

February 1, 2021

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, ON K1A 0A6

The Honourable Bill Blair
Minister of Public Safety and Emergency Preparedness
House of Commons
Ottawa, ON K1A 0A6

RE: Cannabis Excise Tax Revenue Sharing

Dear Ministers Freeland and Blair,

I write to you regarding the need for federal cannabis excise tax revenue to be transferred to local governments. Given that most provinces and territories have failed to honour the intent of the now expired Federal-Provincial-Territorial (FPT) Agreement on Cannabis Taxation, UBCM is seeking for future agreements to provide for the direct transfer of federal excise tax revenue to local governments.

The decision, as part of the FPT Agreement, to allocate an additional 25% of cannabis excise tax revenue to provinces and territories has not produced the intended result. Most provinces and territories, including British Columbia, have been unwilling to meet federal expectations and share excise tax revenue with local governments.

This comes while annual cannabis-related tax revenue continues to increase throughout Canada. Notably, the BC Government expects to earn \$190 million in excise tax revenue over the next three years, in addition to revenue collected through the PST and a 15% provincial mark-up on the landed cost of cannabis.

Local governments have played an integral role in the successful implementation of the legalized cannabis framework. Associated responsibilities, including those related to enforcement, land use management and licensing, have come with significant costs. Extrapolated data from a 2019 UBCM survey shows that BC

local governments expected to incur \$11.5 million per year in incremental cannabis-related costs during the first three years following legalization.

UBCM is requesting that the next FPT Agreement include provisions permitting a direct transfer of cannabis excise tax revenue to local governments, as opposed to delegating that responsibility to provinces and territories. This appears to be the most viable solution to support local governments, and fulfil expectations initially set by the federal government.

I thank you for your consideration, and would welcome the opportunity to further discuss how local governments may be best supported.

Yours truly,

A handwritten signature in black ink, appearing to read "B. Frenkel". The signature is fluid and cursive, with a large initial "B" and a long, sweeping tail.

Brian Frenkel
UBCM President

cc: *Councillor Garth Frizzell, President, Federation of Canadian Municipalities*