

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 307 (Delegates Qi and Hill)
 Economic Matters

Community Reinvestment and Repair Fund - Alterations

This bill requires the Comptroller to administer the Community Reinvestment and Repair Fund (CRRF) at the direction of the Office of Social Equity (OSE) and also requires the Comptroller, in consultation with OSE, to ensure compliance with statutory requirements governing CRRF. The bill also alters the purpose and authorized uses of CRRF and the requirements for county plans that must be submitted before counties receive and use CRRF funds.

Fiscal Summary

State Effect: Special fund expenditures increase by \$90,008 in FY 2027 for staff; future years reflect annualization and ongoing costs. As a result of this increase, cannabis sales and use tax revenues directed to OSE increase correspondingly to cover those costs, and the amount of sales and use tax revenue remaining for distribution to the general fund and various other special funds (in accordance with current law) decreases, as discussed below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(\$45,000)	(\$53,000)	(\$61,000)	(\$63,800)	(\$66,600)
SF Revenue	\$49,500	\$58,300	\$66,600	\$69,600	\$72,600
SF Expenditure	\$58,500	\$68,900	\$72,100	\$75,400	\$78,700
Net Effect	(\$54,000)	(\$63,600)	(\$66,600)	(\$69,600)	(\$72,600)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government revenues decrease beginning in FY 2027 due to the redistribution of sales and use tax revenues, including direct allocations. Local government expenditures decrease correspondingly. The bill is not otherwise anticipated to materially affect local government finances.

Small Business Effect: Minimal or none.

Analysis

Bill Summary/Current Law:

Community Repair and Reinvestment Fund

Under current law, the Comptroller administers CRRF. *Under the bill*, the Comptroller administers the fund *at the direction of OSE*.

Under current law and the bill, the purpose of CRRF is to provide funds to community-based organizations that serve communities determined by OSE (in consultation with the Office of the Attorney General) to have been the most impacted by disproportionate enforcement of the cannabis prohibition before July 1, 2022. The fund receives 35% of the sales and use tax revenues generated from the sale of adult-use cannabis, distributed on a quarterly basis. *Under the bill*, the purpose of the fund is expanded to also include serving specified findings of public interest.

Under current law, funds from 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) related administrative expenses incurred by a local government in administering the funds that do not exceed 15% of the funds received in the fiscal year. *The bill* largely restates the same authorized uses under a new section of statute but specifies that CRRF *must* (as opposed to *may*) only be used for those purposes.

Under current law and the bill, each county receives a distribution from CRRF in an amount that is proportionate to the total number of cannabis possession charges in the county during the period from July 1, 2002, to January 1, 2023, both inclusive, compared to the total number of cannabis possession charges in the State for that same period. For any distribution of funds to a county, the county must hold the funds separately from other revenue and general funds. Subject to the limitations regarding the authorized uses of CRRF, each county is required to adopt a law establishing the purpose for which money received from CRRF may be used.

Under current law, OSE must also require each county to develop a plan for the distribution of CRRF funds to community-based organizations for use in accordance with statute. The plan must be (1) established before distributing funds; (2) developed in consultation with stakeholders; and (3) the subject of a public hearing before the plan is finalized. *The bill* provides additional specificity to what “stakeholder” means and also requires that the county plan be made publicly available. Additionally, *under the bill*, a county plan must (1) identify the geographic areas and populations within the county that have been determined to be most impacted by the disproportionate enforcement of cannabis laws and

(2) describe how the proposed uses of funds are consistent with authorized statutory uses. *The bill* also requires each county to consult with OSE to make any adjustments to a county plan.

Under current law, by October 1, 2026, and annually thereafter, each county must submit a report to OSE regarding funds received from CRRF, the organizations that received funding from the county, the methods the county used to solicit, review, and select organizations eligible for funding, and administrative expenses related to the county's administration and distribution of CRRF funds. *The bill* requires the report to also include data on populations served and services provided.

The Office of Social Equity

OSE, originally an independent office functioning within the Maryland Cannabis Administration (MCA), was redesignated as a unit within the Department of Social and Economic Mobility, which was established by Chapter 605 of 2025. OSE is responsible for promoting and encouraging full participation in the regulated cannabis industry by people from communities that have been disproportionately impacted by the war on drugs in order to positively impact those communities. In this role, OSE is responsible for consulting with other agencies, providing recommendations to and working with MCA, assisting businesses to obtain financing through the Capital Access Program, and managing the Social Equity Partnership Grant Program (established to promote qualifying partnerships between operational licensees and social equity licensees).

Under current law, OSE is also required to (1) with the assistance of the Comptroller, oversee CRRF; (2) oversee the appropriation of funds and the training of recipients of funds from CRRF; and (3) by October 1, 2025, adopt regulations to carry out the statutory provisions related to CRRF as modified by Chapter 195 of 2025; OSE has not yet promulgated the regulations.

Under the bill, OSE's role regarding oversight of CRRF is altered; OSE must instead *direct the administration* of CRRF.

OSE is funded through distributions from sales and use tax collections from adult-use cannabis sales. (See the **Appendix – Adult-use Cannabis Sales and Use Tax and Revenues** for a description of the current law distribution of cannabis sales and use tax revenues.)

State/Local Fiscal Effect: The Comptroller advises that any operational impact can be absorbed with existing resources.

Administrative Costs for the Office of Social Equity

Special fund expenditures for OSE increase by \$90,008 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost of hiring one program analyst/administrative manager to direct the administration of CRRF, consult with counties to make adjustments to county plans for the distribution of CRRF funding, and consult with the Comptroller to ensure compliance with statutory requirements governing the use of CRRF funds. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- OSE’s administrative workload related to county plans and oversight of CRRF significantly increased as a result of changes under Chapter 195, and the office did not receive additional staffing to handle those responsibilities (as was estimated to be needed in the fiscal and policy note for that legislation); and
- because OSE is already understaffed and the bill establishes new responsibilities, the office needs to hire one full-time employee.

Position	1.0
Salary and Fringe Benefits	\$80,867
Operating Expenses	<u>9,141</u>
FY 2027 OSE Administrative Costs	\$90,008

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Effect on the Distribution of Cannabis Sales and Use Tax Revenues

Because the bill increases OSE expenditures, additional sales and use tax revenue will be needed to cover those costs. Therefore, the amount of sales and use tax revenue remaining for distribution to the general fund, various other special funds (including CRRF), and local governments decreases. See **Exhibit 1** for resulting impacts on the distribution of cannabis sales and use tax revenues from increased OSE expenditures under the bill.

Municipal revenues are also affected, as each county must distribute to a municipality located in the county 50% of the county’s allocation that is attributable to the cannabis sales and use tax revenue generated by a dispensary located in that municipality.

CRRF expenditures (for the distribution of funds to counties, as required by current law) decrease correspondingly to the decrease in CRRF revenues beginning in fiscal 2027. County revenues decrease further as a result of the decreased distributions from CRRF beginning in fiscal 2027.

Accordingly, county (and municipal) expenditures decrease correspondingly.

Exhibit 1
Effect on Distribution of Sales and Use Tax Revenue

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
Funds Available for Distribution	(\$90,008)	(\$106,017)	(\$110,941)	(\$115,950)	(\$121,011)
State Revenues					
General Fund	(\$45,004)	(\$53,009)	(\$61,018)	(\$63,773)	(\$66,556)
CRRF	(31,503)	(37,106)	(38,829)	(40,583)	(42,354)
CPHF	(4,500)	(5,301)	(5,547)	(5,798)	(6,051)
CBAF	(4,500)	(5,301)	0	0	0
County Revenues	(4,500)	(5,301)	(5,547)	(5,798)	(6,051)

CBAF: Cannabis Business Assistance Fund
 CPHF: Cannabis Public Health Fund
 CRRF: Community Reinvestment and Repair Fund

Notes: The decrease in county revenues is in the aggregate. Numbers may not sum due to rounding.

Source: Department of Legislative Services

Additional Information

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

Designated Cross File: SB 217 (Senator M. Washington) - Finance.

Information Source(s): Department of Social and Economic Mobility; Montgomery and Prince George's counties; City of Annapolis; Maryland Municipal League; Comptroller's Office; Department of Legislative Services

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 sj/mcr

Analysis by: Kathleen P. Kennedy

Direct Inquiries to:
 (410) 946-5510
 (301) 970-5510

Appendix – Adult-use Cannabis Sales and Use Tax and Revenues

Cannabis Sales and Use Tax Revenues

Chapters 254 and 255 of 2023 established a 9% sales and use tax on the retail sale of adult-use cannabis, and the Budget Reconciliation and Financing Act (BRFA) of 2025 (Chapter 604) increased the tax rate to 12% beginning in fiscal 2026. In the second year of adult-use cannabis sales (July 1, 2024, through June 30, 2025), retail sales generated approximately \$71.8 million in sales and use tax revenues. Adult-use cannabis sales and use tax collections for the first quarter of fiscal 2026, when the 12% sales and use tax rate went into effect, totaled \$26.9 million; collections are on track to exceed \$100.0 million in fiscal 2026.

Distribution of Cannabis Sales and Tax Revenues

Per statute, as amended by the BRFA of 2025, the Comptroller must distribute the first 25% of sales and use tax revenues from the sale of adult-use cannabis to the general fund. Of the remaining 75% of the sales and use tax revenues, the Comptroller must *first* distribute to the Cannabis Regulation and Enforcement Fund (CREF) and the Department of Social and Economic Mobility (DoSEM) Fund an amount sufficient to defray the operating and administrative costs of the Maryland Cannabis Administration and the Office of Social Equity, respectively. Revenues remaining after those distributions to CREF and DoSEM are *then* distributed as follows: 50% to the State's general fund (through fiscal 2028, after which the general fund distribution increases to 55%); 35% to Community Reinvestment and Repair Fund (through fiscal 2033 only), which is administered by the Comptroller's Office with oversight assistance from the Office of Social Equity; 5% to the Cannabis Public Health Fund, which is administered by the Maryland Department of Health; 5% to the Cannabis Business Assistance Fund (through fiscal 2028 only), which is administered by the Department of Commerce; and 5% as a separate direct allocation to counties.