Maryland
OFFICE OF
SOCIAL EQUITY

ESTABLISHED BY

Cannabis Reform Act Of 2023

Community Reinvestment and Repair Fund Report

Economic Opportunity & Equity within Maryland's Adult-Use Cannabis Market

MARCH 1, 2024

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SOCIAL EQUITY

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The Honorable Bill Ferguson
President
Senate of Maryland
State House, H-107
Annapolis Maryland 21401

The Honorable Adrienne A. Jones
Speaker
Maryland House of Delegates
State House, H-101
Annapolis Maryland 21401

Office of Social Equity Community Reinvestment and Repair Fund Report

Required by Alcoholic Beverages and Cannabis
Article § 1-309.1(e) (MSAR#14573)

Dear President Ferguson and Speaker Jones:

The *Cannabis Reform Act of 2023* mandates that the Office of Social Equity produce and make publicly available a report on how the funds in the Community Reinvestment and Repair Fund (CRRF) were allocated during the immediately preceding calendar year.

CRRF funding was disbursed to each County and Baltimore City in January 2024 by the Office of the Comptroller. Although no funds were allocated during the 2023 calendar year, the Office of Social Equity would like to take this opportunity to update the General Assembly on the allocations that have occurred to date by submitting the attached report.

The Office of Social Equity is steadfast in its mission to cultivate economic opportunity and foster equity within Maryland's adult-use cannabis market. We look forward to our continued collaboration with Maryland's local governments to support the mission of the CRRF and foster economic growth and development within communities that have been disproportionately impacted by the enforcement of cannabis prohibition.

Sincerely,

Audrey Johnson
Executive Director
Office of Social Equity

SF/sa

Cc: Sarah Albert, Department of Legislative Services (5 copies)

Background

The Office of Social Equity (OSE), established by the *Cannabis Reform Act of 2023*, is an independent executive agency charged with providing resources and support for historically disadvantaged individuals and businesses seeking to enter the adult-use cannabis industry. The key responsibilities of the OSE include:

- Implementing technical assistance programs for qualifying social equity applicants and licensees,
- Reviewing regulations and laws through the lens of economic equity and social justice, and
- Supporting key programs, including the Community Reinvestment and Repair Fund (CRRF).

The CRRF provides funding to local jurisdictions to support community-based organizations and initiatives that benefit low-income communities and communities that have been disproportionately impacted by the enforcement of cannabis prohibition.

The State of Maryland imposes a nine percent (9%) state sales tax on adult-use cannabis. As mandated by the *Cannabis Reform Act of 2023*, 35 percent (35%) of the sales tax revenue collected from adult-use cannabis purchases is allocated to the CRRF fund. In addition to cannabis sales tax proceeds, the CRRF is also comprised of revenues generated from license conversion fees that have been paid by cannabis businesses that transitioned from the medical cannabis market into the adult-use cannabis industry.

To determine an equitable method of distributing CRRF funding, as mandated by the *Cannabis Reform Act of 2023*, the OSE worked with state agencies and the Maryland Judiciary to analyze the number of cannabis possession charges that occurred within each county and Baltimore City between July 1, 2002 and January 1, 2023, and compared these values against the total charges across the state during this same timeframe. The allocations of CRRF funding that each county, including Baltimore City, will receive are listed to the right:

County	Number of Charges	Proportion
Allegany	2,638	1.04%
Anne Arundel	17,701	7.00%
Baltimore City	77,485	30.63%
Baltimore	38,806	15.34%
Calvert	3,984	1.57%
Caroline	2,121	0.84%
Carroll	5,030	1.99%
Cecil	3,493	1.38%
Charles	7,305	2.89%
Dorchester	2,969	1.17%
Frederick	7,128	2.82%
Garrett	1,065	0.42%
Harford	8,553	3.38%
Howard	6,802	2.69%
Kent	1,267	0.50%
Montgomery	14,515	5.74%
Prince George's	28,900	11.42%
Queen Anne's	2,128	0.84%
Somerset	1,394	0.55%
St. Mary's	3,580	1.42%
Talbot	1,922	0.76%
Washington	5,169	2.04%
Wicomico	5,923	2.34%
Worcester	3,083	1.22%
TOTAL	**252,961**	**100.00%**

Disbursement

On January 12, 2024, the OSE, in collaboration with the Office of the Comptroller, announced the distribution of first-quarter funding from the CRRF to local jurisdictions.

To ensure that each jurisdiction was aware of the funding allocations they would receive, OSE contacted each of the local governments of Maryland's 24 jurisdictions to directly share the press release and provide initial guidance.

Shortly thereafter, the Office of the Comptroller disbursed the appropriate percentage of adult-use cannabis sales tax revenue to each jurisdiction.

Please note that as of this writing, the revenue from conversion fees has not yet been disbursed by the Comptroller and was not included within the tax revenue amounts that the local jurisdictions received. Conversion fee allocations will be released to the CRRF early this year.

The allocable percentages and funding distributions that were released to Maryland's 24 jurisdictions from the first quarter remittance of cannabis sales tax revenues are outlined to the right.

Jurisdiction	Percentage Allocable*	Q1 Sales Tax Distribution
Allegany	1.043%	$44,378.33
Anne Arundel	6.998%	$297,778.91
Baltimore City	30.631%	$1,303,508.19
Baltimore	15.341%	$652,822.34
Calvert	1.575%	$67,021.70
Caroline	0.838%	$35,680.98
Carroll	1.988%	$84,618.26
Cecil	1.381%	$58,761.75
Charles	2.888%	$122,889.94
Dorchester	1.174%	$49,946.65
Frederick	2.818%	$119,912.32
Garrett	0.421%	$17,916.19
Harford	3.381%	$143,884.69
Howard	2.689%	$114,428.12
Kent	0.501%	$21,314.38
Montgomery	5.738%	$244,181.73
Prince George's	11.425%	$486,176.51
Queen Anne's	0.841%	$35,798.74
Somerset	1.415%	$60,225.33
St. Mary's	0.551%	$23,450.87
Talbot	0.760%	$32,333.26
Washington	2.043%	$86,956.62
Wicomico	2.341%	$99,640.95
Worcester	1.219%	$51,864.44
TOTAL	**100.000%**	**$4,255,491.20**

** The percentages shown in this report are rounded. However, in order to accurately allocate the entirety of the funds, the actual percentages (unrounded) are used for the allocation formulas. Additionally, the percentages used for the distribution are not the same as the rounded percentages that are provided by the Office of Social Equity. In order to accurately allocate the entirety of the funds in accord with the Office of Social Equity's charge, the actual allocation percentages are the unrounded shares of cases by county.*

County Management

The *Cannabis Reform Act of 2023* states that each county, including Baltimore City, shall adopt a law establishing the purpose for which money received from the CRRF may be used. CRRF funding may only be used for:

- Funding community-based initiatives intended to benefit low-income communities;
- Funding community-based initiatives that serve disproportionately impacted areas, as defined within the act;
- Any related administrative expenses.

The *Cannabis Reform Act* also mandates that on or before December 1 every 2 years, beginning in 2024, each political subdivision that receives funds from the CRRF shall submit a report detailing how funds received from the CRRF were spent during the immediately preceding two (2) fiscal years.

Next Steps

Counties across the state are currently in the process of developing ordinances that will govern how CRRF funds will be distributed within their jurisdiction.

The OSE has communicated with Maryland's counties regarding their ordinance development and anticipates the majority of jurisdictions will enact the required laws over the next several months as they familiarize themselves with the CRRF process and requirements.

OSE wishes to serve as a resource to counties and continues to explore ways to ensure that CRRF funding is used as the *Cannabis Reform Act* intends. The OSE will share more robust guidance with local jurisdictions and continue targeted local government engagement efforts. We look forward to continuing to work with our local partners regarding this effort.