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August 13, 2019

Ontario Releases Remainder of Municipal Cannabis Funding

Ontario's Minister of Finance, the Honourable Rod Phillips will soon release the final \$6.74 million in funds for cannabis legalization to municipal governments. The Minister has written today to Heads of Council of eligible municipal governments and further information on allocations will be provided by the Ministry soon. AMO understands that the funding will be allocated as previously determined based on municipal decisions to allow retail cannabis sales. It is appreciated that the full \$40 million base funding for municipal governments will be disbursed shortly, fulfilling a major part of Ontario's approach to sharing cannabis revenues.

The Ontario Cannabis Legalization Implementation Fund (OCLIF) provides \$40 million over two years to help municipalities deal with cannabis legalization implementation in their communities and ensure that municipal budgets are not unduly pressured by these activities. OCLIF provides support to municipal governments through up-front funding for items such as enforcement, education and training, front line service demands and other incremental costs of legal recreational cannabis in communities.

OCLIF Distribution Model:

- OCLIF was distributed in two tranches:
 - The first \$5,000 prior to municipal governments deciding to allow cannabis retail
 - A second \$5,000 OR per household funding if greater than \$5,000 if cannabis retail is allowed
- \$10 million of the \$40 million was held back by the province to deal with any unforeseen circumstances arising from implementation of legalization.

- If the provincial share of the federal cannabis excise tax exceeds \$100 million over the two year federal-provincial agreement, the province will share any surplus 50/50 with municipal governments that allow cannabis retail in their communities.

Today's Minister's letter deals with the remainder of the \$10 million holdback of the OCLIF funds. AMO understands that the provincial government provided \$3.06 million of the held-back funds to the Ontario Provincial Police to aid with cannabis enforcement coordination. AMO expects this OPP funding to help manage any demands for increase to municipal billing from the force for community policing as it has been combined with provincial support for police training. AMO also understands that the City of Toronto has received \$200,000 out of the reserve to help with demand for increased enforcement of illegal cannabis retail outlets after legalization.

With the distribution of this final \$6.74 million in funding to municipalities, municipal governments can now focus on the amount of Ontario revenue from the federal excise tax for cannabis in the period. As noted, if revenues exceed \$100 million over the first two years of legalization surplus funds will be available for distribution to municipal governments that allowed retail. Minister Phillips' letter notes that the provincial government will connect with AMO in 2020 when more information on the federal cannabis excise tax take for the first two years of legalization is known.

As recreational cannabis implementation enters a new and more established phase, AMO is looking forward to working closely with the province on the next federal-provincial cannabis excise tax revenue agreement to represent municipal interests and ensure consideration of long-term revenue sharing opportunities for our members.

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