



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

(301) 952-3700  
County Council

March 12, 2025

## POSITION STATEMENT

HB 1364/SB 894- Office of Social Equity – Community Reinvestment and Repair Fund- Advisory Board and Modifications

### POSITION: SUPPORT W/AMENDMENTS

HB1364/SB 894 outlines Maryland's cannabis reform efforts, specifically focusing on the administration and oversight of the Community Reinvestment and Repair Fund (CRRF Fund).

- Background: Maryland legalized adult-use cannabis in 2022, and in 2023, the Cannabis Reform Act established the Office of Social Equity and the CRRF Fund to aid communities impacted by past drug policies.
- Funding: The fund is financed by state sales tax on cannabis (currently 9%, proposed increase to 15%), with an estimated \$120 million allocated to the CRRF Fund in 2024.
- HB 1364's Purpose: Ensures proper administration of the CRRF Fund, with the Office of Social Equity overseeing appropriations and a 17-member Advisory Board providing guidance.

The Community Reinvestment and Repair Fund (CRRF Fund) is designed to direct tax revenue from Maryland's legalized cannabis sales toward communities disproportionately affected by past drug policies. The logic behind this initiative aligns with national trends in cannabis legislation, where states are prioritizing social equity and reinvestment efforts.

- Funding Mechanism:
  - The fund is sustained by state sales tax revenue from adult-use cannabis.
  - The current tax rate is 9%, but Governor Moore has proposed raising it to 15% to increase available funding.
  - Projected Revenue Impact (2024):
    - Over \$1 billion in combined medical and adult-use cannabis sales.
    - CRRF Fund receives approximately 35% of total sales tax revenue, translating to \$120 million.
- Intended Impact:
  - By focusing on community-based organizations (CBOs), the CRRF Fund aims to address historical economic and social inequities caused by drug enforcement policies.
  - The fund will provide financial support for community development, workforce training, and social equity programs.

## 2. Oversight and Administration Challenges

One of the bill's primary concerns is ensuring proper fund administration and preventing misuse.

- Original Draft Issue:
  - The bill mistakenly suggested transferring fund administration from the Comptroller’s Office to the Office of Social Equity.
  - This was problematic because the Comptroller’s Office has the established financial infrastructure and regulatory oversight to manage large public funds.
- Amended Approach:
  - The Comptroller's Office will continue handling fund administration (i.e., accounting, tax collection, and fund distribution).
  - The Office of Social Equity will oversee appropriation—ensuring that funding supports its intended programs while advising on distribution.
- Implications:
  - This structure balances financial accountability (Comptroller) and social equity priorities (Office of Social Equity).
  - However, potential bureaucratic challenges may arise if roles and responsibilities between these two offices are not clearly defined.

### 3. County-Level Implementation and Responsibilities

The bill mandates county governments to create a distribution plan for CRRF funds before allocating them to community-based organizations (CBOs).

- County Responsibilities:
  - Develop local implementation plans aligned with CRRF objectives.
  - Ensure funding transparency and equitable distribution.
  - Establish oversight mechanisms to prevent fund misallocation or inefficiencies.
- Challenges and Concerns:
  - Some county officials and organizations (such as MACo) argue that these requirements are too restrictive and burdensome.
  - The bill could potentially limit counties' flexibility in how they use the funds, leading to concerns about state overreach.
- Proposed Solutions:
  - Amendments to allow greater flexibility in defining eligible fund uses.
  - Ongoing collaboration with counties to refine implementation strategies.

### 4. Addressing Opposition and Ensuring Fund Effectiveness

While the bill is broadly aligned with social equity goals, some stakeholders worry about overregulation and administrative bottlenecks.

- Opposition from MACo & Other Counties:
  - Main concern: Excessive bureaucratic oversight may slow down fund distribution.
  - They fear the bill will reduce county autonomy in decision-making.
- Proponents’ Response:
  - Advocates stress that the CRRF Fund is a state resource derived from state tax dollars, making oversight necessary.
  - The fund should have clear guidelines to prevent misuse while maintaining flexibility for community needs.
  - The Advisory Board (17 members) will help balance state and local priorities in fund allocation.



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## 5. Broader Implications for Maryland's Cannabis Industry

- Projected Growth:
  - Maryland's \$1 billion cannabis market is expected to grow significantly, increasing tax revenue and reinvestment opportunities.
  - If the sales tax increases to 15%, additional funds could be available for reinvestment in healthcare, education, and workforce development.
- Comparisons with Other States:
  - Similar social equity reinvestment models exist in Illinois, California, and New York.
  - Maryland's CRRF Fund is relatively well-structured, but challenges in execution (e.g., bureaucratic delays, misallocation risks) remain.
- Future Considerations:
  - Policymakers must ensure fund sustainability by adapting tax structures and monitoring market conditions.
  - Ongoing audits and performance reviews will be critical in maintaining public trust and program effectiveness.

### Conclusion: Why HB 1364 Matters

HB 1364 is a critical step in Maryland's cannabis reform efforts, emphasizing social equity, fiscal responsibility, and community reinvestment. However, its success will depend on:

1. Efficient administration and clear role definitions between the Comptroller's Office and the Office of Social Equity.
2. Balanced oversight to ensure accountability without overburdening counties.
3. Flexibility in fund allocation to address evolving community needs.
4. Proactive adjustments based on feedback from counties, organizations, and stakeholders.
5. Local control remains in the hands of county administrations or legislative bodies

The bill has strong support from advocates pushing for transparency and equitable resource distribution, but opposition from counties suggests that some aspects may need refinement before full implementation. In anticipation that sponsor amendments that will address the concerns of MACo, the Prince George's County Council Supports a Favorable Report on HB 1374/SB894.

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