



March 4, 2026

The Honorable Delegate Kriselda Valderrama
Chair, House Economic Matters Committee
231 House Office Building
Annapolis, Maryland 21401

**House Bill 1519 – Cannabis – Management Service Agreements, Advertising, and
Penalties – Alterations**
LETTER OF INFORMATION

Chair Valderrama, Vice Chair Charkoudian, and Members of the House Economic Matters Committee:

The Maryland Cannabis Administration (MCA) respectfully submits this Letter of Information regarding HB 1519 for the Committee’s consideration. As the State’s cannabis regulator, MCA is responsible for implementing the Cannabis Reform Act of 2023 (CRA) in a manner that protects public health and safety, ensures a transparent and accountable marketplace, and advances the General Assembly’s social equity objectives. HB 1519 proposes a series of changes affecting ownership structures, management relationships, transfer timelines, advertising standards, and enforcement provisions. MCA notes that several of these changes would represent a significant departure from the regulatory framework established under the CRA.

I. Reducing the 5-Year Moratorium

The CRA’s 5-year moratorium on the transfer of social equity licenses was established to ensure that independent, small, and minority-owned businesses could build sustainable operations before facing significant market consolidation. The duration of the moratorium was intended to support sustained ownership and control of individuals from disproportionately impacted communities, consistent with the MGA’s equity goals. Reducing this period to 3 years accelerates the timeline for potential acquisition by well-capitalized entities, including multi-state operators (MSOs).

Lifting the moratorium may increase the likelihood that well-capitalized entities, including multi-state operators, could pursue acquisition or control arrangements at an earlier point in a licensee’s lifecycle. This acceleration of consolidation in Maryland’s cannabis industry could shift long-term ownership and economic benefit away from the independent beneficiaries of the social equity program.

The existing five-year moratorium functions as a structural safeguard to reinforce the policy objectives embedded in the original licensing framework. Any modification to that timeline represents a significant



policy change and may warrant careful consideration of how it aligns with the General Assembly’s stated goals of fostering durable, independent participation by social equity licensees.

II. Management Services Agreements and Control

HB 1519 narrows the circumstances under which a management services agreement (MSA) would be considered “control,” including by establishing compensation thresholds tied to gross revenue or gross profit and by removing specific examples of conduct that may constitute control. Under existing law and regulation, ownership and control requirements are structured to ensure that licensed cannabis businesses – particularly social equity licensees – exercise independent decision-making authority over core operational functions. These guardrails are intended to promote transparency, accountability, and the meaningful participation of individuals from disproportionately impacted communities.

Management services agreements, as contemplated in HB 1519, may permit a separate entity to provide a broad range of operational services to a licensee. In operational terms, MSAs can range from limited administrative support to comprehensive oversight of staffing, purchasing, branding, marketing, pricing, and financial management. In these circumstances, a social equity licensee may remain the legal holder of the license but may have limited discretion over key business decisions or limited participation in long-term value creation.

From a regulatory perspective, changes to the definition of control may affect MCA’s review of financial disclosures, true parties of interest, and compliance responsibility. The original statutory framework emphasized direct ownership and operational independence, particularly for social equity licensees. Adjustments to how control is defined may influence how that independence is assessed in practice.

The Cannabis Reform Act was structured to create direct ownership and operational opportunities for social equity applicants. Broad authorization of management services arrangements represents a material shift from that structure and may alter how control and economic benefit are distributed within the marketplace. It may also contribute to market consolidation during an early and formative stage of industry development.

III. Franchising Authorization

HB 1519 would authorize cannabis licensees to enter into franchising and related commercial arrangements. As drafted, the bill permits a cannabis licensee to grant to another licensee the right to operate under its business model, brand, intellectual property, and operational systems in exchange for fees and ongoing contractual obligations. However, these arrangements can reduce operational independence for franchisees and shift substantial economic value to the franchising entity.

Introducing a franchising model would represent a material structural change from the current vertically and non-vertically integrated licensing approach adopted under the CRA. Maryland’s licensing structure – especially with respect to micro and social equity licenses – was designed to create opportunities for locally owned and independently operated businesses. To date, franchising has not been widely adopted in



other state cannabis markets, in part because of ownership transparency and control requirements unique to cannabis regulation. Should franchising be permitted, MCA would need to evaluate how royalty streams, system-wide standards, and brand licensing agreements interact with existing ownership caps, disclosure obligations, and equity safeguards.

Furthermore, Maryland's adult-use market is currently in a formative stage, with average item prices remaining among the highest in the country (\$28.00 as of January 2026). This price point reflects a market still scaling toward maturity. Franchises usually enter industries when they mature and growth has slowed. As a model of market consolidation, franchises allow one company's brand and product innovation to substitute that of many. Maryland's cannabis market is not yet mature and introducing franchise arrangements as conditional licensees actively seek to open will likely stifle product innovation, receptiveness to customers' needs, and the full growth potential of the market.

Additionally, franchising structures have not developed at scale in other states with established adult-use markets. To date, most state regulatory frameworks have emphasized direct ownership and operational control requirements, in part to ensure transparency, accountability, and compliance with public health and safety standards.

IV. Ownership Aggregation

HB 1519 removes MCA's authority to limit the number of nonmajority ownership interests that a person or entity may hold, while leaving majority ownership limitations intact. Although minority interests do not constitute majority control individually, cumulative minority positions across multiple licensees may have implications for influence, market leverage, and capital concentration. This provision, in combination with revised control standards, may affect how ownership structures are assembled over time, and ultimately the competitiveness of the market.

V. Advertising and Public Health Considerations

The Cannabis Reform Act included specific guardrails against excessive commercialization, aggressive marketing, and over-concentration of market power — each tied directly to public health objectives. HB 1519 would repeal statutory criteria that currently prohibit cannabis advertising that targets minors; modify certain advertising standards by removing some subjective criteria and establish objective distance requirements for outdoor signage; and create a formal advisory opinion process for advertising review. These changes have the potential to interact with Maryland's public health framework in ways that require regulatory analysis before statutory changes take effect, not after.

VI. Illicit Hemp Enforcement

The bill strengthens penalties for unlicensed THC product sales and treats each packaged product as a separate violation. Enhanced enforcement tools may assist the State in addressing illicit activity, protecting consumers, and supporting the integrity of the licensed market.



In summary, HB 1519 would make substantive adjustments to the ownership, control, and operational structures regulating Maryland's cannabis industry. Several provisions – particularly those affecting management relationships, franchising, ownership aggregation, and transfer timelines – would modify key features of the CRA framework passed by the General Assembly. MCA offers this information to assist the Committee in evaluating how these changes may interact collectively with the State's public health, market integrity, and social equity objectives. MCA remains available to provide technical assistance. Should the Committee have any questions or concerns, please contact me at Tabatha.Robinson@maryland.gov, or Selena Rawlley, Deputy Chief of Legislative Affairs, at Selena.Rawlley@maryland.gov.

Sincerely,

Tabatha Robinson, Director
Maryland Cannabis Administration