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*Testimony of Anya Trundy, Chief of Legislative and Strategic Operations
Department of Administrative and Financial Services
testifying neither for nor against*

**LD 88, An Act to Provide Qualifying Municipalities a Percentage of Adult Use Cannabis
Sales and Excise Tax Revenues**

Sponsored by Rep. Paulhus
Before the Joint Standing Committee on Taxation

Senator Grohoski, Representative Perry, and members of the Taxation Committee, I am Anya Trundy, Chief of Legislative and Strategic Operations for the Department of Administrative and Financial Services, and I am providing testimony neither for nor against LD 88.

This bill like other near identical bills this committee has considered in each of the last two legislatures, proposes to divert 12% of adult use cannabis sales and excise tax revenues from the General Fund to municipalities that host adult use cannabis businesses, in proportion to the sales and excise tax revenues generated by the adult use businesses located in each respective municipality. Unlike previous proposals, this bill does not afford the State Tax Assessor a portion of the funds to pay for administrative costs related to implementation of the fund; nor does the bill specify the date of the first transfer of revenue to the newly created Local Government Cannabis Revenue Fund.

Before commenting on the text of the bill before you, I want to highlight some of the statutory changes that were implemented in the past year that may impact the committee's understanding of whether or not this unique kind of municipal revenue sharing is necessary. First, beginning with FY '23, municipal revenue sharing was restored to 5% across the board—sales tax on adult use cannabis is included in the base upon which revenue sharing is calculated, so through standard revenue sharing communities are receiving 5% of the 10% sales tax collected on the sale of adult use cannabis, as well as the standard sale tax rates of 5.5% and 8% applied to medical cannabis. Second, in the 130th Legislature, DAFS worked with this committee and the sponsor of LD 1195 to craft an amendment that provides reimbursement to municipalities that opt in to host adult use cannabis businesses in their communities and became P.L. 2021, ch. 645. Cities and towns that have opted in to permit the operation of adult use cannabis businesses can apply for and receive reimbursement for up to \$20,000 worth of qualifying expenses incurred by the municipality through the opt-in process. While these reimbursement funds are available only for costs associated with "opting

in", it is important to remember that every municipality that hosts adult use cannabis businesses may establish licensing fees that are reasonably related to costs incurred by the municipality to administer and enforce the local license or permits issued by the municipality.

Turning back to the bill before you, we offer the following feedback for the committee's consideration: 1) There will be some initial costs associated with Maine Revenue Services' build out of the statistical report required to determine the percentage of revenues to be distributed back to each eligible municipality; 2) Depending on the number of revenue-generating adult use cannabis businesses in a particular municipality it could be possible to estimate gross revenues for a particular licensee based upon revenues returned to that municipality in areas where only one licensee is located; and 3) we recommend that any revenues distributed to host communities follow the distribution of 12% of those revenues to the Adult Use Cannabis Public Health and Safety and Municipal Opt-in Fund--implementing the cascade in this order will reduce the overall fiscal impact of this bill.

Thank you for this opportunity to testify. I am happy to answer any questions.