

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 699

(Senator M. Washington)

Finance and Budget and Taxation

Economic Matters

**Cannabis – Community Reinvestment and Repair Fund – Distribution and Use
of Funds for Baltimore City**

This bill establishes an Equitable Community Investment Council in each State legislative district located (partially or wholly) in Baltimore City to distribute specified funds Baltimore City receives under current law from the Community Reinvestment and Repair Fund (CRRF). The Comptroller must distribute the CRRF funds due to Baltimore City to the Baltimore City Comptroller, who then must distribute the funds equally among each of the councils. The Baltimore City Comptroller may retain up to \$125,000 of the funds received from CRRF to cover costs associated with administering the distribution of funds to each council and the financial management support it provides to each council. The bill also (1) removes Baltimore City from an existing provision that requires each county to adopt a law establishing the purpose for which money received from CRRF may be used; (2) requires the Baltimore City Comptroller to submit a report required under current law regarding use of CRRF funds; and (3) establishes a reporting requirement for each council. **The bill takes effect June 1, 2024.**

Fiscal Summary

State Effect: The bill’s changes can be implemented with existing budgeted resources. Revenues are not affected.

Local Effect: Baltimore City can implement the bill’s changes using existing resources. Overall revenues and expenditures for Baltimore City are not affected, but expenditures may be delayed. Instead of the city determining the purpose for which CRRF funds may be used through the adoption of a local law, CRRF funds must be distributed as specified in the bill and then further distributed by each council in accordance with the bill (and only by a council after establishment of its governance plan).

Small Business Effect: Minimal or none.

Analysis

Bill Summary: Each council is the acting, principal local body, which must distribute CRRF funds. As stewards of the distribution of CRRF funds for the purpose of benefitting individuals and communities, each council must:

- adopt a governance structure within 45 days after the first meeting;
- develop a sustainable governance plan and program to allocate the CRRF funds it receives to community-based organizations (CBOs) for capital projects, services, and programs consistent with the equity principles for participation and outcomes under current law; and
- by October 1, 2024, and annually thereafter, submit a report to the Baltimore City Comptroller that includes (1) the amount of funds received; (2) the programs or activities funded; (3) the methods used to solicit, review, and select eligible recipients of funds; and (4) council administrative, outreach, and training expenditures.

The governance plan and program must be (1) established before any allocation or expenditure of funds; (2) developed in consultation with impacted stakeholders; and (3) the subject of a public hearing on its development.

Eligible expenditures for funding include:

- behavioral health crisis response services;
- education and after-school programs;
- truancy and absenteeism intervention programs;
- housing and homelessness prevention;
- transportation improvement in high-density transit corridors;
- job training and workforce development;
- community services (including child care and recreational services); and
- other programs that benefit individuals and families impacted by incarceration.

Council members may not receive compensation but are entitled to reimbursement for expenses, as specified.

It is the intent of the General Assembly that all unspent funds allocated to Baltimore City from CRRF before the bill's effective date must be allocated in accordance with the bill.

Current Law:

Cannabis Reform – Generally

Chapters 254 and 255 of 2023 established the adult-use cannabis industry in the State following the enactment of Chapter 26 of 2022 and the passage of the associated constitutional amendment by (1) creating the Maryland Cannabis Administration (MCA) as an independent unit of State government that is responsible for the regulation of medical and adult-use cannabis; (2) attributing cannabis-related duties to the Alcohol and Tobacco Commission and renaming it the Alcohol, Tobacco, and Cannabis Commission; (3) developing a licensing framework for the regulated sale of cannabis; (4) requiring all existing medical cannabis licensees to convert to adult-use cannabis businesses; (5) establishing a 9% sales and use tax on the sale of adult-use cannabis; and (6) creating the Office of Social Equity (OSE) in MCA and the Social Equity Partnership Grant Program in OSE. The sale of adult-use cannabis began on July 1, 2023.

Community Reinvestment and Repair Fund

Chapter 26 established and Chapters 254 and 255 recodified CRRF to provide funds to CBOs that service communities determined by OSE, in consultation with the Office of the Attorney General (OAG), to have been the most impacted by the disproportionate enforcement of cannabis prohibitions before July 1, 2022. The Comptroller administers the special fund, which consists of:

- for fiscal 2024 through 2033, a portion of the sales and use tax (SUT) revenues from the sale of adult-use cannabis in the State, distributed on a quarterly basis (specifically, 35% of the revenues remaining after the Comptroller distributes revenues to the Cannabis Regulation and Enforcement Fund in an amount necessary to defray the entire cost of the operations and administrative expenses of MCA);
- conversion fees paid by medical cannabis licensees to become cannabis business licensees in the medical and adult-use cannabis industry; and
- any other money from any other source accepted for the benefit of the fund, as specified.

CRRF may only be used for (1) funding community-based initiatives intended to benefit low-income communities; (2) funding community-based initiatives that serve “disproportionately impacted areas” – meaning a geographic area identified by OSE that has had above 150% of the State’s 10-year average for cannabis possession charges; and (3) any related administrative expenses. Money expended from CRRF (1) is supplemental to and may not supplant funding that would otherwise be appropriated for preexisting local government programs and (2) may not be used for law enforcement agencies or activities.

Based on the percentage allocable to each county as determined by OSE and reported to the Comptroller by July 31 each year, the Comptroller must distribute CRRF funds to each county in an amount that, from July 1, 2022, to January 1, 2023, both inclusive, is proportionate to the total number of cannabis possession charges in the county compared to the total number in the State. (“County” includes Baltimore City.)

Subject to the authorized uses of the fund as specified above, each county must adopt a law establishing the purpose for which money received from the fund may be used. By December 1, 2024, and every two years thereafter, each political subdivision that receives CRRF funds must submit a report to the Governor and specified legislative committees on how the CRRF funds were spent during the immediately preceding two fiscal years.

Baltimore City Ordinance

The Baltimore City Council passed an [ordinance](#) in 2023 that establishes a Community Reinvestment and Reparations Commission to determine the use of the funds disbursed to Baltimore City from CRRF.

Additional Comments: Pursuant to current law, funds from CRRF are distributed to each county (including Baltimore City) on a quarterly basis. The bill authorizes the Baltimore City Comptroller to retain up to \$125,000 of the CRRF funds provided to Baltimore City to cover specified costs. However, it is unclear under the bill whether the authorization entitles the Baltimore City Comptroller to retain such funds once, quarterly (*i.e.*, \$500,000 annually), or annually.

MCA assessed conversion fees of approximately \$61.0 million, \$31.0 million of which has been collected and the remainder of which must be paid in full by January 1, 2025 – these funds are paid into CRRF. In addition, MCA advises that the first quarterly distribution from SUT revenues to CRRF totaled \$4.0 million. According to MCA, Baltimore City is slated to receive more than 30% of the CRRF funds, as determined by OSE in consultation with OAG.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1484 (Delegate R. Lewis) - Rules and Executive Nominations.

Information Source(s): Baltimore City; Maryland Cannabis Administration; Office of the Attorney General; Comptroller’s Office; Department of Legislative Services

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