



ATCC

Alcohol, Tobacco, and Cannabis Commission

Wes Moore
Governor

Aruna K. Miller
Lt. Governor

Jeffrey A. Kelly
Executive Director

Maryland Alcohol, Tobacco, and Cannabis Commission
Fiscal Year 2025 Operating Budget
Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Senator Sarah K. Elfreth

March 4, 2024

House Appropriations Committee
Public Safety and Administration Subcommittee
Delegate Jazz Lewis

February 29, 2024

Chairs Elfreth and Lewis:

I write on behalf of the Alcohol, Tobacco, and Cannabis Commission (ATCC) to inform both the Public Safety, Transportation, and Environment Subcommittee (PSTES) of the Senate Budget and Taxation Committee and the Public Safety and Administration Subcommittee (PSAS) of the House Appropriations Committee that the ATCC concurs with the Governor's Allowance, which is as follows: (1) a FY24 proposed deficiency appropriation swapping of \$2,794,286 in special funds for \$2,490,258 in reimbursable funds from the Maryland Cannabis Administration (MCA); and (2) a FY25 appropriation of \$12,142,329, which includes \$9,231,184 in general fund appropriations and \$2,911,145 in reimbursable funds from the MCA.

The directive of the ATCC is to oversee, regulate, and enforce the alcohol and tobacco laws in the State of Maryland. In addition, the agency supports the efforts of the MCA by addressing the unlicensed cannabis market. Performing this duty within the 12,400 square miles of land in the State, where there are approximately 6,374 tobacco and 8,380 alcoholic beverage retailers, can present a challenge. However, our team, along with the local liquor boards, health departments, and law enforcement units, are dedicated to working in partnership to ensure the compliance of wholesalers, distributors, manufacturers, and retailers with the State's applicable laws.

The FY25 Governor's Allowance includes an approximate \$1.2 million increase that supports the ATCC's mission by funding critical Information Technology (IT) projects. Specifically, the ATCC seeks these funds to do the following:

- Develop an online portal for alcohol and tobacco licensing; and
- Build out its nascent website to be used as a resource for industry stakeholders; and

- Purchase a records and case management system that allows the agency's Field Operations Bureau (FOB) to enter information electronically and establish and maintain interagency information sharing with other law enforcement units within the State

This year's appropriation also maintains current ATCC staffing levels, which provides it with the necessary funds to oversee and regulate the alcoholic beverage and tobacco industries, while addressing the unlicensed cannabis industry in the State.

As the Department of Legislative Services (DLS) observed in its analysis of the ATCC's FY25 appropriation, the FOB has exceeded its alcohol and tobacco businesses inspection goals, both in number and percentage in FY23. The ATCC has also integrated cannabis and THC product inspections into its operations. As of December 31, 2023, the agency has so far conducted:

- 1126 Tobacco Business Inspections
- 863 Alcohol Business Inspections
- 751 Cannabis and THC Product Inspections

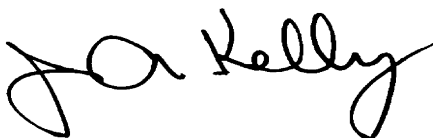
We fully concur with the recommendation of DLS that we continue to track this metric as part of our MFR targets for FY25. During the last quarter of FY24, it is our intent to implement an Underage Compliance inspection program to ensure cannabis and THC products are not sold to underage individuals. As such, it is our intent to report on both our cannabis and THC product inspection efforts, and other associated violations observed by the FOB.

While the ATCC understands the request by DLS to track violations for unlicensed sales of THC products, it should be noted that ATCC's enforcement efforts are currently restricted by the preliminary injunction issued by the Circuit Court of Washington County in connection with the matter of *Maryland Hemp Coalition, Inc., et al. v. Wes Moore, et al.* Upon the resolution of that lawsuit, the agency will have clear guidance as to how to enforce – and report out as per DLS - the provisions related to unlicensed sale of cannabis and THC products as per the Alcoholic Beverages and Cannabis Article.

The ATCC remains committed to promoting public safety, fostering economic growth, and ensuring adherence to state laws and regulations by its alcoholic beverage and tobacco products' licensees and permittees, while supporting the MCA by addressing the unlicensed cannabis market. The ATCC believes that the Governor's FY24 deficiency supplemental and FY25 Governor's Allowance supports the agency's mission and concurs with it.

I welcome the opportunity to address any questions or concerns of either the PSAS or PSTES and will be happy to answer any questions its members may have for the ATCC.

Sincerely,



Jeffrey A. Kelly
Executive Director