



Regulatory and Policy Consideration for Cannabis Licensees

cannabis.maryland.gov





Overview

- Brief history
- Ch 254/255
- Regulatory Structure
- Application Structure
- License types
- License Distribution
- Local Control
- On-Site Consumption: Case-study in future Cannabis Policy

Question 4: Adult-use Legalization

Question: *“Do you favor the legalization of the use of cannabis by an individual who is at least 21 years of age on or after July 1, 2023, in the State of Maryland?”*

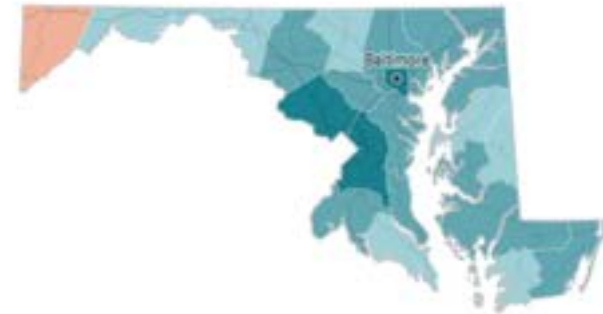
(a) Subject to subsection (b) of this section, on or after July 1, 2023, an individual in the State who is at least 21 years old may use and possess cannabis.

(b) The General Assembly shall, by law, provide for the use, distribution, possession, regulation, and taxation of cannabis within the State.

Latest results from Dec. 8

100% OF VOTES IN 

Answer	Votes	Pct.
 For	1,302,188	67.2% 
 Against	635,582	32.8 
Total reported	1,937,770	



What was the impact of the referendum?

Effective July 1, 2023, individuals 21 years or older may:

- Legally possess up to (1) 1.5 ounces of flower, (2) 12 g of cannabis concentrate, or (3) 750 mg delta-9 THC; and
- Grow up to two cannabis plants in their residence (indoors, in secure area, out of public view)

By July 1, 2024, DPSCS must “expunge” all cases in which possession of cannabis is the only charge (possession of less than 10 g)

Establishes the following:

- Cannabis Public Health Fund and Cannabis Public Health Advisory Council
- Cannabis Business Assistance Fund
- Community Reinvestment and Repair Fund

HB 556/SB516: CANNABIS REFORM ACT

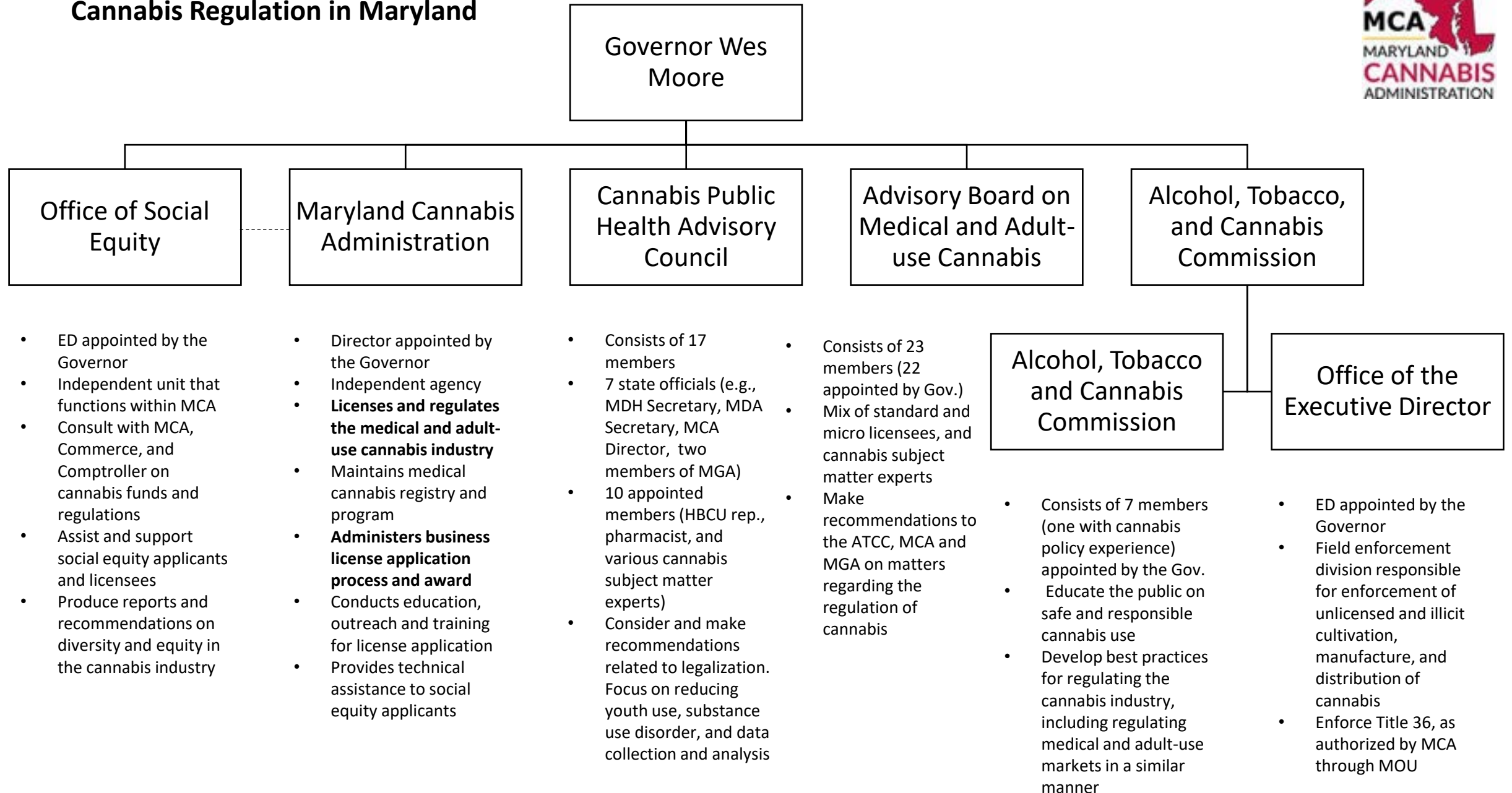
Business Licensing Requirements

WHAT IS THE CANNABIS REFORM ACT?

In April 2023, Maryland General Assembly passed HB 556/SB 516, emergency legislation that authorizes adult-use *sales* beginning on July 1, 2023. Other major bill provisions include:

- Establishing the *Maryland Cannabis Administration (MCA)* to license and regulate the new industry.
- Authorizing existing medical cannabis operators to “convert” their licensed to medical- and adult-use licenses by paying a conversion fee.
- Allocating conversion fees to the *Community Reinvestment and Repair Fund* for the purpose of funding community initiatives in jurisdictions and regions that have been disproportionately impacted by cannabis prohibition and cannabis-related arrests.
- Authorizing MCA to award standard and micro licenses to grow, process, and dispense cannabis across at least three licensing rounds.
- Establishing new license categories, including on-site consumption and incubator space licenses.
- Evaluating license applications on a pass-fail basis and placing all eligible applicants into a lottery for award of licenses.

Cannabis Regulation in Maryland



Statutory Licensing Requirements

Chapter 254/255 of the Acts of 2023 establish all major provisions of the business licensing process, including:

- **Application fees**
- **Number of licensing rounds**
- **Number of licenses that may be awarded**
- **Timing of:**
 - Announcing application period
 - Application period
 - Award of conditional licenses
- **Applicant eligibility requirements**
- **Application criteria**

Fees and Timing

Mandatory application fees:

- \$5,000 for a standard grower, processor, or dispensary, or incubator space
- \$1,000 for a micro grower, processor, or dispensary license

Timing of Application Rounds

- MCA is authorized to hold three separate licensing rounds
- For the first licensing round MCA must:
 - Notify public ***at least 60 days*** before accepting applications,
 - Accept applications for a period of ***30-days***, and
 - Begin awarding licenses by ***January 1, 2024***.
- For the second licensing round, MCA may not begin awarding licenses prior to May 2024.
- After the second licensing round, MCA shall award licenses as needed in accordance with a market demand study.



Eligibility

Social Equity Applicants *only* for all business categories in the first licensing round

- A social equity applicant is an applicant who has at least 65% ownership and control held by one or more individuals who:
 - Have lived in a disproportionately impacted area for ***at least 5 of the past 10 years***;
 - Attended a public school in a disproportionately impacted area for ***at least 5 years***; or
 - For ***at least 2 years***, attended a 4-year institution of higher education in the State where at least 40 percent of the individuals who attend the institution of higher education are eligible for a Pell Grant.

Submission restrictions

- A person may only be included on ***one (1) application per license type, per licensing round***
- A person may only be included on a maximum of ***two (2) applications across all license categories in any licensing round*** (e.g., a person may submit 1 grower and 1 dispensary application)

Lottery Process

Dispensary and On-site Consumption

- Apply by *county*
- An applicant, including any owners or investors in an applicant, are limited to one (1) application
- Each county will have at least one additional dispensary license in the first licensing round
- Number of maximum dispensary licenses per county based on population and market demand within a specific county
- MCA will conduct a lottery for each county in which the number of eligible applicants exceeds the number of licenses

Grower, Processor, and Incubator

- Apply by *region*
- An applicant, including any owners or investors in an applicant, are limited to one (1) application per licensing category
- MCA will conduct a lottery for each region in which the number of eligible applicants exceeds the number of licenses

License Types

Two Classes of Licenses



Micro Licenses

Certain restrictions on size/operations, including:

- Fewer than 10,000 square feet of indoor canopy or it's equivalent for micro-growers.
- Fewer than 1,000 pounds of cannabis processed for micro-processors.
- Fewer than 10 employees and no brick-and-mortar establishments for micro-dispensaries.

An explicit pathway to convert successful micro businesses into corresponding standard licenses.

Lower application (\$1,000) and licensing fees (\$10,000 every 5 years).

Ability to use incubator spaces to reduce operating costs.



Standard Licenses

Example: Businesses converted from medical program.

Limited restrictions on operations (only restrictions is on growers total canopy).

Higher cost of applications (\$5,000), licensing (\$50,000-\$25,000), and operations.

License Categories



Grower

Authorized for the cultivation of cannabis plants.

Able to transfer bulk flower product to processors for transforming into cannabis products, or directly to dispensaries for sales of flower products. May transfer seedlings to dispensaries for home-cultivation sales.

Can use outdoor field cultivation, indoor cultivation, or a hybrid of the two.

Certain flowering canopy restrictions in place. Canopy measured differently for indoor v. outdoor growing



Processor

Authorized for the receipt of cannabis flower from licensed growers. Can transform the cannabis into other products (e.g. vapes, edibles, and concentrates).

Responsible for sending transformed products to be batch tested.

Responsible for proper packaging and labeling of transformed products.

Additional food-safety or manufacturing permitting required for production of edibles or exempted, high-potency products, respectively.



Dispensary

Authorized for the retail sale of cannabis and transformation of bulk cannabis into usable cannabis products *only*.

Responsible for responsible sales practices including: checking of ID, assessing and collecting applicable sales taxes.

Must include certain accommodations for medical patients, including patient-only hours or dedicated service lanes.

Authorized for delivery, drive thru, curbside, and other dispensing practices under certain circumstances.

Two New License Types



Incubator Spaces

Authorized in initial licensing round.

Contemplated as a space that can be shared by micro-licenses to reduce additional overhead expenditures by new licensees (e.g. a shared commercial kitchen for micro-processors)

MEDCO completing a study for potential locations for regional incubators.

Initial incubator will be funded and operated by the State.



On-Site Consumption

Not authorized until second licensing round (after May 2024).

Indoor smoking is *not* permitted.

Local governments can prohibit on-site consumption establishments in their jurisdiction.

Not authorized to cultivate, or process cannabis, or add cannabis into food or food products.

Tobacco and alcohol consumption is also prohibited on premises of on-site consumption establishments.

License Distribution

Awards

Total

- **Standard***
 - Grower 75
 - Processor 100
 - Dispensary 300
 - **Micro**
 - Grower 100
 - Processor 100
 - Dispensary 10
 - **Incubator** 10
 - **On-site** 50
- consumption**

First Round

- **Standard**
 - Grower 16
 - Processor 32
 - Dispensary 75
- **Micro**
 - Grower 24
 - Processor 24
 - Dispensary 8
- **Incubator** -

Second Round*

- **Standard**
 - Grower 25
 - Processor 25
 - Dispensary 120
 - **Micro**
 - Grower 70
 - Processor 70
 - Dispensary -
 - **Incubator** 10
 - **On-site** 15
- consumption**

*Total includes converted licenses

*Up to this number of licenses authorized.

Location Considerations

MCA used a jurisdictional level distribution for the number of dispensaries in the State. This considered the current number of dispensaries, total population within the jurisdiction, and jurisdictional demand.

Key				
Number of Dispensaries (Additional in Round 1)	0	1-3	4-9	10 or More
County	1	2-3	4-9	10 or More

0	2	1	5	2	18	5	2
(1)	(1)	(3)	(3)	(2)	(6)	(3)	(2)
Garrett	Allegany	Washington	Frederick	Carroll	Baltimore	Harford	Cecil
			19	7	9		0
			(9)	(3)	(11)		(1)
			Montgomery	Howard	Baltimore City		Kent
				12	9		1
				(9)	(5)		(1)
				Prince George's	Anne Arundel		Queen Anne's
				3	0		0
				(2)	(3)		(2)
				Charles	Calvert		Talbot
				2			1
				(2)			(1)
				St. Mary's			Dorchester
							Wicomico
							0
							2
							(1)
							(1)
							Somerset
							Worcester

Number Available	County
1	Allegany
5	Anne Arundel
6	Baltimore
11	Baltimore City
3	Calvert
1	Caroline
2	Carroll
2	Cecil
2	Charles
1	Dorchester
3	Frederick
1	Garrett
3	Harford
3	Howard
1	Kent
9	Montgomery
9	Prince George's
1	Queen Anne's
1	Somerset
2	St. Mary's
2	Talbot
3	Washington
2	Wicomico
1	Worcester
75	Total

Location Considerations

MCA used a jurisdictional level distribution for the remaining license types. Each region will be awarded the same number of licenses per type, as follows.

		Number in Each Region	Total in Round 1
Standard	<u>Growers</u>	4	16
	<u>Processors</u>	8	32
Micro	<u>Growers</u>	6	24
	<u>Processors</u>	6	24
	<u>Dispensaries</u>	2	8

Key			
Southern Region	Central Region	Eastern Region	Western Region

Garrett	Allegany	Washington	Frederick	Carroll	Baltimore	Harford	Cecil
			Montgomery	Howard	Baltimore City		Kent
				Prince George's	Anne Arundel		Queen Anne's
							Talbot
				Charles	Calvert		Caroline
				St. Mary's			Dorchester
							Wicomico
							Somerset
							Worcester

Local Control



Locations

Existing Authority to Local Governments:

- **Statutory Restrictions on Dispensaries:**
 - 500 feet from a school, playground, childcare center, library, etc.;
 - 1,000 from existing dispensary; and
- Subject to other reasonable zoning. May reduce statutory set-asides
- Existing businesses are exempt if properly zoned prior to July 1, 2023
- Subsequent licensing will forego senatorial district dispensary distribution.
- On-Site Consumption must be expressly authorized by the local jurisdictions: both counties and municipalities when applicable.



Prohibited Local Control

A Local Jurisdiction May Not:

- Impose unduly burdensome zoning or other requirements.
- Impose licensing, operating, fees or other requirements on cannabis licensees that are more burdensome than those imposed on other businesses with similar impact on the area.
- Impose additional taxes on cannabis / cannabis products.
- Prevent conversion of license or prohibit transportation/delivery of cannabis through the jurisdiction.
- Permit on-site consumption prior to licenses being issued (May 2024).

On-Site Consumption

A photograph of a modern office interior, overlaid with a dark green semi-transparent filter. The office features long wooden tables, ergonomic chairs, and numerous potted plants. Large windows in the background allow natural light to fill the space. The text "On-Site Consumption" is centered in a white, sans-serif font.

On-Site Consumption Models

Other state's with legal cannabis markets have begun to consider, license, and authorize "On-Site Consumption" licenses.

Policy considerations:

- source of cannabis or cannabis products;
- local control;
- indoor smoking considerations / other types of consumption authorized; and
- common ownership with other license types.

Maryland Presently:

- Prohibits indoor smoking;
- Prohibits adding cannabis to food prepared on-site
- Prohibits common ownership with other licensees
- Prohibits to-go

Summary of On-Site Consumption Policies ⁵	Licensing Structure		Source of Cannabis On-Site		Other Products		
	Allow with Retail Licenses	Distinct Licenses	Allowed to Bring Prior Purchased Cannabis Products	Allow Sale of Cannabis On-Site	Allow Alcohol	Allow Tobacco	Allow Food
Alaska	Yes	No	No	Yes	No	No	Yes
California	Yes	No	No	Yes	No	No	N/A
Colorado ⁶	No	Yes	Yes	Yes	No	No	Yes
Illinois	Yes	No	Yes	Yes	No	Yes	N/A
Massachusetts	Yes	Yes	No	Yes	No	No	Yes
Michigan ⁷	No	Yes	No	Yes	N/A	No	Yes
Nevada	Yes	Yes	No	Yes	No	No	Yes
New Jersey	Yes	No	No	Yes	No	No	No
New Mexico	Yes	No	No	Yes	No	Yes	Yes
New York	No	Yes	No	Yes	N/A	N/A	N/A

Maryland Model – At Present

Prohibitions:

- Indoor smoking;
- Adding cannabis to food prepared on-site;
- Common ownership with other licensees;
- Alcoholic or tobacco consumption on-site;
- On-duty staff consumption;
- Provide Samples;
- Any other activity that resembles activity of a licensed entity.

Requirements:

- Responsible Vendor Training Program for staff;
- Consumption is not visible from outside of the licensed premise;
- Provide educational materials for consumers
- Must be licensed by the State to allow for on-site consumption
- Only for individuals 21 years of age or older
- Cannot overserve individuals.

Local Control:

- May prohibit outright;
- Prohibit or restrict smoking or vaping on-site;
- Establish zoning and planning requirements;
- May not authorize cannabis consumption on-site by an entity without a license issued by the State.

Nevada Case Study



Retail Cannabis Consumption Lounges

Attached or immediately adjacent to existing dispensary licenses.

Unable to be transferred without additional transferring the paired dispensary license.



Independent Cannabis Consumption Lounges

Does not share common ownership with existing business, nor is immediately adjacent.

Cannabis products required to be received from a licensed dispensary, as a single serving of cannabis.

Nevada Regulations additional consider:

- Hours of Operations;
- Age verification;
- “Maximum usable quantity”;
- Product availability;
- Storage and availability of product information;
- Employee training and consumer education;
- Separate smoking rooms;
- Ventilation of smoking rooms;
- Prohibition on alcohol, tobacco, and nicotine products;
- Unsold products;
- Impaired driving risk mitigation;
- Visibility of consumption; and
- Sanitations, other health and safety.