



February 19, 2020

The Honorable Shane Pendergrass
Chair, House Health and Government Operations Committee
Room 241 House Office Building
Annapolis, MD 21401-1991

RE: HB 1369 – Cannabis - Medical Cannabis Boutique Grower License and Pesticides – Letter of Information

Dear Chair Pendergrass:

The Maryland Medical Cannabis Commission (the Commission) is submitting this letter of information for House Bill 1369 entitled “**Cannabis - Medical Cannabis Boutique Grower License and Pesticides.**” HB 1369 would authorize the Commission to award up to 10 “boutique licenses” to cultivate and process medical cannabis, and prohibit a licensed boutique grower from using any pesticide in the production of medical cannabis unless authorized by the Maryland Department of Agriculture.

This bill creates a new category of license for growing and processing medical cannabis – the boutique license. The plain language meaning of boutique is “a small company that offers highly specialized services or products.” In contrast, HB 1369 defines a “boutique license” as a license to grow and process medical cannabis, which is broader than existing medical cannabis licenses. The bill does propose to cap the square footage of a boutique grower facility – the processing facility is not limited in size or capacity; however, the 30,000 square feet maximum (1) translates to more than 10,000 cannabis plants, (2) is three to six times larger than boutique or micro-grow licenses in other jurisdictions (e.g., New Jersey, Washington State, Oregon, and Rhode Island), and (3) exceeds the initial operational size of most existing Maryland medical cannabis growers.

HB 1369 would require the Commission to establish an application review process for a combined grower-processor license *prior to* awarding the additional grower and processor licenses authorized under House Bill 2 (2018). Under HB 2, the Commission may award up to four additional medical cannabis grower licenses and 10 additional medical cannabis processor licenses. Following its passage, the Commission adopted emergency regulations to address the needs of minority and women businesses and entrepreneurs seeking to participate in the medical cannabis industry, developed a new application process that allocated 15 out of 100 total points to diversity-related provisions, conducted extensive outreach and education on the license application process, and solicited, evaluated, and scored more than 200 grower and processor applications. On September 26, 2019, the Commission announced it would delay the award of pre-approvals for new grower and processor licenses in order to allow Commission staff sufficient time to complete a preliminary investigation to verify material aspects of the highest ranking applications. Additionally, the Commission was informed that multiple applicants had raised concerns about the impartiality of the application evaluation. While the Commission is confident that the application evaluation process and procedures were comprehensive and fair, in order to evaluate these concerns, the Commission issued a Request for Proposals (RFP) to engage an independent firm to evaluate the impartiality of

the medical cannabis evaluation process. Upon completion of the investigation, the Commission will report on the findings of to the Maryland General Assembly and the public. Further, the Commission hopes to be in a position to award one or more Stage One Pre-Approvals at that time.

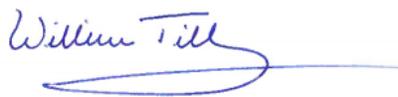
The Commission appreciates the General Assembly’s interest in the medical cannabis program and its desire to provide patients affordable and adequate access to medical cannabis. Given this interest, the Commission has committed to issue a Request for Proposals (RFP) to assess the current and future size of the medical cannabis market. The Commission intends to issue the RFP in Spring 2020 and make the award in Summer 2020, with a deadline for completion of the market assessment anticipated not later than December 1, 2020.

Critically, HB 1369 would establish a *lower* diversity standard than current law. The bill establishes a “goal” of licensing boutique growers with “not less than 30% ownership” consisting of entities certified as minority-owned business enterprises, or women-owned business enterprises, in fields associated with, 1) crop production and medicinal and botanical manufacturing or related industries, or 2) pharmaceutical manufacturing or related industries. Rather than establish an aspirational goal, current law allocates points based on applicants having 51% or more of their ownership held by certified minority-owned businesses or individuals who would qualify under the State Procurement Article as “socially and economically disadvantaged individuals.”

Finally, HB 1369 does not prohibit the holder of medical cannabis grower or processor license from holding a boutique license. This is significant because establishing a new, combined license type that circumvents statutory restrictions on owning or controlling more than one grower or processor license may benefit large corporations and multi-state operators that have substantial capital and staff resources, and lead to further market consolidation.

I hope this information is useful. If you would like to discuss this further, please contact me at (410) 487-8069 or at 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 flourish line.

William Tilburg
Executive Director

cc: Members of the House Health and Government Operations Committee