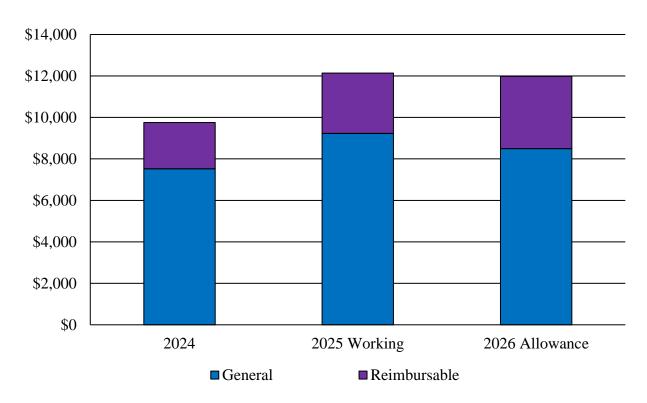
## E17 Alcohol, Tobacco, and Cannabis Commission

#### **Program Description**

The Alcohol, Tobacco, and Cannabis Commission (ATCC) was established by Chapter 12 of 2019 to provide oversight, regulation, and licensing for Maryland's alcohol and tobacco industries. Chapters 254 and 255 of 2023 modified the responsibilities of the commission to include enforcing laws against the unlicensed sale and distribution of cannabis and changed the name of the commission to ATCC. The agency is led by an executive director and a five-member commission appointed by the Governor.

#### **Operating Budget Summary**

Fiscal 2026 Budget Decreases \$160,075, or 1.3%, to \$12.0 Million (\$ in Thousands)



Note: 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.

For further information contact: David Propert

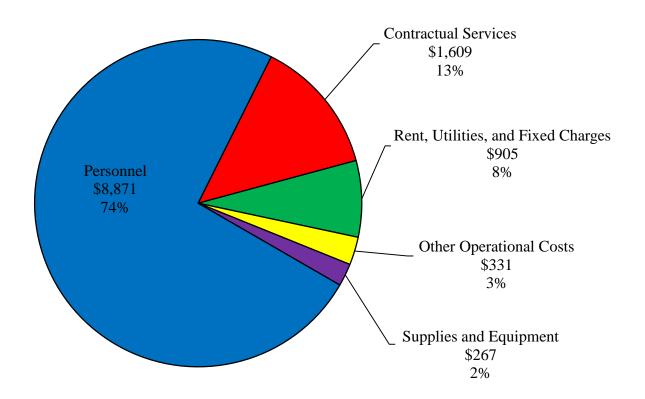
#### Fiscal 2024

In June 2023, the Maryland Cannabis Administration (MCA) entered a memorandum of understanding (MOU) with ATCC that outlined the following responsibilities: to enforce laws prohibiting the (1) unlawful importation of cannabis into the State; (2) unlawful manufacture of cannabis in the State; (3) transportation and distribution of illegally manufactured cannabis or cannabis products for which State taxes are due and unpaid; and (4) manufacture, sale, barter, transportation or distribution of cannabis by any person not licensed or authorized. In fiscal 2024, a budget amendment provided ATCC with \$2.8 million in reimbursable funds from MCA supported by special funds from the Cannabis Regulation and Enforcement Fund for administration and enforcement purposes. The MOU will automatically renew for successive one-year terms.

#### Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance for ATCC totals \$12.0 million. **Exhibit 1** outlines the allowance by use. Most of the funding, \$8.9 million (74%), is allocated for salaries and fringe benefits for 60 regular positions and 1 contractual full-time equivalent. The next largest share of expenditures supports \$1.6 million (13%) for contractual services, which includes computer and software maintenance. The remaining \$1.5 million (13%) is for rent, utilities, fixed charges, supplies and equipment, and other operational costs.

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



Note: 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 decreases by approximately \$160,000 (1.3%) compared to the fiscal 2025 working appropriation. The largest decrease in the allowance is \$812,000 for one-time costs in fiscal 2025 to acquire an online licensing and payment system. This reduction is partially offset by an increase of \$756,000 for salaries, including the impact of the fiscal 2025 cost-of-living adjustment in fiscal 2026, and fringe benefits.

# Exhibit 2 Proposed Budget Alcohol, Tobacco, and Cannabis Commission (\$ in Thousands)

	General	Reimb.	
<b>How Much It Grows:</b>	<b>Fund</b>	<b>Fund</b>	<b>Total</b>
Fiscal 2024 Actual	\$7,527	\$2,225	\$9,753
Fiscal 2025 Working Appropriation	9,231	2,911	12,142
Fiscal 2026 Allowance	<u>8,501</u>	<u>3,481</u>	<u>11,982</u>
Fiscal 2025-2026 Amount Change	-\$730	\$570	-\$160
Fiscal 2025-2026 Percent Change	-7.9%	19.6%	-1.3%

Where It Goes:	<b>Change</b>
Personnel Expenses	
Salary increases and associated fringe benefits, including fiscal 2025	
cost-of-living adjustment and increments	\$756
Employee and retiree health insurance	414
Turnover decreases from 5.00% to 4.73%	22
Other Changes	
Law enforcement tracking system	244
Motor vehicle costs, largely due to one replacement vehicle and an increase	
in fuel costs	107
Communications expenses	-15
Gas utility expenses	-16
State cost allocations	-29
New and replacement equipment and supplies	-112
Cannabis enforcement contracts	-725
One time software acquisition for online licensing system	-812
Other	6
Total	-\$160

Note: Numbers may not sum to total due to rounding. 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.

#### Personnel Data

	FY 24 <u>Actual</u>	FY 25 Working	FY 26 <u>Allowance</u>	FY 25-26 Change
Regular Positions	60.00	60.00	60.00	0.00
Contractual FTEs	1.00	1.00	1.00	0.00
<b>Total Personnel</b>	$\overline{61.00}$	$\overline{61.00}$	$\overline{61.00}$	$\overline{0.00}$
Vacancy Data: Regular Positions Turnover and Necessary Vacancie				
New Positions	s, Excluding	2.84	4.73%	
Positions and Percentage Vacant a	s of 12/31/24	5.00	8.33%	
Vacancies Above Turnover		2.16		

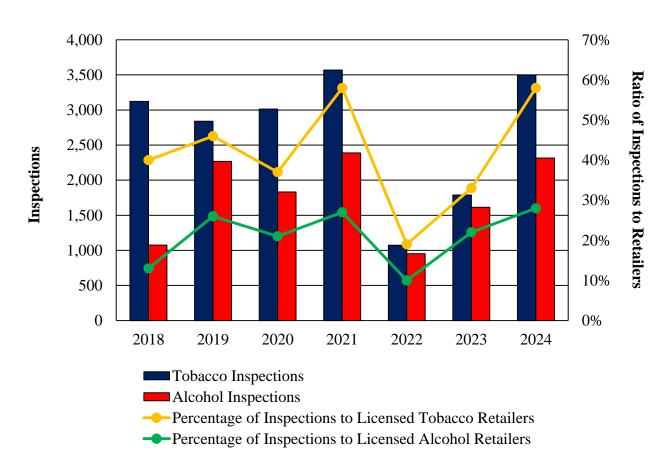
• As of December 31, 2024, ATCC reported 5 vacant positions that have all been vacant for less than six months. The vacancies include 2 enforcement agents and 3 administrative positions.

#### **Key Observations**

#### 1. Alcohol and Tobacco Retailer Inspections Increase

ATCC has enforced alcohol and tobacco laws as an independent agency since calendar 2021, after the transfer of the Field Enforcement Division from the Comptroller to ATCC. It is the goal of ATCC to deter the possession, sale, and transportation of illegal tobacco and alcohol products through inspections. The commission also aims to conduct inspections equivalent to 15% and 9% of the total number of licensed tobacco and alcohol product retailers, respectively. As shown in **Exhibit 3**, in fiscal 2024, ATCC inspected 3,499, or 58%, of all tobacco retail establishments and 2,316, or 28%, of all alcohol retail establishments, exceeding both goals.

Exhibit 3
Alcohol and Tobacco Retailer Inspections
Fiscal 2018-2024

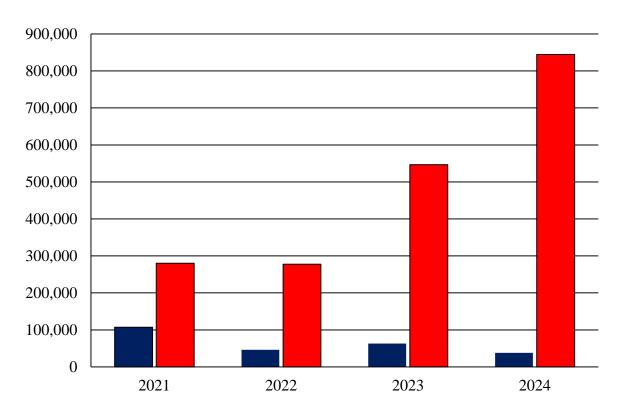


Source: Department of Budget and Management; Alcohol, Tobacco, and Cannabis Commission

### 2. Decrease in Confiscated Cigarette Packs, Large Increase in Confiscation of Other Tobacco Products and Some Violations

As shown in **Exhibit 4**, ATCC reported recent significant increases in the number of confiscated other tobacco products (packages, sticks, etc.). In fiscal 2024, 297,915 (54%) more other tobacco products were confiscated compared to fiscal 2023, while the number of confiscated cigarette packs fell by 25,461 (40%) from 63,245 in fiscal 2023 to 37,784 in fiscal 2024. **ATCC should comment on the reasons for the substantial increase in other tobacco products being confiscated and the decrease in confiscated cigarette packs.** 

Exhibit 4
Untaxed or Contraband Cigarettes and Other Tobacco Products
Fiscal 2021-2024

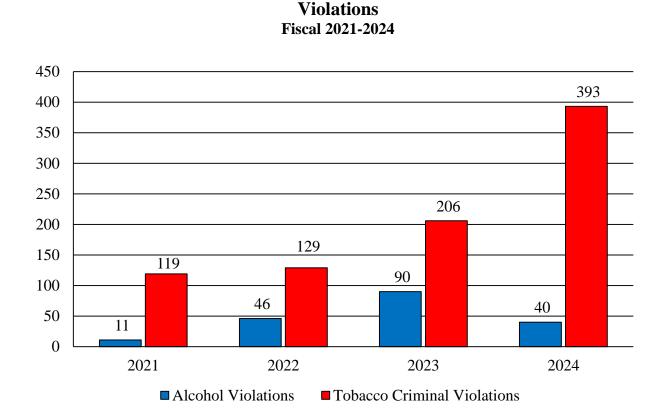


- Untaxed or Contraband Cigarette Packs Confiscated
- Untaxed or Contraband All Other Tobacco Products Confiscated (Packages, Sticks, etc.)

Source: Department of Budget and Management

As shown in **Exhibit 5**, the number of tobacco criminal violations increased by 187 (91%) in fiscal 2024 compared to fiscal 2023, while the number of alcohol violations decreased by 50 (56%). **ATCC** should comment on why the number of tobacco criminal violations increased substantially and discuss efforts it is taking to deter violations.

Exhibit 5



Source: Department of Budget and Management; Alcohol, Tobacco, and Cannabis Commission

#### 3. Cannabis-related Enforcement Measures

Chapters 254 and 255 and the MOU with MCA require ATCC to carry out inspections of retail businesses selling cannabis products to identify violations of cannabis licensing and registration laws in Maryland. ATCC has added two new performance measures in the annual managing for results (MFR) submission related to cannabis enforcement:

• the number of unlicensed cannabis inspections, reporting that 156 unlicensed cannabis inspections were performed in fiscal 2024; and

• the number of compliance inspections conducted targeting underage sales, which is estimated to be 25 in fiscal 2025. Actual data will be available with ATCC's next MFR submission with the fiscal 2027 allowance.

The objective of the new cannabis related measures is to identify unlawful sales of intoxicating cannabis products occurring in the retail market, to seize all contraband products, and to charge offenders with violations of the law. Given this necessitates the recordkeeping of cannabis violations, narrative in the 2024 *Joint Chairmen's Report* (JCR) requested the inclusion of cannabis violations in the MFR, similar to how tobacco and alcohol violations are tracked. MFR data for both tobacco and alcohol includes the number of violations and amount or volume of contraband confiscated, but these measures were not added for cannabis. **The Department of Legislative Services recommends adopting committee narrative requesting that ATCC include, beginning with the fiscal 2027 MFR submission, new measures that track the number of cannabis violations found and the amount of confiscated contraband.** 

#### Operating Budget Recommended Actions

#### 1. Adopt the following narrative:

Managing for Results (MFR) Measures for Cannabis Violations and Confiscated Contraband: Chapters 254 and 255 of 2023 required the Alcohol, Tobacco, and Cannabis Commission (ATCC) to carry out inspections of retail businesses selling cannabis products to identify violations of licensing and registration laws for cannabis business in Maryland. ATCC's annual MFR submission includes indicators for the number of tobacco and alcohol retailer inspections, violations of law found, and amount of contraband confiscated by ATCC agents. While ATCC has added performance measures for the number of unlicensed cannabis inspections and the number of compliance inspections conducted targeting underage sales, no measures were added as indicators for violations found or amount of contraband confiscated. The committees request that ATCC include additional measures for the number of cannabis violations found and the amount of confiscated contraband, consistent with measures reported for tobacco and alcohol, in the MFR submission with the fiscal 2027 budget.

<b>Information Request</b>	Author	<b>Due Date</b>
MFR measures for cannabis violations and confiscated contraband	ATCC	With submission of the fiscal 2027 budget

### Appendix 1 2024 Joint Chairmen's Report Responses from Agency

The 2024 JCR requested that ATCC create new performance measures to be included in its next MFR submission. Electronic copies of the fiscal 2026 MFR submission can be found on the Department of Budget and Management website.

• MFR Measures for Cannabis Violations: Narrative in the 2024 JCR requested that ATCC include additional measures related to cannabis enforcement, consistent with those reported for tobacco and alcohol, in the fiscal 2026 MFR submission. ATCC created a new performance measure for the number of compliance inspections conducted targeting underage sales, but only reported estimated fiscal 2025 results and will report actual fiscal 2025 results as part of the fiscal 2027 MFR submission. No additional measures for the number of cannabis violations found and data related to enforcement, consistent with those already reported for tobacco and alcohol, were created. Further discussion of ATCC's MFR measures related to cannabis enforcement is found in Key Observation 3 of this analysis.

# Appendix 2 Object/Fund Difference Report Alcohol, Tobacco, and Cannabis Commission

FY 25 FY 24 Working FY 26 FY 25 - FY 26 **Percent** Object/Fund Change Actual **Appropriation** Allowance **Amount Change Positions** 01 Regular 60.00 60.00 60.00 0.00 0% 02 Contractual 1.00 1.00 1.00 0.00 0% **Total Positions** 61.00 61.00 61.00 0.00 0% **Objects** 01 Salaries and Wages \$ 6,399,086 \$ 8,816,013 \$ 1,191,959 \$ 7,624,054 15.6% Technical and Spec. Fees 29,471 55,259 55,259 0 0% 117,969 -13.0% 03 Communication 41.905 102,679 -15,290 Travel 04 9.252 15,700 15,700 0% Fuel and Utilities 31,601 92,000 75,875 -16,125-17.5% 06 Motor Vehicles 1,049,207 105,406 212,545 107,139 101.6% Contractual Services 936,209 2,953,710 1,608,727 -1,344,983 -45.5% Supplies and Materials 337,345 255,975 170,978 -84,997 -33.2% Equipment – Replacement 94,970 28,000 45,000 17,000 60.7% Equipment – Additional 94,246 51,705 50,541 -43,705 -46.4% 13 Fixed Charges 771,877 800,010 828,937 28,927 3.6% **Total Objects** \$ 9,752,628 \$ 12,142,329 \$ 11,982,254 -\$ 160,075 -1.3% **Funds** \$ 8,501,039 -7.9% General Fund \$ 7,527,228 \$ 9,231,184 -\$ 730,145 0.0% Special Fund 0 0 0 2,225,400 Reimbursable Fund 2,911,145 3,481,215 570,070 19.6% **Total Funds** \$ 9,752,628 \$11,982,254 -1.3% \$ 12,142,329 -\$ 160,075

Note: The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.