Gas Tax Funding
Q&As
January 27, 2017

KEY MESSAGES:

- **Ontario is providing more transit funding for municipalities across the province by doubling the share of the provincial gas tax it provides them — without any increase to the provincial tax on gasoline.**

- **Increased Gas Tax Program funding will allow municipalities to continue work on existing transit projects and build new ones – adding more transit vehicles, routes and extending hours of service, as well improving accessibility and fare structures.**

- **This is the biggest expansion of the Gas Tax Program ever and it will have a big impact on people's everyday lives. Allowing peopleto get to work and home to their families sooner while easing congestion and reducing greenhouse gas emissions.**

- **Investing in public transit is part of our plan to create jobs, grow our economy and help people in their everyday lives.**

FRENCH KEY MESSAGES:

Q. How does the Ontario Gas Tax Program work?

A. The Ontario Gas Tax Program provides funding to municipalities that have public transit systems, including large urban municipalities and small, rural municipalities across the province.

Last year, 99 municipalities in 134 communities received funding under the Gas Tax program — the most since the program began in 2004. These communities represent more than 90 per cent of the population of Ontario.

Q. What do you mean when you say you are going to "double the share" of provincial gas tax provided to municipalities? How are you going do this without an extra tax on gas?

A. Our government is committed to expanding local transit without increasing the burden on taxpayers.

Currently, municipalities receive 2 cents per litre of gasoline sold. Ontario will raise the amount to 2.5 cents in 2019–20, 3 cents in 2020–21 and 4 cents in 2021–22 — without any increase in the provincial tax on gasoline.

Instead, we are improving funding by increasing the share of the existing gas tax that municipalities receive.

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Ontario expects transfers to municipalities under the Gas Tax Program to increase from $335 million in 2016–17 to $642 million in 2021–22.

Q. Why are you increasing Gas Tax Program funding for municipalities now? Why didn't you include this increase as part of your December Gas Tax announcement?

A. We have heard loud and clear from municipalities that they need more sustainable funding for public transit to keep up with the demand to provide more service. By expanding Ontario's gas tax program, we are helping municipalities improve their local transit service so people can more easily get where they need to be.

The enhanced Gas Tax Program will provide even more dedicated and stable funding to municipalities that can be used to expand and improve local transit services.

Q. Gas Tax funding is based on ridership, but municipalities experiencing drops in ridership will receive less and less funding every year. How can municipalities increase ridership without enough funding to improve services?

A. Ontario is committed to helping municipalities build up local transit.

The allocation formula for the program is based on 70 per cent ridership and 30 per cent population. These funds serve both the needs of large and small municipal transit systems.

While there may be fluctuations in ridership for individual municipalities, the increase in funding means that there will be more funding available for all of the recipients to share.

Q. Why does the funding change every year?

A. Funding for this program is determined by the number of litres of gasoline sold in the province, which means that it will fluctuate based on the annual sales of gasoline.

Q. What other transit funding is available for municipalities?

A. Our government is committed to building the next generation of transit and transportation infrastructure in Ontario.

Since 2003, the province has invested more than $25.5 billion in public transit in Ontario, including more than $12.3 billion in GO Transit.

In addition to earlier transit commitments, the province's Moving Ontario Forward plan will invest $31.5 billion over 10 years for transit, transportation and other priority infrastructure projects across the province, providing:

- About $16 billion in funding for priority rapid transit projects in the GTHA; and
- About $15 billion for investments in roads, bridges, transit and other critical infrastructure projects across the province.

These investments, confirmed through the 2015 and 2016 Ontario Budgets, will support the development of an integrated transportation network across the province, help to manage congestion, connect people to jobs and improve the economy and residents' quality of life.

Q. Your government is encouraging people to fight climate change by decreasing their dependence on cars to get around. If people stop buying gasoline, the Gas Tax Program will receive lower revenues every year. How are you going to fill this gap?

A. Ontario's commitment to transit has gotten more people out of their cars and onto public transit, helping to ease traffic congestion while keeping our air clean.

Our investments in transit infrastructure are paying off. In 2015, we saw an increase of more than 217 million passenger trips on municipal transit systems across Ontario, compared to 2003.

The more people use transit, the more revenue that can be generated from riders for transit systems.

Q. If you are providing extra funding within the existing program, which government projects or programs is this money being taken away from? How are you planning to reach your deficit targets if you keep handing out more and more money every year?

A. Ontario is committed to balancing the budget in 2017–18, and we remain on track to do so.

The government continues to project a deficit of $4.3 billion in 2016-17, a return to balance in 2017-18 and to remain balanced in 2018-19, consistent with the 2016 Budget and the 2016 Fall Economic Statement.

While the province continues to invest in the key public services families rely on, Ontario is making progress on its plan to eliminate the deficit by:

- Investing in economic growth
- Transforming government and responsibly managing spending
- Addressing the underground economy to ensure businesses pay their fair share of taxes

Ontario provides value for tax dollars spent by focusing on outcomes through the Program Review, Renewal and Transformation (PRRT) planning process — and by retaining the lowest per capita program spending in Canada.

Q. Currently, Gas Tax funding does not exceed 75 per cent of the municipal contribution, and can only be used to fund public transit. What about smaller municipalities that can't spend enough on transit to take advantage of this? Will you allow them to spend the money on roads and bridges instead?

A. Our government understands the importance of municipal roads and bridges that connect our highways through communities and to our international and interprovincial border crossings.

As part of the Moving Ontario Forward plan, $15 billion is being provided outside the Greater Toronto and Hamilton Area over 10 years for transit, transportation and other infrastructure priorities.

This includes dedicated funding for smaller municipalities such as the:

- Ontario Community Infrastructure Fund (OCIF), which provides $100 million annually for roads, bridges, water and wastewater projects in small, rural and northern municipalities

- Small Communities Fund (SCF), in which Ontario and Canada will each provide $272 million under the current Building Canada Fund to support projects in municipalities with populations of fewer than 100,000 .

There are also other funding sources in place for rural municipalities to fund roads and bridges, such as our Connecting Links Program.

Q. Toronto is getting more than half the program funding. What about smaller communities getting their share?

A. Ontario provides dedicated transit funding support to all municipalities in Ontario that fund public transit services, including small and/or rural municipalities.

The funding formula for the Gas Tax Program is based on a 70/30 split between ridership and population. As the biggest city with the biggest public transit system in the country, Toronto receives about half of the funding.

The funding formula was developed following consultations with large and small municipalities who told us they wanted a formula that strikes a fair balance between the needs of large established systems and those of smaller municipalities, while accommodating the special needs of high growth areas.

Including this year's allocation, more than $223 million dollars has been committed to small and/or rural municipalities — defined as those municipalities having a population of less than 100,000 — since 2004.

As part of today's announcement, we will be looking at the best way for smaller municipalities to take advantage of this additional funding.

Q. When will Ontario return to funding more of the <u>operating costs</u> that transit systems face?

A. Our government remains committed to supporting public transit. Since 2003, the government has invested more than $25.5 billion — including more than $12.3 billion in GO Transit — in support of public transit across Ontario through a number of funding programs and investment initiatives.

Municipalities must spend Gas Tax Program funds on public transit in order to increase ridership. The program provides municipalities with the discretion to use the funding for both capital and operating expenditures, allowing them to decide the best use of the funds for their individual systems.

We have also made the funding for the program permanent so that municipalities have a sustainable source of funding for transit. Municipalities can use funding for capital and operating expenditures, or place the funds in a reserve account for future major projects.

Q. You have said Ontario's decision on whether to allow Toronto to introduce tolls on the DVP and Gardiner will depend on the toll amount and alternatives available to commuters. What are you looking for in these areas?

A. I respect the work of Mayor Tory and Toronto City Council, and we will work with them on this issue. The city hasn't made a specific proposal yet about road pricing.

Once we receive a proposal, we will look at the proposed toll rates, when they would be introduced and the transit options that people would have at that time.

We recognize that commuters need to have reliable transit options before revenue-generating measures like road tolls are implemented.

Q. On January 1, Ontario implemented its cap and trade program. Is this really the best strategy to combat climate change? Isn't this just going to raise electricity costs for consumers while lacking the transparency of a carbon tax?

A. Expert economic modeling confirms that an emissions cap program — in partnership with Quebec and California — is the lowest-cost option for Ontario to achieve its reduction targets.

A strong and vibrant economy like Ontario's is better off pricing emissions via cap and trade versus a carbon tax, because we have a substantial number of large emitters to buy and trade allowances and innovate to reduce their GHG emissions.

Ontario chose a linked emissions cap as our carbon-pricing method for three reasons:

- It sets an absolute cap on emissions, so reductions are assured
- It protects Ontario's economy and promotes competition and innovation
- It minimizes costs for the people of Ontario.

And because of the broader market available by linking with other cap and trade systems, this approach achieves our reduction targets at the lowest possible cost.

Q. Some medium-sized companies are saying they are being left out of the province's plans to provide relief on electricity costs. Household consumers have options and so do large, industrial companies, but what are you planning to do for those companies that don't fit into either category?

A. We realize there are some medium-sized businesses in the province that are not able to take advantage of the rebates or the ICI program. However, the cap and trade program under the Climate Change Action Plan is an option available to them.

As well, we are working to keep electricity rates affordable for medium-sized commercial and industrial businesses, and are discussing this with business owners to provide the best possible plan to meet their needs.

Q. Many people across Ontario are having trouble paying their electricity bills, and some companies are leaving the province due to rapidly increasing electricity rates. What else are you planning to do to lower electricity bills?

A. We are taking steps to ensure a clean, modern and reliable energy system for all Ontarians. We know that these changes have come at a cost to Ontario's residential and business consumers.

We are already taking a series of steps to provide relief on electricity bills including:

- An 8 per cent rebate equal to the provincial portion of the HST starting January 1, 2017. It will benefit about 5 million families, farms and small businesses. Savings for a typical residential consumer will be about $130 annually
- Additional relief for about 330,000 eligible rural customers. Together with the 8 per cent rebate, eligible customers will receive an average savings of $540 per year
- Expanding the Industrial Conservation Initiative (ICI) program by lowering the threshold for electricity use to open it up to more than 1,000 newly eligible customers. We also removed sector restrictions to allow smaller institutional and commercial businesses to participate
- A proposal to recycle proceeds from cap and trade to keep rates affordable for commercial and industrial electricity consumers.

In addition, the government removed the Debt Retirement Charge (DRC) from residential electricity bills as of January 1, 2016. This will save a typical residential consumer that uses 750 kilowatt hours per month about $65 per year.

I do consistently hear from people about the challenges they face with electricity costs. I will have more to say soon, but we are working on figuring out how we make sure that there is fairness across the province in terms of the costs that people are bearing.