Medical Cannabis - Licensees - Ownership Limitation Exemption

This bill specifies that an “ownership interest” (as it applies to businesses licensed by the Natalie M. LaPrade Medical Cannabis Commission (MMCC)) does not include the ownership interest in a licensed grower, processor, or dispensary (or a direct or indirect parent company of a specified licensee) through owning publicly traded securities of a specified licensee that are (1) less than 5% of voting shares or (2) nonvoting shares. MMCC must adopt or amend regulations in accordance with the bill.

Fiscal Summary

State Effect: MMCC advises that it can implement the bill’s requirements within existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: MMCC is responsible for implementation of the State’s medical cannabis program, which is intended to make medical cannabis available to qualifying patients in a safe and effective manner. The program allows for the licensure of growers, processors, and dispensaries and the registration of their agents, as well as registration of independent testing laboratories and their agents. There is a framework to certify health care providers (including physicians, dentists, podiatrists, nurse practitioners, nurse midwives, and physician assistants), qualifying patients, and their caregivers to provide qualifying patients with medical cannabis legally under State law via written certification. Additionally, there
are legal protections for third-party vendors authorized by the commission to test, transport, or dispose of medical cannabis, medical cannabis products, and medical cannabis waste.

A person may not have an ownership interest in or control of, including the power to manage and operate, more than one grower or processor, or more than four dispensaries.

Statute limits the number of grower and processor licenses MMCC can issue, and regulations establish a limit on the number of dispensary licenses. Specifically, MMCC can issue 22 grower, 28 processor, and 102 dispensary licenses. At the close of calendar 2021, MMCC had issued 19 final grower licenses, 20 final processor licenses, and 95 final dispensary licenses. In addition, there are three licensed independent testing laboratories. MMCC maintains a list of licensees on its website. Also, at the close of calendar 2021, there were 148,129 certified patients, 12,939 caregivers, and 1,511 certifying providers. MMCC additionally reports a preliminary total of $564.8 million in retail sales at cannabis dispensaries in the State for calendar 2021.

**Small Business Effect:** Expansion of large business ownership interest throughout the cannabis industry through the purchase of publicly traded securities (though capped at less than 5%) could create increased competition for medical cannabis licensees that are small businesses.

**Additional Comments:** MMCC advises that, under the bill, individuals with an ownership interest in a licensed grower, processor, or dispensary will have the ability to expand small amounts of ownership interest (less than 5%) into numerous publicly traded cannabis companies, potentially resulting in a greater influence over the cannabis industry as a whole.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Department of Health; Department of Legislative Services

**Fiscal Note History:** First Reader - March 1, 2022

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