



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 2026 Operating Budget
Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Senator Michael A. Jackson

January 31, 2025

House Appropriations Committee
Public Safety and Administration Subcommittee
Delegate Jazz Lewis

January 29, 2025

Chairs Jackson 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 for FY26. The allowance includes a proposed total of \$11,982,254, containing \$8,501,039 in general fund appropriations and \$3,481,215 in reimbursable funds from the Maryland Cannabis Administration (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 6,690 tobacco and 8,629 alcoholic beverage retailers, can present a challenge. However, our team, along with the local liquor boards, health departments, and law enforcement units, is dedicated to working in partnership to ensure the compliance of wholesalers, distributors, manufacturers, and retailers with the State's applicable laws.

The FY26 Governor's Allowance includes an approximate \$1.2 million increase for the personnel budget, including cost-of-living and healthcare adjustments. The increase is offset by an approximate \$1.3 million decrease in contractual services funding that was dedicated to major project costs in FY25, including the online portal for alcohol and tobacco licensing, the vendor credit control system, website development costs, and

internal policy development. In FY26, encumbered funds will continue to support project development while the FY26 budget allows for minor project scope adjustments and new system maintenance.

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

In FY25, the Governor’s Allowance included an approximate \$1.2 million increase that supported the ATCC’s mission by funding operational needs and critical Information Technology (IT) projects. Below, please see a listing of major IT projects the agency has procured in FY25:

Vendor	Project	Contract Amt.
Ernst & Young	Licensing System – OneStop integration to allow online license application and renewal, and for online payment of license fees	\$574,847.00
Lexipol	ATCC Policy Manual and in-service training programs	\$18,509.98
Micket LLC	Credit Control System - Digital system for required wholesaler reporting of payments, and credit status check of retailers prior to deliveries	\$24,900.00
Colossus Inc (Statewide)	Law Enforcement Dispatch and Records Management System	\$65,290.00
Website Development	Development of ATCC’s Website in Wordpress	\$9,619.00
	Total	\$ 693,165.98

The ATCC is also working with the Department of Information Technology (DoIT) on a supplemental work order with Ernst & Young to continue to enhance the ATCC’s licensing system, Salesforce, and its integration with the Maryland OneStop portal.

This supplemental work order will include improvements to current search capabilities and functionality on several license types, improve the license format to allow for digital permits and identification, and increase transparency of brand representation and planned promotions, by both wholesalers and solicitors, including independent brokers, to support enforcement and inspection activities. Additionally, the supplemental work order will include ongoing system support services to maintain the Salesforce and OneStop system.

The ATCC expects to complete negotiations concerning the supplemental work order, in concert with DoIT, and encumber these funds for the last phase of this critical IT project before the end of FY25.

The Department of Legislative Services (DLS) observed in its analysis of the ATCC’s FY26 appropriation that the FED exceeded its alcohol and tobacco business inspection goals, both in number and percentage in FY24. The ATCC has now fully integrated cannabis and THC product inspections into its operations.

As of December 31, 2024, the agency has so far conducted

- 1,459 - Tobacco Business Inspections (60.56% of FY25 MFR to date)
- 999 - Alcohol Business Inspections (48.79% of FY25 MFR to date)
- 858 - Cannabis & THC Product detection Inspections (85.8% of FY25 MFR to date)

The DLS analysis of the Governor's Allowance for the ATCC for FY26 highlighted the substantial increase in seized other tobacco products (OTP) as opposed to cigarettes for FY24. To begin with, the volume of cigarette confiscations from year to year is an unpredictable variable with constant fluctuation. However, there are a few factors that may have impacted the quantity of contraband cigarette seizures, such as a reduction in the frequency of sending ATCC agents to nearby "source" states where cigarette excise taxes are far lower (such as Virginia) than the excise taxes are in Maryland, and a general decrease in participation from allied law enforcement agencies. Specifically, the reassignment of the Maryland State Police Department's Pro-active Criminal Enforcement (PACE) teams whose interdiction work along the I-95 corridor was a force multiplier in our efforts and the decrease in reported violations from the Maryland Transportation Authority Police Department which are likely caused by the contactless toll readers now in place.

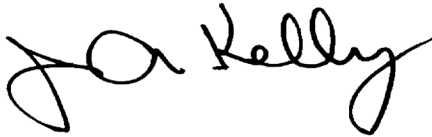
The DLS analysis also rightly pointed out that the number of tobacco criminal violations increased substantially during FY24. The explanation for this increase is straightforward. The Maryland General Assembly, in assigning the ATCC a new responsibility for the enforcement against the illicit Tetrahydrocannabinol (THC) market, provided 14 agent positions. Funding for these positions became available in October 2023 and the positions were incrementally filled through January 2024. After appropriate training was completed, the agents began to conduct inspections and investigations of alcohol, tobacco, and illicit cannabis businesses. The increase in the number of agents directly led to an increase in the number of overall violations detected. The ATCC continues its robust inspection program designed to encourage and reward a culture of compliance.

The ATCC appreciates DLS' recommendation that beginning in FY27 that the agency adopts MFR measures related to the number of cannabis violations found and the amount of confiscated contraband. However, the ATCC has some concern with setting arbitrary MFR quotas related to criminal violations associated with cannabis related infractions found. While the ATCC thinks it is appropriate to report annually the total number of criminal violations that are associated with the inspections it conducts, it does not believe that setting an annual bar for criminal violations was the intent the MGA had when it passed the Cannabis Reform Act. The ATCC would like to highlight that its enforcement efforts against the illicit THC market are still being 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 FY26 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,

A handwritten signature in black ink that reads "JA Kelly". The initials "JA" are written in a stylized, cursive font, followed by the name "Kelly" in a similar cursive script.

Jeffrey A. Kelly
Executive Director