



For Discussion Purposes Only

An Introduction to the Provincial Gas Tax Program

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Background

- Ontario's Dedicated Gas Tax Funds for Public Transportation (Gas Tax) Program was launched in 2004 to provide a long-term, sustainable source of funding for Ontario municipalities that contribute towards a local public transit system.
- Through the 2013 Ontario Budget, the Legislature passed the *Dedicated Funding for Public Transportation Act, 2013*, which made funding of two cents per litre of Gas Tax for public transit permanent.
- On January 27, 2017, Province committed to phase in increases for Gas Tax funding, starting in 2019/20, to reach 4 cents per litre by 2021/22.
- Since implementation, \$3.8 billion in Gas Tax funding has been committed to Ontario municipalities, including \$334.5 million for the 2016/17 program.
- For the 2016/17 program year, there are 99 transit systems that provide service to 134 communities in Ontario.
 - These communities represent more than 90% of the total population of Ontario.



Program Principles

- The purpose of the program is to increase municipal transit ridership through the expansion of public transportation capital infrastructure and levels of service.
- Municipalities must use funding for expenditures that support ridership growth and are incremental to their spending on transit, and not to replace or reduce their contributions to transit.





Interest from Municipalities

- Municipalities routinely make inquiries about becoming a Gas Tax recipient.
- Generally, these are smaller municipalities that are looking to either set up a new transit system or enter into a service agreement with a neighbouring municipality that has an existing system.



Allocation Methodology

- Gas Tax allocations are based on a formula of 70% ridership and 30% population.
 - Ridership data derived from the Canadian Urban Transit Association (CUTA) Fact Books; and,
 - Population estimates provided by the Ministry of Finance, as derived from the Census.

- Gas Tax funds provided to each municipality are not to exceed 75% of municipal own spending on transit.
 - Municipal own spending includes passenger revenues, donations if applicable, and municipal contributions to operating and capital expenses, and is derived from data reported to CUTA.
 - If a municipality reduces their spending on transit, it may receive a reduced Gas Tax funding allocation in the subsequent program year.



General Eligibility

- A municipality that is not currently providing public transportation services, but decides to begin providing such services, may be eligible for funding. Conditions include:
 - Municipal by-law indicating intent and financial commitment to annual funding support.
 - New systems may enter the program in the year they initiate a new system or confirm their financial support, with a pro-rated allocation should they enter mid-year.
- Municipalities must comply with all applicable federal and provincial laws and regulations, all municipal by-laws, etc.
- All public transportation services must be fully accessible in accordance with the requirements set out under the following statutes and regulations, as may be amended from time to time:
 - *Accessibility for Ontarians with Disabilities Act, 2005, S.O. 2005, c. 11;*
 - *Integrated Accessibility Standards, O. Reg. 191/11 made under that Act;*
 - *Highway Traffic Act, R.S.O. 1990, c. H.8;*
 - *Public Vehicles Act, R.S.O. 1990, c. P. 54; and*
 - *Accessible Vehicles, R.R.O. 1990, Reg. 629 made under that Act.*
- Municipalities using provincial funding to purchase vehicles must also comply with the Canadian Content for Transit Vehicle Procurement Policy.



Eligible Expenditures

Eligible expenditures include:

- Operating expenditures;
- Capital expenditures that promote increased transit ridership;
- Capital expenditures for the replacement of any transportation vehicles;
- Capital expenditures that provide improvements to transit security and passenger safety; and,
- Major refurbishment on any fully accessible, or to be made fully accessible, public transportation vehicle.



Program Administration

- The Ministry of Transportation is advised of the funding envelope by the Ministry of Finance in September, based on what is published in Public Accounts for the previous fiscal year.

- The Ministry of Transportation determines the municipal allocations, and provides notification of the allocation to eligible municipalities.

- The Ministry of Transportation provides a Gas Tax package to municipalities that includes:
 - Letter of Agreement;
 - Program guidelines; and,
 - Reporting forms.



Program Administration

- In order to receive the initial quarterly funding payments, municipalities must provide:
 - Two executed original Letters of Agreement; and,
 - An authorizing municipal by-law.

- Funds are transferred to municipalities, to be held in a dedicated reserve account.

- Municipalities must provide annual reporting forms to the Ministry.

- The Ministry reviews and analyses all municipal submissions for compliance.
 - The Ontario Internal Audit Division also conducts regular audits of the program to ensure compliance.



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Appendix 1: Historical Funding Envelope

Program Year	Gas Tax Amount Dedicated	Funding Commitment
October 2004 – September 2005	1 cent/litre	\$156 million
October 2005 – September 2006	1.5 cents/litre	\$232 million
October 2006 – September 2007	2 cents/litre	\$313 million
October 2007 – September 2008	2 cents/litre	\$314 million
October 2008 – September 2009	2 cents/litre	\$321 million
October 2009 – September 2010	2 cents/litre	\$316 million
October 2010 – September 2011	2 cents/litre	\$318 million
October 2011 – September 2012	2 cents/litre	\$321 million
October 2012 – September 2013	2 cents/litre	\$324 million
October 2013 – March 2014	2 cents/litre	\$163 million
April 2014 – March 2015	2 cents/litre	\$321.5 million
April 2015 – March 2016	2 cents/litre	\$332.9 million
April 2016 – March 2017	2 cents/litre	\$334.5 million

* The 2013-14 program is an interim six-month program to bridge the gap between the end of the 2012-13 program on September 30, 2013 and the start of the 2014-15 program on April 1, 2014.



Appendix 2: Provincial and Federal Gas Tax Programs

- ❑ Both programs provide long-term, predictable, and sustainable funding to Ontario municipalities.
- ❑ Provincial funding must be spent on public transit expenditures, either capital and/or operating.
 - Federal funding can be spent on a range of capital project categories, including public transit.
 - Municipalities can use their federal gas tax funding to complement provincial gas tax funding for public transit.
- ❑ Provincial funding allocations are determined annually.
 - Federal funding is identified in multiple-year periods.
- ❑ The Ministry of Transportation provides provincial funding directly to eligible municipalities based on a formula of ridership and population.
 - Federal funding is distributed to Ontario municipalities through the Association of Municipalities Ontario (AMO) on a per-capita basis.

