



# 2023 Business License Application

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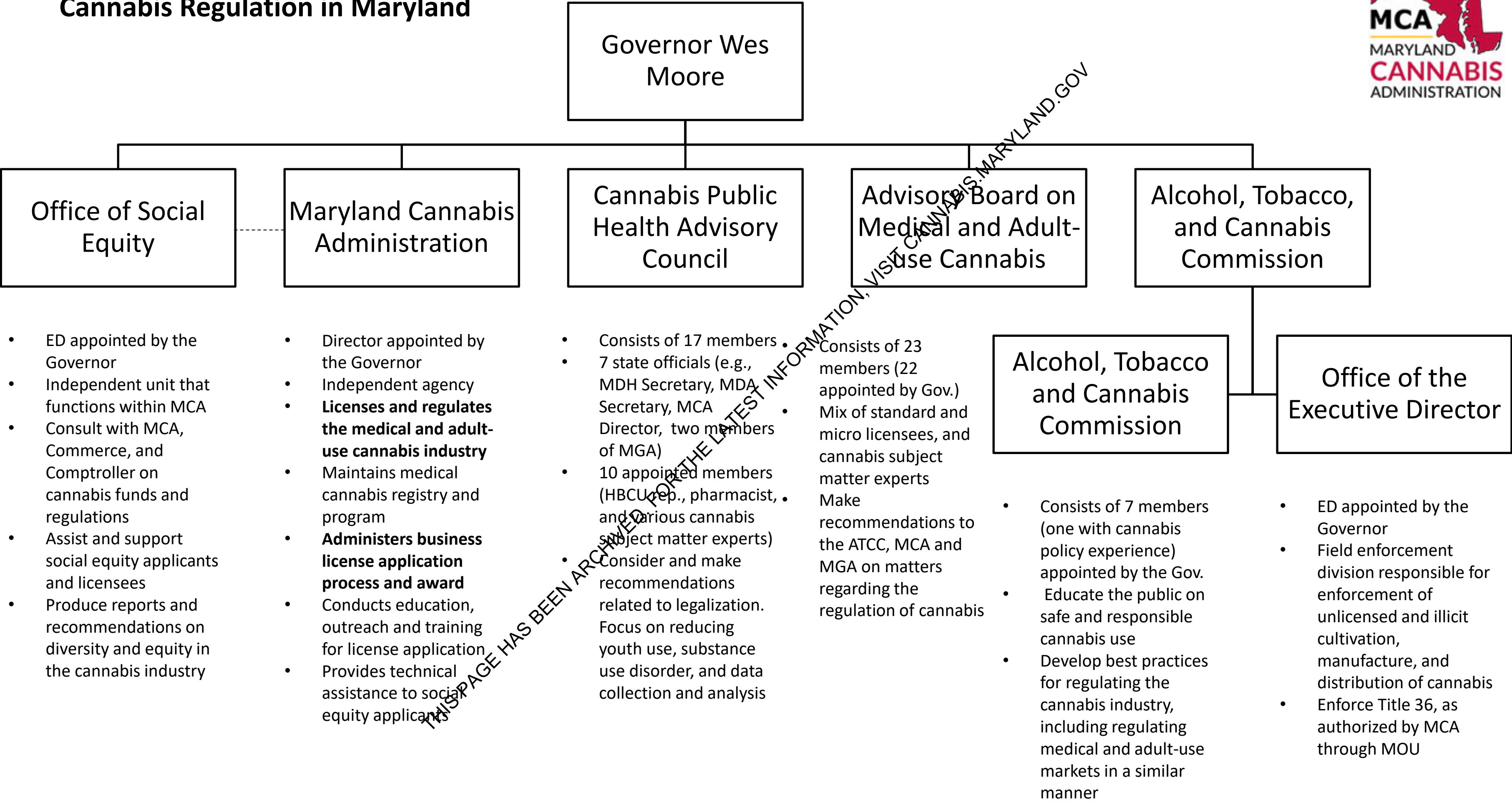
# Overview

- Regulatory structure in Maryland
- Statutory Licensing Requirements
- Emergency Regulations Governing Application Process
- Education and Outreach
- Application Timeline

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# Cannabis Regulation in Maryland





# HB 556/SB516: CANNABIS REFORM ACT

Business Licensing Requirements

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# 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)



# Application Criteria

- Applications will be reviewed on a pass-fail basis
- Any application that meets the minimum qualifications for licensure will be placed in a lottery
- Application Requirements
  - A ***detailed operational plan*** for the safe, secure, and effective cultivation, manufacture, or dispensing of cannabis
  - A ***business plan*** demonstrating a likelihood of success and sufficient business ability and experience on the part of the applicant
  - A ***detailed diversity plan***
- For out-of-state applicants:
  - Documentation that the applicant meets the criteria for a social equity applicant



# 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



# Question Break:

Questions pertaining to: The Cannabis Reform Act, what else is in the bill, what has changed since the bill was signed, what has changed since July 1<sup>st</sup>?

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# Application Notification, Submission, and Review

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# Emergency Regulations

- On May 25, 2023, MCA submitted draft emergency regulations to the Joint Committee on Administrative, Executive, and Legislative Review (AELR).
- These regulations are currently in effect.
- The regulations provide additional details on the upcoming business license process
- The emergency regulations package may be viewed at [cannabis.maryland.gov](https://cannabis.maryland.gov) under the “Laws and Regulations” tab

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# COMAR 14.17.05.03 Application Notification, Submission and Review

**Application Announcement** (at least 60 days before application period) will include:

- Types of licenses and number of licenses available by license type
- Beginning and closing date of the 30-day application period
- Any regional, jurisdictional, or other geographic considerations in the licensing round

## Minimum Qualifications

- MCA will determine whether an application meets the minimum qualifications for the lottery on a pass-fail basis
- Specific minimum qualifications will be communicated prior to the licensing period

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# COMAR 14.17.05.04 Lottery and Conditional License Award

## Lottery

- Any applicant who meets the minimum qualifications is placed in a randomized lottery
- A separate lottery will be conducted for each county (dispensaries) or region (growers and processors)
- Prior to awarding a conditional license MCA may verify any application information, including ownership and control

## Conditional License

- Applicants selected in the lottery will receive a conditional license
- A conditional license is valid for 18 months
- During the conditional license period, a business must complete a supplemental application that includes:
  - Criminal history and financial background investigation on all owners and investors
  - Verifying all information provided in the application, including ownership and control
  - Identifying a physical location and demonstrating legal control of the premises
  - Passing all health, safety, and security inspections



# COMAR 14.17.05.07 Hearing Rights

## **Applicant determined not to meet minimum qualifications**

- 10 days to request a records review of the submitted application
- During the records review the applicant may examine the applicant's records received by MCA and verify the basis on which the application was deemed ineligible for the lottery
- Records review will occur *prior* to the lottery

## **Selected applicant who has their application denied or conditional licensee who has their conditional license rescinded**

- May request an administrative hearing pursuant to COMAR 14.17.22
- MCA may conduct the hearing or delegate its hearing authority (e.g., OAH)



# Conditional Licensing Period

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  - Criminal history and financial background investigation on all owners and investors
  - Verifying all information provided in the application, including ownership and control
  - Identifying a physical location and demonstrating legal control of the premises
  - Passing all health, safety, and security inspections
  - Register, if not already, with State Department of Assessment and Taxation
  - Additional investigation of the prospective licensee
  - Ability for the licensee to obtain additional funding through grants, loans, or additional investors.



# Education and Outreach

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# Education and Outreach

**Prior to opening a 30-day application period, MCA will conduct extensive outreach and education on the application process**

**MCA Outreach will fall into one of three categories:**

- 1. Virtual Academy**
- 2. In-person events hosted by MCA**
- 3. Fairs, festivals, and other events attended by MCA**

## **Outreach and Education Objectives:**

- Inform potential social equity applicants of the upcoming licensing opportunities**
- Assist potential applicants with determining whether they meet the eligibility criteria of a social equity applicant**
- Assist social equity applicants with understanding the application requirements, timeline, and process**
- Connect social equity applicants with the Office of Social Equity for technical assistance and other support services**



# Virtual Academy

The MCA is putting together self paced/asynchronous courses hosted that will include interactive review segments and the MCA will host live virtual sessions weekly to support student learning.

## Sessions for the Virtual Academy will include:

- **Business Model Innovation** Participants will learn how to develop, manage, and value a cannabis enterprise via interactive lessons on business model development and customer service approaches. Activities will include approaches to business challenges and frequent hurdles on the path to success.
- **The Chemistry of Cannabis** Participants will learn to select and collaborate with cannabis suppliers and how to strengthen a cannabis business' supply chain strategy. Participants will gain knowledge and insight on potency, flowers, oils, and other products. Participants will learn about Maryland's seed to sale management system operations.
- **Cannabis Law in Maryland** This course will detail the 2023 Maryland Cannabis Reform Act, covering major components and breaking down relevant requirements. Participants will learn about cannabis policy at the federal, state, and local levels.
- **Essentials of Cannabis Financial & Operations Analysis** Participants will learn about funding, fund raising, securing loans, security, record-keeping, reporting requirements, zoning, accounting and financial management related to the development and maintenance of Cannabis businesses.
- **Social Equity in the Cannabis Industry** This course will cover Maryland's Social Equity Programs and Funds related to the Cannabis industry as well as historical barriers facing underserved and marginalized populations.



# Upcoming Outreach Events

## SUMMER FAIRS AND FESTIVALS

*Visit our Table @*

<b>6.18</b> AFRAM (Baltimore)	<b>8.20</b> Vegan Soulfest (Baltimore)
<b>6.24</b> Pop up and Grow Market (Waldorf)	<b>8.24</b> Maryland State Fair (Timonium)
<b>7.7</b> Charles County Summerfest (Waldorf)	<b>9.10</b>
<b>8.19</b> Groove City Cultural Fest (Cambridge)	<b>9.16</b> Baltimore County African American Cultural Festival
<b>8.19</b> Afro-Latino Caribbean Day (Sandy Spring)	<b>9.23</b> Kunta Kinte Heritage Festival (Annapolis)
	<b>10.1</b> Frederick Hispanic Heritage Festival

## Other Technical Assistance Seminars

<b>7.12</b>	University of Maryland Eastern Shore
<b>7.19</b>	The Universities at Shady Grove
<b>TBD</b>	Coppin State University
<b>8.2</b>	Frostburg State University
<b>8.9</b>	Cecil College
<b>8.23</b>	University System of Maryland at Southern Maryland

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# Question Break:

Questions pertaining to: Upcoming application and outreach timeline? Dates and Events? Regulatory Process as it pertains to upcoming licensing rounds?

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# Social Equity Applicant: Process, Definition and Eligibility

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# Social Equity Applicant Timeline

\*Note the first round will be exclusively for applicants who qualify as a social equity applicant

Parts of Implementation dependent on establishment and work of the Office of Social Equity



August 2023

Announce the process, timeline, additional details and guidance for the social equity applicant verification process.



60 Days

Social Equity Applicant Verification Portal open to allow for individuals to confirm and verify their status as a social equity applicant.



60 Days

The MCA will provide at least 60 notice prior to the applications being open.



30 Days

Applications open for initial round of licensure for a 30-day period.



Lottery Process

Passed applications are entered into a lottery.



By January 1, 2024

MCA begins to award conditional cannabis licenses



# Statutory Definition of Social Equity Applicant

36-101(FF)

(FF) “SOCIAL EQUITY APPLICANT” MEANS AN APPLICANT FOR A CANNABIS LICENSE OR CANNABIS REGISTRATION THAT:

(1) HAS AT LEAST 65% OWNERSHIP AND CONTROL HELD BY ONE OR MORE INDIVIDUALS WHO:

- (I) HAVE LIVED IN A DISPROPORTIONATELY IMPACTED AREA FOR AT LEAST 5 OF THE 10 YEARS IMMEDIATELY PRECEDING THE SUBMISSION OF THE APPLICATION;
- (II) ATTENDED A PUBLIC SCHOOL IN A DISPROPORTIONATELY IMPACTED AREA FOR AT LEAST 5 YEARS; OR
- (III) FOR AT LEAST 2 YEARS, ATTENDED A 4-YEAR INSTITUTION OF HIGHER EDUCATION IN THE STATE WHERE AT LEAST 40% OF THE INDIVIDUALS WHO ATTEND THE INSTITUTION OF HIGHER EDUCATION ARE ELIGIBLE FOR A PELL GRANT; OR

(2) MEETS ANY OTHER CRITERIA ESTABLISHED BY THE ADMINISTRATION.



# Statutory Definition of Disproportionately Impacted Area

36-101(R)

(R) “DISPROPORTIONATELY IMPACTED AREA” MEANS A GEOGRAPHIC AREA IDENTIFIED BY THE OFFICE OF SOCIAL EQUITY THAT HAS HAD ABOVE 150% OF THE STATE’S 10-YEAR AVERAGE FOR CANNABIS POSSESSION CHARGES.

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# Social Equity Applicant Workflow

Next steps and process for prospective applicants

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# Social Equity Applicant Verification Process

## Identification of disproportionately impacted areas

- Office of Social Equity evaluates data on cannabis possession charges in the State to identify disproportionately impacted areas

## Pre-verification of social equity applicants

- The MCA uses the Office of Social Equity's disproportionately impacted areas and other statutory criteria to work with prospective applicants to ensure eligibility for forthcoming licensing round.

## Initial Application Round

- Use and eligibility of social equity applicant status further streamlines the application process for prospective licensees.

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# Examples of Verification Materials



## Lived in a Disproportionately Impacted Area

Applicants will need to produce one or more of the following for five separate years from calendar 2013-2023:

- Tax returns showing address.
- Lease, or rental agreement for residential property.
- Title or deed to residential property.
- Voter registration.
- Bank documents, pay stubs, bills, or other verified documentation showing an individual's address.



## Public School / Higher Education

- Transcripts showing public school enrollment and attendance for five or more years at a public school in a disproportionately impacted area.
- Two years of transcripts or school records from a 4-year institution of higher education in the State where at least 40 percent of the individuals who attended the institution are eligible for a Pell Grant.

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# License Types

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# 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.



# Other Market Participants



## Independent Testing Labs

Perform required cannabis testing for potency, heavy metals, pesticides, microbiological impurities, etc. for the licensed cannabis businesses.

Required to perform testing in accordance with MCA technical authority.

Biannual registration fee.



## Security Guards, Delivery Services, Other Ancillary Businesses

Roughly 50 businesses authorized in the State to dispose of green waste, provide security for facilities, and transport cannabis or cannabis products between licensed businesses.

Delivery services authorized for delivery to medical patients only until June 30, 2024. Following this, only authorized for intra-licensee / ITL transportation.

Unlimited participation.



## Research and Development

Ability for academic institutions, related medical facilities or biomedical research firms to conduct cannabis research.

Additional authorization for research and development entities outside of academic research. Research and development entities may grow, process and test cannabis or cannabis products only for specific purposes. May only transfer to other research entities.



# Awards

## Total

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

## First Round

- **Standard**
  - Grower 20
  - Processor 40
  - Dispensary 80
- **Micro**
  - Grower 30
  - Processor 30
  - Dispensary 10
- **Incubator** 10

## Second Round

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

\*Total includes converted licenses

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# Provisions pertaining to Social Equity Licensees

Once a social equity applicant becomes licensed by the MCA, they become a social equity licensee, which provides various statutory accommodations including:

- Eligibility for the Social Equity Partnership Grant Program.
- Licensing fees reduced by 50%.
- Ensuring that dispensaries are stocking products made by social equity licensees.
- Ensuring that other previously operating businesses reverse cannabis for the social equity licensees to produce or dispense.
- Providing access to the Department of Commerce's Capital Access Program.
- Providing access to the Department of Commerce's Cannabis Business Assistance Fund.

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# Questions?

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# Thank you

## Additional information

[cannabis.maryland.gov](https://cannabis.maryland.gov)

## Questions?

[policy@mmcc@maryland.gov](mailto:policy@mmcc@maryland.gov)

[https://mmcc.maryland.gov/Pages/Cannabis\\_License\\_Application\\_FAQs.aspx](https://mmcc.maryland.gov/Pages/Cannabis_License_Application_FAQs.aspx)

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