



# Bill 174 - *the Cannabis, Smoke-Free Ontario and Road Safety Statute Law Amendment Act,* 2017

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Submission to the Standing Committee on Justice Policy

November 30, 2017

The Association of Municipalities of Ontario (AMO) advocates on behalf of Ontario's 444 municipal governments on issues of mutual interest and concern. AMO has been active on the cannabis file since shortly after the 2015 federal election. Throughout the legalization process, we have provided the Ontario government, including the Cannabis Secretariat and the Ministry of Finance, with our input, leveraging the work of our Marijuana Legalization Task Force, and by calling for a municipal voice at the table as the federal and provincial governments undertake actions of significant impact to our communities.

The legalization of recreational cannabis in Ontario and across the country has generated spirited discussion and debate. These conversations have been far-ranging, touching on issues as multifaceted as how best to responsibly distribute cannabis to consumers, to revenues and how to spend them. We have heard about the need to eliminate an illicit market operating without sanction and we as a society have emphasized time and time again throughout this national conversation the need to keep our children and our roads safe. At the core of all these discussions is community and community well-being. While recreational cannabis is being legalized by the federal government, and is to be distributed by the Province, it is local communities, and the municipal governments set up to represent and protect them, that will be most impacted by legalization. Municipalities will have to mobilize so that our residents remain safe, to eliminate the illicit market and to ensure our residents have the best tools available to make decisions of impact to their physical and mental health.

Bill 174 is broad legislation, touching on almost all of the elements we will need to work through as we put in place a regime to govern the legal use of recreational cannabis in Ontario. This is complex work and we must recognize that we may not get it right the first time. While the Province has put forth a comprehensive plan and provided Ontario's municipal governments with some clarity and input, many questions remain and in some cases we suspect that it is simply too early to know the solutions to our concerns. For this reason, an evolutionary path to recreational cannabis regulation is warranted and desirable. So that we as a society can adjust our position and modify our approach as new information and evidence becomes available.

However, before we can work out the kinks in any system, we must first confront the barriers and obstacles impacting our ability to implement. The federal and provincial governments have repeatedly stated that municipal governments are key partners in the new cannabis regime. We agree, and AMO has accordingly been afforded opportunities for meaningful engagement with the Province. Despite this collaboration, many elements of AMO's vision are not present in the approach currently put forward by the government.

A full description of AMO's recommendations can be found in the attached appendix. A number of AMO members have additionally indicated specific technical concerns with regards to implementation. The Standing Committee on Justice Policy will also hear from these individual municipal governments. This submission will now discuss AMO's key concerns, and corresponding recommendations.

AMO has recommended:

**1. Municipal costs for services that experience an increase in demand due to cannabis legalization be fully offset by the Province (ex. Policing, by-law enforcement, public health, etc.).**

AMO is anticipating cannabis legalization to have significant financial implications on policing, by-law enforcement, ambulance services, public health activity and more. For example, the York Region Police Board has estimated that cannabis legalization will have a cost impact of \$6.9 million a year, resulting in a 2% increase to its policing budget. If this holds true across Ontario, cannabis legalization will necessitate over \$80 million in additional funding for policing services alone, so that police can protect youth, close down unregulated shops and keep our roads safe. Municipalities will also need to deal with resident complaints and concerns.

To ensure municipal governments have the capacity to be responsive to resident and community needs, we require funding and resource supports from the provincial government, including training for our front line workers so that they have the knowledge and tools they need by July 1, 2018. Otherwise, it will be senior services, recreational programming, environmental services and other important community services that suffer. For this reason, AMO would like to see this municipal need for funding and resource supports reflected in legislation.

**2. A share of revenues for municipal governments from the cannabis tax.**

Given the localized impact of cannabis legalization, municipalities are best positioned to respond to the needs of local residents and communities. A municipal share of cannabis tax revenues could be reinvested in services that help our youth and other vulnerable residents develop into strong, independent and contributing members of our society. Such programming could counter cannabis dependence and other harmful addictions, including alcohol and illegal substances. These programs could take the form of extracurricular clubs and support organizations that help with skills development in our communities. Each municipal government should be able to have its own plan based on community needs and with funding from cannabis tax revenues.

While the Province and federal government have suggested that cannabis regulation will not initially be profitable in Ontario, the Canadian-wide market is valued at \$22.6 billion annually. Given this value, there will eventually be revenues, and this money should stay in local communities to pay for services that support our residents, particularly services that are prevention-oriented, and services targeted at those negatively impacted by cannabis, alcohol and other harmful substance abuse.

**3. A robust public education campaign aimed at increasing consumer awareness and protecting youth.**

Though recreational cannabis is being legalized federally in line with a public health approach, and though evidence from jurisdictions that have legalized the substance

emphasize the need to start such a campaign early on in the legalization process, Bill 174 contains no mention of public education or awareness raising on safe cannabis consumption. The bill should be modified to make public education and harm reduction a priority. AMO acknowledges that this may have an impact on municipal public health activity. Changes to public health programming must be financed by the Province so that they are cost-neutral for municipal governments.

**4. A review of the legislation and the cannabis regime more generally within 2 years of implementation so that the Province can make evidence-based decisions as we move forward with cannabis regulation.**

This review should consider whether there is an opportunity for the market to broaden beyond the provincial monopoly, in line with AMO's desired evolutionary approach to cannabis legalization.

**5. Once the market has stabilized, municipal governments should be granted authorities to license local cannabis production, private-retail operations and consumption venues.**

Such an approach would allow interested entrepreneurs to access the burgeoning cannabis market following a safe and strictly-regulated municipal licensing regime. It would enable municipal autonomy over affairs in our communities, while contributing to economic development and job creation that supports local services in our municipalities. Greater municipal control would also allow individual municipalities to make decisions regarding cannabis businesses that are in the best interests of communities. It would enhance municipal ability to be responsive to our residents, not constrain us.

This fifth key recommendation speaks to AMO's vision for the future of recreational cannabis. Our residents want strong and sustainable local communities — good places to live and to do business across Ontario. To make these aspirations reality, we need jobs and we need economic development. In this debate, that means opportunities for small businesses in this new legal market without massive regulatory hurdles that favour the largest corporate actors. More business opportunities means more income for our residents, which in turn supports municipal governments and our ability to meet our mandates.

A system that permanently centralizes cannabis economic activity and revenues can frustrate these municipal economic development-oriented goals. AMO nonetheless recognizes the wisdom in creating a safe and legal supply chain for our residents and supports the Province's intentions to combat illicit activity in the underground market as reflected in Bill 174. However, we encourage the legislature to remember that the illicit cannabis market is savvy and well-entrenched: it cannot and will not be enforced away. The real solution to this enforcement obstacle relates to supply and demand. What is needed is sufficient consumer access to safe, legal and regulated cannabis approved by Health Canada. Our residents will likely choose this safer option if it is made accessible to them, be it through a retail store or through online purchase. Municipally-licensed private producers,

retailers and consumption venues would contribute to this solution and enhance the Province's ability to meet its objective of eliminating the black market — another reason to grant municipal governments authorities to engage in cannabis licensing.

The provincial government has already agreed to this approach with our First Nation partners. If passed, Section 28 of the proposed *Ontario Cannabis Retail Corporation Act* in Bill 174 would allow the Minister, on behalf of the Crown, to “enter into arrangements and agreements with a council of the band with respect to the sale, distribution, purchase, possession, consumption, cultivation, propagation or harvesting of cannabis on a reserve.” AMO applauds this direction and strongly recommends that a similar proposal be included in the legislation for municipal governments.

Despite differences in our envisioned approach to cannabis legalization, AMO understands the choices the government has made and is committed to working with the Province to ensure every municipality is ready for next July's deadline. Though Bill 174 has its imperfections and the timelines have been rushed, AMO acknowledges that if we cannot as a society settle on a plan soon, we will never be ready. Municipal governments need to make the best of the situation before us and the provincial government must be responsive to the concerns it hears on the ground from local governments and residents as it moves forward with implementation. Recreational cannabis legalization is something that Canadians and Ontarians have collectively decided makes sense from a public health perspective. We must work together so that we are prepared.

**APPENDIX 1: AMO Recommendations on Recreational Cannabis Regulation in Ontario**

Area of Municipal Interest	Recommendations	Rationale
Municipal costs and revenue-sharing	<p><i>Recommendation 1:</i> The Province and Federal Government must ensure that municipal governments are fully funded on a cost-recovery basis and provided the necessary supports for their role in implementing and enforcing the new recreational cannabis regime, including policing, land ambulance, by-law enforcement and other anticipated costs and training requirements.</p> <p><i>Recommendation 2:</i> The Province and the Federal Government must ensure municipal governments receive a portion of marijuana tax revenues to finance municipal needs.</p>	<p>The legalization of recreational cannabis introduces new financial and resource requirements for municipal governments. As such, municipal efforts must be fully funded on a cost recovery basis to address the significant costs municipalities will incur in implementing Provincial and Federal directions. Further, once legalization occurs, AMO’s Board continues to assert that municipalities should receive a portion of marijuana tax revenues to finance local needs. On this item, we appreciate Premier Wynne’s efforts to secure a portion of marijuana tax revenues for municipalities in the most recent First Ministers’ meeting and would like to work with the Province to ensure a portion of marijuana tax revenue is dedicated for municipalities. Appropriate training and resources should also be provided by the Province to ensure municipalities and their police forces are equipped with the knowledge and supports they will require.</p>
Retail and Distribution	<p><i>Recommendation 3:</i> The Province should expand the number of storefronts in the initial planned rollout since an inability to legally access cannabis may drive consumers to more illicit sources, strengthening the black market in the near term.</p> <p><i>Recommendation 4:</i> Only willing municipalities should be selected for the opening of a storefront in the initial rollout of the Province’s retail system.</p> <p><i>Recommendation 5:</i> The provincial government must ensure that community needs and municipal bylaws are adhered to in deciding the location of the</p>	<p>The current proposal raises concerns that the initial 40 storefronts and online component will not be sufficient to meet demand for legal access to cannabis across the Province, especially in small, rural northern municipalities. To address this, we recommend the Province expand the number of storefronts in the initial planned roll out to broaden access to more communities, and to ensure our residents are able to safely access cannabis without relying on the black market. Given Ontario’s selected model, we appreciate provincial efforts to collaborate with municipalities on the siting of storefronts and urge that individual municipal governments be</p>

	<p>storefronts in collaboration with municipal governments.</p>	<p>closely consulted on storefront location at both the political and administrative levels to ensure community needs are incorporated.</p>
<p>Enforcement and Places of Use</p>	<p><u>Recommendation 6:</u> The Province must reject any approach suggesting that by-law enforcement be used to enforce Provincial and Federal provisions related to home cultivation.</p> <p><u>Recommendation 7:</u> The Province should enable municipal governments to enforce Provincial and Federal provisions related to places of use where a municipality may wish to control these areas.</p> <p><u>Recommendation 8:</u> The Provincial government should create new authorities for municipal governments to impose higher penalties/fines for illegal/unlicensed distribution activity, including powers to expedite the closure of premises.</p>	<p>To facilitate municipal enforcement efforts in support of the new regime, we ask that municipal governments be given authorities to impose higher penalties/fines for illegal/unlicensed distribution activity, including powers to expedite the closure of premises. We also ask that authorities be granted to ensure municipal governments can locally regulate places of use where a municipality may wish to control these areas, including consumption venues. Further, we note that bylaw enforcement is not equipped to regulate home cultivation and ask that the Province reject any approach necessitating their involvement.</p>
<p>Economic Development</p>	<p><u>Recommendation 9:</u> The Province should provide municipal governments with the authorities to license places of cannabis-consumption that would be made illegal by the proposed Provincial strategy, such as cannabis lounges and cafes.</p> <p><u>Recommendation 10:</u> The Province should broaden the cannabis distribution market when appropriate to allow for municipally licensed private retail outlets, such as artisanal shops.</p> <p><u>Recommendation 11:</u> The federal and provincial governments should broaden the cannabis supply market when appropriate, and subject to municipal requirements, to allow those in the agricultural and processing sectors to benefit from the economic</p>	<p>Given AMO's concern that the proposed model will limit small business and economic development opportunities in our municipalities, it is imperative that the Province provide municipalities with licensing powers to regulate private retail outlets (i.e. artisanal shops) and consumption venues once the proposed retail, distribution and supply systems stabilize. To this end, we encourage the Province to evaluate its proposed retail and distribution system within two years of implementation to allow for necessary adjustments with input from municipal governments. We also ask that the Province support the broadening of the supply market, when appropriate, and in collaboration with municipal governments and the Federal government, to allow local communities to benefit from economic development opportunities in</p>

	<p>development opportunities arising from cannabis legalization.</p> <p><i>Recommendation 12:</i> The Province should evaluate its proposed retail and distribution system within 2 years of implementation to allow for necessary adjustments with input from the municipal sector.</p>	<p>the agricultural and processing sectors. We are particularly interested in opening the market to smaller businesses, including craft growers, manufacturers and retailers to allow for entrepreneurship and economic development that can make a meaningful difference in the lives of residents in rural, small and northern communities once regulatory experience has been gathered.</p>
<p>Public Health/Education</p>	<p><i>Recommendation 13:</i> The Province must fund ongoing research on cannabis-use and the health impacts of cannabis-consumption.</p>	<p>A lack of data and information has negatively impacted Provincial and Municipal efforts to prepare for the reality of legal cannabis. A commitment to fund research on recreational cannabis-use will ensure a focus on evidence-based decision-making in the future.</p>