



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

March 9, 2023

Committee: Senate Finance and Budget & Taxation Committees

Bill: SB 516 - Cannabis Reform

Position: Support with Amendments

Reason for Position:

The Maryland Municipal League supports House Bill 556 with amendments. The League is encouraged by the posture of the bill as introduced and inclusion of local governments as a partner. Municipalities, which will bear a significant burden of implementation, ask to recoup a more reasonable amount of tax revenue and fully exercise local land use authority.

The League respectfully requests an increase in the portion of sales tax revenue distributed to local governments to help recover the costs we reasonably anticipate occurring as a result of legalization. In past years, the Senate has introduced legislation providing a 3% sales tax option for local governments, however this legislation would result in an effective sales tax rate of just .09%.

To put those numbers in context, if \$1,000,000 is spent on cannabis in a jurisdiction, less than \$900 will return via the sales and use tax formula. We are concerned that the bill will not provide nearly enough revenue to cover things like:

- Public education, including outreach campaigns and signage.
- Planning and zoning changes, including changes to the Comprehensive Master Plan (generally requires consultants).
- Permitting and licensing of on-site consumption establishments.
- Public consumption enforcement.
- DUI enforcement, including the need to train significantly more DREs and pay overtime for officers that fill the gaps while their colleagues undergo training (only 35 agencies statewide have at least one DRE).
- Any additional resources needed to support cultivation/processing/sales.

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This tax revenue structure pales in comparison to what most states have adopted. Three percent of the full sale price is standard, but states can arrive there by different means. Like HB 556's approach, Michigan applies a uniform statewide tax sales (10%) on cannabis products and diverts a portion to local governments. But Michigan still gives local governments 3% of the full sales price (30% of the revenues collected). It is hard to argue that a tax rate of .09%, or \$900 on \$1 million in sales, is enough to implement this legislation when states like Massachusetts have already had to increase their local rate from 2% to 3%.

The second amendment request seeks the inclusion of municipalities alongside counties as entities that receive and expend Community Reinvestment and Repair Funds in low-income communities and disproportionately impacted areas within their boundaries. Municipal officials are closer to their residents than their county counterparts and in a better position to identify targeted solutions.

The third proposed amendment focuses on local land use authority. The bill's explicit reiteration of local land use authority is strong and recognizes the importance of retaining planning and zoning decisions at the local level. However, one key element is missing: a local opt-out. This is a new business segment and some municipalities, on behalf of their residents, do not want cannabis business operating in their jurisdiction. This opt-out provision is consistent with recreational cannabis frameworks in other states. Allowing a municipality to prohibit the operation of certain cannabis businesses in their city keeps land use decisions local, where they should be.

This bill, with the proposed amendments, provides much needed revenue to offset the increased costs associated with rolling out the recreational cannabis business landscape while also retaining land use at the local level. As such, MML respectfully requests that this committee provide a favorable report on House Bill 556 with amendments.

Amendment language for the Committee's consideration:

Adding municipalities as entities that receive and expend Community Reinvestment and Repair Funds -

On page 15, line 9:

(b) (1) The comptroller shall distribute funds from the Fund to each county **AND MUNICIPALITY** in an amount that, for the period from July 1, 2002, to [June 30, 2022] **JANUARY 1, 2023**, both inclusive, is proportionate to the total number of [cannabis arrests in the county compared to the total number of cannabis arrests in the State] **INDIVIDUALS RESIDING IN THE COUNTY POLITICAL SUBDIVISION WHO WERE CHARGED WITH A CANNABIS CRIME COMPARED TO THE TOTAL NUMBER OF INDIVIDUALS CHARGED WITH CANNABIS CRIMES IN THE STATE.**

Allowing local governments "opt-out" authority -

On page 49, after line 2 add:

**(3) PROHIBIT THE OPERATION OF BUSINESSES INVOLVED IN
THE GROWING OF CANNABIS OR DISPENSING CANNABIS
RELATED PRODUCTS.**

On page 49, line 5:

**~~(2) ESTABLISH ZONING OR OTHER REQUIREMENTS THAT
UNDULY BURDEN A CANNABIS LICENSEE;~~**

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