flow as soon as possible following federal Royal Assent and before legalization starts in 2018 so that municipal governments have upfront assistance and the second half will flow on the anniversary of that date in 2019.
- Funding will be allocated on a per household basis, adjusted to ensure that each municipality receives no less than \$10,000.
- In the case of counties and regions, funds will be shared equally between the tiers unless an alternate arrangement is made amongst the affected governments.
- Streamlined reporting and key data collection over two years to establish baseline data.
- Ontario, AMO, and the City of Toronto will re-engage in two years to revisit funding when there is a better understanding of implementation costs and impacts.

What are the 'cost avoidance' activities that will help contain municipal cannabis implementation costs?

- In addition to the funding approach, Ontario is taking on some of the costs municipal governments face.
- For example, Ontario is covering the training costs for police officers (OPP and own municipal forces) on Standard Field Sobriety Testing (SFST) certification. The number of officers certified is subject to police service standards and certification is not required for every officer.
- Ontario is also creating a Cannabis Intelligence Coordination Centre to address the illicit market and organized crime.
- Federal funding for police training of \$81 million/5 years will help the capacity in police forces; for example, the Canadian Association of Chiefs of Police is working with the federal government and the RCMP to train 65,000 officers across Canada on the cannabis legalization.
- Federal and provincial public health education campaigns will provide local public health units with support and resources to help address local needs related to cannabis legalization.

What impacts will municipal governments likely encounter from legal recreational cannabis?

Generally, impacts are in the areas of:

- Police services which will implement the drugged driving laws, requiring training and equipment including roadside testing kits (not available yet) to better detect drug impaired drivers.
- Police forces will continue to shut down and prosecute illegal cannabis storefronts.
- Municipal by-law officers may respond to an increase in nuisance complaints as residents adjust to legalization.
- By-law officers can be designated to respond to public consumption complaints instead of police personnel.
- Paramedic services could experience increased calls from cannabis users.
- A change in usage patterns in local communities may require a public health unit response.
- *Provincial Offences Act* (POA) prosecutions in municipal courts may also result from infractions under provincial cannabis legislation; fine revenue from these offences remains with municipal governments.

What else is the Government of Ontario undertaking?

In addition to the OPP and own force policing and public health supports, Ontario will:

- Increase capacity at the Province's Centre of Forensic Sciences to support toxicological testing and expert testimony.
- Develop a program to divert youth involved in minor cannabis-related offences away from the criminal justice system.
- Provide public health units with support and resources that will assist in meeting their mandate to address local needs related to cannabis legalization.
- Raise awareness of the new provincial rules that will take effect when cannabis is legalized federally.

What is the Federal-Provincial/Territorial Cannabis Excise Tax Agreement?

In brief:

In December 2017, federal, provincial, and territorial Finance Ministers agreed to:

- Share cannabis revenues 25/75 per cent for the federal and provincial/territorial governments respectively.
- Cap the federal portion at \$100 million maximum; anything above \$100 million would be distributed to the provinces/territories.
- Review the FPT Agreement at the end of two years post legalization.

As noted by Federation of Canadian Municipalities, the federal government reduced its originally proposed cannabis excise tax share of 50% to 25% in recognition of municipal government responsibilities and the federal expectation is that costs municipal governments across the country would incur see some benefit as a result.

https://www.canada.ca/en/departement-finance/news/2017/12/canada_s_finance_ministers_reach_agreement_on_cannabis_taxation.html.

When will cannabis be legalized?

This will depend on the passage of the federal Bills that are before the Senate and when they receive Royal Assent and a date provided. AMO will monitor this and keep municipal governments informed.