

Office of Social Equity – Community Reinvestment
and Repair Fund – Advisory Board and
Modifications (SB 894)

Finance Committee

March 6, 2025

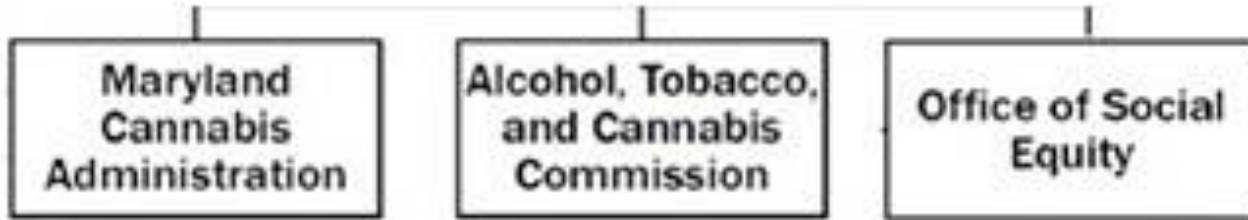
Senator Mary Washington

Constitutional Amendment – Cannabis – Adult Use and Possession (2022)

- **SESSION 2022:** The Maryland General Assembly passed HB 1 “FOR the purpose of establishing that, on or after a certain date, an individual in the State who is at least a certain age may use and possess cannabis.” (November 2022, Maryland approved by referendum to after the passage of
- **SESSION 2023:** Cannabis Reform Act (H.B. 556/S.B. 516) was passed by the MD General Assembly to allow and create the framework for the licensing, sale and taxing of adult use cannabis tax adult use began July 1, 2023
- **Maryland Cannabis Administration (MCA).** Authorized in May 2023 to establish operating requirements for cannabis licensees, or cannabis registrants, including requirements for security, lighting, physical security, video, and alarms; safe and secure delivery, transport, and storage of cannabis.^t

Cannabis Reform Act 2023

Regulatory and Administrative Agencies



Sales and Collection and Distribution of Tax Revenues

- Total retail sales in Maryland have increased since adult-use legalization with \$1.1 billion in calendar 2024, an increase of \$345 million over calendar 2023.
- **Maryland law imposes a 9% sales and use tax** on retail sales of adult use cannabis and cannabis products (same as alcohol).
- The **Office of the Comptroller** is the agency that administers the state's sales and use tax from retail sales of adult use cannabis.
 - Third Quarter 2024 Revenue Remitted: \$18,292,024
- The Comptroller is also responsible for the accounting of the funds created through the Cannabis Reform Act and distributing the required funds.

How the Revenue is Allocated

A portion of revenue from the 9% sales and use tax on adult-use cannabis sales is allocated to the Maryland Cannabis Administration to offset administrative costs. The Balance of the Revenue is then allocated as follows:

- **5% to the Cannabis Public Health Fund.**
- **35% to the Community Reinvestment and Repair Fund.**
- **5% of taxes collected in each jurisdiction to that jurisdiction.**
- **5% to the Cannabis Business Assistance Fund (through fiscal year 2028).**
- **50% of adult-use tax dollars after these distributions are deposited into the State General Fund.**

Office of Social Equity

OSE, an independent executive agency established by the Cannabis Reform Act of 2023. Charged with administering two programs:

- Community Reinvestment and Repair Fund (CRRF)
- Social Equity Partnership Grant Program.

OSE: Guidance and Recommendations

The Cannabis Reform Act of 2023 requires each eligible local jurisdiction to adopt a law establishing how funds received from the CRRF may be used.

“OSE encourages each county and city to establish an advisory committee inclusive of community leaders and individuals that have shared lived experiences of those that were subject to the disproportionate enforcement of cannabis prohibition.”

EXISTING LAW

Reporting Requirements § 2–1257- State Government Article

Beginning in 2024, on or before December 1 every 2 years, each local jurisdiction that receives an allocation from the CRRF shall submit a report to the Governor and, the Senate Budget and Taxation Committee, the Senate Finance Committee, the House Judiciary Committee, and the House Health and Government Operations Committee and the House Appropriations Committee on how funds received from the Fund were spent during the immediately preceding 2 fiscal years.

EXISTING LAW

Section 1-322 - Community Reinvestment and Repair Fund

(2)(i) Subject to the limitations under subsection (a)(6) of this section, each county shall **adopt a law establishing the purpose for which money received from the Fund may be used.**

((6) (i) The Fund may be used only for: **1. funding community-based initiatives intended to benefit low-income communities, 2. funding community-based initiatives that serve disproportionately impacted areas, as defined in § 36-101 of this article; and 3. any related administrative expenses**

ACCOUNTABILITY AND TRANSPARACUY FOR STATE DISTRIBUTTED CANNIBUS REVENUES

State law does not yet establish meaningful administrative, procedural, or regulatory frameworks **for the accounting, management and distribution of funds within a county**, nor does it require or authorize a jurisdictions to do so.

There are no provisions which guide compliance, transparency and accountability concerning **local grassroots community or legislative intent** for the “**equitable and strategic allocation**” funds and participation in use and , decision-making . which reflects beyond general statements, policies

SB894 Establishes State Accountability and Legislative and Community Intent Regarding the CRRF Program

- Clarifies OSE responsibility for providing guidance and support for the CRRF program and recipients.
- Codifies General Assembly findings, intent and public interest.
- Stands up a Community Reinvestment And Reinvestment Fund Board at the state level.
- Establishes a maximum amount a local government can spend on administrative expenses.
- Protects public funds and transparency by requiring certain retention and accounting practices local governments such a “lock box,” reporting and plan and lock box for CRRF disbursed by Comptroller. (Does not include the 5% of local cannabis taxes received under state law,