

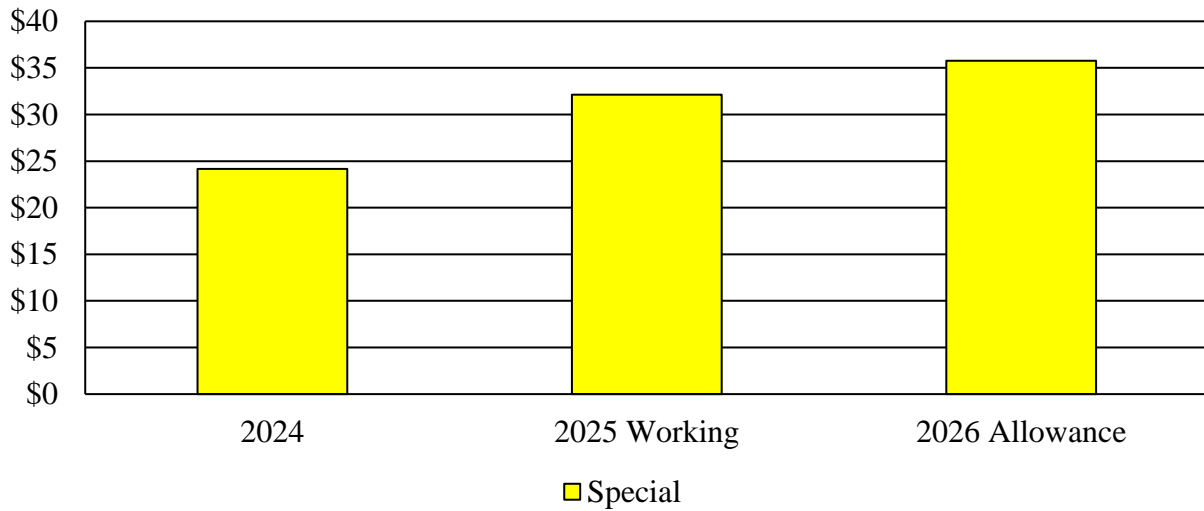
D23
Maryland Cannabis Administration

Program Description

The Maryland Cannabis Administration (MCA) works to create an equitable, safe, and accessible medical and adult-use cannabis program. MCA includes the former Maryland Medical Cannabis Commission, which was established in calendar 2014 to develop policies, procedures, and regulations to implement Maryland’s medical cannabis program. MCA was established as an independent agency in Chapters 254 and 255 of 2023 and oversees all licensing, registration, inspection, and testing measures relating to the State’s medical and adult-use cannabis industry and provides program information to relevant stakeholders.

Operating Budget Summary

**Fiscal 2026 Budget Increases \$3.6 Million, or 11.3%, to \$35.8 Million
(\$ in Millions)**



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

- MCA is primarily funded by special funds through the Cannabis Regulation and Enforcement Fund (CREF). The CREF is primarily funded through cannabis sales tax revenues but also includes revenues from licensing and fees. Cannabis sales tax revenues are deposited into the fund on a quarterly basis by the Comptroller as provided by statute.

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Fiscal 2025

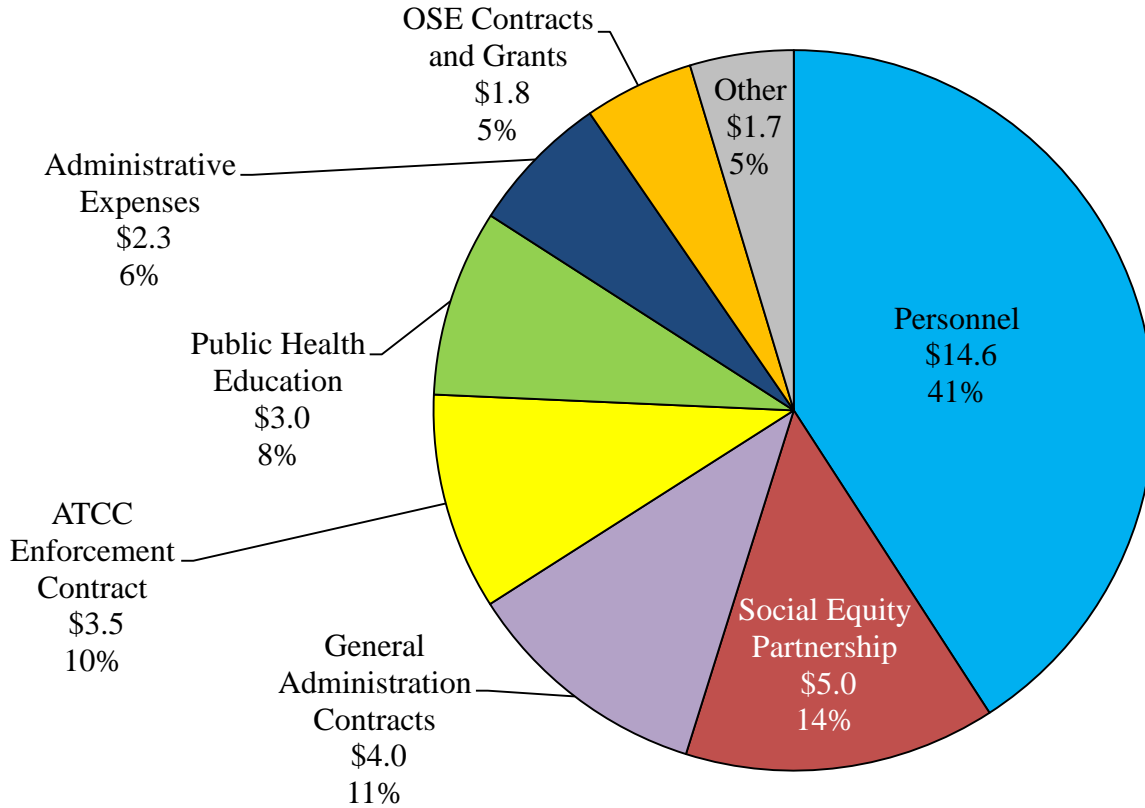
Proposed Deficiency

The fiscal 2026 allowance includes a deficiency appropriation that adds \$5.0 million in CREF special funds to backfill an equivalent withdrawal of general funds for the Social Equity Partnership Grant program in fiscal 2025.

Fiscal 2026 Overview of Agency Spending

Exhibit 1 shows MCA’s fiscal 2026 allowance by use of funding. The largest expenditure is \$14.6 million for regular and contractual personnel, constituting 41% of agency spending. Approximately 19% of the agency’s spending is for contractual services within the General Administration program, including \$3.0 million for public health education and \$4.0 million for other contracts such as \$1.5 million for maintenance of the patient application enterprise system, and \$2.5 million for several smaller contractual services such as a seed-to-sale tracking system, information technology services, and training for careers in the cannabis industry. The fiscal 2026 allowance includes \$5.0 million for the Social Equity Partnership grant program mandated by Chapters 254 and 255 and \$1.8 million for other contracts and grants within the Office of Social Equity (OSE). Agency spending also includes \$3.5 million for the cannabis enforcement contract with the Alcohol, Tobacco, and Cannabis Commission (ATCC) and \$2.3 million for administrative expenses.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Millions)



ATCC: Alcohol, Tobacco, and Cannabis Commission
OSE: Office of Social Equity

Note: The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Department of Budget and Management

Proposed Budget Change

As shown in **Exhibit 2**, the fiscal 2026 allowance increases by \$3.6 million compared to the fiscal 2025 working appropriation after accounting for proposed deficiency appropriations and contingent reductions. The change is primarily driven by a total increase of \$2.8 million for personnel. Aside from personnel, the largest changes in the budget are within the Regulation,

Enforcement, and Compliance program, which are driven by increases in a contract with ATCC for cannabis regulation and enforcement, and a financial audit of medical cannabis licenses. The fiscal 2026 allowance also includes several new initiatives within OSE, including communications services, technical assistance and resources for social equity licensees, and ongoing outreach efforts. The increases in these programs are partially offset by changes in contractual services in the General Administration program, including decreases due to the maintenance of the patient’s application enterprise system developed the year prior, public health education services that had higher initial costs at the onset of adult-use legalization, and various studies of adult-use cannabis impacts required by Chapters 254 and 255.

Exhibit 2
Proposed Budget
Maryland Cannabis Administration
(\$ in Thousands)

How Much It Grows:	<u>Special Fund</u>	<u>Total</u>
Fiscal 2024 Actual	\$24,166	\$24,166
Fiscal 2025 Working Appropriation	32,130	32,130
Fiscal 2026 Allowance	<u>35,763</u>	<u>35,763</u>
Fiscal 2025-2026 Amount Change	\$3,633	\$3,633
Fiscal 2025-2026 Percent Change	11.3%	11.3%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Salary increases and associated fringe benefits, including fiscal 2025 COLA and increments	\$1,603
Employee and retiree health insurance	1,101
Turnover rate decreases from 5.17% to 4.60%	74
General Administration	
Workforce development program providing training for careers in the cannabis industry	316
Data analysis	50
Staff support services during incubator construction	50
Internet/cloud services	41
Implementation of objectives for diversity and inclusion in the cannabis industry	15
Cannabis data dashboard	-30

D23 – Maryland Cannabis Administration

Where It Goes:	<u>Change</u>
Adding Automated Clearing House payment capabilities for electronically depositing funds.....	-50
Statutorily mandated biennial study on cannabis use.....	-50
Patient and caregiver identification card printing materials.....	-50
Statutorily mandated diversity and inclusion outreach	-88
Information technology application developer services.....	-187
Call center services.....	-350
Public health education, including outreach and communications on safe consumption, drugged driving, preventing youth use and access, and other public health-focused messaging and campaigns	-400
Development and maintenance of the patient’s applications enterprise system ..	-500
Regulation, Enforcement, and Compliance	
Contract with ATCC to assist with legal and illicit cannabis enforcement.....	570
Financial audit of medical cannabis licenses.....	100
Vendor expenditures to outfit statutorily mandated State Reference Lab.....	53
Office of Social Equity	
Communications services to enhance visibility, stakeholder engagement, and public outreach efforts	500
Technical assistance to social equity licensees	500
Social Equity Accelerator program that provides resources and networks to social equity licensees through partnerships with HBCUs or other Maryland business development organizations	250
Ongoing outreach efforts to educate and engage the community about the opportunities within the social equity cannabis market.....	200
Longitudinal study and reporting on the impact and outcomes of the CRRF.	100
Collaboration with local jurisdictions in the implementation of the CRRF....	75
Online community space for social equity licensees to collaborate, share resources, and receive support	50
Investment and market analysis to inform strategic decisions and support social equity licensees in navigating Maryland cannabis market	25
Social Equity Investor Initiative aimed at attracting investors to Maryland cannabis market, focused on supporting social equity licensees’ capital needs	25
Technical assistance to support services for additional investigation of selected license applications	-918
Other Changes	
Routine travel and travel for conferences.....	254

Where It Goes:	<u>Change</u>
Office supplies and equipment	135
Cost allocations	104
Other changes	64
Total	\$3,633

ATCC: Alcohol, Tobacco, and Cannabis Commission
 COLA: cost-of-living adjustment
 CRRF: Community Reinvestment and Repair Fund
 HBCU: historically Black colleges and universities

Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Social Equity Partnership Grant Program

Chapters 254 and 255 established the Social Equity Partnership Grant program to promote qualifying partnerships between operational cannabis licensees and social equity licenses. Section 19 of the fiscal 2024 Budget Bill added \$2 million in general funds in ATCC for the grant program, which was transferred by budget amendment to MCA. The entire \$2.0 million appropriation for the Social Equity Partnership Grant program administered by OSE was reverted at fiscal 2024 closeout. MCA reported that for the grant program to begin implementation, the next round of business licenses needed to be issued. MCA reported that there was not enough time to meaningfully roll out the funds appropriated in fiscal 2024, as the license lotteries for the first licensing round were held in March and June 2024 to issue business licenses.

Budget Reconciliation and Financing Act

A provision in the Budget Reconciliation and Financing Act (BRFA) expands the allowable uses of the CREF to include supporting the Social Equity Partnership Grant program, and specifies that the fund must be used to meet the mandated appropriation for the grant program. Chapters 254 and 255 require the Governor, beginning in fiscal 2025, to include an appropriation of \$5.0 million for the grant program in the annual budget. The fiscal 2026 budget as introduced includes a \$5.0 million general fund reduction and a \$5.0 million special fund appropriation, contingent on the enactment of legislation allowing the use of the CREF to fulfill the mandated appropriation for Social Equity Partnership Grant awards.

Personnel Data

	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25-26</u> <u>Change</u>
Regular Positions	110.00	110.00	110.00	0.00
Contractual FTEs	<u>3.15</u>	<u>6.00</u>	<u>6.00</u>	<u>0.00</u>
Total Personnel	113.15	116.00	116.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	5.06	4.60%
Positions and Percentage Vacant as of 12/31/24	n/a	n/a
Vacancies Below Turnover	5.06	

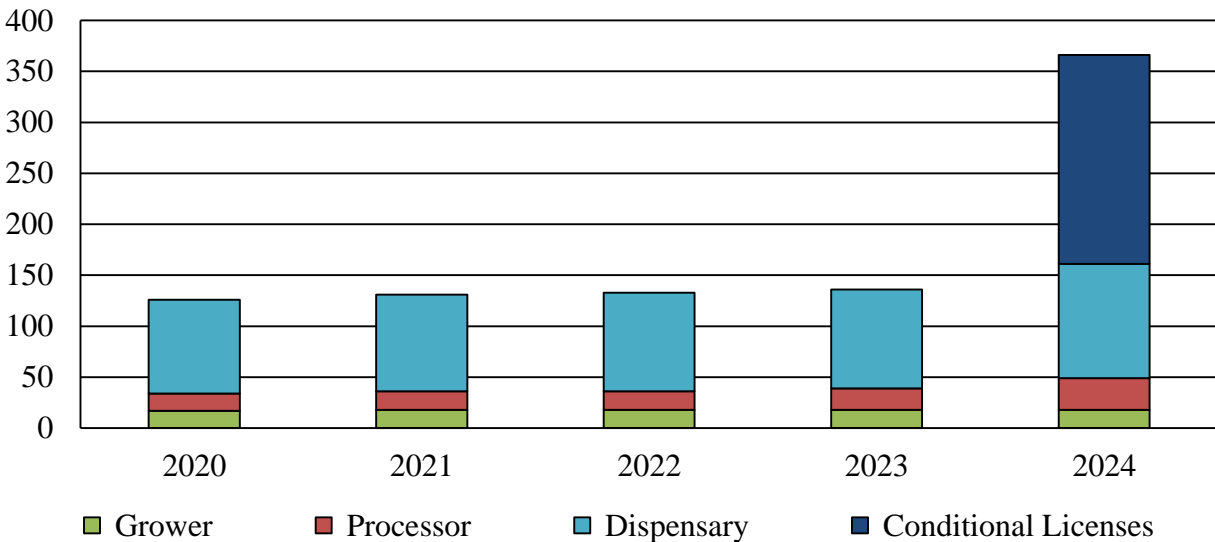
- As of December 31, 2024, MCA had no vacant positions. The fiscal 2026 allowance includes 110 regular and 6 contractual positions, with no change since fiscal 2025.

Key Observations

1. First Round of Licenses Issued

MCA held its first licensing round for all business categories for social equity applicants, with applications closing in December 2023 and lotteries for the licensing round conducted in March and June 2024. To apply, applicants were required to submit an application along with operational, business, and diversity plans. Applications were reviewed on a pass-fail basis, and any applicant that met minimum qualifications was placed in a lottery conducted by region and license category and type. MCA then reviewed the applicants selected in the lottery and issued conditional awards. **Exhibit 3** shows the number of licenses issued in each fiscal year. In fiscal 2024, there were 161 licenses issued, including 112 dispensary licenses, 31 processor licenses, and 18 grower licenses. In fiscal 2024, MCA also selected 205 applications to be moved to conditional licensure. Conditional licensees have 18 months to become operational.

Exhibit 3
Licenses Issued by the Maryland Cannabis Administration
Fiscal 2020-2024



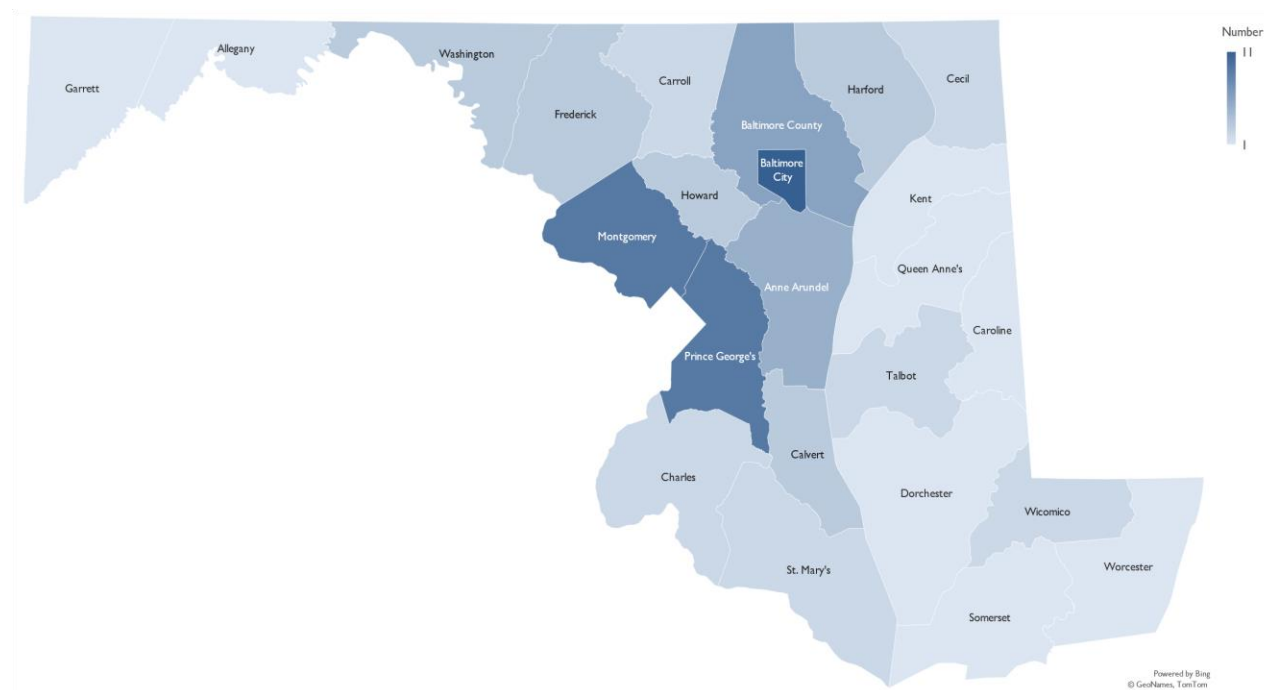
Source: Department of Budget and Management; Maryland Cannabis Administration

The conditional licenses awarded included licenses in micro and standard categories, including 50 grower, 70 processor, and 85 dispensary conditional licenses. The standard dispensary licenses were awarded by jurisdiction, while all other categories were awarded by region. **Exhibit 4** shows the breakdown of standard dispensary licenses awarded in the first licensing

round by jurisdiction. Of the 24 jurisdictions shown that received standard dispensary licenses, 17 jurisdictions received between 1 and 3 licenses. The jurisdiction with the highest number of standard dispensary licenses awarded was Baltimore City with 11, followed by Prince George's and Montgomery counties with 9 each.

Exhibit 4

Geographic Breakdown of Standard Dispensary Licenses Awarded Calendar 2024



Source: Maryland Cannabis Administration; Department of Legislative Services

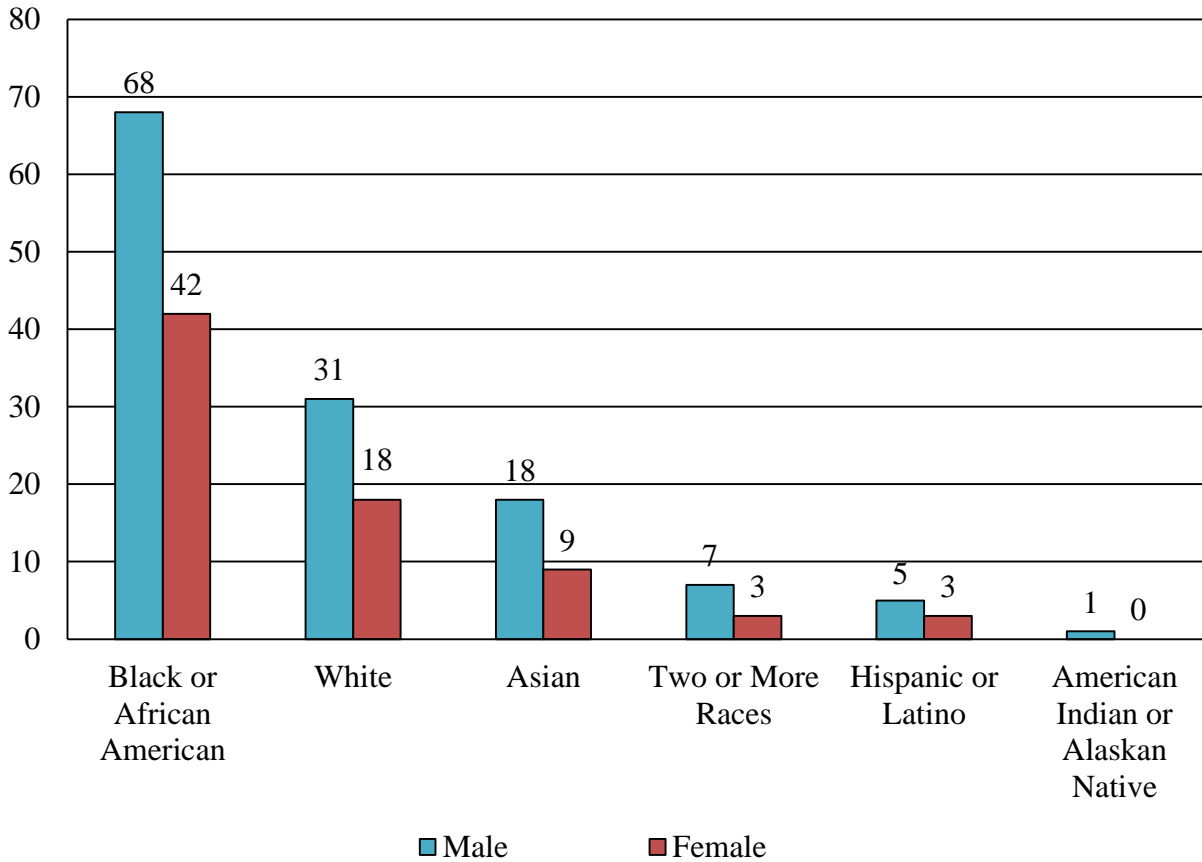
In addition to the standard dispensary licenses awarded by jurisdiction, MCA awarded the following category of licenses based on region:

- **Central:** 4 microdispensary, 5 standard grower, 7 microgrower, 10 standard processor, and 7 microprocessor licenses;
- **Eastern:** 2 microdispensary, 5 standard grower, 8 microgrower, 10 standard processor, and 8 microprocessor licenses;
- **Southern:** 2 microdispensary, 5 standard grower, 8 microgrower, 10 standard processor, and 8 microprocessor licenses; and

- **Western:** 2 microdispensary, 5 standard grower, 7 microgrower, 10 standard processor, and 7 microprocessor licenses.

Exhibit 5 shows the demographic breakdown of the licenses awarded in the first licensing round. As shown in the exhibit, most of the licenses were awarded to Black or African American applicants, followed by White applicants, and Asian applicants. In all demographic categories, there were more licenses awarded to males than females.

Exhibit 5
Demographic Breakdown of Licenses Awarded
Calendar 2024



Source: Maryland Cannabis Administration; Department of Legislative Services

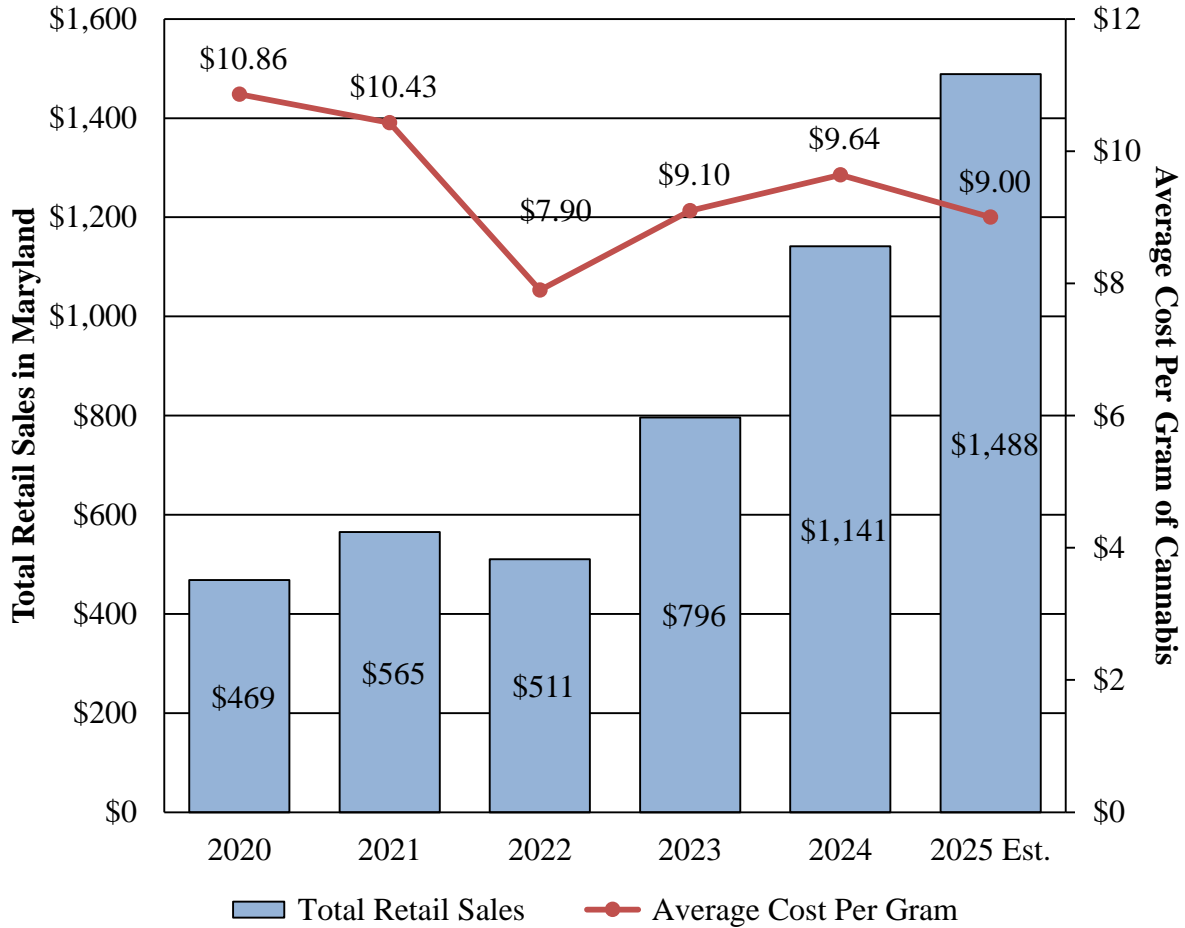
Second Licensing Round

The second licensing round can be held beginning after May 1, 2024. In determining whether this round will be limited to social equity applicants, as the first round was, MCA will consider the findings of a disparity study to be conducted by the Maryland Department of Transportation (MDOT). Once the disparity study is finalized, MDOT; the Office of the Attorney General; and the Governor’s Office of Small, Minority & Women Business Affairs will evaluate the study and the results of the first licensing round to determine whether remedial measures are necessary for the second round of licensure awards. If remedial measures are determined to be needed, MCA will need to include race- and gender-conscious licensing. As of December 2024, MCA reported that it does not have a timeline for the second round of licensing yet, and MDOT has not completed the disparity study.

2. Increase in Cannabis Sales

MCA also aims to provide affordable cannabis to individuals. Adult-use cannabis is subject to a sales and use tax rate of 9%. A provision in the BRFA would increase the sales and use tax rate on cannabis beginning in fiscal 2027 to 15%. **Exhibit 6** provides information on the total retail sales and average cost of cannabis trends. Total retail sales in Maryland have increased since adult-use legalization with \$1.1 billion in calendar 2024, an increase of \$345 million over calendar 2023. The average cost per gram of cannabis shows a fluctuating trend throughout the years and increased slightly from \$9.10 in calendar 2023 to \$9.64 in calendar 2024.

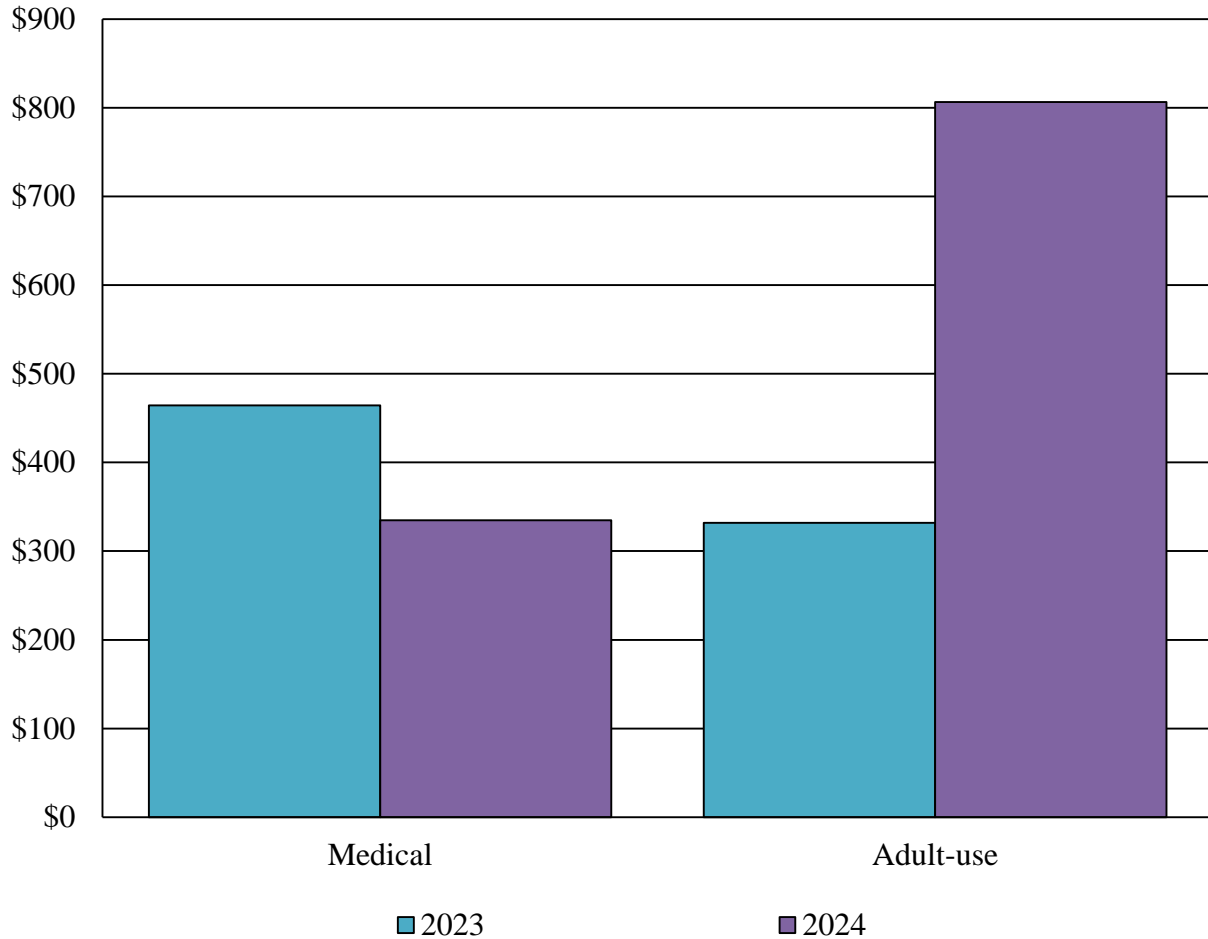
Exhibit 6
Total Retail Sales and Average Cost Per Gram of Cannabis
Calendar 2020-2025 Est.
(Sales \$ in Millions)



Source: Department of Budget and Management; Maryland Cannabis Administration

Exhibit 7 shows the total annual sales of medical and adult-use cannabis, showing that adult-use cannabis sales increased while medical cannabis use decreased from calendar 2023 to 2024. Adult-use cannabis sales more than doubled from \$332 million in calendar 2023 to \$807 million in calendar 2024. Calendar 2023 was the first year of adult-use cannabis sales since its legalization in July 2023 following the enactment of Chapters 254 and 255. Medical cannabis sales decreased by 28% from \$464 million in calendar 2023 to \$335 million in calendar 2024. MCA reported that the decrease in medical sales is expected considering trends in other markets that have transitioned from medical only to medical and adult-use.

Exhibit 7
Annual Market Sales in Medical and Adult-use Cannabis
Calendar 2023-2024
(\$ in Millions)



Source: Maryland Cannabis Administration, Department of Legislative Services

From January to December 2024, the number of registered patients decreased from 133,952 to 102,477. MCA reported that patients need to complete an annual recertification with their providers, and some individuals may have decided to no longer recertify, given that they can purchase many of the same products without a certification. The increase in adult-use sales could include medical patients participating in the adult-use market, in addition to the consumer base widening upon adult-use legalization.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

**Appendix 1
Object/Fund Difference Report
Maryland Cannabis Administration**

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	110.00	110.00	110.00	0.00	0%
02 Contractual	3.15	6.00	6.00	0.00	0%
Total Positions	113.15	116.00	116.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 11,000,852	\$ 11,238,503	\$ 14,017,384	\$ 2,778,881	24.7%
02 Technical and Special Fees	305,638	566,655	594,866	28,211	5.0%
03 Communication	86,212	160,120	162,985	2,865	1.8%
04 Travel	188,583	207,698	461,877	254,179	122.4%
07 Motor Vehicles	41,437	53,760	53,760	0	0%
08 Contractual Services	9,705,905	10,542,373	9,355,235	-1,187,138	-11.3%
09 Supplies and Materials	105,013	167,109	257,142	90,033	53.9%
10 Equipment – Replacement	11,611	11,752	11,752	0	0%
11 Equipment – Additional	91,505	316,217	361,254	45,037	14.2%
12 Grants, Subsidies, and Contributions	2,225,400	7,911,145	14,531,215	6,620,070	83.7%
13 Fixed Charges	404,210	955,027	955,617	590	0.1%
Total Objects	\$ 24,166,366	\$ 32,130,359	\$ 40,763,087	\$ 8,632,728	26.9%
Funds					
01 General Fund	\$ 0	\$ 5,000,000	\$ 5,000,000	\$ 0	0%
03 Special Fund	24,166,366	27,130,359	35,763,087	8,632,728	31.8%
Total Funds	\$ 24,166,366	\$ 32,130,359	\$ 40,763,087	\$ 8,632,728	26.9%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.