



Summary of the Adult-use Cannabis Tax and Community Restoration Bill

SB 1138 is the third of three bills related to making marijuana legal for adults 21 and older in the state of Connecticut and regulating and taxing cannabis production and sales. It establishes tax rates on adult-use cannabis and distributes the funds. Apart from the local taxes, all of the tax revenue would be allocated to the Community Development Corporation Trust Fund, which funds early literacy education and community development corporations that focus on improving the lives of people living in economically distressed and underserved communities.

Here are more details:

Cannabis Tax Rates

Adult-use (but not medical) cannabis would be taxed at the following rates:

- \$35/ounce of flower, or \$13.50/ounce of trim on transfers from a grower
- 6.35% on gross receipts on retail sales
- 3% local option tax to fund the localities where the retail sales occurred

Community Development Corporations

- One non-profit community development corporation would be designated per distressed municipality.
- Each community development corporation must have its primary office in a community impact zone, which is a census tract that is particularly distressed, factoring in things like poverty rates, vacant buildings, crime rates, unemployment, and student test scores.
- Community development corporations will provide programs, services, and assistance, or issue grants to support community reinvestment in the community impact zone including all of the following (with the items listed earlier being provided first if there is not funding for all):
 - free or low-cost early childhood education focused on community impact zones;
 - supplementing per-student funding to increase achievement at public elementary and middle schools in a community impact zone;
 - building or fixing community resources like playgrounds, sidewalks, parks, community centers, senior centers, and public libraries;
 - increasing owner-occupancy of residential buildings, including by converting multifamily rental buildings into owner-occupied residential buildings or multifamily cooperative buildings;
 - supporting pathways to home ownership through home buyer education and financial literacy programs;
 - creating pipelines to employment in community impact zones, including with workforce training programs; pre-apprenticeship; building literacy, mathematics, and vocational or technical skills; and job placement;
 - expanding access to programs at community centers and senior centers that serve residents of all ages of the community impact zone; and
 - providing low-cost transportation alternatives for residents of the municipality.

Community Development Credit Unions

- Approved community development credit unions will partner with community development corporations.

- To qualify, they must be a Connecticut-based credit union that serves low-income and moderate-income people in communities that have limited access to affordable financial services.
- They must:
 - offer free or low-cost checking and savings to all residents of the community impact zone where their partner community development corporation is located; and
 - develop social impact bonds to support or supplement the efforts of such corporation.
- Priority is given to credit unions that provide home loans and small business loans to those with imperfect or no credit history and provide financial counseling.

Oversight Council

- An oversight council would be created to distribute the Community Development Corporation Trust Fund and oversee community development corporations and community development credit unions.
 - It will be composed of the Treasurer, the Commissioner of Economic and Community Development, the executive director of the Commission on Equity and Opportunity, and four members appointed by the governor.
 - The four appointees must have knowledge of the community impact zones along with the ethnic, gender, and economic diversity of such communities.
- The council's duties include:
 - Advising community development corporations on the core purposes;
 - Reviewing disbursement of funds to and contracts entered into by community development corporations;
 - Reviewing financial and other reports submitted by community development corporations and community development credit unions. It may also request independent audits;
 - Releasing criteria for applicants for community development corporations by October 1, 2019 and announcing selections by March 1, 2020. Factors will include professional competence and whether the applicant has broad community representation in its leadership and governance, with an emphasis on ethnic and economic diversity reflective of the municipality; and
 - Selecting census tracts that are eligible to have community impact zones in them. The community development corporations will propose the actual community impact zones within the tract, and the council will make the final decision.
- The designation as a community development corporation or credit union may be revoked by the council if it is unable or deficient in carrying out its purposes.

Early Literacy and Social Impact Funding

- Cannabis tax revenue will also fund the state's reading instruction program and statewide early reading initiatives, which focus on students reading below proficiency.
 - Priority will be given to those in community impact zones, followed by distressed municipalities based on the level of student reading achievement.
- Public schools in community impact zones may be funded via social impact bonds.

Miscellaneous

- Community development corporations will be offered the right of first refusal for the sale of any property that is foreclosed or sold at public auction in their community impact zone.