

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1519 (Delegates Amprey and Boaf)
 Economic Matters

**Cannabis - Management Service Agreements, Advertising, and Penalties -
 Alterations (Cannabis Reform and Opportunity Act)**

This bill alters provisions governing the cannabis industry related to (1) the control and ownership of cannabis businesses and the transfer of cannabis licenses; (2) cannabis advertising restrictions; (3) criminal penalties for certain violations of cannabis laws; and (4) a data publishing requirement for the Maryland Cannabis Administration (MCA). The bill also establishes provisions governing cannabis business management services agreements and authorizes a cannabis licensee to submit an advertisement to MCA for an advisory opinion on whether the advertisement complies with the statutory provisions governing advertising (as altered by the bill). MCA must adopt implementing regulations by January 1, 2027. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Special fund expenditures for MCA increase by \$322,200 in FY 2027; future years reflect annualization, inflation, and ongoing costs. As a result of this increase, special fund revenues for MCA increase correspondingly to cover those costs, and the amount of sales and use tax revenue remaining for distribution to the general fund and various other special funds (in accordance with current law) decreases, as discussed below. (The net effects on special fund revenues and expenditures are shown below.)

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(\$161,100)	(\$188,400)	(\$217,000)	(\$226,800)	(\$236,700)
SF Revenue	\$177,200	\$207,300	\$236,700	\$247,400	\$258,200
SF Expenditure	\$209,400	\$244,900	\$256,400	\$268,000	\$279,700
Net Effect	(\$193,300)	(\$226,100)	(\$236,700)	(\$247,400)	(\$258,200)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government revenues decrease beginning in FY 2027 due to the redistribution of sales and use tax revenues, including direct allocations. Local government expenditures decrease correspondingly.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law: Chapters 254 and 255 of 2023 established the adult-use cannabis industry in the State by, among other things, establishing MCA as an independent unit of State government responsible for the regulation of adult-use and medical cannabis. MCA’s responsibilities generally include promulgating cannabis industry regulations, licensing and registering cannabis businesses in the State, and enforcing the statutes and regulations related to the cannabis industry. MCA is funded through distributions from sales and use tax collections from adult-use cannabis sales. For additional information and current law on the State’s cannabis industry, see the **Appendix – Medical and Adult-Use Cannabis**.

Cannabis Businesses – Ownership, Control, Management Services Agreements, and License Transfers

Definition of “Control”: Under current law and the bill, “control” means the decision-making authority over the management, operations, or policies that guide a business; or authority over the operation of the technical aspects of a business. *The current law* definition of “control” includes holding a right to veto significant events, and several other enumerated rights or authorities regarding business decisions. *The bill* does not alter the definition of control but limits the rights and authorities that are explicitly *included* in the definition of control.

The bill also establishes that “control” does *not include* (1) a management services agreement that conveys the right to or actual payment from the cannabis licensee to the provider of the service in an amount that does not exceed, over the course of a calendar year, the greater of 25% of the cannabis licensee’s gross revenue or 50% of the cannabis licensee’s gross profit; (2) a franchise relationship, as specified; or (3) an option to purchase a controlling ownership interest in a cannabis licensee that is exercisable only after the expiration of a specified current law transfer prohibition.

Ownership Interests: *Current law* details the maximum ownership and control interests a person may have for each license type. *Under current law*, MCA must adopt regulations limiting a person or fund from acquiring a nonmajority ownership interest in multiple cannabis businesses beyond the ownership interest and control limits established in statute.

Under current law, the ownership interest restrictions do not apply to a person *or an entity* who holds an ownership interest only as a “passive investor” (defined as an individual or an entity that holds an aggregate ownership interest of less than 5% in a cannabis licensee and does not have control of the cannabis licensee).

Under the bill, the requirement for MCA to adopt limiting regulations is repealed; instead, MCA *may not* limit a person or fund from acquiring a nonmajority ownership in multiple cannabis businesses beyond the statutory limitations. Additionally, the exemptions from the ownership interest restrictions are altered to specify that the ownership interest restrictions do not apply to (1) a *person* that holds an ownership interest only as a passive investor or (2) a franchisor, as specified.

New Management Services Agreement Provisions Under the Bill: The bill establishes several new provisions governing a “management services agreement,” which is defined as an agreement under which a cannabis licensee contracts with a third party to receive (1) managerial, administrative, operational, or advisory services; (2) financing, including equity investments and convertible debt; (3) commercial real property; or (4) intellectual property. A cannabis licensee must submit a proposed management services agreement to MCA for review and approval, and the agreement may not take effect until MCA approves the agreement in accordance with the bill’s requirements. MCA must review the information submitted to determine whether the management services agreement constitutes a transfer of control in violation of statute. MCA must (1) approve, conditionally approve, or deny the management services agreement, as specified, and (2) provide its determination in writing to the cannabis licensee. If MCA does not make a determination within 45 days of submission, the agreement is deemed approved. MCA must adopt regulations that establish a procedure for the submission, review, and approval of a management services agreement.

Cannabis License Transfers: *Under current law and the bill*, to transfer ownership or control of a cannabis license, a licensee must first submit to MCA an application and fee, as specified by MCA. However, *under current law*, a cannabis licensee (including a converted licensee) may not transfer ownership or control of the license for at least *five* years following licensure, with limited exceptions and not including the time period that a business is considered to be in a preapproved licensure status. *Under the bill*, a licensee may not transfer ownership or control for at least *three* years following licensure.

Cannabis Advertising

Title 36, Subtitle 9 of the Alcoholic Beverages and Cannabis Article establishes restrictions related to cannabis advertising – the affected provisions under Subtitle 9 are discussed below. *Under current law and the bill*, “advertisement” means the publication, dissemination, or circulation of any auditory, visual, digital, oral, or written matter which

is directly or indirectly calculated to induce the sale of cannabis or any cannabis-related product or service. “Advertisement” does not include packaging or labeling.

Truth in Cannabis Advertising: Under current law and the bill, an advertisement for a cannabis licensee, cannabis product, or cannabis-related service that makes a therapeutic or medical claim must (1) be supported by competent and reliable scientific evidence and (2) include information on the most serious and most common side effects or risks associated with the use of cannabis. Current law does not define “therapeutic or medical claim” under these provisions. The bill defines “therapeutic or medical claim” as a claim that explicitly states a product can diagnose, treat, mitigate, cure, or prevent a disease or condition.

Prohibited Content and Intended Audience Restrictions in Cannabis Advertising: Current law establishes several restrictions related to advertising for a cannabis licensee, cannabis product, or cannabis-related service targeting young people. These restrictions include a prohibition against advertising directly or indirectly targeting individuals younger than age 21. The bill repeals the prohibition against indirect targeting to individuals younger than age 21. Current law also prohibits an advertisement from containing a design, an illustration, a picture, or a representation that targets or is attractive to minors, including a cartoon character or a mascot or any other depiction that is commonly used to market products to minors, is modified. Under the bill, the prohibition against such an advertisement being attractive to minors is repealed.

Restrictions on Outdoor Cannabis Advertisements: Under current law, there is a prohibition against engaging in advertising by means of placing an advertisement on the side of a building or another publicly visible location of any form (including a sign, a poster, a placard, a device, a graphic display, an outdoor billboard, or a freestanding signboard). However, there is an exception to that prohibition, which authorizes a cannabis business to place exterior signage on the premises of the business for the limited purpose of identifying the business to the public. The bill repeals both the current law restriction against outdoor cannabis advertisements and the exception.

Instead, under the bill, a cannabis business may publicly display an advertisement (including a sign, a poster, a graphic display, an outdoor billboard, or a freestanding signboard) on the premises of the business or at any location that is not within 500 feet of a: (1) primary or secondary school; (2) licensed child care center or registered family child care home; (3) playground, recreational center, library, public park; (4) place of worship; or (5) substance use treatment facility.

Prohibition Against Third-party Use of a Cannabis Licensee’s Trademarks, Brands, Names, Locations, or Other Distinguishing Characteristics for Advertising: Under current law and the bill, advertising restrictions applicable to cannabis licensees may not be

avoided by hiring or contracting with a third party or outsourcing advertisements that do not comply with statutory advertising restrictions. Moreover, *current law* specifies that a cannabis licensee may not allow the use of the licensee's trademarks, brands, names, locations, or other distinguishing characteristics for third-party use for advertisements that do not comply with statutory advertising restrictions. *The bill* specifies that the use of trademarks, brands, names, locations, or other distinguishing characteristics in a news article, interview, documentary, or other editorial content that is not intended as commercial advertising is not subject to this prohibition.

Maryland Cannabis Commission – Advisory Opinions on Compliance with Statutory Advertisement Requirements: *Under the bill*, a cannabis licensee is authorized to submit an advertisement to MCA for an advisory opinion on whether the advertisement complies with the statutory provisions governing advertising. MCA must review the advertisement and provide the licensee with an advisory opinion within 30 days of receipt.

Criminal Penalty Provisions – Alterations

Under current law and the bill, a person may not sell or distribute a product intended for human consumption or inhalation that contains more than 0.5 milligrams of tetrahydrocannabinol (THC) or 2.5 milligrams of THC per package unless the person is a cannabis licensee and the product complies with specified statutory standards, or, even if licensed, sell or distribute the specified THC products to an individual younger than age 21. *Under current law*, a violator may be charged by a citation, is guilty of a misdemeanor, and on conviction is subject to a \$5,000 maximum fine. *Under the bill*, the maximum fine is increased to \$10,000.

Under current law and the bill, a person may not sell or distribute a cannabinoid product that is not derived from naturally occurring biologically active chemical constituents. A violator may be charged by a citation, is guilty of a misdemeanor, and on conviction is subject to a \$10,000 maximum fine.

Under the bill, each individually packaged product that is sold or distributed by a person in violation of either of the above prohibitions is a separate violation.

Alterations to Data Publishing Requirement for the Maryland Cannabis Administration

Under current law, MCA must publish, *on a rolling basis* and organized by month, the following information on a publicly accessible part of its website: (1) the number of certified patients, caregivers, and providers; (2) the wholesale and retail sales of medical and adult-use cannabis, measured by revenue and volume; and (3) the median consumer price for cannabis and cannabis products. *Under the bill*, MCA must publish the data – organized by month – by the tenth day of each month.

State/Local Fiscal Effect:

Administrative Costs for the Maryland Cannabis Administration

MCA advises that it needs to hire eight administrators – at a cost of approximately \$710,100 in fiscal 2027, increasing to approximately \$954,000 by fiscal 2031. This estimate includes six administrators primarily to address certain changes to cannabis advertisement provisions under the bill. More specifically, MCA estimates that two of the administrators are needed to review proposed advertisements and provide advisory opinions within 30 days, and that four administrators are needed to evaluate and enforce the setback requirements for outdoor cannabis advertisements and to measure distances from delineated restricted areas. The Department of Legislative Services (DLS) notes that for legislation introduced during the 2025 legislative session, MCA anticipated needing only two administrators to implement nearly identical advertising-related provisions. Thus, consistent with that previous estimate, DLS assumes that MCA can likely implement these provisions with two administrators. Two additional positions (for a total of four positions) are needed to handle other responsibilities added by the bill, as discussed below.

Accordingly, special fund expenditures for MCA increase by \$322,213 in fiscal 2027, which accounts for a 90-day startup delay from the bill’s July 1, 2026 effective date. This estimate reflects the cost of hiring four administrators to (1) review proposed advertisements that are submitted to MCA and provide advisory opinions within 30 days, as required by the bill; (2) review management services agreements in accordance with the bill, issue determinations, and adopt related regulations; (3) address an anticipated influx of transfer requests initiated by the reduced license transfer prohibition timeline; (4) update data publishing processes to meet the new timeline under the bill; and (5) update any other regulations as necessary and generally implement the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	4.0
Salaries and Fringe Benefits	\$285,650
Operating Expenses	<u>36,563</u>
FY 2027 MCA Administrative Costs	\$322,213

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

To the extent that four additional staff prove insufficient to implement the bill’s requirements, MCA may seek additional resources through the annual budget process.

Special fund revenues to the Cannabis Regulation and Enforcement Fund (CREF) for MCA increase correspondingly to cover the increase in costs, as current law requires that revenues from the sales and use tax on the sale of adult-use cannabis be distributed to CREF to defray the entire cost of the operations and administrative expenses of MCA.

Effect on the Distribution of Cannabis Sales and Use Tax Revenues

This analysis does not reflect any impact on overall sales of adult-use cannabis – and, therefore, the total amount of sales and use tax revenue collected each year – due to the bill’s changes. To the extent that enhanced advertising allowed by the bill increases the sale of cannabis products, general and special fund revenues increase, but any such effect is speculative.

However, the bill does affect the *distribution* of sales and use tax revenues, as discussed below. As mentioned, because the bill increases MCA expenditures, additional sales and use tax revenue will be needed to cover those costs. Therefore, the amount of sales and use tax revenue remaining for distribution to the general fund, various other special funds, and local governments decreases. See **Exhibit 1** for resulting impacts on the distribution of cannabis sales and use tax revenues from increased MCA expenditures under the bill.

Municipal revenues are also affected, as each county must distribute to a municipality located in the county 50% of the county’s allocation that is attributable to the cannabis sales and use tax revenue generated by a dispensary located in that municipality.

The Community Reinvestment and Repair Fund (CRRF) expenditures (for the distribution of funds to counties, as required by current law) decrease correspondingly to the decrease in CRRF revenues beginning in fiscal 2027. County revenues decrease further as a result of the decreased distributions from CRRF beginning in fiscal 2027.

Accordingly, county (and municipal) expenditures decrease correspondingly.

Exhibit 1
Effect on Distribution of Sales and Use Tax Revenue

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
Funds Available for Distribution	(\$322,213)	(\$376,820)	(\$394,468)	(\$412,350)	(\$430,356)
State Revenues					
General Fund	(\$161,107)	(\$188,410)	(\$216,957)	(\$226,793)	(\$236,696)
Community Reinvestment and Repair Fund	(112,775)	(131,887)	(138,064)	(144,323)	(150,625)
Cannabis Public Health Fund	(16,111)	(18,841)	(19,723)	(20,618)	(21,518)
Cannabis Business Assistance Fund	(16,111)	(18,841)	0	0	0
County Revenues	(\$16,111)	(\$18,841)	(\$19,723)	(\$20,618)	(\$21,518)

Notes: The decrease in county revenues is in the aggregate. Numbers may not sum due to rounding.

Source: Department of Legislative Services

Alterations to Criminal Penalty Provisions

The alteration of existing criminal penalty provisions is not anticipated to significantly affect State or local finances.

Small Business Effect: Many cannabis licensees are considered small businesses. Such licensees likely benefit from several of the bill’s provisions, including the ability to submit a proposed advertisement to MCA for an advisory opinion and the assurance that the advertisement complies with statute (as altered by the bill) before expending resources on the advertisement. Such licensees may also benefit from being able to advertise through the use of outdoor signs.

On the other hand, according to MCA, excluding franchisors from the caps on the number of licenses a person may acquire “renders the social equity program obsolete.” DLS is unable to independently verify this assertion, but notes that social equity licensees are predominantly small, minority-owned businesses. MCA also anticipates that reducing the moratorium period on cannabis license transfers will increase the number of ownership transfers in the near-term and will contribute to greater market consolidation and increase the number of small businesses acquired by larger operators.

The bill’s changes to advertising restrictions regarding the targeting of advertising to minors, as well as the bill’s prohibitions against making claims regarding health or physical benefits and making false or misleading statements, are not anticipated to have a meaningful impact on small businesses.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years; however, legislation with similar provisions has been proposed. For example, see HB 1377 of 2025 and SB 399 of 2024.

Designated Cross File: None.

Information Source(s): Department of Social and Economic Mobility; Maryland Municipal League; Alcohol, Tobacco, and Cannabis Commission; Maryland Cannabis Administration; Comptroller’s Office; Judiciary (Administrative Office of the Courts); Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2026
caw/mcr

Analysis by: Kathleen P. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix – Medical and Adult-use Cannabis

Chapters 254 and 255 of 2023 established the adult-use cannabis industry in the State by, among other things, (1) attributing cannabis-related duties to the Alcohol and Tobacco Commission and renaming it the Alcohol, Tobacco, and Cannabis Commission (ATCC) and (2) establishing the Maryland Cannabis Administration (MCA) as an independent unit of State government responsible for the regulation of adult-use and medical cannabis. MCA's responsibilities generally include promulgating cannabis industry regulations, licensing and registering cannabis businesses in the State, and enforcing the statutes and regulations related to the cannabis industry. As required under Chapters 254 and 255, in June 2023, ATCC and MCA entered into a memorandum of understanding providing that both parties agree to collaborate on enforcing provisions regarding unlicensed cannabis operations in the State.

Adult-use Cannabis

The sale of adult-use cannabis began on July 1, 2023. A person at least age 21 may use and possess the personal use amount of cannabis, while the possession of the personal use amount of cannabis by a person younger than age 21, as well as the possession of the civil use amount of cannabis, are subject to civil penalties. Possession of more than the civil use amount of cannabis by anyone is subject to a criminal penalty.

Medical Cannabis

MCA is responsible for the State's medical cannabis program, which is intended to make medical cannabis available to qualifying patients in a safe and effective manner. There is a framework to certify health care providers, qualifying patients, and their caregivers to provide qualifying patients with medical cannabis legally under State law via written certification.

Social Equity in the Cannabis Industry

The Office of Social Equity (OSE), originally an independent office functioning within MCA, was redesignated as a unit within the Department of Social and Economic Mobility (DoSEM), which was established by Chapter 605 of 2025. OSE is responsible for promoting and encouraging full participation in the regulated cannabis industry by people from communities that have been disproportionately impacted by the war on drugs in order to positively impact those communities. In this role, OSE is responsible for consulting with other agencies, providing recommendations to and working with MCA, assisting businesses to obtain financing through the Capital Access Program, and managing the

Social Equity Partnership Grant Program (established to promote qualifying partnerships between operational licensees and social equity licensees). OSE is also required to (1) with the assistance of the Comptroller, oversee the Community Reinvestment and Repair Fund (CRRF); (2) oversee the appropriation of funds and the training of recipients of funds from CRRF; and (3) by October 1, 2025, adopt regulations to carry out the statutory provisions related to CRRF as modified by Chapter 195 of 2025; OSE has not yet promulgated the regulations.

Cannabis Licensing

To operate a cannabis business in the State, a person must obtain a cannabis license from MCA. A license is valid for five years on initial licensure and five years upon renewal. MCA must issue licenses for growers, processors, dispensaries, and incubator spaces. Additional licenses include micro licenses for growers, processors, and dispensaries, and on-site consumption licenses. Licensing and renewal fees are established by MCA and range from \$5,000 for social equity applicants for certain licenses to \$50,000 for standard grower licenses. Pursuant to Chapters 254 and 255, medical licensees (growers, processors, and dispensaries) were required to pay a conversion fee based on the licensee's gross revenues for calendar 2022 to convert to medical and adult-use cannabis business licensees of the same type. Essentially all medical licensees (18 grower, 23 processor, and 96 dispensary licensees) converted to cannabis business licensees.

First- and Second-round Social Equity Licenses: Social equity applicants are those with at least 65% ownership and control held by one or more individuals who meet certain criteria, such as living in or attending a public school in a disproportionately impacted area (*i.e.*, determined to have had above 150% of the State's 10-year average for cannabis possession charges). MCA conducted its first-round lottery on March 14, 2024, and a second-round lottery on June 28, 2024, awarding a total of 205 (174 in round one and 31 in round two) social equity cannabis business licenses across the micro and standard grower, processor, and dispensary categories.

Subsequent Licenses: MCA may issue additional cannabis licenses up to the maximum limit authorized per statute based on the results of a market demand study. Future applications for licenses may be limited to social equity applicants and employ remedial measures based on the results of the disparity study.

Advisory Board on Medical and Adult-use Cannabis

Chapters 254 and 255 also established the Advisory Board on Medical and Adult-Use Cannabis. The advisory board must (1) consider all matters submitted to it by OSE, the Governor, MCA, or the General Assembly and (2) study and make recommendations on a number of issues related to the medical and adult-use cannabis industry in the State. The

advisory board began meeting in May 2024, and has established three subcommittees: Federal, Medical Cannabis, and Adult-use Cannabis.

Local Authority to Regulate Cannabis

A “political subdivision,” defined as a county or municipality, is authorized to establish zoning requirements for cannabis businesses, allocate cannabis tax revenues, and adopt ordinances that reduce statutory requirements related to specified location restrictions for cannabis businesses. However, a political subdivision is prohibited from taking certain actions specific to cannabis businesses, including imposing a tax on cannabis and establishing restrictions related to transporting cannabis within the political subdivision or fees or requirements on cannabis businesses that are more burdensome than for other businesses. Statute also includes conditions for the operation of on-site consumption establishments; however, to date, MCA has not issued any on-site consumption licenses.

Public Health Actions Related to Adult-use Cannabis

The Cannabis Public Health Advisory Council was established to study and report its findings and recommendations by December 1 each year on specified public health impacts of cannabis legalization. The Cannabis Public Health Fund (CPHF) was also established to generally support the council’s work. The fund receives 5% of the sales and use tax revenues from the sale of adult-use cannabis, which is discussed in more detail below.

Cannabis Sales and Use Tax Revenues

Chapters 254 and 255 established a 9% sales and use tax on the retail sale of adult-use cannabis, and the Budget Reconciliation and Financing Act (BRFA) of 2025 (Chapter 604) increased the tax rate to 12% beginning in fiscal 2026. In the second year of adult-use cannabis sales (July 1, 2024, through June 30, 2025), retail sales generated approximately \$71.8 million in sales and use tax revenues. Adult-use cannabis sales and use tax collections for the first quarter of fiscal 2026, when the 12% sales and use tax rate went into effect, totaled \$26.9 million.

Distribution of Cannabis Sales and Tax Revenues

Per statute, as amended by the BRFA of 2025, the Comptroller must distribute the first 25% of sales and use tax revenues from the sale of adult-use cannabis to the general fund. Of the remaining 75% of the sales and use tax revenues, the Comptroller must *first* distribute to the Cannabis Regulation and Enforcement Fund (CREF) and the DoSEM Fund an amount sufficient to defray the operating and administrative costs of MCA and OSE, respectively. Revenues remaining after those distributions to CREF and DoSEM are *then* distributed as follows: 50% to the State’s general fund (through fiscal 2028, after which

the general fund distribution increases to 55%); 35% to CRRF (through fiscal 2033 only), which is administered by the Comptroller with oversight assistance from OSE; 5% to CPHF, which is administered by the Maryland Department of Health; 5% to the Cannabis Business Assistance Fund (through fiscal 2028 only), which is administered by the Department of Commerce; and 5% as a separate direct allocation to counties.