

Medical Cannabis in Maryland

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Commission**



MMCC Background

- **Independent commission within the Maryland Department of Health**
- **Mission:** Provide a safe, effective, and consumer-friendly medical cannabis program for qualifying patients (Health-General Article §13-3302)
- **13 volunteer commission members who serve 4-year terms**
 - 9 appointed by Governor with advice and consent of the Senate
 - 3 selected from list provided by Senate President/Speaker of the House
 - 1 Secretary of Health or designee
 - *Current Commission Makeup:* 9 out of 13 are minorities and/or women
- **Commission members supported by 50+ full-time staff**
 - 42 out of 56; 8 out of 10 senior staff are minorities and/or women
- **100% specially funded (license fees); FY 2021 budget: \$10.9 million**



MMCC Role

- **MMCC Major Functions**

1. License medical cannabis growers, processors, and dispensaries, register ancillary businesses, patients, caregivers, certifying providers and clinical directors
2. Inspect businesses and laboratories for compliance with regulatory requirements
3. Hold administrative hearings and levy penalties
4. Troubleshoot any patient registration/access issues
5. Promulgate and implement all programmatic regulations, including establishing health and safety standards for cultivation, manufacture, and sale of cannabis

- **Licensees:** Growers (22), Processors (28), and Dispensaries (101)

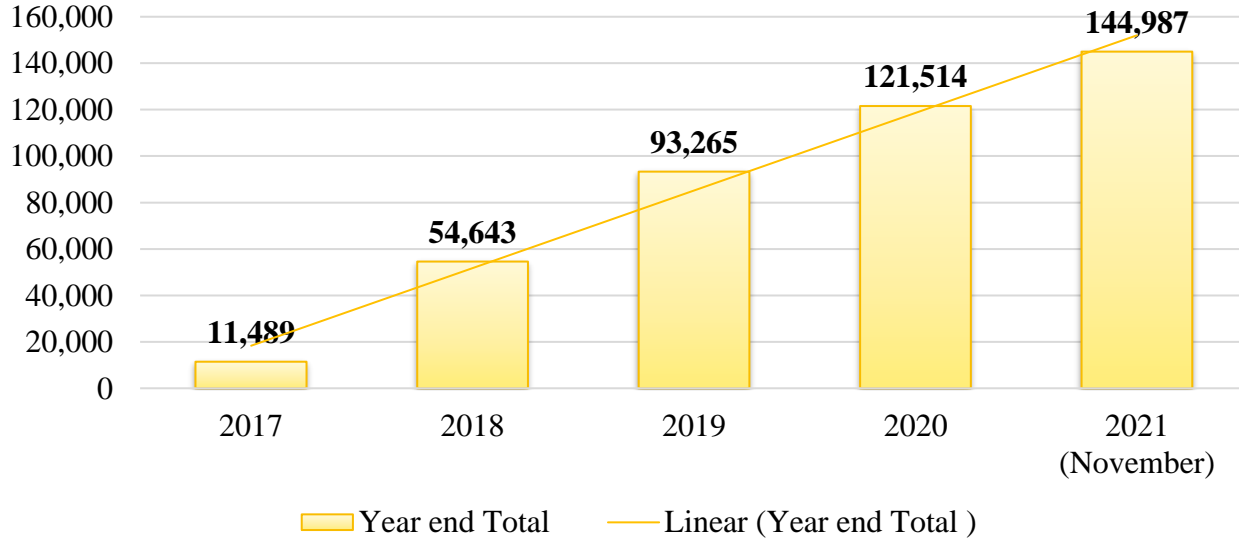
- **Ancillary Businesses:** more than 50 security guard, secure transport, delivery, and waste disposal companies registered with MMCC

- **Laboratory Testing:** MMCC registers independent testing laboratories (e.g., no relationship with licensed businesses) to conduct testing for potency, pesticides, heavy metals, and microbiological impurities



Program Update: Patients

Patient Total, by Year



- Program participation typically ranges from 1% to 3% of a state's population
- MD is 9th among 36 states and D.C. in terms of patient population
- Number of patients submitting applications is beginning to slow; typical of a program after several years of operation

Ohio – 186,000 (11.8 million)

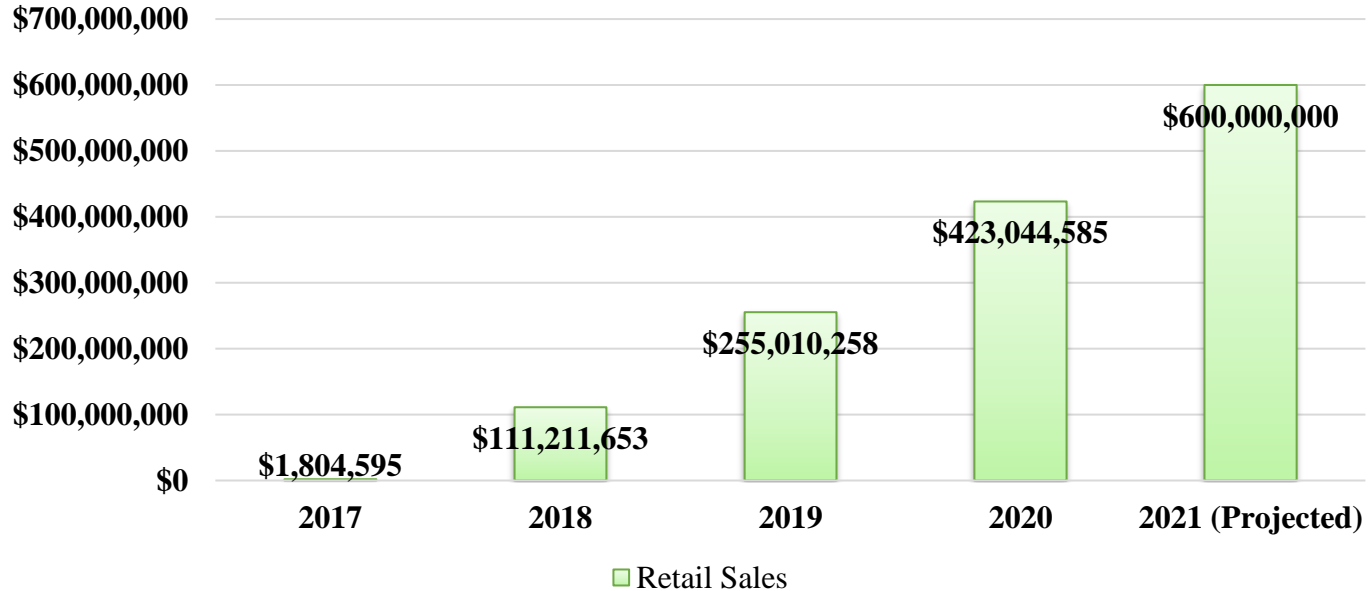
New Jersey – 111,000 (8.8 million)

Massachusetts – 100,000 (6.8 million)

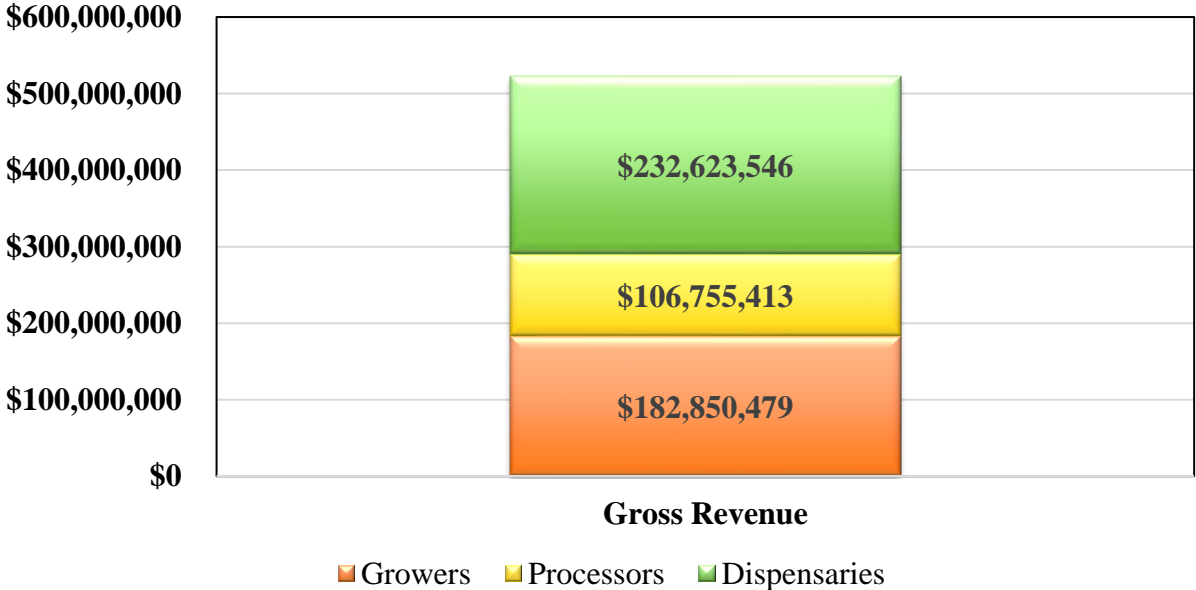


Program Update: Economic Metrics

Retail Sales, by Year



Gross Revenue (Jan.-Oct. 2021), by License Category



Multi-state Operators (MSOs) – companies who hold licenses across multiple legal states; growing number are publicly traded

Growers

- 10 out of 21 licensed/preapproved growers are MSOs
- 8 out of 21 licensed/preapproved growers are publicly traded companies

Processors

- 11 out of 26 licensed/preapproved processors are MSOs
- 9 out of 26 licensed/preapproved processors are publicly traded companies

Dispensaries

- 39 out of 101 licensed/preapproved dispensaries associated with MSOs

Independent Dispensaries

- 9 out of the top-10 dispensaries (and 20 out of top-25) are independent; average monthly gross revenue is \$1.2 million
- 18 out of bottom-25 dispensaries are MSOs; average monthly gross revenue is \$182k
- Median monthly gross revenue for all dispensaries is \$450k

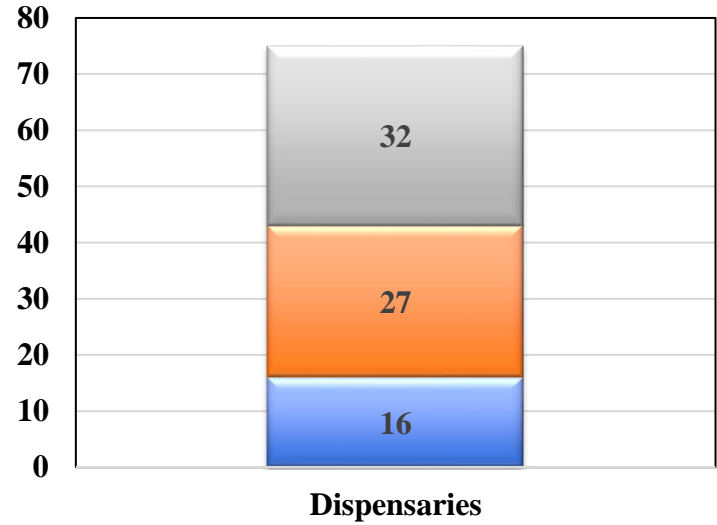
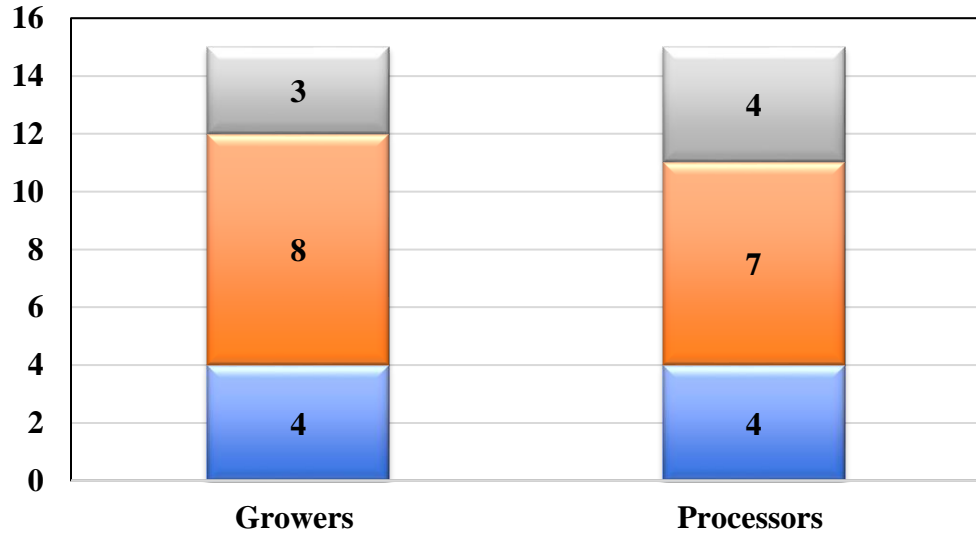
Market Consolidation

- Across the U.S., large MSOs continue to consolidate operations
- More than $\frac{3}{4}$ of MD licensed growers operate at least one dispensary
- Approximately $\frac{1}{2}$ of licensed dispensaries are not associated with a grower/processor

Market Share



Minority and Women Ownership (2018)



■ No Minority/Women Owners ■ <50% Minority/Women Owners
■ >50% Minority/Women Owners

House Bill 2 (2018)

Emergency legislation adopted by the Maryland General Assembly to “address the needs of minority and women applicants and minority and women-owned businesses seeking to participate in the medical cannabis industry.”

How?

- Evaluate a disparity study ordered by the Governor to determine whether there is a compelling interest to implement remedial measures (e.g., race-conscious)...to assist minorities and women in the medical cannabis industry”
- Conduct ongoing outreach to encourage small-, minority- and women-owned businesses to apply
- Award grants to business/educational organizations to train and assist small-, minority- and women-owned businesses on the medical cannabis industry and how to apply
- Adopt emergency regulations to implement remedial measures in the application process
- Collect/monitor data on race, gender and ethnicity of medical cannabis owners and employees, and percentage of ownership.



Implementation

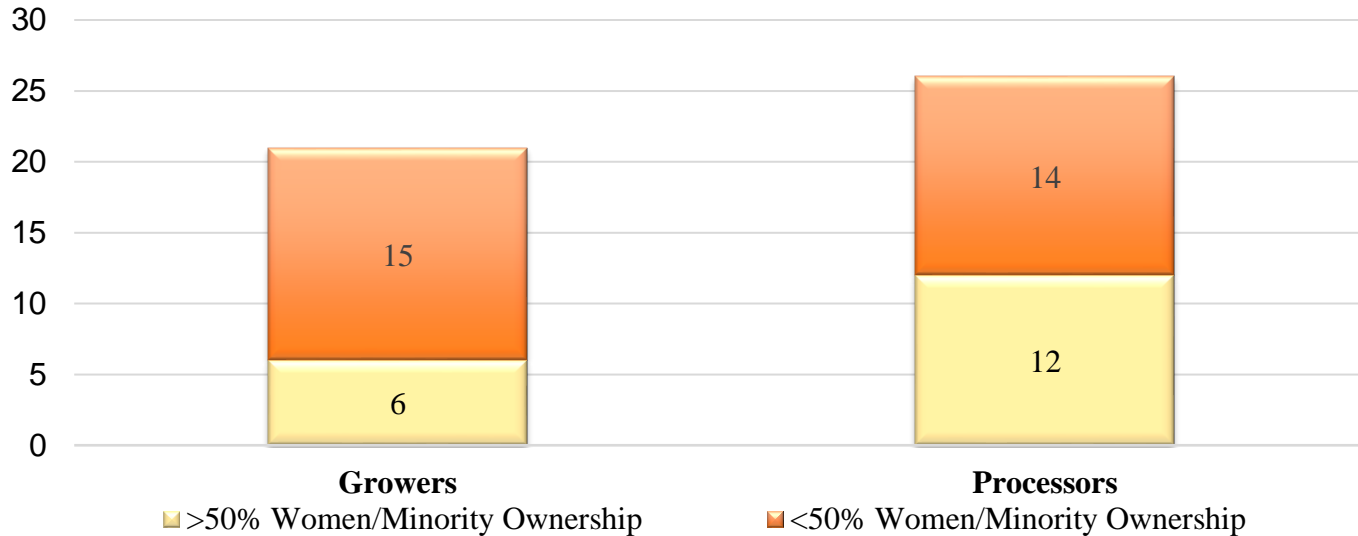
- Adopted emergency regulations allocating 15 out of 100 points on the application to diversity-related factors
- Awarded \$225,000 in grant funding to train small, minority and women business owners. These trainings attracted more than **700 attendees**.
- Co-hosted 12 free workshops to educate small, minority, and women business owners and entrepreneurs on the medical cannabis industry in Maryland. The trainings were attended by more than **400 potential applicants**.
- Co-hosted 4 free workshops to discuss the new medical cannabis grower and processor license applications, including how to apply, explanation of the application questions, and the laws and regulations in Maryland. The trainings were attended by more than **500 potential applicants**.
- Accepted public comment and questions on the new grower and processor applications. The Commission received more than **300 questions** and posted responses to each question on our website.

Result:

- 3 out of 3 grower licenses awarded to minority-owned firms
- 8 out of 8 processor licenses awarded to minority-owned firms



Minority and Women Ownership (2021)



- MMCC awarded 3 grower and 8 processor licenses in October 2020
- All 11 licenses were awarded to disadvantaged minority- and women-owned businesses

> 50% Minority-owned

- Growers: 5/21 (24%)
- Processors: 10/26 (38%)

Ownership Diversity in Other States

State	Minority Ownership %
Colorado	11.8% (all license categories)
Massachusetts	<ul style="list-style-type: none"> • Cultivators (166 total) 8% minority owned • Manufacturers (132 total) 7% minority owned • Retailers (221 total) 9% minority owned
Michigan	10% (all license categories)
Nevada	<ul style="list-style-type: none"> • 24.4% (Owners/Managers) • 18.5% (Board of Directors) • 15.9% (Executive Board Members)
Washington	<ul style="list-style-type: none"> • 18% of all licensees • 12% of producers/processors

U.S. Census Bureau Ownership Data (January 2021)	Percentage of all businesses
Minority	18.3% of total employer firms; 6.7% of all firms are minority-owned with > 4 employees
Women	19.9% of total employer firms; 7.3% of all firms are women-owned with > 4 employees



Adult-Use Considerations

Regulatory Structure

- 17 out of 18 states with adult-use regulate medical and adult-use under one entity
- 7 out of 18 est. a cannabis-specific regulatory body; 11 out of 18 incorporate into existing state agency/board

Board/Commission vs. Agency

- 8 out of 18 use board/commission or other public body
- 10 out of 18 use agency model (e.g., liquor, tax, consumer protection, licensing)

Staffing

- Adult-use requires significant staff growth, and quickly
- Most larger programs between 100 and 150 FTE

Industry Structure

- 4 out of 18 prohibit or restrict vertical integration (3 out of last 4)

Licensing Limits: State, local, or both?

- 9 out of 18 states establish state-level limits on licenses
- All states allow local governments to cap, restrict, or prohibit adult-use businesses

Cost

- Implementation of adult-use program is costly; requires significant funding before licensing/application fees collected

Thank you.

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