

# **Ontario's Gas Tax Program**

## **Common Questions and Answers**

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## **Program Overview**

### **What does Ontario's Gas Tax program fund?**

Ontario's Dedicated Gas Tax Funds for Public Transportation (Gas Tax) Program provides a long-term, sustainable source of transit funding to Ontario municipalities. Municipalities receiving Gas Tax funding can use this funding towards both capital and/or operating expenditures, at their own discretion.

### **How much money has the province committed through its Gas Tax program?**

Since 2004, the province has committed \$3.8 billion in Gas Tax funding to Ontario municipalities, including \$334.5 million through the 2016-17 Gas Tax program year.

### **How many Ontario municipalities participate in the Gas Tax program at this time?**

For the 2016-17 program year, funding will be provided to 99 municipal transit systems that serve 134 communities across the province. These communities represent more than 90% of the total population of Ontario.

## **Joining the Gas Tax Program**

### **How do municipalities become eligible to receive Gas Tax funding?**

Municipalities that contribute financially to public transit services are eligible for funding. Municipalities that do not provide transit services can become eligible for funding, if they begin providing fully-accessible transit services. Conditions include a municipal by-law indicating their intent to provide and fund transit services.

### **When can a municipality join the Gas Tax program?**

Municipalities may enter the program when they initiate a new transit system, and confirm their financial support. Their Gas Tax allocation will be pro-rated should they join the program mid-year.

### **What is required to join the Gas Tax program?**

In order to become a Gas Tax funding recipient a municipality must provide the Ministry with a by-law/resolution, committing to ongoing financial support of public transit. The by-law/resolution should also include the expected municipal contributions that are being committed. This initial by-law/resolution is a one-time requirement to join the program.

## **Program Administration**

### **What amount of provincial gas tax revenues are allocated towards supporting municipal transit systems?**

The Province collects 14.7 cents for every litre of gasoline sold in Ontario. This year, as with every year since 2005, two cents per litre will be invested in Ontario's municipal transit systems.

In addition, the Province has committed to increasing Gas Tax funding from 2 cents per litre to 2.5 cents per litre in 2019/20, to 3 cents per litre in 2020/21 and to 4 cents per litre in 2021/22.

### **How are Gas Tax allocations calculated?**

The Gas Tax funding formula is based on a 70/30 split between ridership and population, which was developed following consultations with large and small municipalities who wanted a formula that strikes a fair balance between the needs of large established systems and those of smaller municipalities, while accommodating the needs of high growth areas.

### **Why do annual Gas Tax allocations fluctuate?**

The factors that go into determining Gas Tax allocations are updated annually as the program is rolled out one year at a time. The factors that determine the allocations include:

- Annual funding envelope, which is based on the number of litres of gasoline sold in the province in the previous provincial fiscal year;
- The population of the participating municipalities; and
- The transit ridership of the participating municipalities.

### **How is the allocation determined for a new recipient?**

Typically, municipalities joining the program have newly established transit systems and therefore do not have ridership data. As a result, their first Gas Tax allocation may be solely based on population estimates provided to the Ministry by the Ministry of Finance, with consideration to the level of financial support the municipality commits to providing.

Municipalities joining the program mid-year may receive a pro-rated allocation.

To receive a Gas Tax allocation estimate, municipal staff can contact Tasneem Essaji, Manager of the Municipal Transit Policy Office. She can be reached at 416-585-6312 or [tasneem.essaji@ontario.ca](mailto:tasneem.essaji@ontario.ca).

### **When will ridership data be used to determine an allocation for new recipients?**

After joining the Gas Tax program, a municipality should begin tracking transit data and reporting it to the Canadian Urban Transit Association (CUTA). The Ministry will advise CUTA of any new program recipients to ensure that they are included in the next annual data collection exercise. The Ministry relies on municipal ridership data reported to CUTA to calculate annual Gas Tax allocations. As a result of this reporting, there is typically a one-year lag between joining the program and the ability to include ridership data in the calculation of Gas Tax allocations.

As an example, if a municipal transit system becomes operational in 2017 they will be asked to report their 2017 data to CUTA in spring/summer of 2018, which would be used to determine the allocations for the 2018-19 Gas Tax program year.

### **Some municipalities do not receive the full amount they could get. Why is that?**

The Gas Tax program encourages municipalities to financially support their transit systems, and to not reduce their own contributions to support public transit.

The Gas Tax program guidelines stipulate that Gas Tax funds provided to each municipality are not to exceed 75% of municipal own spending on transit. Municipal own spending on transit includes direct contributions to capital and operating expenditures, passenger fare revenue, and donations, if applicable.

As an example, a municipality may be eligible to receive \$110,000 in provincial Gas Tax funding based on their population and ridership, but if their municipal own spending on transit was only \$100,000, they would only receive \$75,000 (75% of \$100,000) in provincial Gas Tax funding. This ensures that municipalities do not receive more funding than is needed to operate their system, and should a municipality reduce their contributions to public transit, it may directly impact the amount of Gas Tax funding in future years.

### **Are there requirements that municipalities need to meet to receiving funding?**

Every year, once the program has been announced by the Ministry, municipalities are required to:

- Enter into a Letter of Agreement between the municipality and the Ministry;
- Provide a by-law authorizing the Mayor/Head of Council to execute the agreement;
- Submit annual reporting form to the Ministry; and
- Report their transit data to CUTA.

The Ministry provides each recipient municipality with a Gas Tax package that includes the Letter of Agreement, Program Guidelines and Requirements and reporting forms. CUTA contacts each municipality with a survey to collect statistical and economic data for both conventional and specialized transit systems.

### **When does the province distribute money to participating municipalities?**

The Gas Tax program is administered annually. The program year aligns with the provincial fiscal year, which runs from April 1<sup>st</sup> to March 31<sup>st</sup>. Participating municipalities receive their annual allocations through at least two payments that are disbursed after the program is announced (typically in the Fall), following the receipt of the agreement and by-law, and by the end of the provincial fiscal year (March 31<sup>st</sup>), following the receipt of the annual reporting forms.

### **Is Gas Tax funding permanent?**

Through the 2013 Ontario Budget, the Ontario Legislature passed the *Dedicated Funding for Public Transportation Act, 2013*, which made the funding of two cents per litre of the Gas Tax permanent.

## **Eligible Expenditures**

### **Are start-up costs eligible for Gas Tax funding?**

Pilot projects and start-up costs are not eligible for Gas Tax funding. Municipalities must start a municipal transit system by relying on other resources.

### **What expenditures are municipalities allowed to use Gas Tax funding for?**

A municipality receiving Gas Tax funds must ensure that all funds received and any related interest are used exclusively towards eligible expenditures.

Municipalities receiving Gas Tax funding can use this funding towards both capital and/or operating expenditures, at their own discretion.

Municipalities also have the discretion to maintain Gas Tax funding in a municipal reserve account for future use.

### **What else should municipalities take into account when spending Gas Tax funding?**

Municipalities must comply with all applicable federal and provincial laws and regulations, all municipal by-laws, etc.

As an example, all transit services must be provided in accordance with the requirements set out under the following statutes, regulations and policies, which 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;
- Accessible Vehicles, R.R.O. 1990, Reg. 629 made under that Act; and
- Ontario's Canadian Content for Transit Vehicle Procurement Policy.

### **How does the Ministry ensure that municipalities use Gas Tax money towards eligible expenditures?**

Through a Letter of Agreement, municipalities commit to spend the money on public transit. Municipalities are also required to submit Gas Tax reporting forms to the Ministry on an annual basis. The Province also periodically audits municipalities to ensure they are spending the funding on eligible transit expenditures.

### **What can municipalities do if they are unsure about the eligibility of a potential expenditure?**

Municipalities can contact the Ministry for clarification by contacting Tasneem Essaji, Manager of the Municipal Transit Policy Office. She can be reached at 416-585-6312 or [tasneem.essaji@ontario.ca](mailto:tasneem.essaji@ontario.ca).

## **Provision of Municipal Transit Services**

### **Does the municipality have to own transit vehicles and provide transit services directly, or through a municipal agency, board or commission?**

Municipal public transit is a service for which a fare is charged for transporting the public by vehicles operated by or on behalf of a municipality. This includes options that may range from complete municipal ownership of transit assets and provision of service by municipal staff to ownership of transit assets and operation of service by a third party under contract with the municipality. A municipality does not have to own transit vehicles and/or provide transit services directly.

The third party operator can be a for-profit and/or not-for-profit agency or agencies, including a neighboring municipal transit system.

### **If a neighboring municipality provides my service, can I still get Gas Tax funding?**

There are two different options for a municipality that has their transit service provided under an agreement with a neighboring municipality. A municipality may opt to administer their transit service as a stand-alone system, including receiving their own Gas Tax funding along with complying with the annual administrative requirements of the program.

An alternative is to have the neighboring municipality act as the 'host' for Gas Tax program purposes. In this case, the 'host' will receive the Gas Tax funding and is required to comply with all administrative and reporting requirements.

There are considerations that should be weighed for each method. Municipalities can contact the Ministry to discuss these options and examples of where both are currently in operation within the Province.

## **Gas Tax Program's Connection to Other Transit Funding Programs**

### **Are municipalities participating in Ontario's Community Transportation Pilot Grant Program also eligible to receive Gas Tax funding?**

Municipalities receiving funding through the Community Transportation Pilot Grant Program can also receive Gas Tax funding.

### **If a municipality starts providing municipal transit service and begins receiving Gas Tax funding, will it be eligible to receive Phase One funding under the federal Public Transit Infrastructure Fund (PTIF)?**

At this time, it is unlikely that the Province will be able to obtain an allocation from the federal government for Phase One PTIF funding for a municipality that starts a new transit system.

### **Can municipalities that are eligible to receive Phase One funding under the federal PTIF utilize previously-received provincial Gas Tax funding as part of their own municipal contribution?**

Under PTIF Phase One, municipal projects will be funded 50% by municipalities and 50% by the federal government. The maximum federal funding to a project from all federal sources cannot exceed 50% of total eligible project costs.

Municipalities will have the ability to utilize funding they received from Ontario's Gas Tax program towards their 50% cost-matching requirement, as long as their project(s) meet(s) the eligibility requirements of both PTIF and Ontario's Gas Tax program.

## **Additional Questions**

### **What are key similarities and differences between Ontario's Gas Tax program and the federal Gas Tax program?**

The main similarity between the two programs is that both provide long-term, predictable, and sustainable funding to Ontario municipalities.

Differences include, but are not limited to:

- Provincial funding must be spent on public transit expenditures, either capital and/or operating, while 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, while federal funding is identified in multiple-year periods.
- Ontario's Ministry of Transportation provides provincial funding directly to eligible municipalities based on a formula of ridership and population, while federal funding is distributed to Ontario municipalities through the Association of Municipalities Ontario (AMO) on a per-capita basis.

### **I require additional information about Ontario's Gas Tax program and/or Community Transportation pilot program, who can I contact?**

If you require additional information about the provincial Gas Tax program and/or Community Transportation pilot program you may contact Tasneem Essaji, Manager of the Municipal Transit Policy Office. She can be reached at 416-585-6312 or [tasneem.essaji@ontario.ca](mailto:tasneem.essaji@ontario.ca).