

Tax Revenue and Impact Fees from Medical, Retail and Delivery Operation Cannabis Establishments

Beginning in 2019, the City of Newton could receive revenue from medical, retail and delivery cannabis establishments in two ways. First, by the City Council accepting a local option, the City received a three percent local tax the State applies on cannabis sales. This tax is collected by the State and returned to the City quarterly. The funds then go into the City's general fund to support our operating budget. Second, the City has also received an additional three percent of sales from all marijuana establishments as a community impact fee pursuant to the City's Host Community Agreement (HCA) with each establishment. These community impact funds have been used to directly address the public health, safety, education, administrative, infrastructure and other effects or impacts by the marijuana establishments on the City and our municipal and school programs, services, personnel, and facilities.

On November 9, 2022, comprehensive changes to the State's cannabis laws went into effect. As part of the new laws, the Cannabis Control Commission recently issued updated regulations governing HCAs and community impact fees, effective March 1, 2024. These new regulations prohibit the collection of community impact fees after the first eight years of an establishments' operation, substantially revise the regulatory oversight for and approval of HCAs, and establish penalties for municipalities that fail to, or improperly, document impact costs. Notably, the new laws significantly limit municipalities' ability to collect community impact fees. The City is currently in the process of amending its existing HCAs to come into compliance with the new regulations and our projections reflect the new regulatory environment. While the City does retain the ability to collect HCA fees in very limited circumstances, the City no longer projects any future collection of community impact fees due to the extensive limits and strict criteria set forth in the new regulations. Notably, these legal changes do not impact the City's continued collection of the three percent local tax on retail and delivery establishment sales but rather only the elimination of projected revenue of the additional 3% from HCA community impact fees.

Revenue from State and Federal Opioid Settlements

Over the last several years, the Commonwealth of Massachusetts has received several large opioid settlements, with municipalities sharing the funds. These payments will extend for another fourteen years through the end of FY2039. The City received slightly over \$446,000 in FY2023. Based on the funding schedule for subsequent payments, we expect Newton to have received a total of \$516,000 by the end of FY2024, and to receive \$200,000 in FY2025.

The State has very strict guidelines on the use of the funds by cities and towns. Furthermore, per the Massachusetts Attorney General's Office, the funds must not be used to supplant existing resources and rather must be used to implement one or more of the following strategies:

- Provide opioid use disorder treatment
- Support people in treatment and recovery
- Create connections to care
- Provide harm reduction
- Address the needs of criminal-justice-involved persons
- Support pregnant or parenting women and their families, including babies with neonatal abstinence syndrome
- Prevent misuse of opioids and implement prevention education

Newton formed a substance use coalition in October 2022 which consists of staff members from City and School Departments, community partners, and Newton residents. The coalition is focusing on youth prevention, parent support, community education, and harm reduction. The expertise and lived experience of the coalition members is helping guide the City's priorities in using the funds, which more specifically include:

- Expanding treatment options for individuals with opioid use disorder;
- Increasing connections to care for individuals at risk of developing opioid use disorder;
- Enhancing support for individuals who have lost someone to substance use and/or who currently have a loved one who is using substances;
- Implementing harm reduction measures such as increased access to naloxone; and
- Providing school and community-based substance use education, programming, and resources for community members across the lifespan.

A more detailed explanation of these funds can be found in the "Special Funds" section of this document.

**ESTIMATED OPIOID SETTLEMENT PAYMENT SCHEDULE
CITY OF NEWTON, MASSACHUSETTS
CURRENT AS OF APRIL 10, 2024**

	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	
<i>Distributor</i>		\$ 151,119.79	\$120,097.60	\$ 96,923.38	\$ 96,923.38	\$ 96,923.38	
<i>J&J</i>		\$ 294,984.88			\$ 14,878.13	\$ 14,878.13	
<i>Teva</i>			\$ 25,584.30	\$ 25,603.39	\$ 25,603.39	\$ 25,603.39	
<i>Allergan</i>			\$ 28,308.91	\$ 28,327.52	\$ 28,327.52	\$ 28,327.52	
<i>CVS</i>			\$ 31,485.51	\$ 25,101.84	\$ 50,163.91	\$ 50,163.91	
<i>Walgreens</i>			\$ 61,322.42	\$ 24,382.69	\$ 24,382.69	\$ 24,382.69	
<i>Walmart</i>			\$ 249,321.29				
	\$ -	\$ 446,104.67	\$ 516,120.03	\$ 200,338.82	\$ 240,279.02	\$ 240,279.02	
	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>	<u>FY2032</u>	<u>FY2033</u>	
<i>Distributor</i>	\$ 54,262.79	\$ 113,993.57	\$ 113,993.57	\$ 113,993.57	\$ 95,823.10	\$ 95,823.10	
<i>J&J</i>	\$ 14,878.13	\$ 18,942.46	\$ 18,942.46	\$ 18,942.46			
<i>Teva</i>	\$ 25,603.39	\$ 25,603.39	\$ 25,603.39	\$ 25,603.39	\$ 25,603.39	\$ 25,603.39	
<i>Allergan</i>	\$ 28,327.52	\$ 28,327.52	\$ 28,327.52				
<i>CVS</i>	\$ 50,163.91	\$ 50,163.91	\$ 47,657.71	\$ 45,111.72	\$ 45,111.72	\$ 45,111.72	
<i>Walgreens</i>	\$ 24,382.69	\$ 24,382.69	\$ 36,939.73	\$ 36,939.73	\$ 36,939.73	\$ 36,939.73	
<i>Walmart</i>							
	\$ 197,618.43	\$ 261,413.54	\$ 271,464.38	\$ 240,590.87	\$ 203,477.94	\$ 203,477.94	
	<u>FY2034</u>	<u>FY2035</u>	<u>FY2036</u>	<u>FY2037</u>	<u>FY2038</u>	<u>FY2039</u>	<i>Total</i>
<i>Distributor</i>	\$ 95,823.10	\$ 95,823.10	\$ 95,823.10	\$ 95,823.10	\$ 95,823.10	\$ 95,823.10	\$ 1,724,815.83
<i>J&J</i>							\$ 396,446.65
<i>Teva</i>	\$ 25,603.39	\$ 25,603.39	\$ 25,603.39				\$ 332,824.98
<i>Allergan</i>							\$ 198,274.03
<i>CVS</i>							\$ 440,235.86
<i>Walgreens</i>	\$ 36,939.73	\$ 36,939.73	\$ 36,939.73	\$ 36,939.73			\$ 478,753.71
<i>Walmart</i>							\$ 249,321.29
	\$ 158,366.22	\$ 158,366.22	\$ 158,366.22	\$ 132,762.83	\$ 95,823.10	\$ 95,823.10	\$ 3,820,672.35

	actual payment received
	payment expected
	actual payment amount but not yet received