



February 14, 2018

Honourable Kathleen Ganley
Minister of Justice and Solicitor General
424 Legislature Building
10800 97 Avenue
Edmonton, AB T5K 2B6

Dear Minister Ganley:

The legalization of cannabis for recreational use will have significant fiscal impacts on municipalities. Our members expect to see increased costs due to increased demands on policing, bylaw enforcement, and fire units; amendments to municipal bylaws, policies, and administrative processes; and social impacts (see enclosure for details). As with any significant policy shift, there are also likely to be unintended consequences that result in unexpected costs.

The federal government has expressed its intention that municipalities receive a fair share of cannabis excise tax. On December 13, 2017, Prime Minister Justin Trudeau stated in Parliament that "cities and towns across the country are among our most important partners in our effort to legalize and strictly regulate access to cannabis. That is why we are providing the provinces and territories 75 per cent of collected excise tax from cannabis, so municipalities can get the resources they need to keep cannabis away from kids and profits out of the hands of criminals. This agreement will be reviewed within six months of legalization to confirm that communities, cities, and towns are well supported by the provinces." AUMA strongly believes that the provincial government should ensure adequate funding from cannabis tax revenue flows through to municipalities to cover all municipal costs incurred as a result of legalization.

Using data from jurisdictions that have legalized cannabis for recreational use, as well as cost projections developed by the City of Calgary and the Federation of Canadian Municipalities, we estimate that Alberta municipalities will incur from \$26 to \$42 million in costs due to legalization. We therefore request that the province provide 70 per cent of the cannabis excise taxes it receives from the federal government, to Alberta municipalities to offset their costs associated with cannabis legalization. As the province will generate additional revenues as the sole distributor and online retailer in Alberta, we believe this request is more than fair and equitable.

In addition to ongoing costs associated with legalization, municipalities expect to incur a number of one-time, start-up costs associated with preparing for the implementation of



cannabis legalization. Accordingly, we request that the province establish a \$30 million fund in Budget 2018/19 to help Alberta municipalities offset the costs of transitioning to the new legislative and regulatory framework.

Lastly, we would like to acknowledge the significant uncertainty around existing statistics related recreational consumer use and illicit market sales. Given the corresponding uncertainty inherent in our municipal cost projections, we request that in three years' time, the province conduct a review of the provincial-municipal cannabis tax sharing agreement to ensure that municipalities have the resources they need to fulfill their new roles and responsibilities.

I would be pleased to meet with you to discuss this matter further. Your staff may contact me at president@auma.ca to schedule a meeting at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Barry Morishita', is written over a light blue horizontal line.

Barry Morishita
AUMA President

If you would like to discuss this matter further, please feel free to contact me by email at president@auma.ca or my cell phone at (403) 363-9224.

cc: Honourable Shaye Anderson, Minister of Municipal Affairs

Enclosure

Legalization of Cannabis for Recreational Use - Government Responsibilities and Revenues

Municipal Government	Provincial Government	Federal Government
Responsibilities		
<ul style="list-style-type: none"> • Policing and enforcement <ul style="list-style-type: none"> ○ Training for constables/peace officers ○ Acquisition of testing devices ○ Impaired driving enforcement ○ Possession and youth possession ○ Gangs and illegal activity • Emergency response • Social housing rules and management • Courts operations and prosecutions <ul style="list-style-type: none"> ○ Enforcement staff time and resources • Zoning for commercial operations • Education on municipal bylaws, zoning, and business licensing processes • Bylaw enforcement <ul style="list-style-type: none"> ○ Storefront closure/prevention of re-opening ○ Home grows ○ Complaints regarding cultivation ○ Nuisance complaints ○ Enforcement of consumption venues 	<ul style="list-style-type: none"> • Siting and operation of retail stores <ul style="list-style-type: none"> ○ Training retail and management staff on social responsibility ○ Store licensing and inspections ○ Compliance with packaging and advertising standards • Policy for consumption venues • Public health and education campaigns • Provincial highway driving enforcement • Constabulary training programs (cost recovered) • Defending challenges of new driving offences • Criminal prosecutions for illegal distribution (should decrease over long term) • Primary health care 	<ul style="list-style-type: none"> • Licensing and enforcing grow operations • Regulating edibles • Setting advertising and packaging standards • Prosecuting illegal grows • Defending challenges to regulation and criminal law • Policy development (grow operations, distribution, sales, packaging, etc.) • Public health and educational campaigns • International treaties • Tax administration

<ul style="list-style-type: none"> • Public health <ul style="list-style-type: none"> ○ Safe use programs (interaction with alcohol/tobacco/other drugs) • Fire, licensing, and building inspection <ul style="list-style-type: none"> ○ Consumption venues ○ Retail stores • Updating labour frameworks as needed for front-line workers and public safety • Local youth justice diversion programs 		
Revenues		
<ul style="list-style-type: none"> • Cannabis excise tax • Property tax 	<ul style="list-style-type: none"> • Cannabis excise tax • AGLC distribution sales margins • Online sales • Business (corporate) taxes 	<ul style="list-style-type: none"> • Licensing grow operations • Cannabis excise tax • Business (corporate) taxes

Excise Tax Split	Percent of total		Percent of provincial allocation
Federal government	25%	25%	
Provincial government	22.5%	75%	30%
Municipal governments	52.5%		70%
Total:	100%	100%	100%