



March 3, 2022

The Honorable Delores G. Kelley
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401

RE: SB 833 – Cannabis – Legalization and Regulation – Letter of Information

Dear Chair Kelley and Committee Members:

The Maryland Medical Cannabis Commission (the Commission) is submitting this letter of information for Senate Bill (SB) 833 entitled “Cannabis – Legalization and Regulation.” SB 833 establishes an extensive framework for the legalization, taxation, and regulation of cannabis for personal adult-use in Maryland, contingent upon the passage of a constitutional amendment to legalize adult-use cannabis that is ratified by the majority of voters in the November 2022 general election.

Notably and admirably, SB 833 seeks to establish an equitable adult-use industry and ensure that small, minority, and women businesses, and minority and women entrepreneurs, have adequate access to capital and opportunities to thrive in this new industry. Specifically, the bill would establish several funds and a licensing structure aimed at ensuring inclusion and participation among minority groups and women, as well as addressing the critical issue of expungements for individuals with cannabis- or marijuana-related charges. As demonstrated by the 2018 disparity analysis ordered by Governor Hogan, as well as arrest data and cannabis ownership data collected in Maryland and across the country, the minority groups who have been disproportionately impacted by the criminalization of cannabis by and large have not benefited from the legalization of the same. The Commission commends the bill’s sponsor for his efforts in crafting legislation that seeks to address the significant issues of social justice and equity.

Eighteen states and the District of Columbia have legalized adult-use cannabis. Among these states, adult-use cannabis was legalized in New York, New Jersey, and Virginia in 2021. The Commission requested information from these jurisdictions through the Cannabis Regulators Association (CANNRA) – a nonpartisan national organization of cannabis regulators that provides policy makers and regulatory agencies with the resources to make informed decisions when considering whether and how to legalize and regulate cannabis – to assist the General Assembly as it considers the complex issue of cannabis legalization.

Based on information provided by states allowing adult-use cannabis and lessons learned over the past eight years developing, implementing, and administering the State’s medical cannabis program, the Commission identified the following issues with the bill as introduced:

1. Competing and redundant regulatory structures.

SB 833 places regulatory oversight of the program under the Alcohol and Tobacco Commission within the Health-General Article, while regulatory oversight of medical cannabis would remain with the Commission. Establishing two agencies to perform substantially the same work would significantly increase operational costs to the State. In addition, businesses that hold both adult-use and medical licenses (permitted under the bill), would be subject to two sets of regulators and two sets of laws. If the bill were to pass in its current form, Maryland would be the only state to regulate medical and adult-use cannabis under entirely separate agencies.

2. No funding to cover initial operational costs.

While the Alcohol and Tobacco Commission is authorized to assess license fees to operate the program, expenditures in excess of several million dollars must occur prior to the solicitation of license applications and award of licenses in order to get the adult-use program up and running (e.g., seed-to-sale tracking system, agent, and business licensing system). In other jurisdictions, the state legislature either (1) appropriates start-up funds or (2) where the medical and adult-use programs are jointly administered, authorizes the regulator to use existing funds from the medical program to cover the necessary start-up costs of the adult-use program.

3. Lack of expertise among commission members and staff.

While the Alcohol and Tobacco Commission membership currently is required to have alcohol, fiduciary or public health expertise, there are no amendments to require any cannabis experience or expertise among the members who will be adopting regulations for the program and making licensing and other critical decisions. The bill would make Maryland the first state to legalize adult-use and not leverage existing staff cannabis expertise and resources.

Staffing is a vital concern for a nascent adult-use program. Cannabis is a unique subject matter – it is an agricultural crop, a drug, a dietary supplement, and a food product, that is currently illegal under federal law. The conflict with federal law coupled with the fact that each jurisdiction has chosen a different path to legalization creates sizable challenges for the agency tasked with developing, implementing, and enforcing regulations to administer an adult-use program. Given that the industry as a whole is relatively novel and differs vastly from state-to-state, it is often the existing medical programs that have the most expansive subject matter expertise.

In Maryland, the Commission – including its staff – have developed cannabis-specific regulatory expertise over eight years. Rather than leveraging this expertise, SB 833 as introduced requires a new regulatory body and staff to start from scratch. Absent continuity in administration, the implementation of an adult-use cannabis market will almost certainly face a significant delay. The bill includes an aggressive timeline for developing regulations and implementing the program – based on the experience of the

Commission, this timeline will not be possible to meet if a new regulatory body is required to build the adult-use program from the ground up. In line with this, the hiring of adequate staff for a new agency can take years. This is why HB 1052 (2019), which created the Alcohol and Tobacco Commission, included specific provisions to transition existing staff from the Comptroller of Maryland to the new agency. SB 833 contains no such analogous provisions and would make Maryland the first state to transition from medical-only to adult-use and medical without also transitioning existing staff and expertise.

The Commission does note that Health-General Article §23-301(A)(3)(II) (Page 48) would require the Alcohol and Tobacco Commission to “give employees of the Natalie M. LaPrade Medical Cannabis Commission who perform similar duties...a one-time right of first refusal offer of employment.” This may enable the Alcohol and Tobacco Commission to add experienced staff, but it would come directly at the expense of the Commission, which under the bill would still separately be regulating the medical cannabis market. A likely result would be for the two regulatory bodies to compete over limited staff resources, rather than expanding staff as needed to regulate the separate adult-use and medical markets.

4. Separate regulatory body from social equity fund administration.

SB 833 would require the Alcohol and Tobacco Commission to oversee licensing, regulations, and compliance for adult-use, as well as establish the Office of Social Equity and administer several new funds (e.g., cannabis education, community reinvestment, and social equity start-up funds). These funds are critical to the program’s success and Maryland achieving its goal of a truly equitable cannabis industry, and the scope of responsibilities to administer each fund are incredibly broad.

The Alcohol and Tobacco Commission and the State are best served by clearly separating these functions for the following reasons:

- *Subject matter experts should be in charge of each aspect of the program.* Adult use jurisdictions have shared that establishing certain program functions in other agencies helps ensure that (1) subject matter experts are in charge of each aspect of the program and (2) the cannabis program can become operational and successful more quickly, because its focus can be on regulations, licensing, and compliance.
- *Conflict of interest or the appearance of a conflict of interest.* Beyond not being a subject matter expert in administering social equity programs, or business loans or grants, placing the cannabis regulatory body in charge of administering special funds earmarked for certain businesses that they regulate within the cannabis program may create conflicts of interest or make the regulatory body vulnerable to claims of favoritism or impropriety.

To address the concerns detailed above, the Commission offers the following technical changes to the bill:

1. Rename the Alcohol and Tobacco Commission the Alcohol, Tobacco, and Cannabis Commission;
2. Create the Cannabis Regulation and Enforcement Division within the Office of the Executive Director of the Alcohol, Tobacco, and Cannabis, which would be responsible for regulation and enforcement of both medical and adult-use cannabis;
3. Amend the definitions in Health-General Article §13-3301 to include the Alcohol, Tobacco, and Cannabis Commission;
4. Repeal Health – General Article §13-3302 and 13-3303, which eliminates the Maryland Medical Cannabis Commission membership;
5. Establish the Office of Social Equity as an independent office within the Alcohol, Tobacco, and Cannabis Commission – this will ensure the regulation of the program and administration of various funds are separate;
6. Clarify that amendments must be made to existing cannabis regulations to meet the requirements of a new adult-use program;
7. Authorize use of existing medical program funds and staff to operationalize adult-use program; and
8. Require the Alcohol, Tobacco, and Cannabis Commission to submit a report in January 2023 recommending any necessary conforming amendments between the medical and adult use programs.

The Commission appreciates the work the General Assembly has done over the past eight years to advance the medical cannabis program, and it is with the future of the program and its patients in mind that we are providing this information to you today. I hope you find it useful. If you would like to discuss this further, please contact me at (410) 487-8069 or william.tilburg@maryland.gov.

Sincerely,

A handwritten signature in blue ink that reads "William Tilburg". The signature is written in a cursive style and is followed by a long, horizontal, sweeping underline.

William Tilburg, JD, MPH
Executive Director
Maryland Medical Cannabis Commission

cc: Members of the Senate Finance Committee