

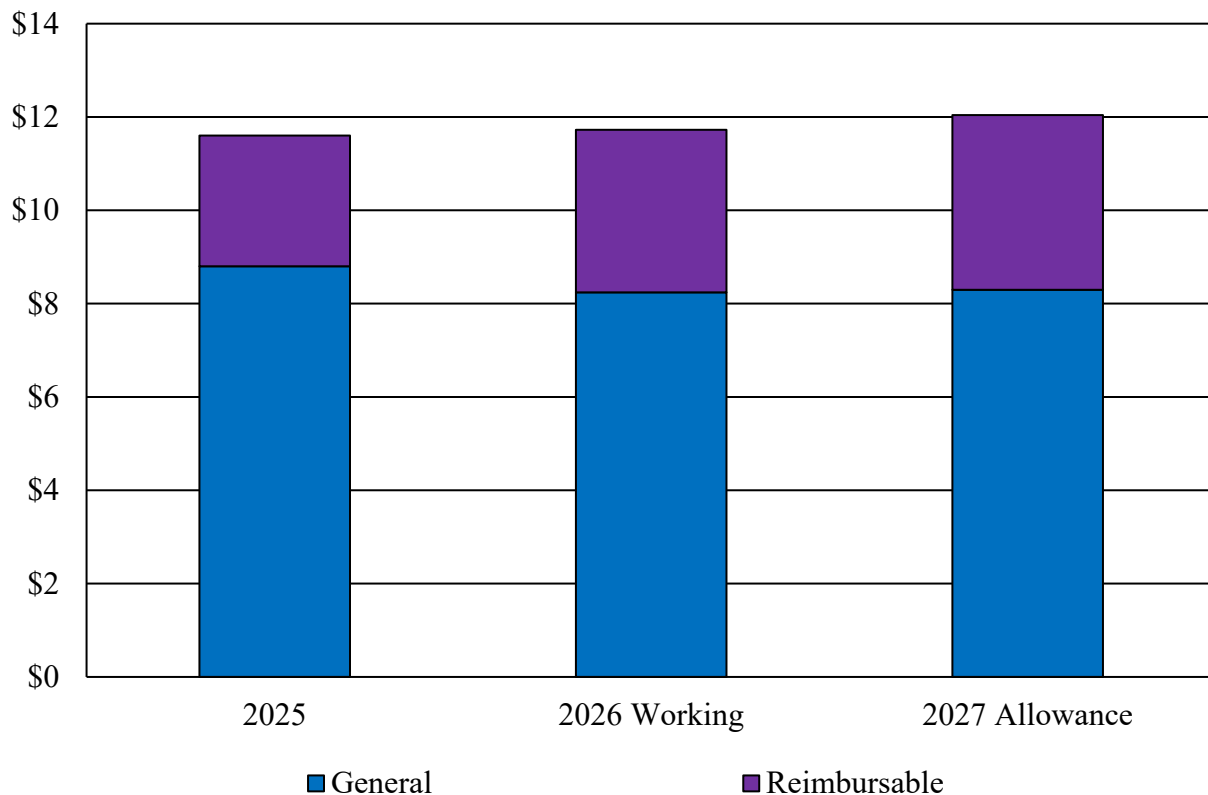
E17 Alcohol, Tobacco, and Cannabis Commission

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 2027 Budget Increases \$315,166, or 2.7%, to \$12.0 Million
(\$ in Millions)



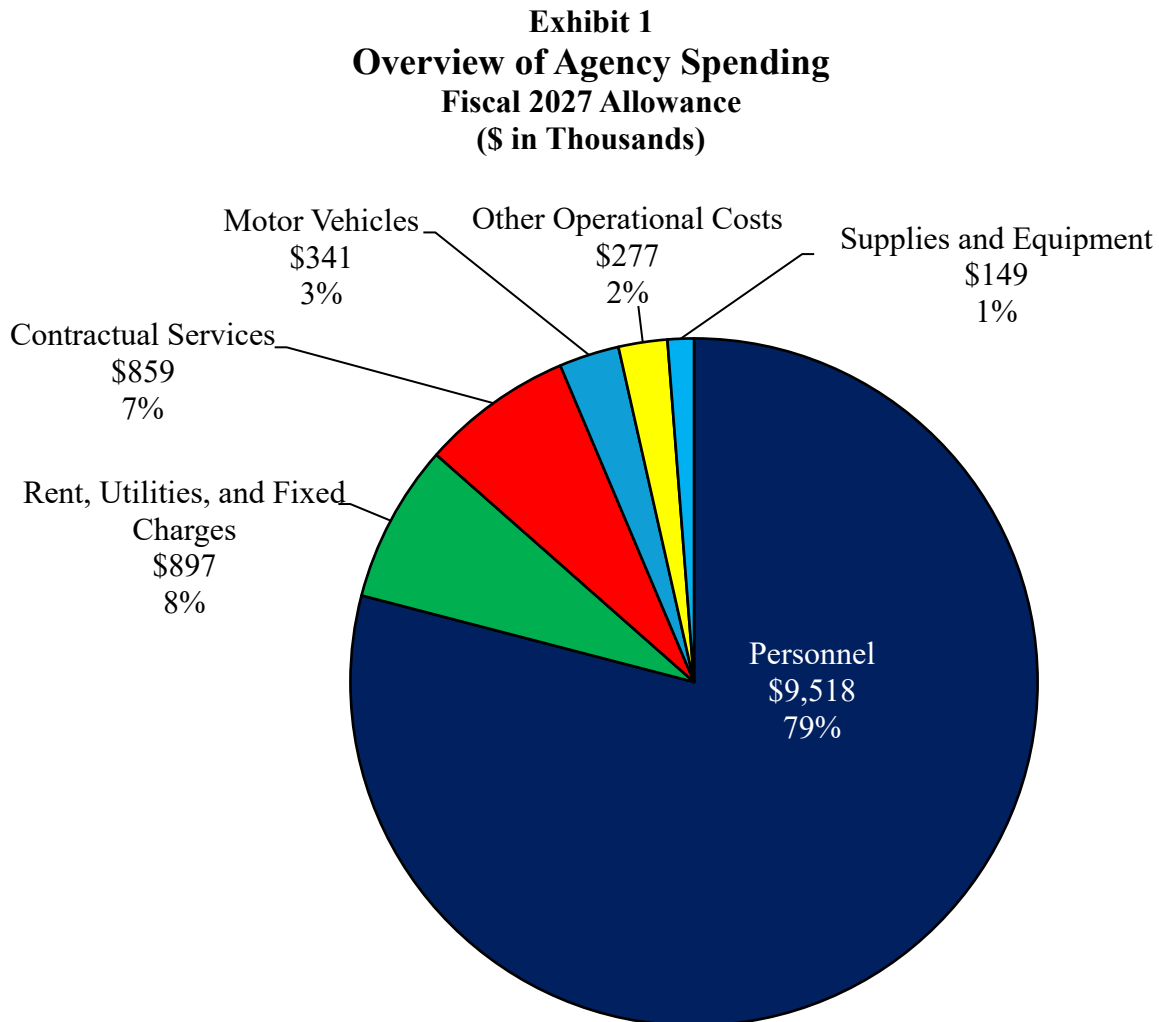
Note: The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

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Fiscal 2027 Overview of Agency Spending

The fiscal 2027 allowance includes a total of \$12 million for ATCC. As shown in **Exhibit 1**, 79% of the allowance, or \$9.5 million, is budgeted for regular personnel expenses for 60 positions. The second largest component of the fiscal 2027 allowance is fixed charges, which account for 8%, or \$896,920, and include rent and utilities. Contractual services, including computer and software maintenance, make up \$858,820, or 7%.



Note: The fiscal 2027 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 2027 allowance for ATCC increases by \$315,166, or 2.7%, over the fiscal 2026 working appropriation. The largest increase in the allowance is \$510,118 for personnel expenses, which include employee and retiree health insurance and salary adjustments and associated fringe benefits. This spending growth is partially offset by a decrease of \$233,979 for contracts that support cannabis enforcement efforts.

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

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
Fiscal 2025 Actual	\$8,802	\$0	\$2,801	\$11,603
Fiscal 2026 Working	8,243	0	3,481	11,724
Fiscal 2027 Allowance	8,297	0	3,742	12,039
Fiscal 2026-2027 \$ Change	\$54	\$0	\$261	\$315
Fiscal 2026-2027 % Change	0.7%	N/A	7.5%	2.7%
Where It Goes:				<u>Change</u>
Personnel Expenses				
Employee and retiree health insurance				\$304
Turnover rate decreases from 4.6% to 3.0%.....				139
Salary adjustments and associated fringe benefits.....				32
Overtime expenses				27
Deferred compensation match due to change in statewide budgeting.....				8
Other Changes				
Motor vehicle expenses, including maintenance and repair				171
Cost allocation, mainly due to Department of Information Technology service allocations				38
Fixed charges				7
Communication expenses				-20
Maintenance contract for online alcohol and tobacco licensing system.....				-150
Contracts to support cannabis enforcement efforts				-234
Other expenses				-7
Total				\$315

Note: Numbers may not sum to total due to rounding. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	60.00	60.00	60.00	0.00
Contractual FTEs	<u>0.66</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	60.66	61.00	61.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	1.80	3.00%
Positions and Percentage Vacant as of 12/31/2025	1.00	1.67%

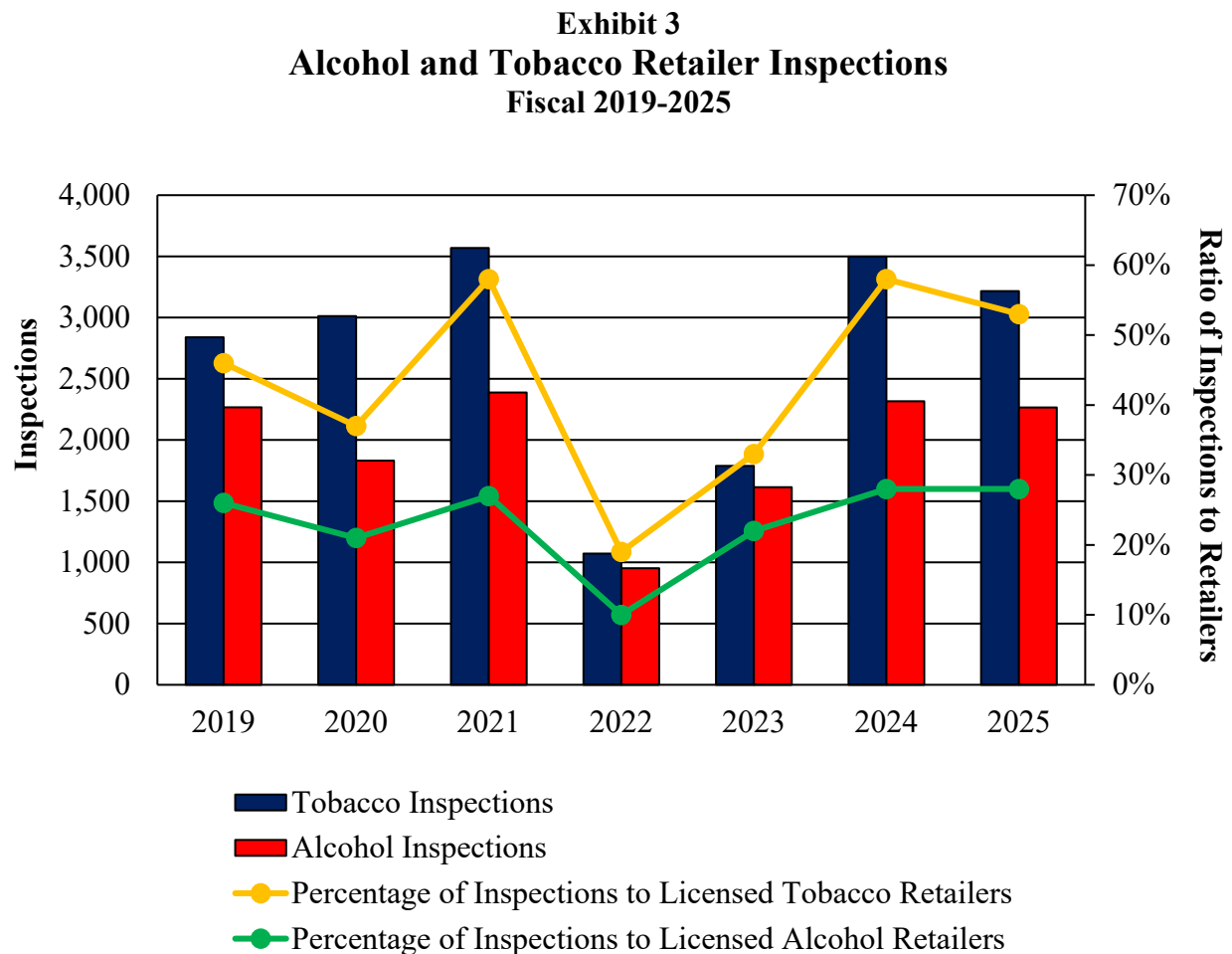
Vacancies Below Turnover	0.80
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- As of December 31, 2025, ATCC reported 1 vacant assistant Attorney General position that has been vacant for less than three months.

Key Observations

1. Alcohol and Tobacco Retailer Inspections Decrease Slightly

ATCC has a goal to deter the possession, sale, and transportation of illegal tobacco and alcohol products through inspections. The commission also aims to conduct inspections equivalent to at least 15% and 9% of the total number of licensed tobacco and alcohol product retailers, respectively. As shown in **Exhibit 3**, ATCC exceeded both goals in fiscal 2025 by inspecting 3,216, or 53%, of all tobacco retail establishments and 2,266, or 28%, of all alcohol retail establishments. From fiscal 2024 to 2025, the rate of inspection of tobacco retail establishments decreased by 5 percentage points, and the rate of alcohol retail establishment inspections remained constant.

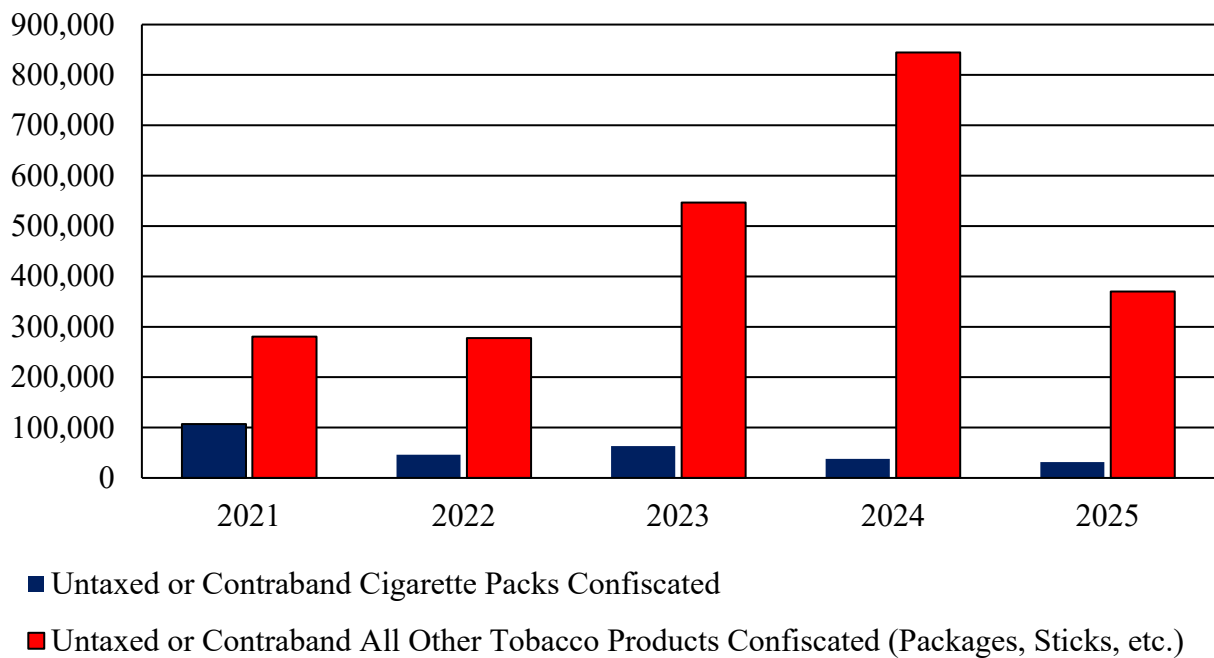


Source: Department of Budget and Management

2. Substantial Decrease in Confiscation of Other Tobacco Products and Alcohol and Tobacco Criminal Violations

As shown in **Exhibit 4**, ATCC reported a significant decrease in the number of confiscated other tobacco products (packages, sticks, etc.). In fiscal 2025, ATCC confiscated a total of 369,950 other tobacco products, which is 474,766, or 56.2%, less as compared to fiscal 2024 and 176,854, or 32.3%, less as compared to fiscal 2023. The number of confiscated cigarette packs dropped by 6,200, or 16.4%, from 37,784 in fiscal 2024 to 31,584 in fiscal 2025.

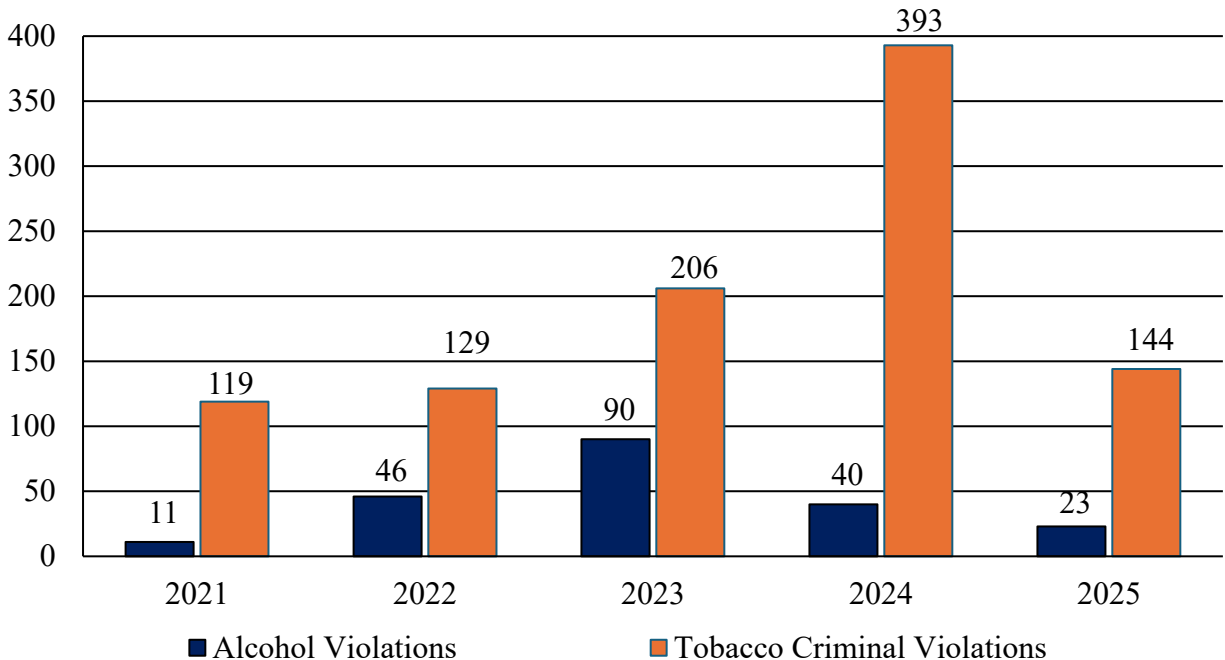
Exhibit 4
Untaxed or Contraband Cigarettes and Other Tobacco Products
Fiscal 2021-2025



Source: Department of Budget and Management

As shown in **Exhibit 5**, both alcohol and tobacco criminal violations dropped substantially in fiscal 2025. The number of alcohol violations decreased by 17, or 42.5%, and the number of tobacco criminal violations fell by 249, or 63.4%, in fiscal 2025 as compared to fiscal 2024. **ATCC should comment on the reasons for the decreases in alcohol and tobacco criminal violations.**

Exhibit 5
Violations
Fiscal 2021-2025



Source: Department of Budget and Management

3. Cannabis-related Enforcement Measures

Chapters 254 and 255 and the memorandum of understanding with the Maryland Cannabis Administration require ATCC to carry out inspections of retail businesses selling cannabis products to identify violations of cannabis licensing and registration laws in Maryland. Beginning in calendar 2024, ATCC added two new performance measures in the annual Managing for Results (MFR) submission related to cannabis enforcement: (1) the number of unlicensed cannabis inspections by ATCC agents and (2) the number of compliance inspections conducted targeting underage sales. In fiscal 2025, ATCC agents conducted 2,312 unlicensed cannabis inspections as compared to 156 unlicensed cannabis inspections in fiscal 2024. ATCC conducted 8 compliance inspections targeting underage sales in fiscal 2025.

Committee narrative in the 2025 *Joint Chairmen's Report* (JCR) requested the inclusion of new MFR measures related to cannabis violations, similar to how tobacco and alcohol violations are tracked in the MFR, to ensure that ATCC's objectives of identifying unlawful sales of intoxicating cannabis products in the retail market, seizing all contraband products, and charging

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offenders with violations of the law are tracked. In the fiscal 2026 budget hearing testimony, ATCC noted that the preliminary injunction issued by the Circuit Court of Washington County in *Maryland Hemp Coalition, Inc. et al. v. Wes Moore, et al.* prohibited ATCC’s enforcement efforts against the unlawful sales of intoxicating cannabis products. In September 2025, the Appellate Court of Maryland decided to overturn the preliminary injunction and issued an order to overturn the injunction in October 2025 which expanded ATCC’s enforcement authority. With the lifting of the preliminary injunction, the Appellate Court of Maryland restored ATCC’s ability to enforce provisions of Chapters 254 and 255 against all unlicensed and illicit retailers. Additionally, Chapters 57 and 58 of 2025 expanded enforcement powers to include, among others, confiscation of sales of intoxicating cannabis products in violation of potency, packaging, and labeling requirements and authorized the Field Enforcement Division to issue a citation or other charging document to a person selling such products to underage consumers. In response to the expanded enforcement authority and the JCR requirement, ATCC added two new performance measures beginning with the fiscal 2027 MFR submission:

- the number of unlawful tetrahydrocannabinol products seized, which is estimated to be 115,000 in fiscal 2026; and
- the percentage of unlicensed cannabis inspections resulting in violations being issued, which is estimated to be 11% in fiscal 2026.

Actual data for both new performance measures will be available in ATCC’s next MFR submission with the fiscal 2028 allowance.

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

Appendix 1
2025 Joint Chairmen’s Report Responses from Agency

The 2025 JCR requested that ATCC add new performance measures with the submission of the agency’s annual MFR submission. Electronic copies of the fiscal 2027 MFR submission can be found on the Department of Budget and Management website.

- ***MFR Measures for Cannabis Violations and Confiscated Contraband:*** Committee narrative in the 2025 JCR requested that ATCC include additional performance measures for the number of cannabis violations related to cannabis enforcement, consistent with those already reported for tobacco and alcohol, in the fiscal 2027 MFR submission. Further discussion of ATCC’s MFR measures related to cannabis violations is found in Key Observation 3 of this analysis.

Appendix 2
Audit Findings

Audit Period for Last Audit	January 1, 2021-June 15, 2024
Issue Date	April 2025
Number of Findings	1
Number of Repeat Findings	0
% of Repeat Findings	0%
Rating: (if applicable)	n/a

Finding 1: ATCC did not properly segregate collection and licensing duties as required.

Appendix 3
Object/Fund Difference Report
Alcohol, Tobacco, and Cannabis Commission

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Wrk Approp</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
Positions					
01 Regular	60.00	60.00	60.00	0.00	0.0%
02 Contractual	0.66	1.00	1.00	0.00	0.0%
Total Positions	60.66	61.00	61.00	0.00	0.0%
Objects					
01 Salaries, Wages and Fringe Benefits	\$8,509,935	\$9,007,587	\$9,517,705	\$510,118	5.7%
02 Technical and Special Fees	26,105	55,259	63,941	8,682	15.7%
03 Communications	91,384	102,679	83,001	-19,678	-19.2%
04 Travel	22,516	12,407	12,407	0	0.0%
06 Fuel and Utilities	58,063	75,875	61,220	-14,655	-19.3%
07 Motor Vehicle Operation and Maintenance	124,546	169,822	340,711	170,889	100.6%
08 Contractual Services	1,664,582	1,205,175	858,820	-346,355	-28.7%
09 Supplies and Materials	110,315	170,978	148,754	-22,224	-13.0%
10 Equipment – Replacement	5,245	45,000	42,995	-2,005	-4.5%
11 Equipment – Additional	113,152	50,541	74,172	23,631	46.8%
13 Fixed Charges	877,324	828,937	835,700	6,763	0.8%
Total Objects	\$11,603,167	\$11,724,260	\$12,039,426	\$315,166	2.7%
Funds					
01 General Funds	\$8,802,138	\$8,243,045	\$8,297,028	\$53,983	0.7%
09 Reimbursable Funds	2,801,029	3,481,215	3,742,398	261,183	7.5%
Total Funds	\$11,603,167	\$11,724,260	\$12,039,426	\$315,166	2.7%

Note: The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.