

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 815
Finance

(Senator M. Washington)

Cannabis - Community Reinvestment Impact Districts - Establishment

This bill authorizes a county or an Equity Community Investment Council to designate an area in the county or the State legislative district represented by the council as a Community Reinvestment Impact District, subject to specified criteria. A district must receive at least 20% of the Community Reinvestment and Repair Fund (CRRF) funds distributed to the county or the council for at least five years after the district is designated. A county or a council must develop and adopt a plan for the district that (1) defines the scope of usage for CRRF funds received; (2) identifies proposed programming and services based on projected funding; and (3) includes a budget justification statement. The plan must be published at least three months before the establishment of a district and six months before the annual disbursement of funds. **The bill takes effect June 1, 2024, contingent on the enactment of Senate Bill 699 of 2024.**

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: Local jurisdictions can implement the bill using existing budgeted resources. Overall local revenues and expenditures are not affected, as discussed below.

Small Business Effect: Minimal or none.

Analysis

Bill Summary: An area may be designated as a district if at least four of the following criteria are met:

- the area consists of at least two census block groups in which at least three of the following apply: (1) the average rate of unemployment is more than double the

average rate for the county; (2) at least 6% of the adult population were on parole or probation during the most recent two-year period for which data is available; (3) the unemployment rate for adults between ages 18 and 29 is at least 35% during the most recent two-year period for which data is available; (4) at least 50% of the adult population older than age 30 have not graduated from high school; or (5) the average household income is in the bottom 20% of the income distribution for the State;

- the area is a census tract with an infant mortality rate that is at least 9.5%;
- the area is a census tract that falls in or above the 75th percentile for emergency calls related to overdoses or fatal overdoses;
- the proportion of drug treatment clinics to population in the area exceeds three times the average for any individual census tract; or
- the area has a history of redlining or has been classified as hazardous by the Home Owners' Loan Corporation (HOLC).

The bill is contingent on the enactment of Senate Bill 699 of 2024. As introduced, Senate Bill 699 addresses the distribution and use of funds provided to Baltimore City from CRRF pursuant to current law. Among other things, that bill establishes an Equitable Community Investment Council in each State legislative district located (partially or wholly) in Baltimore City. Each council must (1) adopt bylaws by September 1, 2024; (2) develop a sustainable governance plan and program to allocate the CRRF funds it receives through grants to community-based organization (CBOs) for services and programs, consistent with the equity principles and outcomes under current law; and (3) submit a related annual report. Senate Bill 699 further specifies eligible expenditures for grant funding.

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, 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.

Home Owners' Loan Corporation

HOLC was established in 1933 as part of the Federal New Deal legislation. HOLC created residential security maps of major American cities. Neighborhoods considered hazardous on the specified maps were often “redlined” by lending institutions, denying such locations access to capital investments that could have improved the housing and economic opportunity of residents.

Local Fiscal Effect: The bill authorizes (but does not require) a county or an Equitable Community Investment Council in Baltimore City to designate an area in the county or the State legislative district represented by the council, respectively, as a Community Reinvestment District if specified criteria are met. If such a district is established, the county or the council must distribute at least 20% of its portion of funds received from CRRF to the district. Accordingly, the bill only affects the *subsequent distribution* of the CRRF funds received by counties (including Baltimore City); the total amount of CRRF funds distributed to each county is not affected. The designation of districts can be handled with existing local resources.

Under current law, CRRF funds are distributed to counties on a *quarterly* basis; however, the bill appears to contemplate an annual disbursement of funds by districts (*i.e.*, the bill requires a district plan to be published at least six months before the *annual* “dispersal” of funds). Thus, this analysis assumes that CRRF funds are distributed to districts on a quarterly basis but expended by districts on an annual basis.

Additional Comments: 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.

The bill does not establish any limits on the size or number of districts that may be designated; to the extent that a county or a council establishes more than five districts, the required distribution of CRRF funds (at least 20% to each district for the first five years after establishment) is unclear.

In addition, the bill’s requirement that CRRF funds be distributed to districts as designated pursuant to the bill may conflict with the authorized uses of CRRF under current law. Specifically, under current law, 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”; and (3) any related administrative expenses. While there is likely overlap between a “disproportionately impacted area” (a geographic area identified by OSE that has had above 150% of the State’s

10-year average for cannabis possession charges), a low-income community, and a district (as designated pursuant to the criteria outlined in the bill), the criteria are not identical.

Finally, other than in Baltimore City – which is addressed through Senate Bill 699 – with respect to the designation of districts in any other county, the bill does not alter a provision of current law that requires each county to adopt a law establishing the purpose for which money received from CRRF may be used, subject to the authorized uses of the fund.

Additional Information

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

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, and Montgomery counties; Maryland Association of Counties; Maryland Cannabis Administration; Office of the Attorney General; Comptroller’s Office; National Community Reinvestment Coalition; Department of Legislative Services

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