



The Honorable Ben Barnes
Chair, House Appropriations Committee
Room 121
House Office Building
Annapolis, Maryland 21401

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

The Honorable Sarah Elfreth
Subcommittee Chair, Senate Public Safety, Transportation, and Environment
Schweinhaut Room, 4th Floor
Miller Senate Office Building
Annapolis, Maryland 21401

D23 - Maryland Cannabis Administration - Budget Hearing Testimony

Dear Chairs Barnes, Guzzone, and Elfreth:

In response to the Department of Legislative Services (DLS) analysis of the Maryland Cannabis Administration's (MCA) operating budget, the MCA supports the Governor's allowance and concurs with DLS's recommendation to concur with the Governor's allowance. We would like to thank the committees for their time, DLS for their analysis, and the Department Budget and Management for their assistance in budget preparation.

The MCA was formally established on May 3rd, 2023 when Governor Moore signed the Cannabis Reform Act of 2023 (CRA) into law. The former medical cannabis commissioners were eliminated and medical cannabis commission staff were transitioned into the new agency under a Director appointed by the Governor. Separately, the CRA established the Office of Social Equity as an independent unit within MCA. Since its inception, the MCA has prioritized building a new independent state agency, public outreach and education, business licensing, market transition, and compliance.

New Agency Development

Since April, the MCA has hired 30 FTEs. An additional eight FTE were hired to staff the new Office of Social Equity (OSE). The MCA has created new units of data analytics, hearings, and race, equity, diversity and inclusion; and expanded units of policy, public health and education, budget and procurement, compliance and regulation, communications and laboratories.

Public Education

The MCA has additionally conducted education and outreach, including PSA campaigns for safe and responsible use, drugged driving, public smoking, and purchase and possession limits. In June-August 2023, MCA hosted a series of technical assistance events across the State educating individuals on

upcoming licensing opportunities. In collaboration with OSE, the MCA also hosted four technical assistance events in October-November 2023 covering specifics of the application process and licensing requirements. Collectively, these events were attended by more than 1,200 potential license applicants.

Cannabis Business Licensing

The MCA launched a first-in-the-nation verification portal to provide prospective social equity applicants with the ability to verify their eligibility to apply for a cannabis business license, prior to the application round. This portal was provided by the State, free of charge, for prospective social equity applicants. Following the verification portal, the MCA held a 30-day license application round through Maryland OneStop, and collected more than 1,700 applications across the standard and micro grower, processor, and dispensary categories. On February 9th, the MCA notified all applicants of the status of their application, and anticipates holding the license lottery in March. In December 2023, the MCA also awarded a standard grower license to a qualifying black farmer who was a member of the *Pigford v. Glickman* litigation, and awarded a dispensary license to 2 minority-owned grower businesses, as authorized by the CRA.

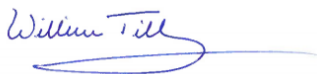
Market Transition

In advance of July 1st, 2023, the MCA converted nearly all previously licensed medical cannabis operators and has to date collected over \$31 million in conversion fees, which have been distributed to the Community Reinvestment and Repair Fund (CRRF). The MCA will ultimately collect over \$62 million in conversion fees for the CRRF.

The MCA has continued to conduct announced and unannounced inspections on all licensed businesses. In 2023, the Office of Compliance and Regulation conducted a total of 527 inspections at licensed cannabis facilities. Of these, 396 inspections were completed at dispensaries, 60 inspections were completed at processors, 56 inspections were completed at growers and 15 inspections were categorized as “other” (e.g., independent testing laboratories).

If you have any questions or would like to discuss this further, please contact me at (410) 487-8069 or william.tilburg@maryland.gov or Andrew Garrison, Chief of the Office of Policy and Government Affairs at (443) 844-6114 or andrew.garrison@maryland.gov.

Sincerely,

A handwritten signature in blue ink that reads "William Tilburg". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Will Tilburg, JD, MPH
Acting Director, Maryland Cannabis Administration

Enclosures:

Written testimony from the Office of Social Equity
Information on the Transition from the Medical Program to the Adult-Use Program

Office of Social Equity

The Office of Social Equity (OSE), an independent executive agency established by the Cannabis Reform Act of 2023, serves to promote economic opportunity and equity in Maryland's adult-use cannabis market. Our budget builds on the investment Governor Wes Moore and the state of Maryland made to promote and encourage equitable access and participation in the adult-use cannabis market. We will assist the State in directing these resources to focus on equity, restorative justice, and economic growth and create an industry that is reflective of Maryland's diversity.

OSE is committed to the sustained success and prosperity of social equity licensees in the Maryland cannabis industry. For the next 18 months, our office is poised to support the first round of social equity licensees as they begin their journey to operate a cannabis business in Maryland. Our efforts will include providing essential support services such as technical assistance and financing options to social equity and minority cannabis business applicants. By administering grant programs and facilitating mentorship and partnership opportunities, we strive to foster a supportive ecosystem where social equity businesses can thrive.

Building upon the foundation of social equity licensing, OSE will engage in strategic partnerships with state and local government agencies, historically black colleges and universities, and existing community workforce development programs to provide training and career pathways within the cannabis sector. This includes championing ancillary business opportunities which do not require a cannabis license but are still within the cannabis ecosystem.

Our office is also prepared to support communities by managing key programs like the Community Reinvestment and Repair fund funded by cannabis sales tax revenues, which provides funding to local jurisdictions to support community-based initiatives that benefit low-income communities and communities that have been disproportionately impacted by the enforcement of cannabis prohibition.

We recognize the enduring stigma surrounding cannabis in communities most harmed by prohibition. OSE will establish initiatives to challenge existing negative perceptions and promote cannabis education, awareness, benefits, and economic opportunity. By addressing historical trauma and fostering positive narratives, we aim to cultivate a supportive environment conducive to economic empowerment and social well-being.

OSE's initiatives will underscore Governor Wes Moore's dedication to addressing historical inequities and building a brighter future for all its residents, as well as his promise of "Maryland will leave no one behind."

Sincerely,



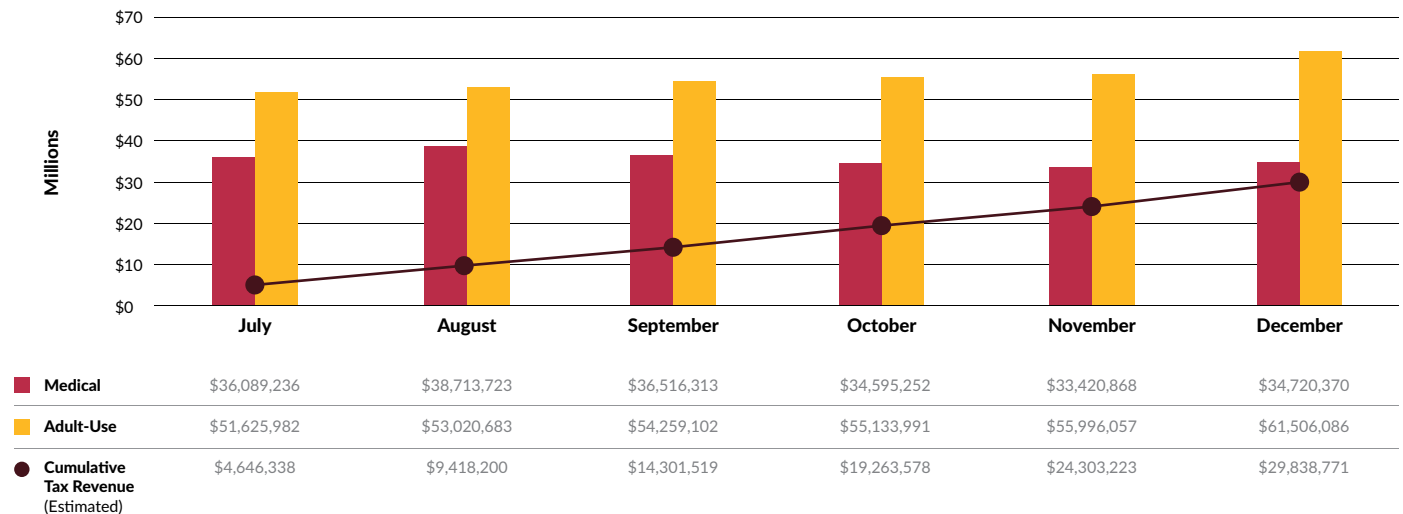
Executive Director, Office of Social Equity

Adult-use Cannabis Implementation

HIGHLIGHTS

- Stood up a new agency – the Maryland Cannabis Administration – and adult-use cannabis industry in **less than 3 months** (82 days). National average is 18 months.
- Adopted emergency regulations **less than 45 days** after the Cannabis Reform Act was passed by the General Assembly, thereby allowing retail sales to begin on July 1.
- Developed a **statewide PSA campaign** focusing on educating Marylanders on changes to the law and safe and responsible cannabis use.
- Collected more than **\$30 million** for the Community Reinvestment and Repair Fund (CRRF) by converting 151 medical cannabis licenses prior to July 1.
- Combined medical and adult-use sales totaled nearly **\$550 million** from July 1 to Dec. 31.
- An estimated **\$29.8 million in tax revenue** has been generated from adult-use sales.
- Hosted six technical assistance seminars around the State on the business licensing round. Nearly **900 potential applicants** attended these events.
- Implemented a **first-in-the-nation** “social equity verification portal” that allows individuals interested in applying for a cannabis license to confirm their eligibility, free of charge, before the application period opened in November.
- Recruited, hired, and onboarded more than **30 new staff members** to assist with implementing the Act and regulating the adult-use cannabis market.

Total Retail Sales, July through December



Adult-use Cannabis Implementation



Education and Outreach

- Hosted the **2023 Maryland Cannabis Conference** at the University of Maryland, Baltimore. The event was attended by more than 350 potential social equity applicants.
- The Office of Race, Equity, Diversity and Inclusion (REDI) participated in more than **20 fairs, festivals, and minority business events** to promote the upcoming licensing round.
- Offered **free technical assistance seminars** across the State for individuals interested in learning more about cannabis business licensing and the upcoming licensing round.
- Developed a **Virtual Academy** that provides applicants with more than 40 hours of educational videos on the cannabis industry, Maryland cannabis laws and regulations, compliance, and other important aspects of starting and operating a cannabis business.



Public Health and Safety Campaign

- Prior to July 1, developed and disseminated to each licensed dispensary educational materials on safe and responsible cannabis use. The **Pocket Guide for Responsible Cannabis Consumption** is available in English and Spanish on the [MCA website](#).
- PSA ads on purchase and possession limits, drugged driving, traveling with cannabis, smoke-free spaces, and other important issues are available through **billboards, radio, social media, transit ads, and more**.
- **Health and Safety Fact Sheets** on the dangers of drugged driving, cannabis use while pregnant or breastfeeding, as well as guidance on safe storage of cannabis were shared with the Maryland Department of Health and all local health departments.



Social Equity Verification Portal

- Maryland is the first jurisdiction to offer cannabis potential applicants the ability to confirm their eligibility to apply for a license **prior to the application round**.
- The free-of-charge portal was open for a period of 60 days, from September 9 to November 7. More than **1,900 individuals** were verified as eligible social equity applicants through the portal.

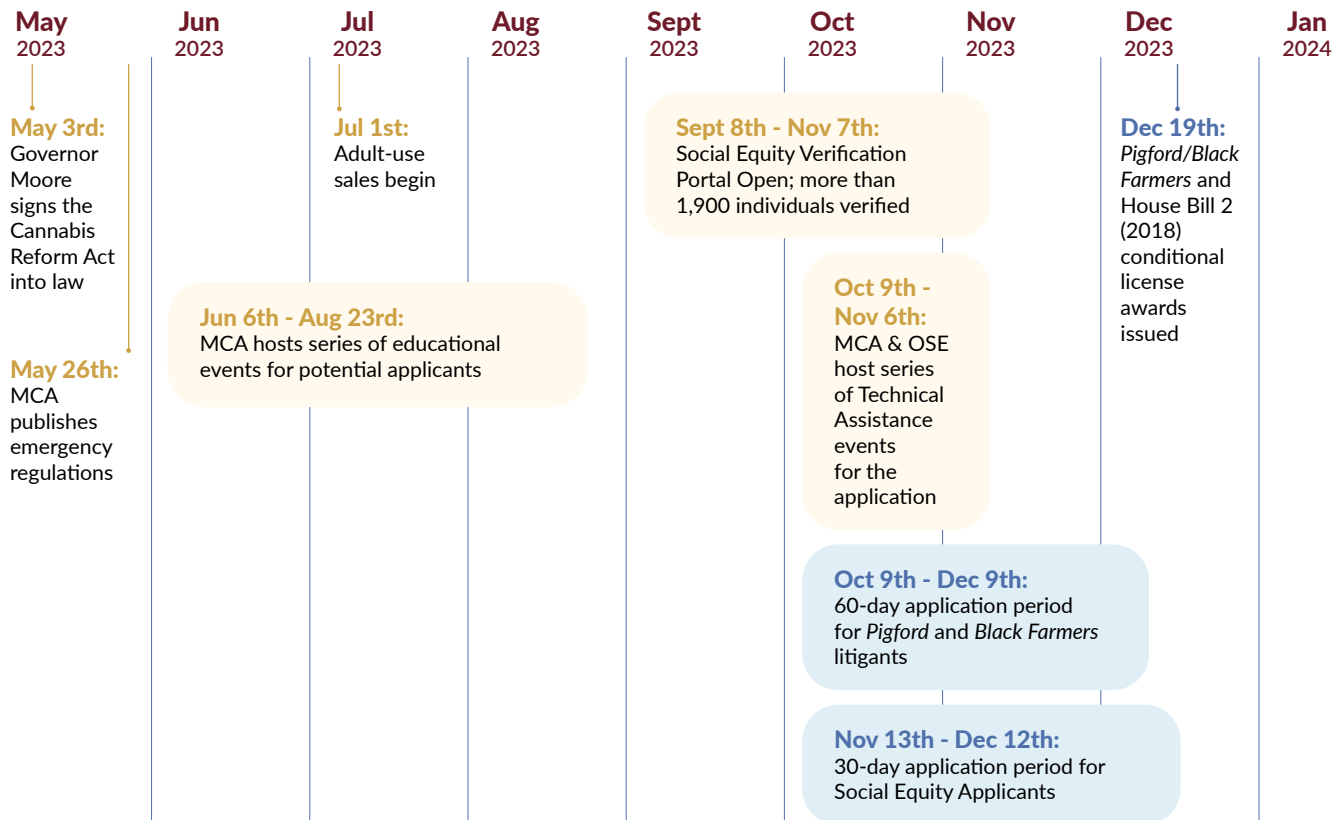


Business Licensing

- The **30-day application period** for the first round of adult-use licensing closed on December 12 at 5 PM EST. A total of **1,708 applications** were submitted prior to the deadline.
- A total of 1,441 applicants, or **84% of all submissions**, self-reported that they were minority- and/or women-owned businesses. Of these, a total of 870 applicants self-reported they were black-owned businesses, Asian owners self-reported 268 submissions, and Hispanic or Latino owners self-reported 56 submissions.
- Up to **179 standard and micro grower, processor, and dispensary licenses** will be awarded during this licensing round.
- Pursuant to Section 11 of the Act, MCA awarded a **standard grower license to a qualifying black farmer** who was a member of the *Pigford v. Glickman* litigation.
- Pursuant to Section 15 of the Act, MCA awarded a dispensary license to **3 businesses awarded** a grower license under HB 2 (2018); 2 of these businesses are black-owned firms.

Adult-use Cannabis Implementation

Adult-use Implementation Timeline



LOOKING AHEAD



Local Zoning

- County and municipal governments have adopted (or are considering) new cannabis-specific zoning restrictions.
- The restrictive nature of many of these proposals may adversely impact the ability of new social equity licensees to site within these jurisdictions.



Business Funding and Support

- Social equity licensee awardees will have 18 months to secure a location, construct a facility, and commence operations.
- Additional funding and support services may be needed to assist these businesses in becoming operational.



Transfer Moratorium

- The Cannabis Reform established a 5-year prohibition on transferring ownership or control of a cannabis license. The moratorium applies to converted medical licenses and new social equity licenses.
- Converted medical licensees have expressed concern regarding this 5-year restriction, as it comes after these businesses recently completed a 3-year moratorium on the transfer of their medical licenses.