

Department of Legislative Services  
 Maryland General Assembly  
 2025 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 204 (Chair, Economic Matters Committee)(By Request -  
 Maryland Cannabis Administration)

Economic Matters

Cannabis - Wholesaler License - Establishment

This departmental bill establishes a new “wholesaler” license category within the State’s regulatory framework for the cannabis industry that authorizes a licensee to acquire, purchase, store, transport, and distribute cannabis or cannabis products between other cannabis licensees. The Maryland Cannabis Administration (MCA) may issue up to 15 wholesaler licenses. The bill (1) establishes a \$5,000 application fee; (2) specifies that a wholesaler license fee must be reduced by at least 50% relative to the fees that apply to standard licensees; and (3) establishes authorizations and restrictions specific to wholesaler licensees. MCA may adopt regulations, as specified. **The bill takes effect July 1, 2025.**

Fiscal Summary

**State Effect:** Special fund application and licensing fee revenues to the Cannabis Regulation and Enforcement Fund (CREF) increase in FY 2027 and 2029, thus displacing sales and use tax revenues that would otherwise be distributed to CREF and redistributing those revenues to the general fund, various special funds (including the Community Reinvestment and Repair Fund (CRRF)), and local governments in accordance with existing distribution provisions. CRRF expenditures increase correspondingly. The *net* effects by fund type are shown below. State expenditures are not otherwise affected.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	\$0	\$250,000	\$0	\$137,500	\$0
SF Revenue	\$0	\$225,000	\$0	\$100,000	\$0
SF Expenditure	\$0	\$175,000	\$0	\$87,500	\$0
Net Effect	\$0	\$300,000	\$0	\$150,000	\$0

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Local government revenues increase in FY 2027 and 2029 due to the redistribution of State sales and use tax revenues, including direct allocations. Local government expenditures increase correspondingly.

**Small Business Effect:** MCA has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

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## Analysis

**Bill Summary:** MCA is authorized to issue up to 15 wholesaler licenses total and may initially award up to 10 licenses. The licenses may be limited to social equity applicants or opened to applicants from the general public, depending on the outcome of a disparity study. After the initial round of licensure, MCA may issue additional wholesaler licenses, up to the maximum limit authorized per statute based on the results of a market demand study. Future applications for licenses may be limited to social equity applicants and employ remedial measures based on the results of the disparity study.

A person may not have an ownership interest in or control of (including the power to manage and operate), more than one wholesaler licensee. Additionally, a person who owns or controls a wholesaler licensee may not own or control any grower, processor, or dispensary licensees (standard or micro).

MCA may issue a wholesaler license that authorizes an entity to operate a licensed premises where cannabis or cannabis products may be stored securely. A wholesaler may (1) purchase cannabis or cannabis products from other licensees and registrants; (2) securely store cannabis or cannabis products either independently or on behalf of other licensees; and (3) transport or distribute cannabis or cannabis products to other licensees or independent testing laboratories.

A wholesaler is prohibited from (1) conducting any activity that would require an additional license, as specified; (2) transform or repackage cannabis or cannabis products; (3) provide cannabis or cannabis products directly to consumers; or (4) import cannabis into or export cannabis out of the State. MCA is authorized to adopt regulations related to wholesalers, including requirements for (1) the safe storage of cannabis and cannabis products; (2) product testing and packaging and labeling compliance; and (3) ensuring an equitable cannabis market in the State.

The bill also makes a clarifying change by repealing a current law distinction that statutory limits on licensing and renewal fees for cannabis licensees apply to *standard* cannabis licensees. Under the bill, the limits simply apply to cannabis licensees.

## **Current Law:**

### *Cannabis Licensing*

To operate a cannabis business in the State, a person must obtain a cannabis license from MCA. MCA may (1) conditionally award licenses; (2) inspect cannabis licensees to ensure compliance; (3) suspend, fine, restrict, or revoke a cannabis license, as specified; and (4) impose penalties or rescind the license of a cannabis licensee that does not meet specified licensure standards. There is a maximum number of licenses that may be issued for all license types.

Statute also details what is authorized for each license type and the maximum ownership and control interests a person may have for each license type. MCA must adopt regulations limiting a person or fund from acquiring a nonmajority ownership interest in multiple cannabis businesses beyond the ownership interest and control limits established in statute. The ownership interest restrictions do not apply to a person or an entity who holds an ownership interest only as a “passive investor” (defined as an individual or an entity that holds an aggregate ownership interest of less than 5% in a cannabis licensee and does not have control of the cannabis licensee).

### *Licensing and Renewal Fees*

MCA is required to establish licensing and renewal fees for all cannabis licenses; however, the licensing and renewal fees for standard cannabis licensees may not exceed (1) for initial license fees, \$50,000 and (2) for renewal license fees, the lesser of 10% of the standard cannabis licensee’s annual gross revenue or \$50,000. MCA must reduce licensing and renewal fees by at least 50% for social equity, micro, incubator space, and on-site consumption licenses.

For additional information and current law on the State’s cannabis industry, see the **Appendix – Medical and Adult-Use Cannabis**.

**Background:** Pursuant to Chapters 254 and 255 of 2023, MCA was required to contract with an independent consultant to complete a study on wholesale cannabis licenses. That required [report](#), completed in partnership with Cannabis Public Policy Consulting, explores two scenarios: the current market scenario; and the future interstate market scenario. The report concludes that, in the current market scenario, wholesale licenses could offer significant benefits by providing centralized storage and inventory management, particularly for smaller, equity-focused businesses. This model could also support social equity goals by making it easier for less capitalized businesses to manage inventory and regulatory compliance. Under the second scenario, in the context of potential federal legalization and interstate commerce, established wholesale distributors would be crucial

for managing out-of-state product flows and ensuring compliance. According to the report, early adoption of wholesale licenses may position Maryland as a strategic hub for cannabis distribution in a national market.

According to MCA, this bill is in response to the findings of the study. MCA reports that, in the near-term, the establishment of a wholesale license may be of benefit to current micro-dispensaries, as wholesaler license holders could provide secure storage for the inventory of micro-dispensaries, which are prohibited from operating a brick-and-mortar storefront. Longer term, the bill is intended to prepare the State for an interstate cannabis market.

### **State/Local Fiscal Effect:**

#### *Maryland Cannabis Administration – Fee Revenues and Implementation of the Bill*

Special fund fee revenues to CREF are estimated to increase by \$500,000 in fiscal 2027 from wholesaler license application fees and by \$250,000 in fiscal 2029 from wholesaler license fees. This estimate is based on the following assumptions and information:

- MCA initiates the wholesaler license application process in fiscal 2027;
- MCA receives 100 applications, and each applicant pays the \$5,000 application fee, as established by the bill;
- MCA issues 10 wholesaler licenses from that round of applications, which are finalized in fiscal 2029;
- MCA establishes a license fee of \$25,000 (the maximum fee authorized);
- wholesaler licenses are valid for five years, so MCA does not begin collecting license renewal fees until fiscal 2034; and
- MCA intends to hold the remaining five authorized wholesaler licenses in reserve.

MCA advises that it can issue wholesaler licenses and otherwise implement the bill with existing budgeted resources and staff.

#### *Effect on Distribution of Sales and Use Tax Revenues*

The bill does not affect overall sales of adult-use cannabis or, therefore, the total amount of sales and use tax revenues collected each year. However, the increase in CREF revenues from new application and license fee revenues in fiscal 2027 and 2029 (described above) affects the *distribution* of sales and use tax revenues in those years, as discussed below.

Current law requires that revenues from the sales and use tax on the sale of adult-use cannabis must first be distributed to CREF to defray MCA's operating and administrative

costs. Thus, as special fund revenues to CREF from application and licensing fees increase under the bill, less funding from sales and use tax revenues is needed to defray MCA's operating and administrative costs. After sales and use tax revenues are distributed to MCA to defray MCA's operating and administrative costs, remaining tax revenues are then distributed as follows: 50% to the State's general fund (through fiscal 2028, after which the general fund distribution increases to 55%); 35% to CRRF, which is administered by the Comptroller's Office; 5% to the Cannabis Public Health Fund (CPHF), which is administered by the Maryland Department of Health; 5% to the Cannabis Business Assistance Fund (CBAF), which is administered by the Department of Commerce (through fiscal 2028, after which this distribution terminates); and 5% as a separate direct allocation to counties.

The redistribution of sales and use tax revenues due to the increased fee revenue collected by MCA and deposited into CREF under the bill results in the following fiscal impacts:

- general fund revenues increase by \$250,000 in fiscal 2027 and by \$137,500 in fiscal 2029;
- special fund revenues to CRRF increase by \$175,000 in fiscal 2027 and by \$87,500 in fiscal 2029, and CRRF special fund expenditures increase correspondingly for the Comptroller to distribute CRRF funds to counties, as required by current law;
- special fund revenues to CPHF increase by \$25,000 in fiscal 2027 and by \$12,500 in fiscal 2029;
- special fund revenues to CBAF increase by \$25,000 in fiscal 2027 only; and
- county revenues (in the aggregate from a separate direct allocation) increase by \$25,000 in fiscal 2027 and by \$12,500 in fiscal 2029. Municipal revenues are also affected, as each county must distribute to a municipality located in the county 50% of the county's allocation that is attributable to the cannabis sales and use tax revenue generated by a dispensary located in that municipality.

County revenues increase further from the increased distributions from CRRF in fiscal 2027 and 2029.

Accordingly, county (and municipal) expenditures increase correspondingly.

#### *Governor's Office of Small, Minority, and Women Business Affairs*

The Governor's Office of Small, Minority, and Women Business Affairs (GOSBA) notes that the enactment of recent legislation addressing the adult-use cannabis industry in the State (Chapter 26 of 2022 and Chapters 254 and 255 of 2023), resulted in significant new tasks for GOSBA. As a result of these requirements and the increase in the overall number of cannabis licensees under the bill, GOSBA advises that general fund expenditures for the

office increase by \$81,257 in fiscal 2026, and by at least \$96,300 annually thereafter, to hire one compliance officer to satisfy GOSBA's requirements under existing statute and the bill. DLS disagrees. The bill's changes alone do not justify the need for additional staff for GOSBA. To the extent that GOSBA is unable to handle the additional workload stemming from *this bill alone* – and not its existing statutory duties – GOSBA may request additional resources through the annual budget process.

**Additional Comments:** This analysis assumes that the bill does not trigger the requirement to conduct a new disparity study.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** SB 221 (Chair, Finance Committee)(By Request - Maryland Cannabis Administration) - Finance.

**Information Source(s):** Governor's Office of Small, Minority, and Women Business Affairs; Kent, Montgomery, and Worcester counties; Maryland Municipal League; Town of Bel Air; Alcohol, Tobacco, and Cannabis Commission; Maryland Cannabis Administration; Office of the Attorney General; Comptroller's Office; Board of Public Works; Maryland Department of Transportation; Department of Legislative Services

**Fiscal Note History:** First Reader - January 30, 2025  
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## Appendix – Medical and Adult-use Cannabis

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Chapters 254 and 255 of 2023 established the adult-use cannabis industry in the State by, among other things, (1) attributing cannabis-related duties to the Alcohol and Tobacco Commission and renaming it the Alcohol, Tobacco, and Cannabis Commission (ATCC); (2) establishing the Maryland Cannabis Administration (MCA) as an independent unit of State government that is responsible for the regulation of adult-use and medical cannabis; (3) creating a licensing framework for the regulated sale of cannabis; (4) requiring all medical cannabis licensees to either convert to adult-use cannabis businesses or cease operating by July 1, 2023; and (5) establishing a 9% sales and use tax on the sale of adult-use cannabis. As required under Chapters 254 and 255, in June 2023, ATCC and MCA entered into a memorandum of understanding providing that both parties agree to collaborate on enforcing provisions regarding unlicensed cannabis operations in the State.

### *Maryland Cannabis Administration*

MCA's responsibilities generally include promulgating cannabis industry regulations, licensing and registering cannabis businesses in the State, and enforcing the statutes and regulations related to the cannabis industry. MCA adopted permanent regulations governing the cannabis industry in the State that went into effect July 22, 2024. (See DLS Control No. 24-019P).

### *Adult-use Cannabis*

The sale of adult-use cannabis began on July 1, 2023. A person at least age 21 may use and possess the personal use amount of cannabis, while the possession of the personal use amount of cannabis by a person younger than age 21, as well as the possession of the civil use amount of cannabis, are subject to civil penalties. Possession of more than the civil use amount of cannabis by anyone is subject to a criminal penalty.

### *Medical Cannabis*

MCA is responsible for the State's medical cannabis program, which is intended to make medical cannabis available to qualifying patients in a safe and effective manner. There is a framework to certify health care providers, qualifying patients, and their caregivers to provide qualifying patients with medical cannabis legally under State law via written certification.

## *Social Equity in the Cannabis Industry*

The Office of Social Equity (OSE) is an independent office functioning within MCA, established to promote and encourage full participation in the regulated cannabis industry by people from communities that have been disproportionately impacted by the war on drugs in order to positively impact those communities. OSE has several responsibilities in furtherance of its purpose, including consulting with other agencies, providing recommendations to and working with MCA, assisting businesses to obtain financing through the Capital Access Program, and managing the Social Equity Partnership Grant Program (established to promote qualifying partnerships between operational licensees and social equity licensees).

## *Cannabis Licensing*

To operate a cannabis business in the State, a person must obtain a cannabis license from MCA. A license is valid for five years on initial licensure and five years upon renewal. MCA must issue licenses for growers, processors, dispensaries, incubator spaces, and on-site consumption. Additional licenses include micro licenses for growers, processors, and dispensaries. Licensing and renewal fees are established by MCA and range from \$5,000 for social equity applicants for certain licenses to \$50,000 for standard grower licenses. Pursuant to Chapters 254 and 255, medical licensees (growers, processors, and dispensaries) were required to pay a conversion fee based on the licensee's gross revenues for calendar 2022 to convert to medical and adult-use cannabis business licensees of the same type. Essentially all medical licensees (18 grower, 23 processor, and 96 dispensary licensees) converted to cannabis business licensees.

*First- and Second-round Social Equity Licenses:* Social equity applicants are those with at least 65% ownership and control held by one or more individuals who meet certain criteria, such as living in or attending a public school in a disproportionately impacted area (*i.e.*, determined to have had above 150% of the State's 10-year average for cannabis possession charges). MCA conducted its first-round lottery on March 14, 2024, and a second-round lottery on June 28, 2024, awarding a total of 205 (174 in round one and 31 in round two) social equity cannabis business licenses across the micro and standard grower, processor, and dispensary categories.

*Subsequent Licenses:* MCA may issue additional cannabis licenses up to the maximum limit authorized per statute based on the results of a market demand study. Future applications for licenses may be limited to social equity applicants and employ remedial measures based on the results of the disparity study.



### *Advisory Board on Medical and Adult-Use Cannabis*

Chapters 254 and 255 also established the Advisory Board on Medical and Adult-Use Cannabis. The advisory board must (1) consider all matters submitted to it by OSE, the Governor, MCA, or the General Assembly and (2) study and make recommendations on a number of issues related to the medical and adult-use cannabis industry in the State. The advisory board began meeting in May 2024, and has established three subcommittees: Federal, Medical Cannabis, and Adult-use Cannabis.

### *Cannabis Sales and Tax Revenues*

In the first year of adult-use cannabis sales (July 1, 2023, through June 30, 2024), total cannabis sales topped \$1.0 billion, with adult-use sales making up \$709 million of the total. Retail sales of adult-use cannabis are subject to a 9% sales and use tax rate and generated approximately \$63.8 million in sales and use tax revenues during the first year of sales. Adult-use cannabis sales and use tax collections for the first quarter of fiscal 2025 totaled \$18.3 million.

### *Local Authority to Regulate Cannabis*

A “political subdivision,” defined as a county or municipality, is authorized to establish zoning requirements for cannabis businesses, allocate cannabis tax revenues, and adopt ordinances that reduce statutory requirements related to specified location restrictions for cannabis businesses. However, a political subdivision is prohibited from taking certain actions specific to cannabis businesses, including imposing a tax on cannabis and establishing restrictions related to transporting cannabis within the political subdivision or fees or requirements on cannabis businesses that are more burdensome than for other businesses.

Additionally, an on-site consumption establishment may not operate in a location unless the political subdivision affirmatively authorizes the operation by issuing a permit or license. The political subdivision may also place restrictions on or prohibit the operation of on-site consumption establishments.

### *Public Health Actions Related to Adult-use Cannabis*

The Cannabis Public Health Advisory Council was established to study and report its findings and recommendations by December 1 each year on specified public health impacts of cannabis legalization. The Cannabis Public Health Fund was also established to generally support the council’s work. The fund receives 5% of the tax revenues from the sale of adult-use cannabis.

### *Cannabis-related Special Funds*

The Cannabis Regulation and Enforcement Fund is administered by MCA to cover its operating costs and the costs to administer and enforce the Medical and Adult-use Cannabis Title of the Alcoholic Beverages and Cannabis Article. The fund generally consists of fees collected by MCA (including application and registration fees) and tax revenues from the sale of adult-use cannabis sufficient to defray the entire cost of operating the administration.

The Community Reinvestment and Repair Fund is administered by the Comptroller to provide funds to community-based organizations that serve communities determined by OSE (in consultation with the Office of the Attorney General) to have been the most impacted by disproportionate enforcement of the cannabis prohibition before July 1, 2022. The fund receives 35% of the tax revenues from the sale of adult-use cannabis, distributed on a quarterly basis.

The Cannabis Business Assistance Fund is administered by the Department of Commerce (in consultation with OSE) to assist small, minority-owned, and women-owned businesses entering the adult-use cannabis industry through the award of grants and loans. The fund receives 5% of the tax revenues from the sale of adult-use cannabis, distributed on a quarterly basis.

## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Cannabis - Wholesaler License - Establishment

BILL NUMBER: HB 204

PREPARED BY: Andrew Garrison

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

   WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESS

**OR**

  X   WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

Wholesale licensees will likely be small businesses themselves, and this legislation creates 10 new licensing opportunities for these entities.

Furthermore, the only relevant near-term use of wholesale licenses would be to support current micro dispensary businesses - which are explicitly small, social equity businesses - by providing them with centralized, safe storage and inventory management. This would allow partnerships that would reduce cost and increase operational efficiency for micro businesses.

The introduction of wholesale businesses will ultimately support social equity goals by making it easier for less capitalized businesses to manage their inventory and regulatory compliance requirements, and thus successfully enter the cannabis industry.