

Article - Alcoholic Beverages and Cannabis

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§36–404.

(a) (1) On or before January 1, 2024, the Administration shall begin issuing first round licenses in accordance with subsection (d) of this section.

(2) On or after May 1, 2024, the Administration shall begin issuing second round licenses in accordance with subsection (e) or (f) of this section.

(3) Subject to paragraphs (1) and (2) of this subsection, the Administration may issue licenses in accordance with subsection (g) of this section.

(b) (1) The Administration shall:

(i) conduct extensive outreach to small, minority, and women business owners and entrepreneurs who may have an interest in applying for a cannabis license before accepting and processing cannabis license applications;

(ii) connect potential social equity applicants with the Office of Social Equity;

(iii) accept and process applications for licenses:

1. in response to a request for applications issued under this section;
2. for a period of 30 calendar days; and
3. beginning on a date that is at least 60 calendar days after the date on which the Administration issued the request for applications;

(iv) award cannabis licenses in at least two separate rounds in accordance with this section; and

(v) reserve a reasonable number of licenses to allow micro licenses to transition to standard licenses, as determined in regulations by the Administration.

(2) The Administration may suspend, fine, restrict, or revoke a cannabis license if it is determined that a cannabis licensee has not complied with

statements in the application, including statements about standards of operation or employment practices related to diversity, equity, and inclusion.

(3) The Administration may not:

(i) accept more than one application per license type from an applicant in any round;

(ii) accept more than two applications from an applicant in any round;

(iii) require that an applicant possess or own a property or facility to operate a cannabis business at the time of application;

(iv) regardless of the number of license awards authorized in each round, award more licenses than the total number of licenses authorized under § 36–401(d) of this subtitle; or

(v) conduct a market demand study before the first round licenses are issued.

(4) The Administration may adopt regulations concerning the equity and fairness of the pool of applicants throughout the application process.

(c) To be licensed, an applicant shall submit to the Administration:

(1) an application fee in accordance with § 36–403 of this subtitle;
and

(2) an application developed by the Administration under this title.

(d) (1) For the first round, subject to paragraphs (2) and (3) of this subsection, the Administration shall enter each social equity applicant that meets the minimum qualifications established by the Administration into a lottery and issue to social equity applicants not more than:

(i) for standard licenses:

1. 20 grower licenses;

2. 40 processor licenses; and

3. 80 dispensary licenses;

- (ii) for micro licenses:
 - 1. 30 grower licenses;
 - 2. 30 processor licenses; and
 - 3. 10 dispensary licenses; and
- (iii) 10 incubator space licenses.

(2) The Administration shall determine whether an application meets the minimum qualifications for the lottery on a pass–fail basis, as determined by the Administration, after evaluating:

- (i) a detailed operational plan for the safe, secure, and effective cultivation, manufacture, or dispensing of cannabis;
- (ii) a business plan demonstrating a likelihood of success and sufficient business ability and experience on the part of the applicant, and providing for appropriate employee working conditions; and
- (iii) a detailed diversity plan.

(3) (i) If an applicant seeking social equity status is from out of state, the applicant must submit with the application evidence that the applicant meets the criteria for a social equity applicant established under this title before the Administration may consider the application.

(ii) First round application submissions for all license types are limited to social equity applicants.

(4) (i) On or before January 1, 2024, the Administration shall submit an interim report to the General Assembly, in accordance with § 2–1257 of the State Government Article, on the ability of micro dispensary licensees to safely and securely dispense cannabis.

(ii) On or before December 31, 2024, the Administration shall submit a final report to the General Assembly, in accordance with § 2–1257 of the State Government Article, on the ability of micro dispensary licensees to safely and securely dispense cannabis.

(e) For the second round of licensing, the Administration shall issue licenses in accordance with subsection (f) or (g) of this section.

(f) (1) Subject to paragraph (2) of this subsection, if the Administration, in consultation with the certification agency designated by the Board of Public Works under § 14–303(b) of the State Finance and Procurement Article, the Governor’s Office of Small, Minority, and Women Business Affairs, the General Assembly, and the Office of the Attorney General, determines that a disparity study demonstrates a strong basis in evidence of business discrimination against firms owned by minorities and women in the Maryland cannabis market, the Administration shall issue a second round of licenses, applying minimum licensing qualifications and employing remedial measures consistent with constitutional requirements, for not more than:

- (i) for standard licenses:
 - 1. 25 grower licenses;
 - 2. 25 processor licenses; and
 - 3. 120 dispensary licenses;
- (ii) for micro licenses:
 - 1. 70 grower licenses; and
 - 2. 70 processor licenses;
- (iii) 10 incubator space licenses; and
- (iv) 15 on–site consumption licenses.

(2) If the Administration, in consultation with the certification agency designated by the Board of Public Works under § 14–303(b) of the State Finance and Procurement Article, the Governor’s Office of Small, Minority, and Women Business Affairs, the General Assembly, and the Office of the Attorney General, determines that a lottery system employing remedial measures established in accordance with a disparity study can be conducted consistent with constitutional requirements, the Administration shall award licenses under paragraph (1) of this subsection through a lottery process that employs remedial measures.

(g) (1) Subject to paragraphs (2) and (3) of this subsection, if the Administration, in consultation with the certification agency designated by the Board of Public Works under § 14–303(b) of the State Finance and Procurement Article, the Governor’s Office of Small, Minority, and Women Business Affairs, the General Assembly, and the Office of the Attorney General, determines that a disparity study does not demonstrate a strong basis in evidence of business discrimination against firms owned by minorities and women in the Maryland cannabis market, the

Administration shall enter each applicant that meets the minimum qualifications established by the Administration into a lottery and issue to the applicants not more than:

- (i) for standard licenses:
 - 1. 25 grower licenses;
 - 2. 25 processor licenses; and
 - 3. 120 dispensary licenses;
- (ii) for micro licenses:
 - 1. 70 grower licenses; and
 - 2. 70 processor licenses;
- (iii) 10 incubator space licenses; and
- (iv) 15 on-site consumption licenses.

(2) The Administration shall determine whether an application meets the minimum qualifications for a lottery based on a pass-fail basis, as determined by the Administration, after evaluating:

- (i) a detailed operational plan for the safe, secure, and effective cultivation, manufacture, or dispensing of cannabis;
- (ii) a business plan demonstrating a likelihood of success and sufficient business ability and experience on the part of the applicant, and providing for appropriate employee working conditions; and
- (iii) a detailed diversity plan.

(3) Application submissions for micro licenses under this subsection are limited to social equity applicants.

(h) (1) For cannabis license awards subsequent to the round specified under subsection (f) or (g) of this section, the Administration shall award licenses in accordance with this subsection.

(2) The Administration shall award licenses as needed in accordance with a market demand study.

(3) The Administration may:

(i) limit some or all of the licenses issued under this paragraph to social equity applicants; and

(ii) employ remedial measures, consistent with constitutional requirements, if the Administration, in consultation with the certification agency designated by the Board of Public Works under § 14–303(b) of the State Finance and Procurement Article, the Governor’s Office of Small, Minority, and Women Business Affairs, the General Assembly, and the Office of the Attorney General, determines that a disparity study demonstrates a strong basis in evidence of business discrimination against firms owned by minorities and women in the Maryland cannabis market.

(i) (1) To the extent practicable and authorized by the U.S. Constitution, a cannabis licensee shall comply with the State’s Minority Business Enterprise Program.

(2) The Administration, in consultation with the certification agency designated by the Board of Public Works under § 14–303(b) of the State Finance and Procurement Article, the Governor’s Office of Small, Minority, and Women Business Affairs, the General Assembly, and the Office of the Attorney General, shall review the disparity study required by Chapter 26 of the Acts of 2022 to evaluate whether application of the State’s Minority Business Enterprise Program to cannabis licenses would comply with the City of Richmond v. J.A. Croson Co., 488 U.S. 469, and any subsequent federal or constitutional requirements.

(3) On or before 6 months after the issuance of a cannabis license under § 36–401 of this subtitle, the Governor’s Office of Small, Minority, and Women Business Affairs, in consultation with the Office of the Attorney General and the Office of Social Equity within the Alcohol, Tobacco, and Cannabis Commission and the cannabis licensee, shall establish a clear plan for setting reasonable and appropriate minority business enterprise participation goals and procedures for the procurement of goods and services related to cannabis, including the cultivation, manufacturing, and dispensing of cannabis.

(4) To the extent practicable, the goals and procedures specified in paragraph (3) of this subsection shall be based on the requirements of Title 14, Subtitle 3 of the State Finance and Procurement Article and the regulations implementing that subtitle.

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