



TESTIMONY ON BEHALF OF THE MARYLAND MEDICAL DISPENSARY ASSOCIATION

House Bill 32—Cannabis-Legalization and Regulation (Inclusion, Restoration and Rehabilitation
Act of 2021)

SUPPORT with AMENDMENTS

House Judiciary Committee

February 16, 2021

The Maryland Medical Dispensary Association (MDMDA) was established in May, 2017 in order to promote the common interests and goals of the Medical Cannabis Dispensaries in Maryland. MDMDA advocates for laws, regulations and public policies that foster a healthy, professional and secure medical cannabis industry in the State. MDMDA works on the State and local level to advance the interests of licensed dispensaries as well as to provide a forum for the exchange of information in the Medical Cannabis Industry.

The MDMDA strongly supports the goal of House Bill 32. In addition to establishing a framework for adult-use cannabis legalization, this legislation includes some much-needed and long-overdue criminal justice reforms. We appreciate the proposal Delegate Lewis has put forward, and respectfully request consideration of the following issues:

- The tax-rate proposed in House Bill 32 is too high. This means fewer people will be incentivized to transition into the legal market, thereby growing the illicit market. More people participating in the legal market will result in higher tax revenue for the state, rather than a higher tax rate. Consumers are sensitive to the price of products. Tax levels should be set to keep the final price of product competitive to what is available in the illicit market and with the tax rates of nearby jurisdictions and jurisdictions likely to legalize soon in mind, such as VA, NJ, PA and DC.
- As proposed, the Alcohol and Tobacco Commission would regulate the adult use market while the Maryland Medical Cannabis Commission would remain the regulating body of the medical program. While we take no position on who the ultimate regulator is, we would request that there be ONE regulator for both the adult use and medical markets. There are duplicate costs associated with maintaining two separate regulatory bodies. In addition, it is important that regulations are the same for medical and adult use programs, except for a small number of areas, since the products are substantially similar. Over the years, regulations have been adopted that address a myriad of important issues, like advertising, packaging, edibles etc. It does not make sense to recreate the wheel with regard to these regulations. Further, duplicate regulations could cause serious compliance issues for dual licensees, as it could be impossible to follow both if the regulations have contradictory requirements.

- We strongly believe that the fee structure (on page 59, line 7 through page 60, line 1) should mirror the medical market fee structure, where fees are based on the amount of revenue generated by each type of license. This would mean that growers would have the highest fee, followed by processors and then dispensaries. The total amount of fees required by HB 32 is quite high overall but particularly for smaller dispensaries who would be unable to transition to the adult use market based on this fee formula. Many of Maryland's medical dispensary owners are women or minority owned businesses or are small businesses run by local Marylanders. Many of these businesses have less access to capital and fees that are as high as proposed in this bill would make it difficult or impossible for some to transition to the adult use market.
- We would request that ownership caps in an adult use market be similar to what exists in the medical market, which is one grower license per license holder, one processor license per license holder and four dispensaries per license holder. We believe that an ownership cap structure like this one prevents widespread consolidation and protects small businesses. In addition, we would respectfully request inclusion of ownership and control language similar to what appears in COMAR for the medical program, which prevents entities from skirting ownership caps.
- We would request a lower license cap. As we consider the different legalization proposals being contemplated this year, we believe the license cap proposed in Senate Bill 708, which is 47 additional dispensary licenses, is more realistic and enough, at least initially, to serve the population in both the medical and adult use markets. Current dispensaries have the capacity to service a large number of consumers and allocating one more dispensary per legislative district will protect the smaller dispensary licensees. In addition, we would urge the committee to consider ways to more evenly spread dispensary locations throughout the state so as to avoid the clustering of dispensaries in some geographic areas of the state. This would better ensure that small, unaffiliated dispensaries are more successful.
- We would request the creation of a low-tier cultivation license for unaffiliated medical dispensaries transitioning into the adult use market. Small cultivation licenses for dispensaries unaffiliated with a grower will create product and pricing stability. In addition, it will help to ensure more equitable distribution of flower across the market. Low tier cultivation licenses are an important step to ensure in an adult use market that dispensaries are able to withstand any short and long-term product shortages and any price instability.

We greatly appreciate the opportunity to provide comments on this important issue. We look forward to continuing to work with Delegate Lewis as well as the members of the House Judiciary Committee as you deliberate further on this this legislation.