



FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

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|---------------------------------|--------------------------------------------------------------------------------|
| Bill Number/Reference: | 24-08 |
| Bill Title: | Establishing a Community Reinvestment and Repair Fund |
| Local Government Agency: | Finance Division |
| Prepared By: | Erin White |
| Title: | Director of Finance |
| Phone Number: | 301-600-1193 |
| E-Mail Address: | ewhite@frederickcountymd.gov |
| Due Date: | May 21, 2024 |
| Date Submitted: | May 17, 2024 |

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| Date: <p>Please respond to the questions below. If you prefer to provide responses or additional information in a separate file or document, send the file or document in a separate e-mail to rcherney@frederickcountymd.gov with the bill number/reference in the subject line.</p> | |
| 1. | Describe the impact of this proposed legislation on your agency (operations, revenues, expenditures, etc). If there is no impact, <u>please explain why</u> . |
| <p>The proposed legislation is necessary to comply with requirements under the Cannabis Reform Act (HB0556/SB0516) passed by the Maryland General Assembly in the 2023 session. This legislation required Counties to establish a Community Reinvestment and Repair Fund (CRRF) for the monies they receive from the State's CRRF.</p> <p>A portion of sales and use tax and conversion fees collected by the State on the sale of adult-use cannabis are allocated to the State's CRRF and then 2.82% is allocated to Frederick County based on a formula. These funds may be used for funding community-based initiatives intended to benefit low-income communities or that serve disproportionately impacted areas. This funding also may not be expended from the CRRF for law enforcement agencies or to supplant funding that otherwise would be appropriated for preexisting local government programs. The CRRF transactions will go into the County's Grants Special Revenue Fund due to the restrictions related to this funding source.</p> <p>It is important to note the amount the County receives in CRRF related to conversion fees appear to be one-time funds that will be paid by growers that hold a cannabis license and physically and actively engaged in cultivation or processing of medical cannabis before 10/1/22. These one-time conversion fees may be paid in separate installments; and shall be paid in full on or before 1/1/25. Frederick County has only received one conversion fee distribution for Q1/Q2 FY2024 combined in the amount of \$854,236. The revenue stream for this one-time funding cannot be estimated at this time due to lack of information from the State. Finance has requested guidance from the State to try to develop an estimate of this fee revenue in FY25 but has not yet received any additional at this time.</p> <p>To-date, the County has only received two distributions of CRRF funding from the State related to sales and use tax for Q1 FY24 and Q2 FY24. The average of the two payments was \$131,834 per quarter. Frederick County should receive a total of 3 of these payments in FY24 totaling an estimated \$395,502 (based on our current quarterly average) and FY25 and thereafter approximately \$527,336 per year (again, based on our current quarterly average).</p> | |
| 2. | Please indicate whether the proposed legislation will affect small businesses in Frederick County, and if it will, please provide any information you may have which could be useful in determining the economic impact on small businesses. |
| N/A - The proposed legislation should not have an impact on small businesses. | |

FISCAL IMPACT SUMMARY – SHOW (DECREASE) IN PARENTHESES

REVENUES

3. Analysis of **estimated increase (or decrease) in government revenues**. Please estimate below any anticipated increase (or decrease) in revenues resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause revenue increases/decreases to begin in later years.

| Source | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| NOTE: THIS IS NOT GENERAL FUND REVENUE/ REVENUE WILL BE RECORDED IN THE GRANTS FUND DUE TO THE LIMITED ELIGIBLE USES | | | | | |
| One-Conversion Fees | \$ 854,236 | TBD | \$0 | \$0 | \$0 |
| Sales and Use Tax | 395,502 | \$527,336 | 527,336 | 527,336 | 527,336 |
| TOTAL \$ | \$1,249,738 | \$527,336 | \$527,336 | \$527,336 | \$527,336 |
| | Please explain how the above estimated increase(s) or decrease(s) were arrived at, including any calculations and/or assumptions made. Please also explain any variation if the revenue increase(s)/decrease(s) are not constant. | | | | |

It is important to note the amount the County receives in CRRF funding related to conversion fees appear to be one-time funds that will be paid by growers that hold a cannabis license and physically and actively engaged in cultivation or processing of medical cannabis before 10/1/22. These one-time conversion fees may be paid in separate installments; and shall be paid in full on or before 1/1/25. Frederick County has only received one conversion fee distribution for Q1/Q2 FY2024 combined in the amount of \$854,236. The revenue stream for this one-time funding cannot be estimated at this time due to lack of information from the State. Finance has requested guidance from the State to try to develop an estimate of this fee revenue in FY25 but has not yet received any additional information at this time.

The County has only received two receipts to date of CRRF from the State related to sales tax for Q1 FY24 and Q2 FY24. The average of the two payments was \$131,834 per quarter. Frederick County should receive a total of 3 of these payments in FY24 totaling an estimated \$395,502 (based on our current quarterly average) and FY25 and thereafter around \$527,336 per year (again, based on our current quarterly average).

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| <u>EXPENDITURES</u> | | | | | | |
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| 4. | Analysis of estimated increase (or decrease) in government expenditures . Please estimate below any anticipated increase (or decrease) in expenditures resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause expenditure increases/decreases to begin in later years. | | | | | |
| | A. Salaries & Wages | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| | FTE Employees - _____ # of positions Fringe Benefits | | | | | |
| | TOTAL (Salaries, wages & benefits) | \$ | \$ | \$ | \$ | \$ |
| | Please provide an explanation of the need for the number and type of any personnel listed above, including (1) what specific provision(s) of the bill necessitate additional staff; (2) what the duties of each type employee will be; and (3) why existing personnel cannot absorb the additional work. Please also certify the wage/salary rate and % fringe rate (if differing rates apply) for each personnel classification. | | | | | |
| | B. Other Operating Expenses | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| | NOTE: THIS IS NOT GENERAL FUND EXPENDITURES/ EXPENSES WILL BE RECORDED IN THE GRANTS FUND DUE TO THE LIMITED ELIGIBLE USES | | | | | |
| | One-time expenditures | \$ 854,236 | TBD | \$ 0 | \$ 0 | \$ 0 |
| | On-going expenditures | 395,502 | \$527,336 | 527,336 | 527,336 | 527,336 |
| | TOTAL \$ | \$1,249,738 | \$527,336 | \$527,336 | \$527,336 | \$527,336 |
| | On the next page, please provide brief descriptions/breakdowns of the above "Other Operating Expenses." | | | | | |
| | Please explain below any additional calculations or assumptions made in estimating the "Other Operating Expenses" that will help us to understand the amounts and timing of the expenses. | | | | | |
| See information included in revenue section of this fiscal note for calculation. | | | | | | |
| <p>The County is currently working on identifying eligible projects/programs to support this funding. These funds may be used for funding community-based initiatives intended to benefit low-income communities or that serve disproportionately impacted areas. This funding also may not be expended from the CRRF for law enforcement agencies or to supplant funding that otherwise would be appropriated for preexisting local government programs. The CRRF transactions will go into the County's Grants Special Revenue Fund due to the restrictions related to this funding source.</p> | | | | | | |

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4. (cont'd)

C. Operating Expense Descriptions/Breakdowns

Please provide below a short description of the specific purpose of each expense listed under 4B. If any amount(s) listed under 4B represent(s) a total of multiple expenses, provide a breakdown of the fiscal 2021 amount with a short description of each expense (for example, if \$2,500 is listed for Communications – Phone, Postage, a statement such as “\$1,500 for cellphone charges for two new inspectors and \$1,000 for postage for mailings to permittees to notify them of changes to inspection requirements.”)

Fiscal 2024 Expenditures

| | |
|-------------------------------------------------------------------------------------|----|
| Technical/Special Fees, Grants & Subsidies description/breakdown | \$ |
| Communications – Phone, Postage description/breakdown | \$ |
| Travel, Food, Auto Operations, Fuel & Utilities description/breakdown | \$ |
| Contractual Services description/breakdown | \$ |
| Supplies description/breakdown | \$ |
| Equipment-Replacement description/breakdown | \$ |
| Equipment-Additional description/breakdown | \$ |
| Land & Structures, Fixed Charges description/breakdown | \$ |
| Other (Please Specify) description/breakdown | \$ |

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ADDITIONAL POLICY IMPLICATIONS/CONCERNS

Please submit BY E-MAIL to: Ragen Cherney, Legislative Director/Chief of Staff
Frederick County Council • E-Mail: RCherney@FrederickCountyMD.gov