

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 215

(Chair, Finance Committee)(By Request - Maryland
Cannabis Administration)

Finance

Cannabis - On-Site Consumption Establishments and Cannabis Events

This departmental bill alters provisions relating to on-site consumption establishments that are licensed under existing provisions that govern the cannabis industry. Among other things, the bill authorizes an on-site consumption licensee to operate as a food service facility and to repackage and process cannabis and cannabis-infused products. The bill also establishes provisions relating to (1) the registration of cannabis events; (2) the authorizations and limitations of cannabis events; and (3) a vendor permit that authorizes a cannabis licensee to sell or distribute cannabis products at a cannabis event. The sales and use tax applicable to the sale of adult-use cannabis applies to the sale of cannabis and cannabis products at a cannabis event.

Fiscal Summary

State Effect: Although the overall fiscal effect of the bill cannot be quantified, fee revenues to the Cannabis Regulation and Enforcement Fund (CREF) increase significantly beginning in FY 2026, 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 the Cannabis Public Health Fund (CPHF)), and local governments in accordance with existing distribution provisions. While CRRF expenditures increase correspondingly, CPHF administrative expenditures increase in FY 2026 and 2027 only. State sales and use tax revenues from the sale of cannabis may increase beginning as early as FY 2026, resulting in additional general and special fund revenues and special fund expenditures.

Local Effect: Local government revenues increase beginning in FY 2026, as discussed below; local government expenditures increase correspondingly.

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

Analysis

Bill Summary/Current Law:

On-site Consumption Establishments

On-site Consumption Licenses – Issuance and Fees: Under current law and the bill, MCA is authorized to issue up to 50 (total) on-site consumption licenses. MCA must establish licensing and renewal fees for on-site consumption licenses, which, for on-site consumption licenses, must be reduced by at least 50% relative to the fees that apply to standard licensees. Standard license fees for initial licenses may not exceed \$50,000, and fees for renewal may not exceed the lesser of 10% of the licensee’s annual gross revenue or \$50,000. The application fee for an on-site consumption license is \$5,000.

MCA was not authorized to issue any on-site consumption licenses during its initial round of cannabis licensing. Under current law and the bill, beginning May 1, 2024, MCA must begin issuing second round licenses in an amount that does not exceed the specified maximum number of licenses allowed for each license type. MCA must consult with the State’s designated Minority and Business Enterprise certification agency (the Maryland Department of Transportation), the Governor’s Office of Small, Minority, and Women Businesses Affairs, the General Assembly, and the Office of the Attorney General (OAG) to determine whether or not a disparity study demonstrates a strong basis in evidence of business discrimination against firms owned by minorities and women in the cannabis market. Under current law and the bill, if the specified discrimination is present, MCA, in issuing second round licenses, must (1) apply minimum licensing qualifications and employ remedial measures consistent with constitutional requirements and (2) award licenses through a lottery process that employs remedial measures (if a lottery system employing remedial measures established in accordance with the disparity study can be conducted consistent with constitutional requirements). Under current law, if the specified discrimination is not present, MCA must enter each applicant that meets the minimum established qualifications into a lottery. Under the bill, if specified discrimination is not present, application submissions for on-site consumption licenses are limited to social equity applicants, as is the case under current law for micro licenses.

Under current law and the bill, 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.

On-site Consumption Licenses – Authorizations and Restrictions: Under current law, MCA may issue on-site consumption licenses that authorize an entity to operate a licensed premises in which cannabis may be consumed, but not smoked indoors, in accordance with relevant statute and regulations. Additionally, under current law, an on-site consumption license authorizes an entity to distribute cannabis or cannabis products for on-site consumption. The bill clarifies that on-site consumption establishments are able to offer cannabis products to be consumed on premises.

Under the bill, an on-site consumption license authorizes an entity, for the purposes of on-site consumption, to (1) distribute cannabis or cannabis products; (2) acquire cannabis or cannabis products from a cannabis licensee, as specified; (3) repackage cannabis or cannabis products to create single-serving products; and (4) process cannabis or cannabis-infused products.

Current law specifies that an on-site consumption license does not authorize the holder to cultivate cannabis, process cannabis or cannabis-infused products, or add cannabis to food prepared or served on the premises. However, a business that has average daily receipts from the sale of bakery goods that are at least 50% of the average daily receipts of the business may apply for a license to operate an on-site consumption establishment. Under the bill, only the restriction against cultivating cannabis is retained. The remainder of these restrictions are repealed.

Under current law, an on-site consumption establishment is also prohibited from allowing an activity on the premises that would require an additional license under provisions of State law governing medical and adult-use cannabis, including growing, processing, or dispensing. Under the bill, the prohibition against processing is repealed.

Under the bill, additional prohibitions are established preventing an on-site consumption establishment from (1) allowing the consumption of cannabis or cannabis products on the premises that were not obtained from the on-site consumption establishment; (2) allowing the removal of cannabis or cannabis products from the premises; and (3) selling or distributing cannabis or cannabis products to an individual that are intended as more than a single-serving product.

Under the bill, an on-site consumption establishment is authorized to also operate as a food service facility, as defined under the Health – General Article, as specified. The relevant current law relating to food service facilities is discussed below.

Under current law, statute establishes laboratory testing, packaging, and labeling standards for cannabis products. *Under the bill*, an on-site consumption establishment must comply with those standards when processing, preparing, repackaging, or infusing any cannabis or cannabis products.

Under current law and the bill, an on-site cannabis establishment must educate consumers by providing informational materials regarding the safe consumption of cannabis. The educational materials must be based on requirements established by the Cannabis Public Health Advisory Council.

Local Authority to Regulate On-site Cannabis Establishments: Under current law and the bill, 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. Subject to specified zoning provisions, a political subdivision may (1) prohibit the operation of on-site consumption establishments; (2) prohibit or restrict the smoking or vaping of cannabis at on-site consumption establishments; or (3) adopt zoning and planning requirements for on-site consumption establishments. *Under the bill*, a political subdivision may also establish hours of operation for on-site consumption establishments.

Relevant Definitions: Under current law and the bill, “cannabis products” means products that are composed of cannabis, cannabis concentrate, cannabis extract, or other ingredients, and are intended for use or consumption. *Under current law*, “cannabis products” include edible products, oils, and tinctures. *Under the bill*, “cannabis products” also includes “cannabinoid beverages.” “Cannabinoid beverage” is defined by the bill as a beverage intended for human consumption by oral ingestion that (1) is suitable for beverage purposes; (2) contains five milligrams (mg) or less of tetrahydrocannabinol (THC); (3) is contained as a single-serving product; (4) is lawfully produced by a cannabis licensee; and (5) complies with specified existing laboratory testing, packaging, and labeling standards. The bill also defines “single-serving product,” which includes a cannabinoid beverage.

Cannabis Events and Cannabis Event Registration

The bill establishes provisions related to the registration of cannabis events, which are not authorized under current law. A person must obtain a cannabis event registration from MCA before holding a cannabis event. A cannabis event authorized by MCA pursuant to these provisions must be limited to a period of 48 hours and to four consecutive days for the same or similar event at the same or approximate location. MCA must (1) adopt regulations to carry out the bill’s provisions related to cannabis events and cannabis event registration; (2) maintain a list of all cannabis events in the State; and (3) make the list available on MCA’s website.

Relevant Definitions: The bill establishes definitions for “cannabis event,” “cannabis event registration,” and “vendor permit.” “Cannabis event” means an event that (1) involves the consumption of cannabis products by individuals on the premises of the event and (2) was authorized by MCA through a cannabis event registration. “Cannabis event registration” means a temporary registration issued by MCA that authorizes a person to hold a cannabis event. “Vendor permit” means a permit issued by MCA to a cannabis licensee that authorizes the sale or distribution of cannabis products to individuals at a cannabis event.

Application for a Cannabis Event Registration and Related Fees: To obtain a cannabis event registration, a person must provide MCA with specified information about the event. MCA must charge a \$500 fee for each day that a cannabis event is held.

Authorizations and Limitations: A person who has obtained a cannabis event registration and legal control of real property where the event is held may (1) allow the consumption of edible cannabis products by individuals at the cannabis event; (2) acquire cannabinoid beverages for retail sale or distribution for consumption at the cannabis event; and (3) allow a permitted vendor to sell or distribute single-serving products at the cannabis event.

A cannabis event registration does not authorize the holder of the registration to conduct an activity that would require an additional license under provisions of State law governing medical and adult-use cannabis.

The holder of a cannabis event registration may not (1) allow the smoking or vaping of cannabis or cannabis products at the cannabis event; (2) allow an individual who displays visible signs of intoxication to use or consume cannabis; or (3) hold, own, or control a cannabis license. Additionally, unless there is a designated restricted area that meets specified requirements, the holder of a cannabis event registration may not admit anyone on the event premises who is younger than age 21 or allow the consumption of alcohol on the premises of a cannabis event.

Vendor Permits and Related Fees: The holder of a vendor permit may sell or distribute single-serving products to individuals at a cannabis event. A permitted vendor must comply with specified existing manufacturing, laboratory testing, packaging, and labeling standards and any applicable regulations. A cannabis licensee must submit a request for a vendor permit to MCA at least 30 calendar days before the cannabis event. For a vendor permit at a cannabis event, MCA may not charge a fee of more than \$5,000 for every 2,000 cannabis event attendees.

Notwithstanding any other provision of law, MCA may only issue vendor permits to social equity licensees through June 30, 2028. Beginning July 1, 2028, vendor permits may be issued to social equity, dispensary, on-site consumption, or processor licensees.

Local Authority to Regulate Cannabis Events: Subject to specified existing provisions that relate to zoning, a political subdivision may (1) prohibit or restrict the authorization of cannabis event registrations or (2) assess an additional fee on cannabis event registrations that authorize a cannabis event within the political subdivision.

Enforcement: MCA, a political subdivision, or a law enforcement agency may order the immediate cessation of a cannabis event if specified circumstances are met. A person who holds an unauthorized cannabis event in violation of the bill is guilty of a misdemeanor and subject to a fine of up to \$5,000.

Applicability of the Sales and Use Tax: The sale of cannabis and cannabis products at a cannabis event is subject to the existing 9% sales and use tax rate applicable to cannabis sales. The location of the cannabis event is used as the basis for calculating any amount of the sales and use tax distributed under an existing provision governing the distribution of revenues from the sales and use tax applicable to the sale of cannabis.

Relevant Food Service Facility Provisions under the Health – General Article

Under current law and the bill, generally speaking, a food service facility is a place where food or drink is prepared for sale or service on the premises or elsewhere or any operation where food is served or provided to the public, regardless of whether there is a charge. A food service facility is a type of food establishment regulated under the Health – General Article. A person may not operate a food establishment unless licensed (by the Maryland Department of Health (MDH) or a local health department (LHD)) or exempt from the licensure requirements. Each food establishment must be separately licensed.

Under current law and the bill, “food” means (1) any substance that is used as food or drink for human beings or as a component of food or drink for human beings or (2) chewing gum or any substance that is used as a component of chewing gum. The federal Food, Drug, and Cosmetics Act prohibits the manufacture or sale of any food that is adulterated or misbranded. The Food Additives Amendment to the act authorizes the U.S. Food and Drug Administration (FDA) to regulate food ingredients. MDH implements the Maryland Food, Drug, and Cosmetic Act, which conforms to the federal act.

FDA manages a Generally Recognized As Safe (GRAS) database and [Food Additive List](#) to approve intentionally added food ingredients that have been adequately tested and deemed safe. According to MDH, cannabis and cannabinoids are not GRAS.

Under current law and the bill, a food establishment licensee that violates any law or regulation relating to food establishments is guilty of a misdemeanor and on conviction is subject to a fine of up to \$1,000 and/or up to 90 days imprisonment for a first violation. For a second violation, the maximum penalty is a \$2,500 fine and/or

one year imprisonment. In addition, a violator is subject to a civil penalty of up to \$5,000, to be collected by the District Court for any county and may be enjoined from continuing the violation. Each day is a separate violation.

In practice, the licensing, inspection, and enforcement of statutory provisions related to food service facilities are delegated to LHDs. Each food establishment must be separately licensed. A representative of MDH (including an appropriate LHD) may enter any food establishment at a reasonable time to conduct inspections.

Edible Cannabis Products

Under current regulations, “edible cannabis product” means a cannabis product intended for human consumption by oral ingestion, in whole or in part, and includes a cannabis product that dissolves or disintegrates in the mouth. A “liquid edible product” is a type of edible cannabis product that is a liquid beverage or liquid food-based product for which the intended use is oral consumption. A “liquid edible product” excludes a tincture.

Under current law, statute establishes laboratory testing, packaging, and labeling standards for cannabis products as well as maximum potency limits for cannabis products sold in the State. *Current regulations* establish the regulatory framework for the oversight of the processing, distribution, and sale of edible cannabis products. Among other things, before processing an edible cannabis product, a processor must obtain a permit from MCA. Permittees must comply with all applicable food safety regulations. There is a \$1,000 application fee and a \$500 annual permit fee for an edible cannabis product permit. Additionally, unless expressly authorized by MCA, an edible cannabis product may not contain more than 10 mg of THC per serving and 100 mg of THC per package.

For additional information and current law and information 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 conduct a study on the on-site consumption of cannabis and cannabis products at retail premises. According to that required [report](#), a “cannabis café” model for on-site consumption sites is likely the only viable model of on-site cannabis consumption establishment that would maintain the General Assembly’s intent to prohibit indoor smoking. The “cannabis café” model was originally popularized by the Netherlands and is characterized by establishments where consumers may consume cannabis and purchase freshly made food and non-alcoholic drinks, such as coffee.

MCA notes that, while the “cannabis café” model is broadly consistent with current law standards for on-site consumption establishments, there are certain statutory provisions that hinder licensees from establishing a “cannabis café” type establishment. The primary

limitation is that businesses are prohibited from preparing and selling food products that contain cannabis and from conducting any activity on the licensed premises that requires an additional license (such as a processor license). According to MCA, the intent of the bill is to establish options to help on-site consumption establishments be more viable and to allow Maryland licensees to follow this café model.

Similarly, MCA advises that the new cannabis event registration process is intended to expand business opportunities for the sale of cannabis and cannabis products at authorized events.

State Fiscal Effect: The overall fiscal effect of the bill cannot be quantified. A discussion of the various impacts – both quantified and unquantified – is included below.

Application, Licensing, Registration, and Permit Fee Revenues

On-site Consumption Cannabis License Application and Licensing Fees: Special fund revenues to CREF increase by an estimated \$750,000 in fiscal 2026 from on-site consumption license application fees and by \$375,000 in fiscal 2028 from on-site consumption license fees. This estimate is based on the following assumptions and information:

- MCA initiates the license application process in fiscal 2026;
- MCA receives 150 applications, and each applicant pays the \$5,000 application fee, pursuant to current law;
- MCA issues 15 on-site consumption licenses from that round of applications, as authorized under current law, which are finalized in fiscal 2028;
- each licensee pays a \$25,000 licensing fee (the maximum fee authorized by statute); and
- on-site consumption licenses are valid for fiscal years, so MCA does not begin collecting license renewal fees until fiscal 2033.

DLS notes that, although MCA is already authorized to issue on-site consumption licenses (during its second round of licensing) pursuant to Chapters 254 and 255, the fiscal and policy notes for that legislation did not include a specific revenue estimate at that time due to substantial uncertainties regarding timing, among other things.

Cannabis Event Registration and Vendor Permit Fees: Special fund revenues to CREF increase potentially significantly, on an ongoing basis beginning in fiscal 2026, from cannabis event registration and vendor permit fees. Cannabis event registration fees are \$500 per day, and vendor permit fees are up to \$5,000 for every 2,000 cannabis event attendees. Actual revenues collected from the registration and permit fees cannot be

reliably estimated at this time because they depend on several unknown factors, including the extent to which political subdivisions will authorize cannabis events to occur in their jurisdictions, the actual number of events that occur each year, the duration of such events, the number of event attendees, the number of permitted vendors at an event, and the actual fee MCA will charge for vendor permits.

Sales and Use Tax – Increase in Tax Revenues and Effects on the Distribution of Revenues

The bill's effect on State and local revenues from the sales and use tax on the sale of cannabis are twofold: (1) the bill increases CREF fee revenues (as described above), which displaces sales and use tax revenues that would otherwise be distributed to CREF (accordingly, CREF is held harmless) and, therefore, redistributes those revenues to the general fund, various special funds, and local governments in accordance with existing distribution provisions; and (2) the bill potentially increases overall cannabis sales and use tax collections.

Effect on Distribution of Sales and Use Tax Revenues: 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, licensing, registration, and permitting 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 CPHF, which is administered by MDH; 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 taxes due to the *known* increased fee revenue collected by MCA and deposited into CREF under the bill (*i.e.*, revenue from on-site consumption application and license fees) results in at least the following fiscal impacts:

- general fund revenues increase by \$375,000 in fiscal 2026 and by \$187,500 in fiscal 2028;
- special fund revenues to CRRF increase by \$262,500 in fiscal 2026 and by \$131,250 in fiscal 2028, 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 \$37,500 in fiscal 2026 and by \$18,750 in fiscal 2028;

- special fund revenues to CBAF increase by \$37,500 in fiscal 2026 and by \$18,750 in fiscal 2028; and
- county revenues (in the aggregate from a separate direct allocation) increase by \$37,500 in fiscal 2026 and by \$18,750 in fiscal 2028.

Actual revenue increases are higher than the amounts quantified above, as fee revenues from cannabis event registrations and vendor permits have not been quantified, as noted above.

Potential Increase in Sales and Use Tax Revenues: Additionally, State sales and use tax revenues from the sale of cannabis may increase beginning as early as fiscal 2026 to the extent the bill’s provisions result in increased overall taxable sales of cannabis, although the precise effect cannot be reliably estimated at this time. As discussed above, after sales and use tax revenues are distributed to MCA to defray MCA’s operating and administrative costs, remaining tax revenues are then distributed to the general fund, CRRF, CPHF, and CBAF (with a separate direct allocation to counties, as noted above). CRRF expenditures increase correspondingly.

Enforcement/Penalties: The bill’s enforcement and penalty provisions are not anticipated to materially affect State finances.

Administrative Costs

Maryland Cannabis Administration and the Alcohol, Tobacco, and Cannabis Commission: MCA and the Alcohol, Tobacco, and Cannabis Commission can implement the bill’s changes with existing budgeted resources and staff.

Maryland Department of Health: Special fund expenditures for CPHF increase by \$106,738 in fiscal 2026, which accounts for the bill’s October 1, 2025 effective date. This estimate reflects the cost for MDH to hire one contractual environmental sanitarian to create educational materials for consumers on the safe consumption of cannabis for distribution at on-site cannabis establishments. It includes a salary, fringe benefits, one-time start-up costs (including contractual costs), and ongoing operating expenses.

Contractual Position	1.0
Salary and Fringe Benefits	\$69,374
Contractual Costs	25,000
Other Operating Expenses	<u>12,364</u>
MDH FY 2026 Admin. Expenditures	\$106,738

Fiscal 2027 expenditures, which total \$93,600, reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses;

however, future years reflect termination of the contractual employee at the end of fiscal 2027, once the educational materials have been developed.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

Comptroller's Office: The Comptroller's Office advises that its expenditures increase by \$958,251 in fiscal 2026 and by at least \$1.0 million annually thereafter to hire 12 staff to conduct additional audit and collection activities in order to ensure the proper collection and remittance of the sales and use tax imposed on the sale of cannabis by permitted vendors at registered cannabis events; this estimate includes development, programming, and testing costs related to its integrated tax system. DLS advises, however, that, while the bill may result in increased sales and use tax collections, the bill is unlikely to substantially affect the number of businesses collecting and remitting the tax or the Comptroller's compliance burden with respect to the tax and, thus, does not necessitate additional staff or other resources.

Local Fiscal Effect: Local revenues increase on an ongoing basis beginning in fiscal 2026 from the cascading impact on the distribution of State sales and use tax revenue, which, at a minimum, includes an increase in the direct allocation of \$37,500 in fiscal 2026 and \$18,750 in fiscal 2028 (due to the redistribution of sales and use tax revenues resulting from the additional fee revenue deposited into CREF from known application and license fees for on-site consumption licenses, as discussed above). 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 generated by a dispensary located in that municipality. County revenues increase further from the increased distributions from CRRF, as discussed above.

Local governments may also realize increased revenues from the local share of cannabis sales and use tax collections as well as increased distributions from CRRF beginning as early as fiscal 2026 to the extent the bill's provisions result in increased overall taxable sales of cannabis. The precise effect cannot be reliably estimated at this time.

To the extent that a political subdivision assesses an additional fee on cannabis event registrations that authorize a cannabis event within the political subdivision, as authorized by the bill, local revenues increase further.

Local government expenditures increase correspondingly as local jurisdictions spend the additional revenues they receive through the distributions discussed above. Otherwise, the bill's enforcement provisions are not anticipated to materially affect local finances.

Additional Information

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

Designated Cross File: HB 132 (Chair, Economic Matters Committee)(By Request - Maryland Cannabis Administration) - Economic Matters.

Information Source(s): Harford and Montgomery counties; Maryland Association of Counties; City of Frostburg; Maryland Municipal League; Alcohol, Tobacco, and Cannabis Commission; Maryland Cannabis Administration; Comptroller's Office; Maryland State Commission on Criminal Sentencing Policy; Judiciary (Administrative Office of the Courts); Office of the Public Defender; Maryland State's Attorneys' Association; Maryland Department of Health; Department of State Police; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2025
rh/lgc

Analysis by: Kathleen P. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix – Medical and Adult-use Cannabis

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. CPHF 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

CREF 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.

CRRF is administered by the Comptroller to provide funds to community-based organizations that serve communities determined by OSE (in consultation with OAG) 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.

CBAF 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 - On-Site Consumption Establishments and Cannabis Events

BILL NUMBER: SB 215

PREPARED BY: Andrew Garrison, Chief of the Office of Policy and Government Affairs – Maryland Cannabis Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Many, if not all, of the newly licensed on-site consumption establishments would meet the definition of a small business in the State. This proposal will provide an opportunity for these licensees to operate in a manner that would be more likely to succeed than the business model currently in State. Additionally, many of the event registrants authorized under this bill would also likely be considered small businesses, who may be able to expand and diversify their event offerings under this proposal. Lastly, many of the other cannabis businesses in the State are also considered to be small businesses, and through the authorization of on-site consumption and event registrations, have expanded market access to further increase their revenue options.