



HB 32 — The Cannabis Legalization and Regulation, Inclusion, Restoration, and Rehabilitation Act of 2021

Delegate Jazz Lewis's HB 32, which is focused on racial and social justice, ends cannabis prohibition in the state of Maryland and replaces it with a system to tax and regulate cannabis for adults 21 and older. In addition to legalizing the possession and cultivation of limited amounts of cannabis for adults, it includes expungement and release for past cannabis offenses, establishes a social equity program to promote participation in the legal cannabis industry from minorities and those hardest hit by the war on cannabis, and distributes the bulk of tax revenue collected from legal cannabis sales to Maryland's HBCUs, to provide start-up funding and training for social equity businesses, and to serve communities impacted by poverty, mass incarceration, and racism.

This summarizes HB 32, with amendments, that its sponsor — Del. Jazz Lewis — proposed in the Judiciary Committee hearing on February 16. The reprint reflects a number of changes negotiated with Sen. Feldman, with the shared goal of passing a “unity bill.” While negotiations are not yet complete, HB 32 as amended includes a middle ground with SB 708 for almost every area of departure.

Adult-Use Legal Possession and Cultivation

- Adults who are 21 or older could possess up to four ounces of cannabis and cultivate up to six cannabis plants in a secure location that is not visible from the outside of the property and not accessible to minors.
- To avoid criminalizing individuals for modestly exceeding the limit, possession of up to twice those limits would be a civil offense.

Expungement, Release, and Resentencing

- The bill provides for automatic expungement and release for possession and cultivation of the legal amounts and allows individuals to petition for expungement and release for all other cannabis offenses, at no cost to the individual.

Criminal Justice Reforms

- Parole, probation, and pretrial release could not be revoked for state-legal cannabis activity, including testing positive for cannabis, unless there is a specific finding that the individual's use of cannabis could create a danger to the individual or other persons.
- The amount decriminalized (and subject to a civil fine or community service instead of jail) for those under 21 would increase to the above personal-use amounts.
- Smoking cannabis in public would be punishable by a civil fine of up to \$50. Individuals could choose to perform up to five hours of community service in lieu of the fine.

State Regulation and Licensing

- The newly independent Alcohol and Tobacco Commission will be charged with regulating the new adult-use cannabis market.
 - The commission will issue six types of cannabis licenses: retailers, cultivation facilities, product manufacturers, transporters, delivery services, and laboratories.
 - It will also develop comprehensive rules governing security, laboratory testing, packaging, labeling, recordkeeping, inspections, prohibiting dangerous pesticides and additives, and restricting advertising.

Social Equity and Inclusion in the Industry

- HB 32 establishes a social equity program to promote participation in the legal industry by those disproportionately impacted by cannabis prohibition. It defines a “social equity applicant” and provides assistance to social equity applicants in several ways, such as:
 - exclusive access to transporter and delivery licenses;
 - additional points for retail license applicants (20% of the total), which will have a numerical cap in Spring 2023, with more licensed based on demand in Spring 2024;
 - a “head start” for cultivation facility and product manufacturer licenses, with social equity licenses being issued at least 12 months prior to other applicants (except existing medical businesses, which must pay a hefty fee to the Social Equity Start-Up Fund); and
 - technical assistance and no-interest loans or grants for start-up costs.
- HB 32 creates ample opportunity for new small businesses, with a focus on social equity. It allows uncapped microgrow licenses to prevent social equity processors and retailers from getting squeezed by large growers.
 - In the case of oversupply, regulators would pause the issuance of new microgrow licenses.

Taxation and Revenue

- In years 1-2 of adult-use sales, a 15% excise sales tax will be imposed; it would increase in years 3-4 to 20%, and cap at 25% after that. Rates would automatically increase, but the commission could recommend changes.
- Localities may impose a tax of up to 3% on sales to consumers in the municipality.
- Existing medical businesses could apply for expedited dual licensing, with fees based on gross sales of up to \$1 million to provide start-up funding for social equity applicants.
- After covering regulatory costs, the revenue from taxes and fees will be allocated to: the new Community Reinvestment and Repair Fund (27%); endowments for Maryland’s four HBCUs (20%); the Social Equity Start-Up Fund (10%); technical assistance and work-based

learning programming (3% each); the General Fund (25%), substance abuse treatment and prevention (7%); cannabis research (2%); public education about alcohol, tobacco, and cannabis (2%); and training for law enforcement to recognize impaired driving (1%).