Cannabis Sales and Industry Data Maryland Cannabis Industry Sustainability and Strategic Growth Report 2026

Maryland Cannabis Administration

March 2026

March 31, 2026

The Honorable Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

The Honorable Ben Barnes
Chair, House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, MD 21401

RE: Overdue JCR Report – Cannabis Sales and Industry Data – [Page 38]

Dear Chair Guzzone and Chair Barnes:

In accordance with the Joint Chairmen's Report – Operating Budget, March 2026, the Maryland Cannabis Administration (MCA) hereby transmits the Report on Cannabis Sales and Industry Data, originally due December 1, 2025.

This report provides an overview of Maryland's medical and adult-use cannabis markets, including sales trends, regulatory comparisons, and market dynamics affecting licensees and industry participants. It includes historical medical sales data, adult-use sales data since July 1, 2023, comparisons with other states, and an assessment of how Maryland's regulatory framework impacts industry sustainability, profitability, and State revenues.

The report also evaluates restrictions related to marketing, advertising, product availability, and ownership, and offers recommendations for statutory and regulatory changes to support the long-term viability of the industry.

As requested, the report will also be submitted to the Senate Finance Committee and the House Economic Matters Committee, with copies provided to the Department of Legislative Services Library.

If you have any questions, please contact Khadijah Tribble, Director, Office of Policy and Government Affairs, at khadijah.tribble@maryland.gov.

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Sincerely,

Khadijah Tribble
Director, Office of Policy and Government Affairs
Maryland Cannabis Administration

cc:
Hon. Pam Beidle, Chair, Senate Finance Committee
Hon. Kriselda Valderrama, Chair, House Economic Matters Committee

CANNABIS PUBLIC POLICY CONSULTING

Maryland Cannabis Industry Sustainability and Strategic Growth Report

Maryland Cannabis Administration
March 2026

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Better Data. Better Policy. Better Outcomes.

CannabisPublicPolicyConsulting.com

Executive Summary

This report was prepared by Cannabis Public Policy Consulting (CPPC) on behalf of the Maryland Cannabis Administration (MCA) to evaluate the performance, regulatory framework, and long-term sustainability of Maryland's cannabis market following the implementation of adult-use sales. The analysis integrates multi-year sales data, comparative policy review, and applied economic analysis to assess market performance, regulatory design, and economic outcomes. The report is organized across four tasks: (A) longitudinal sales analysis, (B) national benchmarking and policy review, (C) economic impact and market structure analysis, and (D) statutory and regulatory considerations. Together, these analyses provide an evidence-based assessment of Maryland's market and identify opportunities to support long-term efficiency and stability.

Task A: Multi-Year Longitudinal Sales Analysis

Task A evaluated Maryland's adult-use and medical cannabis sales trends relative to peer states. The analysis finds that Maryland's adult-use market has grown steadily over time, rather than experiencing the early, rapid expansion observed in other states. Maryland's growth trajectory is more comparable to states with controlled licensing structures and converted medical operators, such as Missouri and Illinois. Notably, Maryland has maintained more consistent growth in later-stage periods, suggesting a stable and durable expansion of the legal market.

At the same time, Maryland has experienced a significant and sustained decline in medical cannabis sales following the implementation of adult-use sales, consistent with national trends. This shift reflects a predictable reallocation of consumer demand from medical to adult-use channels, but raises important considerations regarding the long-term stability of the medical program and continued patient access.

Task B: National Benchmarking and Policy Review

Task B compared Maryland's cannabis regulatory framework to other adult-use states across key policy areas, including advertising, product availability, ownership transfer, and broader market structure. Overall, Maryland's framework is broadly aligned with peer states, with some areas of relative restrictiveness. In particular, Maryland maintains tighter limitations on out-of-home advertising and imposes a higher audience composition threshold than many other jurisdictions.

At the same time, Maryland's product availability framework is consistent with or slightly more flexible than comparable markets, particularly given the absence of potency caps on most products. Maryland's licensing and ownership structure reflects a more controlled market design, prioritizing stability, oversight, and operator diversity over maximum competition. These policy choices support predictable market performance but involve tradeoffs related to competition, pricing, and scalability.

Task C: Economic Impact and Market Structure Analysis

Task C assessed how Maryland's regulatory framework influences state revenue collections and the economic viability of different license types, including social equity, micro, and converted licenses. The analysis finds that Maryland's moderate tax rate supports a balance between revenue generation and legal market competitiveness and does not currently warrant adjustment.

The economic viability of license types varies based on structural and market factors. Social equity and micro licenses may benefit from reduced barriers to entry and targeted support programs, but may face challenges related to capital access, operational scale, and long-term viability. Converted licensees are generally well-positioned due to existing infrastructure and first-mover advantages, contributing to early market stability and supply continuity. Across all license types, long-term viability will depend on broader market conditions, including pricing dynamics, competition, and regulatory costs, and will require continued monitoring as the market matures.

Task D: Statutory and Regulatory Considerations

Based on the findings from Tasks A through C, CPPC proposes the following considerations for MCA:

- Periodic review of license caps and retail access based on consumer demand and market performance
- Monitor outcomes for social equity, micro, and converted licensees
- Evaluation of delivery restrictions and alternative retail models for micro dispensaries
- Consider modest adjustments to cannabis advertising restrictions
- Strengthen the medical program through enhanced patient protections and improved access

I. Study Overview and Research Design

This research was conducted by Cannabis Public Policy Consulting (CPPC) on behalf of the Maryland Cannabis Administration (MCA) to evaluate the economic performance, regulatory framework, and long-term sustainability of Maryland's cannabis market following the implementation of adult-use sales. This work represents a continuation of CPPC's prior research conducted under the Canopy Report workstream and incorporates additional analytical tasks requested by the Maryland Legislature.

The purpose of this report is to provide MCA with an evidence-based assessment of the state's cannabis market performance and regulatory framework. The analysis evaluates multi-year market trends, compares Maryland's regulatory structure to those of similarly situated adult-use jurisdictions, and examines the economic viability and sustainability of different license types operating within the market. In addition, the report assesses how existing regulatory policies may influence market stability, industry competitiveness, and state revenue outcomes.

This report is organized around four primary research tasks. Task A evaluates historical sales trends in Maryland's medical and adult-use cannabis markets using a longitudinal analysis of available sales data. Task B conducts a comparative review of Maryland's regulatory framework against other jurisdictions that authorize both medical and adult-use cannabis markets. Task C assesses how Maryland's market structure and regulatory limitations may affect the economic viability of various license types operating within the state, namely social equity, micro, and converted licenses. Finally, Task D synthesizes the findings from the preceding analyses to identify potential statutory and regulatory changes that may improve market efficiency and long-term industry sustainability.

Objectives

The objectives of this initial phase of the report are to:

- Evaluate multi-year trends in Maryland's medical and adult-use cannabis sales and assess how the market has evolved following the implementation of adult-use sales.
- Compare Maryland's regulatory framework, including advertising and marketing restrictions, product availability, ownership transfer provisions, and other elements related to broader market dynamics, to other states with regulated adult-use cannabis markets.
- Assess how Maryland's regulatory structure may affect state revenue collections and the economic viability of social equity licenses, micro licenses, and converted licenses.
- Develop considerations for data-supported statutory and regulatory changes that may improve market efficiency, industry sustainability, and economic viability.

Methodology Overview

The analyses presented in this report were conducted by CPPC's multidisciplinary research team using a combination of administrative market data, policy review, and applied economic analysis. CPPC's research team includes expertise in economics, public policy, regulatory design, and behavioral science to evaluate how cannabis market structures interact with consumer behavior and demand, industry operations, and economic outcomes.

Task A – Multi-Year Longitudinal Sales Analysis

For Task A, CPPC compiled and analyzed multi-year Maryland medical cannabis sales data and adult-use sales data beginning July 1, 2023 to evaluate sales trends over time and assess how the market has evolved following the implementation of adult-use sales. To contextualize Maryland's performance, CPPC also collected reasonably comparable medical and adult-use sales metrics from a defined set of peer jurisdictions that operate dual medical and adult-use markets, enabling comparative benchmarking of sales trends, growth rates, and other standard indicators where available. CPPC pulled adult-use and medical sales data from six states: Maryland, Missouri, Michigan, Illinois, Massachusetts, and Connecticut. All these states legalized adult-use or medical cannabis during different years and have different consuming population sizes. Due to these facts, CPPC analyzed the average change in market sales over time, standardized to months after adult-use legalization, to examine growth rates in the adult-use cannabis market and declines in the medical cannabis market. At the time of analysis, Maryland had thirty-one recorded months of adult-use sales, and comparisons to other states are made on the same time scale.

Task B - National Benchmarking and Policy Review

For Task B, CPPC conducted a comparative policy review examining Maryland's cannabis regulatory framework alongside those of other jurisdictions that operate both medical and adult-use cannabis markets. The analysis focused on several core regulatory domains, including marketing and advertising restrictions, product availability, ownership transfer provisions, and broader structural characteristics of cannabis markets. This analysis employed a qualitative policy review methodology supported by applied regulatory and economic analysis. Regulatory provisions from peer jurisdictions were systematically reviewed and compared to Maryland's statutory and regulatory framework in order to identify key similarities, differences, and potential implications for industry competitiveness, market stability, and regulatory oversight.

Task C - Economic Impact and Market Structure Analysis

Task C evaluated how Maryland's regulatory framework and market structure may influence economic outcomes within the cannabis industry, including implications for state revenue collections. This analysis focused specifically on the economic viability and sustainability of different license categories, including social equity licensees, micro licensees, and converted licenses, as well as the factors that shape overall market performance and taxable activity. This assessment applied principles from regulatory economics and market structure analysis to evaluate how licensing policies, operational restrictions, and regulatory requirements may influence industry entry, operational viability, competitive dynamics, long-term market stability, and, in turn, revenue generation. The analysis incorporated qualitative policy review, economic reasoning, and available market indicators to assess potential economic impacts associated with Maryland's regulatory framework.

Task D - Statutory and Regulatory Recommendations

Task D synthesizes the findings from Tasks A through C to identify potential statutory and regulatory considerations for policymakers. These considerations are intended to assist MCA in preparing materials for submission to the Senate Finance Committee and the House Economic Matters Committee, with the objective of supporting long-term market efficiency, industry sustainability, and economic viability within Maryland's regulated cannabis market.

II. Task A: Multi-Year Longitudinal Sales Analysis

For Task A, CPPC was asked to conduct a comparative analysis of Maryland's medical and adult-use cannabis sales performance relative to a set of peer jurisdictions that operate both medical and adult-use cannabis markets. The analysis examines multi-year sales trends in Maryland and compares those trends to similar markets using reasonably available metrics such as total sales, growth rates, and other commonly used market indicators. This comparison provides context for evaluating how Maryland's market has evolved following the implementation of adult-use sales and how its performance aligns with broader patterns observed in other regulated cannabis markets.

Adult-Use Sales Comparison

Figure 1. Maryland Adult-Use Cannabis Sales by Month

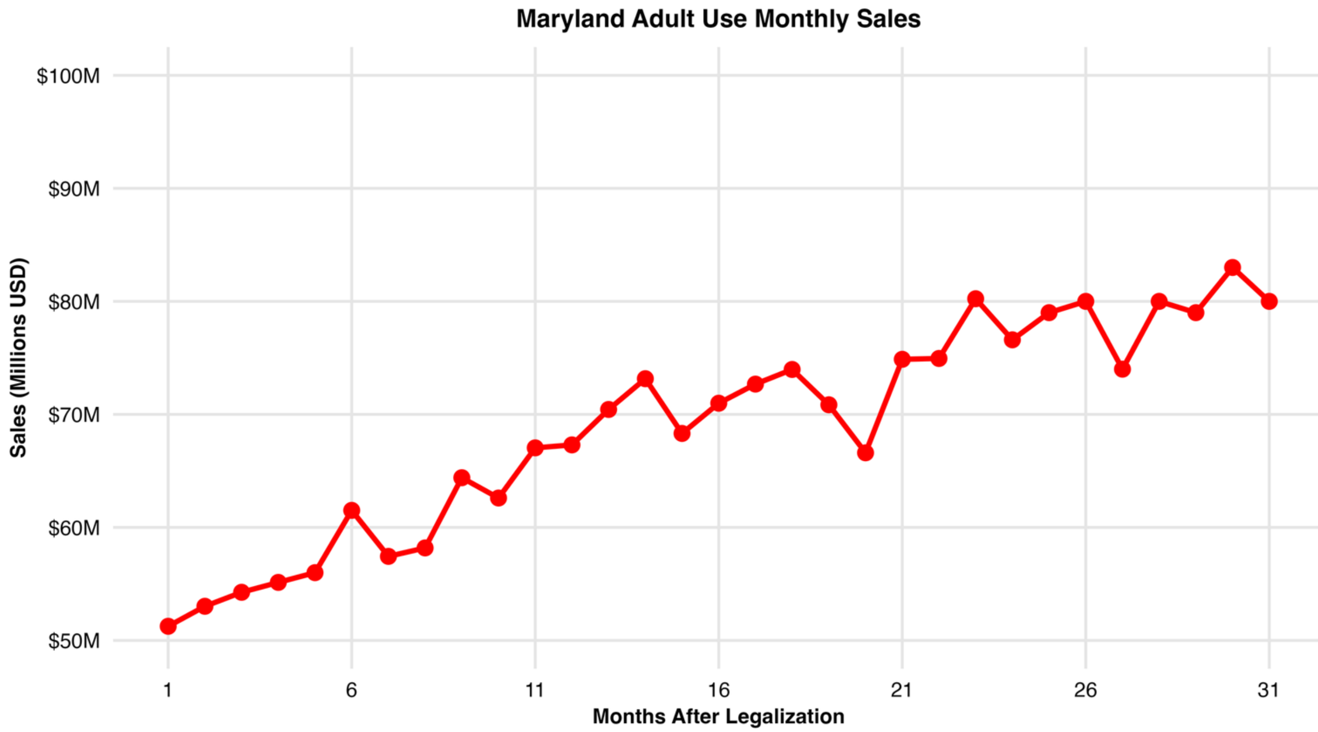


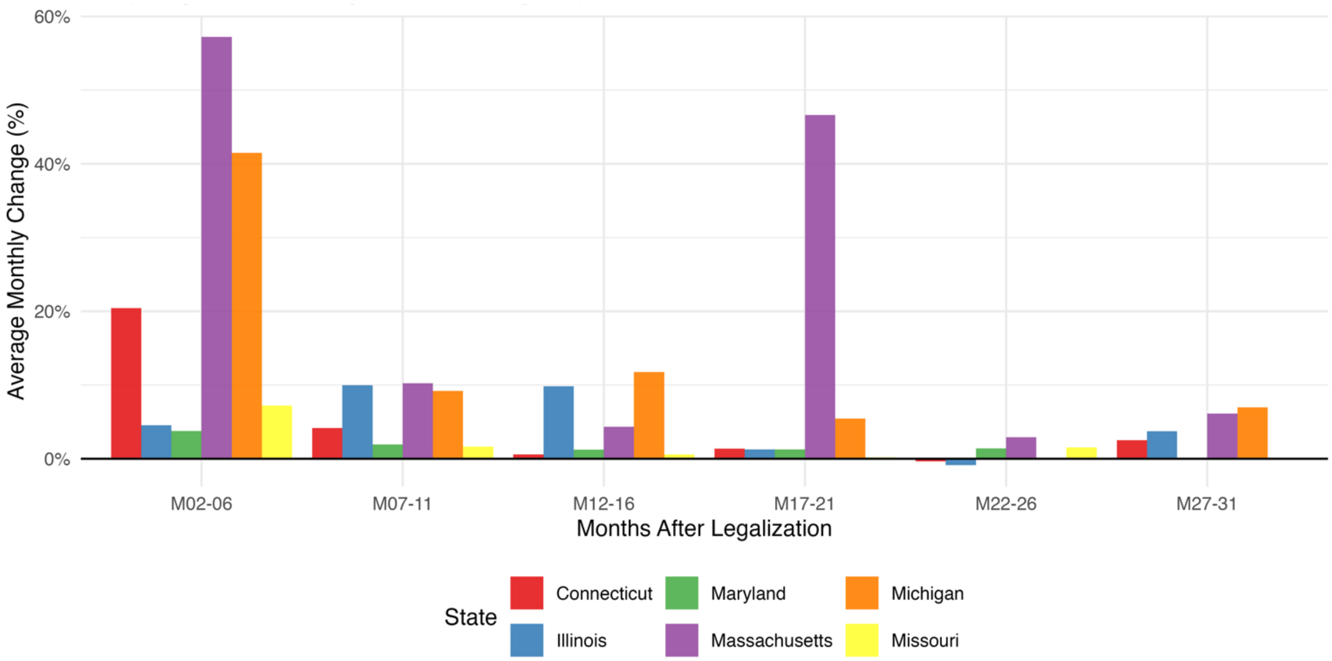
Table 1. Average Monthly Change (%) in Adult-Use Cannabis Sales by Block

State*	M02-06	M07-11	M12-16	M17-21	M22-26	M27-31
Maryland	**3.76%**	**1.93%**	**1.24%**	**1.27%**	**1.40%**	**0.16%**
Connecticut	20.45%	4.17%	0.60%	1.38%	-0.35%	2.52%
Illinois	4.54%	9.96%	9.84%	1.27%	-0.86%	3.74%
Massachusetts	57.21%	10.23%	4.33%	46.61%	2.91%	6.11%
Michigan	41.50%	9.21%	11.75%	5.44%	0.09%	6.98%
Missouri	7.19%	1.62%	0.59%	0.18%	1.53%	0.10%

*Extraordinary growth rates like Massachusetts in Month 17-21 were due to COVID shutdowns and reopenings.

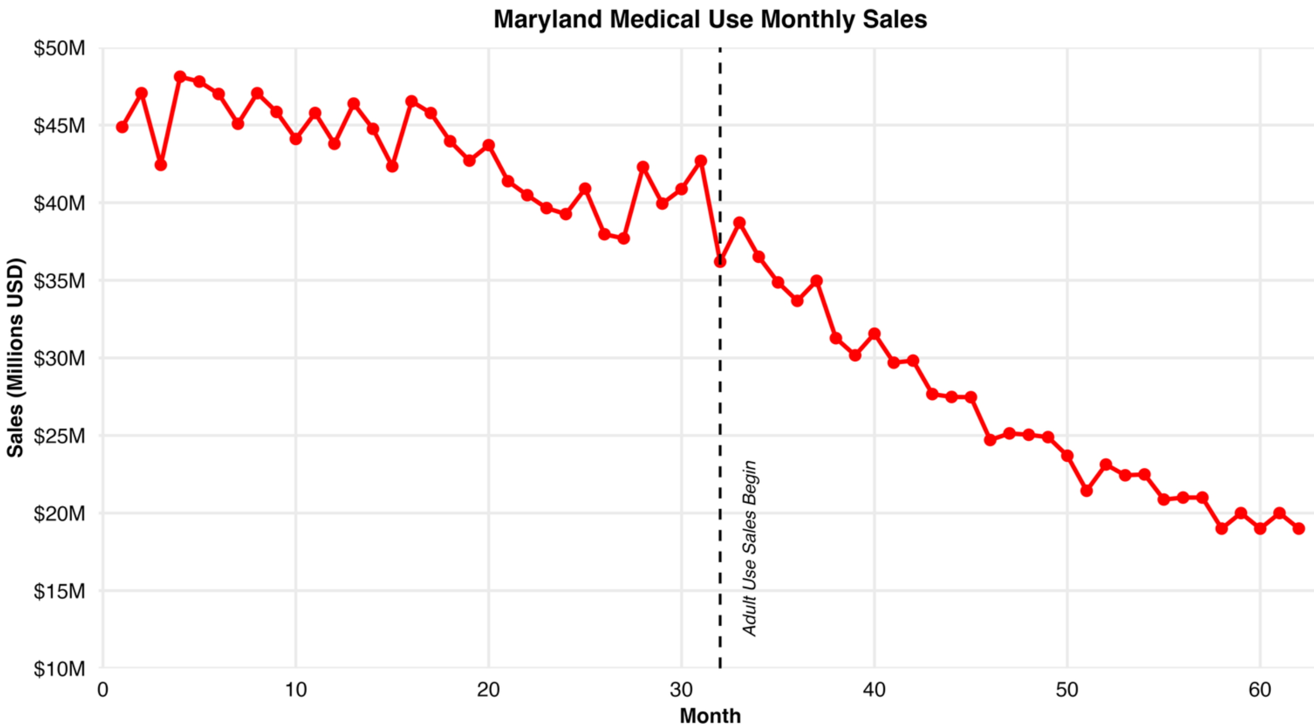
Maryland did not undergo the early explosive growth of states like Michigan, Massachusetts, or Connecticut, but rather is characterized by stable increases over time. The states most similar to Maryland are Missouri, Illinois, and Connecticut, whose markets are also characterized by converted medical stores and license supply caps. The key difference between Maryland and these other states is that Maryland's growth is higher in later months, where Missouri, Illinois, and Connecticut saw high growth in early months, but comparably lower growth in later months. Missouri, for example, which implemented adult-use cannabis sales only months prior to Maryland, has been on a roughly identical trend with Maryland and is only separated by a matter of degrees in growth rates in each block. Early higher growth for Missouri (M02-06), when compared to Maryland, is sacrificed for later growth where Maryland grows more quickly (M07-M11, M12-16, M17-21), then flips twice in the final set of months of analysis, but remains similar.

Figure 2. Average Monthly Change by Block: Comparing 5-Month Average Monthly Change (%) Across States



Medical Sales Comparison

Figure 3. Maryland Medical Cannabis Sales by Month



Medical cannabis sales have declined precipitously in Maryland. This trend is similar to the experiences of other states since the legalization of adult-use cannabis. All states being compared saw deep declines in medical sales as a function of their total sales. The most extreme version of this is in Michigan, which saw rapid and drastic declines in their medical patient population after legalization. Illinois, Massachusetts, and Connecticut hit the floor for declines in patient sales by months 22-26, and sales began to rise again in months 27-31. Maryland is the only state among the comparison that saw a consistent negative change over the period being studied. It is unlikely that the floor for medical cannabis sales has reached its potential floor, but it does appear to be leveling off over time.

Table 2. Average Monthly Change (%) in Medical Cannabis Sales by Block

State	M02-06	M07-11	M12-16	M17-21	M22-26	M27-31
Maryland	**-0.56%**	**-2.99%**	**-3.25%**	**-1.48%**	**-1.87%**	**-1.80%**
Connecticut	8.41%	-1.83%	-4.07%	-3.81%	-2.80%	0.68%
Illinois	5.24%	1.00%	3.36%	-1.62%	-2.25%	0.77%
Massachusetts*	130.69%	18.95%	0.25%	12.86%	0.52%	0.97%
Michigan	13.24%	-0.53%	3.06%	-3.52%	-6.76%	-4.19%
Missouri	-4.62%	-7.17%	-1.40%	-0.96%	0.74%	-0.42%

*Medical cannabis sales tracking in Massachusetts began in full after adult-use legalization.

III. Task B: National Benchmarking and Policy Review

For Task B, CPPC was asked to conduct a comparative assessment of Maryland's cannabis regulatory framework against those of other jurisdictions that authorize both medical and adult-use cannabis markets. The analysis focuses on marketing and advertising restrictions, product availability, ownership transfer provisions, and broader structural characteristics of cannabis markets. This benchmarking exercise evaluates how Maryland's regulatory approach compares to peer jurisdictions and considers the potential implications of these policy differences for industry competitiveness, market stability, and overall market performance.

Advertising and Marketing

Advertising regulations in states with adult-use cannabis markets vary widely, though most share a common baseline: advertisements cannot appeal to children, make false or misleading claims, or claim unsubstantiated medical or therapeutic benefits. Beyond these universal guardrails, states primarily differ in how they regulate advertising formats and placement. Some states, like Massachusetts, take a highly specific approach (i.e., restricting the use of illuminated signage beyond a period of 30 minutes before sundown), while others are less prescriptive in what is permitted or restricted. Maryland's advertising rules are comparatively restrictive, particularly with respect to out-of-home advertising. Most publicly visible advertising, including billboards, signs, posters, and other graphic displays, are prohibited outside of property owned or leased by the licensee. As a result, off-site out-of-home advertising is effectively banned, whereas many other states permit these formats under specified conditions. Maryland also imposes one of the strictest audience composition thresholds in the country, requiring that at least 85% of an advertisement's reasonably expected audience be 21 or older, compared to the more common 71.6% benchmark or no explicit threshold in some states. That said, Maryland does permit digital advertising, and its age-gating requirements for websites are broadly consistent with similar markets.

For event-based cannabis advertising, Maryland's policies are similar to those of other regulated states. Requirements that at least 85% of event attendees be 21+, that advertisements are only visible within the event space, and that all event promotion complies with standard audience restrictions align with common thresholds seen nationally, which typically range from 70–90% adult audiences. Some states, such as Ohio, take a more restrictive stance by requiring all attendees to be 21+, illustrating the range of regulatory approaches.

Maryland's tighter advertising limits do constrain operators' ability to reach potential customers and restrict one avenue for brand differentiation and competition. While Maryland could consider easing certain restrictions to give businesses more flexibility to advertise and compete, the likely impact on overall market competitiveness and long-term sustainability remains unclear and likely marginal to the overall market. In certain, more dense retail environments in the state, advertising could make a meaningful difference to where cannabis sales are allocated from one business or another. Advertising is one of many factors shaping market performance, alongside pricing, product availability, retail density, and regulatory compliance costs, meaning any changes should be weighed carefully against public health goals and broader market dynamics.

Table 3. Select Advertising and Marketing Policies Across Adult-Use Cannabis States

	OOO Advertising (billboards, signs)	Digital Advertising (online and mobile)	Radio/ Television advertising	Audience Composition Requirements	Event Advertising	Age-Gating for Cannabis-Related websites
Maryland	Out-of-home advertisements are generally prohibited (billboards, signs, posters, etc.).	Permitted	Permitted	Advertisements are prohibited unless at least 85% of the audience is reasonably expected to be at least 21+	At least 85% of attendees must be 21+ Advertisements must only be visible to those at the event Promotion, fliers, advertisement of the event must comply with usual advertising and audience restrictions	Required
Connecticut	Not with 1,500 feet of schools, places of worship, etc., and not illuminated from 6am to 11pm	Advertisements are prohibited unless at least 90% of the audience is reasonably expected to be at least 21+	Advertisements are prohibited unless at least 90% of the audience is reasonably expected to be at least 21+	Advertisements are prohibited unless at least 90% of the audience is reasonably expected to be at least 21+	At least 90% of attendees must be 21+	Required
Ohio	Billboards and advertisements on public transit, stadiums/arenas are prohibited	Permitted	Prohibited	Advertisements cannot be placed where there is a “high likelihood of reaching persons under the age of 18”	Events must be age-gated (21+) Can sponsor non-age-gated events, but no booths or handouts allowed	Required

					Must be approved by Division of Cannabis Control	
Missouri	Subject to local restrictions.	Subject to local restrictions.	Subject to local restrictions.	Subject to local restrictions.	Event must be predominantly 21+	Not explicitly required
Michigan	Permitted	Permitted	Permitted	No more than 30% of the audience can be reasonably expected to be under the age of 21 for adult-use cannabis, 18 for medical cannabis	At least 70% of attendees must be 21+	Not explicitly required
Illinois	Billboards permitted, advertisements on public transit prohibited	Permitted	Permitted	Advertisements are prohibited unless at least 71.6% of the target audience is at least 21+	At least 70% of audience must be 21+	Not explicitly required
New Jersey	Billboards prohibited except for on the real property where the cannabis business is located. Other forms of OOO advertising restricted to adult-only facilities	Permitted	Prohibited between the hours of 6am and 10pm	Advertisements are prohibited unless at least 71.6% of the target audience is at least 21+	At least 80% of audience must be 21+ No promotional gifts with symbol or reference to cannabis.	Not explicitly required
Mass.	Billboards permitted as long as they comply with both local and state restrictions.	Permitted	Permitted	Advertisements are prohibited unless at least 85% of the audience is reasonably expected to be	At least 85% of audience must be 21+ Advertising on novelty items (e.g., shirts) is	Required

	Advertisements on public transportation prohibited. Advertisements via signs and printed materials are prohibited.			at least 21+	prohibited. Temporary consumption events will be allowed under new social consumption rules.	

Product Availability

Maryland's adult-use regulatory framework permits a broad range of cannabis product categories, including flower, concentrates, edibles, vaporized products, tinctures, and topical formulations, aligning closely with the standard product mix observed across other mature adult-use markets. Notably, Maryland does not impose potency caps on most product types, a comparatively flexible approach relative to states that restrict THC concentrations in flower or concentrates. This permissive structure allows operators to respond to consumer demand, supports product innovation, and reduces compliance complexity tied to potency thresholds. At the same time, Maryland's edible serving size limits (10mg THC per serving and 100mg THC per package for adult-use products, with higher limits available to medical patients) are consistent with other adult-use states. Overall, Maryland's product availability framework is aligned with similarly situated states and, in some cases, slightly more flexible. Maryland's model supports both consumer access and market competitiveness. No substantive changes to product category or potency policy appear warranted at this time.

Table 4. Cannabis Product Policies Across Adult-Use Cannabis States

	Potency Limits (Non-edible products)	Prohibited Product Categories	Edible Packaging Limits
Maryland	None	No broad categories of cannabis products prohibited	10mg THC per serving; 100mg THC per package for adult-use consumers 40mg THC per serving; 400mg per package for medical cannabis patients
Connecticut	35% THC for flower products, 70% THC for concentrates	THCA Flower	5mg THC per serving; 100mg THC per package
Ohio	35% THC for flower products, 70% THC for manufactured products	No broad categories of cannabis products prohibited	10mg THC per serving; 100mg THC per package
Missouri	None	No broad categories of cannabis products prohibited	No restrictions
Michigan	None	No broad categories of	10mg THC per serving;

		cannabis products prohibited	200mg THC per package
Illinois	None	Alcohol-infused products, synthetic cannabinoids	10mg THC per serving; 100mg THC per package
New Jersey	None	No broad categories of cannabis products prohibited	10mg THC per serving; 100mg THC per package
Massachusetts	None	No broad categories of cannabis products prohibited	5.5mg THC per serving; 110mg THC per package

Ownership Transfer

Maryland’s ownership transfer framework is broadly consistent with the approach used in many other adult-use cannabis states. Maryland permits ownership transfers only with prior approval from the regulatory authority. Prospective buyers must submit an application and pay a fee before any transfer of ownership or control can occur, ensuring that regulators retain oversight of who may operate licensed cannabis businesses. Maryland also allows minor ownership adjustments below a defined threshold (changes involving less than 5% ownership do not require prior approval), which is similar to thresholds in other jurisdictions.

Maryland imposes comparatively strict limits on ownership concentration. A person or entity may hold no more than one grower license, one processor license, and four dispensary licenses. These limits are tighter than those in several comparable states, which allow higher dispensary caps or rely on broader percentage-based ownership limits. Maryland also places a five-year restriction on the transfer of converted medical cannabis licenses, which is notably longer than the ownership restriction periods observed in many other states. These provisions suggest that Maryland’s regulatory framework prioritizes market stability and operator diversity by limiting consolidation. While ownership caps are intended to prevent excessive concentration and preserve opportunities for small or social equity businesses, these restrictions are not without tradeoffs. Limits on multi-license ownership may reduce economies of scale, which can impact long-term operator viability. Similarly, time-based transfer restrictions may discourage license flipping and support market stability in the early years of the program, but they may also reduce liquidity in the market for licenses and limit an operator's ability to restructure or exit the market if they are underperforming.

States’ approaches to building a socially equitable market have been evolving over the last decade. Early efforts, like Pennsylvania’s launch of a medical program in 2017, applied additional weight to license applications for qualified applicants. As adult-use programs emerged, some states began designating a specific allotment of social equity licenses that would be awarded separately from the broader pool. This was the approach that Maryland took, though with the unique feature of establishing a separate lottery system. Ohio and Illinois also established specific social equity set asides, though Ohio’s, originally adopted via a ballot initiative, were stripped by subsequent legislation. Older adult-use programs, like Massachusetts and Michigan, do not have license set asides, but do offer other supports like education. Massachusetts has been able to build a roughly 15% share of its industry that has a social equity designation without quotas.

Percentage-based social equity ownership quotas are a more recently adopted approach to diversifying the industry. New Jersey was the earliest (2020) in reserving 25% of licenses to be awarded within specific impact zones throughout the state. Connecticut set aside 50% of each license type for social equity applicants in its 2021 law, and New York set aside 50% in its 2021 law. It is notable that social equity set asides have faced legal challenges that have slowed their rollout in states like Ohio and New York. Moreover, even if licenses are initially awarded to social equity applicants, the industry in many states has experienced consolidation, with social equity licenses transferred to non-social equity owners, which limits diversity. Ensuring a diverse marketplace that benefits communities disproportionately impacted by drug prohibition remains a significant challenge in cannabis policy. States like Maryland have adopted lock-up periods where social equity licenses cannot be transferred for a period following the launch of the legal market, however it is not yet clear whether that will prevent future erosion of social equity licensing without additional supports for smaller owners. Ongoing business support is likely crucial for supporting social equity owners.

Table 5. Ownership and Transfer Policies Across Adult-Use Cannabis States

	Limits on Transfer of Ownership	Social Equity Ownership Thresholds
Maryland	Ownership transfers are permitted only with prior approval of the regulatory body. Individuals/entities must submit an application and pay a fee prior to transferring ownership or control of a license. A person or entity may not have an ownership interest in or control more than: 1 grower license, 1 processor license, and/or 4 dispensary licenses. Converted medical cannabis licenses are subject to a 5-year restriction on transferring ownership or control of a license. Small ownership changes (below 5%) are allowed without prior approval.	The CRA established a separate round of social equity licensing with the following caps: Standard Licenses: ● 20 Grower ● 40 Processor ● 80 Dispensary Micro-license: ● 30 Grower ● 30 Processor ● 10 Dispensary 10 Incubator Space Licenses After litigation, 205 social equity licenses were awarded through lottery.
Connecticut	Ownership transfers are permitted only with prior approval of the regulatory body. Any “material change” in ownership, which includes adding a new backer, changing ownership stakes of investors, mergers, acquisitions, or transfer of assets or security interests requires review and approval by the Attorney General.	50% of each license type reserved for social equity applicants
Ohio	Ownership transfers are permitted only with prior approval of the regulatory body. A person or entity may not maintain ownership, control, or financial interest in more than: 1 cultivator license, 1 processor	Up to 40 Level-III (smallest) cultivator and 50 dispensary licenses set aside were included in the original law. The social equity program was stripped from the law by Senate Bill 56 of 2025.

	license, 8 dispensary licenses. Small ownership changes (below 10%) are allowed without prior approval.	
Missouri	Ownership transfers are permitted only with prior approval of the regulatory body. Individuals/entities must submit an application and pay a fee prior to transferring ownership or control of a license. An individual or entity cannot own more than 10% of all licenses in each license category. For example, since there are 68 cultivation licenses available, an individual cannot own more than 6 cultivation licenses. An individual/entity cannot own a microbusiness license and an existing medical, comprehensive, or another microbusiness license.	No percentage, but a special social equity microbusiness license category was created
Michigan	Cannabis business licenses are non-transferable. If a new entity wishes to operate an existing licensed business, it must file an Asset Purchase Amendment with the regulatory authority for approval.	None
Illinois	Cannabis business licenses are non-transferable. Ownership of a licensed business is permitted only with prior approval from the regulatory body. Individuals/entities must submit an application prior to transferring ownership. Individuals exceeding 1% ownership in privately held entities or 5% in publicly traded entities must undergo fingerprint-based background checks.	Specific set aside for 55 dispensing organizations and 20 cultivation centers
New Jersey	Ownership transfers are permitted only with prior approval of the regulatory body. Individuals/entities must submit an application and pay a fee prior to transferring ownership or control of a license. During the first two years after a cannabis business begins operations, a license holder may not transfer or change more than 50% of	25% of licenses to be awarded in specific impact zones

	its ownership interest. Social equity businesses may not transfer or change ownership during this period in a way that would cause them to lose their social equity eligibility.	
Massachusetts	Changes in ownership or control require prior approval from the regulatory body. Individuals/entities must submit an application and pay a fee prior to transferring ownership or control of a license. A single person or entity may not hold more than three licenses in each license category, including retailers, cultivators, product manufacturers, and medical marijuana treatment centers. A person or entity cannot hold more than 2 delivery licenses.	No percentage requirement. By 2026, 15% of licenses are held by social equity owners.[1]

Broader Market Dynamics

States with adult-use cannabis markets must design their regulatory frameworks around clearly defined policy objectives, recognizing that each structural decision carries inherent trade-offs. Policymakers must determine whether to prioritize tighter regulatory control and operator stability, or to emphasize competition, legal market capture, and lower consumer prices. States vary widely in their use of license caps, vertical integration rules, and taxation, and each of these decisions meaningfully shapes market capture, competitiveness, consumer prices, and operator viability.

Maryland has adopted a more controlled regulatory model by limiting the number of available licenses, in contrast to states that operate with uncapped or near-uncapped licensing frameworks. License caps enable regulators to more effectively oversee the supply chain and individual operators, while also reducing the risk of short-term supply imbalances. This structure supports states that prioritize market stability, regulatory compliance, and greater predictability in overall performance.

However, limiting the number of licenses restricts overall market competitiveness. Reduced competition can contribute to higher consumer prices and may limit total market capture if prices are substantially higher than those available on the illicit market. If Maryland's long-term objectives were to maximize competition, expand consumer access, and drive prices down, increasing or eliminating license caps would support these goals. However, a more open licensing environment can apply significant economic pressure on operators, particularly smaller and social equity businesses, and often accelerates consolidation in favor of well-capitalized, multi-state operators.

Maryland also permits vertical integration with limits. One entity may hold an ownership interest in one grower license, one processor license, and up to four dispensary licenses, while incubator space and on-site consumption licenses may not be co-owned with a grower, processor, or dispensary. Most adult-use states allow some form of vertical integration. When permitted, vertical integration can enable licensees to take advantage of

[1] https://www.bostonglobe.com/2026/02/17/metro/social-equity-cannabis-challenges-massachusetts/

economies of scale, improving their operational efficiencies, and lowering production and distribution costs, which can lead to lower consumer prices. Vertical integration can, however, create structural disadvantages for smaller and social equity businesses that lack the capital to integrate across the supply chain. Standalone operators may face higher wholesale costs and tighter margins, making it more difficult to compete with vertically integrated players. In markets where vertical integration is permitted, policymakers seeking to preserve small business participation may need to consider additional support or technical assistance, such as reducing regulatory compliance costs, lowering tax burden for social equity or small businesses, facilitating access to capital, or encouraging specialization through craft or niche product models.

Finally, Maryland's 12% sales and use tax on cannabis products remains comparatively moderate relative to many adult-use jurisdictions, even after the increase from 9% in 2025. This rate falls within a range that supports revenue generation while preserving legal market competitiveness and market capture. In contrast, excessively high tax burdens in other states have constrained legal market participation by pushing price-sensitive consumers toward the illicit market. Currently, Maryland's cannabis tax structure does not warrant adjustment. Increasing the tax rate would risk eroding legal market share and further compressing operator margins, while decreasing the rate would likely yield only marginal gains in competitiveness at the expense of reduced state revenue.

Table 6. Select Market Structure Policies Across Adult-Use Cannabis States

	State License Caps	Local License Caps	Vertical Integration	Taxation
Maryland	Yes 300 dispensary licenses 75 grower licenses 100 processor licenses 10 microretailer licenses 100 microgrower licenses 100 microprocessor licenses 10 incubator space licenses 50 on-site consumption licenses	N/A	Vertical integration is permitted with limits. One entity may have ownership interest in 1 grower license, 1 processor license, and up to 4 dispensary licenses. Incubator space and on-site consumption licensees cannot be co-owned with a grower, processor, or dispensary license.	12% sales and use tax on cannabis purchases
Connecticut	Yes Initially one dispensary per 25,000 population, now up to Department of Consumer Protection No fewer than 3, no more than 10 producers	Yes – local zoning power (including density cap) and opt-out is allowed	Vertical integration permitted but cannot obtain license types that are already held.	10-15% tax based on THC content 3% municipal tax
Missouri	The regulatory agency is allowed to increase license counts to meet demand.	Yes – local zoning power (including density cap) and opt-out is allowed	Vertical integration is permitted with limits. One entity may have ownership	6% excise tax on retail sales <3% county tax

			interest in 3 cultivation licenses, 3 cannabis-infused manufacturing licenses, and up to 5 dispensary licenses.	<3% optional municipal tax
Michigan	No	N/A	Full vertical integration is permitted.	10% excise tax on retail sales 24% wholesale tax
Illinois	Yes 30 cultivation licenses 150 craft grower licenses 500 dispensary licenses 40 infuser licenses No cap on transporter licenses	Yes – local zoning power (including density cap) and opt-out is allowed	Full vertical integration is permitted.	10% excise tax for cannabis flower ≤35% THC; 25% excise tax for cannabis flower >35% THC; 20% excise tax for cannabis-infused products 7% wholesale tax <3% optional municipal tax <3% optional county tax
New Jersey	No	Yes – local zoning power (including density cap) and opt-out is allowed. However, bans had to be enacted by August 21, 2021, following a five-year moratorium on municipal prohibitions.	Vertical integration allowed but can only have one business in each class.	6.625% sales tax $2.50/oz Social Equity Excise Fee <2% optional municipal tax
Massachusetts	No state-level license caps	Yes – local zoning power (including density cap) and opt-out is allowed	Vertical integration allowed, but not required. Vertical licenses available.	10.75% excise tax on retail sales <3% optional municipal tax

Protecting Patients in the Legacy Medical Program

As was evident in Task A, Maryland has experienced a considerable decline in medical cannabis sales. This is common when states with medical cannabis programs legalize cannabis for adult use. A rebalancing of purchases from the medical to adult-use market is inevitable as consumers navigate new access to cannabis products that do not require patient certification. However, experiences in other states demonstrate that medical patients can face problems in consistently obtaining the products they rely on as the cannabis market evolves due to broader legalization. Strains and products that were previously available may disappear, for example, as new adult-use products are offered to a growing market. While patients also have access to these new products, it can take time for them to find a new strain that provides the necessary medicinal benefit with an acceptable side effect profile. States, including Maryland, have adopted measures to maintain the medical market for patients. Such measures include allowing patient home cultivation, explicit employment protections for patients and caregivers, lower tax rates than adult-use products, higher possession/purchase limits, and access to a broader range of higher potency products.

Maryland has adopted some form of each of these policies, though they tend to fall in the middle of those found in other states. Maryland allows home cultivation, with a four-plant limit for medical patients versus a two-plant limit for adult use. The state provides employment protections for patients, though no explicitly defined protections for caregivers. Medical patients are exempt from paying state sales and use taxes on medicinal products. They are also able to possess a larger and more flexible 30-day supply of cannabis products compared to the limits of 1.5 oz of cannabis flower, 12 grams of concentrated cannabis, or a total amount of cannabis products containing up to 750 mg of THC for adult-use customers. Maryland also reserves high potency products for medical patients.

Turning to the comparison states, all except for Ohio and New Jersey allow home cultivation for medical patients. Typically, states allow more plants for medical patients than adult-use, save for Ohio. Ohio does not allow medical patients to grow at home but allows six plants per person for adult use. Compared to those that do allow home cultivation of medical cannabis, Maryland tends to have lower limits for the number of plants. States vary considerably as to whether they explicitly protect patients and caregivers from employment discrimination. Even if they do, they typically do not protect the use of medical products while on duty and still allow for employer drug testing. Some like New Jersey do not allow for negative employment action against a medical patient for a positive drug test alone. Notably, Illinois further protects medical patients from school- and landlord-based discrimination. It is also common for states to exempt medical cannabis purchases from adult-use retail taxes. However, many still assess the sales tax on medical products. All of the comparison states, save for Michigan, allow medical patients to purchase and/or possess larger amounts of cannabis. Maryland is on the lower end of the limit, however, as a 60- or 90-day supply is more common than its 30-day supply allowance for medical patients. Finally, all of the comparison states, except for Missouri, allow medical patients to purchase higher potency products.

Missouri is a particularly notable state to pay attention to. Like all other states, its medical registrant rolls and sales declined after launching adult-use sales. However, within the past few years its patient applications have been growing. Observers in the state argue that this is due to not only features like higher possession limits and lower taxes, but also to the state's efforts to more explicitly protect medical card holders from employment discrimination.[2] Michigan, in contrast, saw considerable declines in their medical program and continues to lack employment protections and daily limitations of medical sales but not adult-use.

[2] https://missouriindependent.com/2026/01/16/missouri-cannabis-advocates-celebrate-clarification-on-medical-patients-rights/.

Table 6. Medical Cannabis Program Policies Across Adult-Use Cannabis States

	Patient Cultivation	Employment Protections	Caregiver Protections	Lower Tax Rates	Higher Possession/ Purchase Limits	High Potency Access
Maryland	Yes, four plant maximum for medical, two for adult-use	Employment protections, workplace drug testing allowed	No explicit employment protections	Yes, exempt from sales and use tax	Yes, 30-day supply	Yes, high potency products reserved for medical patients
Connecticut	Yes, six plant maximum	Employment protections, no protection for use during work	Employment protections	Yes, subject to sales tax, but not 3% retail tax	Yes, 90-day supply	Yes, adult-use THC is capped, medical is not
Ohio	No for medical program, six plants per person for adult-use, 12 per household	No employment protections	No employment protections	Yes, subject to state sales tax, but not additional 10% retail tax	Yes, 90-day supply	Yes, higher potency caps for medical products
Missouri	Yes, six plant maximum, caregivers can have 18	Has been murky, though recent clarification by the Division of Cannabis Regulation suggests constitutional employment protections	No employment protections	Yes, subject to 4% sales tax, but not additional 2% for adult-use and up to 3% additional local tax	Yes, though there has been debate about ability of medical patients to also purchase in the adult-use market and how possession limits apply	No
Michigan	Yes, 12 plant maximum, caregivers can have 12 per patient (60 plant maximum)	No employment protections	No employment protections	Yes, subject to 6% sales tax, but not additional excise tax	No, there is a 2.5oz per-day limit for medical, but none for adult-use	Yes, higher potency caps for medical products
Illinois	Yes, medical only, five plant	School, rental, and employment protections,	School, rental, and employment protections,	Yes, subject to 1% sales tax, not	Yes, 70 grams per 14 days for medical, 30	Yes, access to broader range of products

	maximum	unless there is threat of federal penalty	unless there is threat of federal penalty	additional retail taxes	grams for adult-use	
New Jersey	No home cultivation	No adverse employment action allowed, drug testing allowed but patient status is valid excuse for a positive test, no protection of use during work	Employment protection	Yes, exempt from sales tax	Yes, 3oz per 30-day period, 1oz per visit for adult-use	Yes, access to broader range of products, but will reach cap faster
Massachusetts	Yes, six plant maximum	Medical use treated as a disability, employers cannot penalize for off-duty use, employment protection	No specific employment protection	Yes, exempt from taxes	Yes, 60-day supply	Yes, higher potency caps for medical products

IV. Task C: Economic Impact and Revenue Analysis

For Task C, CPPC was asked to conduct an impact analysis of Maryland's regulatory framework on both state revenue collections and the economic viability of social equity, micro, and converted licenses. This analysis evaluates how Maryland's regulatory structure influences overall market performance, including the State's ability to generate revenue, as well as whether licensees can successfully enter the market, operate competitively, and remain economically stable over time.

For the purposes of this report, economic viability refers to the ability of a business to generate a level of profit or financial return sufficient to justify the capital investment required to enter and operate within the market. In practical terms, a business is economically viable when a rational investor could reasonably expect the potential returns to outweigh the costs, risks, and regulatory obligations associated with participation in the industry. In highly regulated and capital-intensive markets such as cannabis, economic viability is shaped not only by consumer demand and market competition, but also by structural features of the regulatory framework, including licensing requirements, operational limitations, market access, and compliance costs.

Using this definition as the basis for the assessment, this section evaluates how Maryland's regulatory framework likely impacts the economic viability of three categories of social equity licenses, micro licenses, and converted licenses.

Social Equity Licenses

Overview

Maryland's adult-use cannabis framework emphasizes promoting equitable participation in the regulated market. The Cannabis Reform Act of 2023 established the Office of Social Equity (OSE) and directed it to implement programs designed to expand economic opportunity for individuals and communities disproportionately impacted by the enforcement of cannabis prohibition. Maryland's first adult-use licensing round was reserved exclusively for social equity applicants, making Maryland the first state to conduct a cannabis licensing round across all license categories solely for qualifying social equity participants. In March 2024, the Maryland Cannabis Administration conducted a lottery awarding 174 social equity business licenses. Subsequent litigation increased this to 205 licenses.

To qualify as a social equity applicant, at least 65% ownership and control of the applying entity must be held by one or more individuals who meet one of several eligibility criteria related to disproportionate impacts from prior cannabis enforcement. These criteria include residency in a disproportionately impacted area for at least five of the previous ten years, attendance at a public school in such an area for at least five years, or attendance for at least two years at a higher-education institution where at least 40% of students received Pell Grants.

Beyond licensing, Maryland's social equity framework includes several programs intended to support business formation and operational success. These include technical assistance initiatives, business education programs, mentorship and leadership development, and targeted financial support through the Cannabis Business Assistance Fund (CBAF). These programs signal Maryland's efforts to address both historical inequities and structural barriers to market entry into the regulated cannabis industry for historically disadvantaged populations.

Economic Viability Analysis

The viability of social equity licenses depends primarily on whether participants can reasonably expect to obtain a return on investment that justifies the capital requirements, regulatory obligations, and operational risks associated with entering the legal cannabis market. The cannabis industry is both capital-intensive and highly regulated, creating significant barriers to entry for new operators relative to many other industries. These barriers typically include licensing and application costs, real estate acquisition and facility build-out expenses, regulatory compliance and security requirements, and the working capital necessary to sustain operations during the early stages of market entry. For social equity applicants, these barriers may be further compounded by historical economic disparities that limit access to startup capital, as well as constrained access to traditional banking and financial services resulting from federal prohibition of cannabis.

Maryland's social equity framework attempts to improve economic viability by reducing barriers to entry and lowering certain startup and operational costs through financial assistance, technical training, and mentorship initiatives. From an economic perspective, these interventions can improve viability by alleviating upfront capital constraints and reducing the cost of market entry and participation. When combined with a licensing framework that includes caps on the total number of licenses, limits on the number of licenses that may be held by a single entity, and constraints on vertical integration, these policies may help create a market environment in which social equity operators have a greater opportunity to enter and compete within the regulated market. However, the ultimate viability of these businesses will also depend on broader market conditions, including wholesale price dynamics, retail competition, consumer demand, and the overall regulatory cost structure associated with operating in Maryland's cannabis industry.

While Maryland's regulatory framework was designed to encourage social equity participation, it is likely too early to fully evaluate the long-term viability and sustainability of social equity businesses in the state. As the market matures, it will be important for regulators to monitor whether social equity businesses are able to remain operational and financially stable over time. Indicators of success may be defined in several ways, including the number of years businesses remain operational, profitability, rates of expansion or acquisition, job creation, participation across different segments of the supply chain, and the extent to which businesses are able to maintain independent ownership and control over time. Conversely, metrics such as business closures, bankruptcies, prolonged operational delays, license suspensions, or persistent unprofitability could suggest challenges to long-term sustainability.

Given that Maryland's adult-use market and social equity licensing round are relatively new, sufficient longitudinal data is not yet available to evaluate these outcomes. Over time, additional data on business performance, operational longevity, and market participation will be necessary to determine whether Maryland's social equity framework successfully supports meaningful economic participation for the targeted communities. Continued monitoring of these indicators will be important for evaluating whether existing policies are effectively supporting long-term participation, or whether additional regulatory adjustments may be needed to maintain a sustainable and inclusive cannabis market.

Micro Licenses

Overview

Maryland's cannabis regulatory framework includes a category of micro licenses designed to support smaller-scale market participation and expand opportunities for new entrants. These licenses include cultivation, processing, and retail. The number of micro licenses issued statewide is capped at 100 micro grower licenses, 100 micro processor licenses, and 10 micro dispensary licenses. Notably, a micro licensee in good standing may apply to convert to a standard license once it has been operational for at least 24 months.

Each license type is subject to operational scale limitations. A micro grower license authorizes the cultivation and packaging of cannabis but limits operations to no more than 10,000 square feet of indoor canopy. Micro processors are limited to processing no more than 2,000 pounds of cannabis per year. A micro dispensary license authorizes a delivery-only retail operation that sells cannabis products without a physical storefront. Micro dispensaries may deliver cannabis to residences and medical facilities within an authorized service area but may employ no more than 10 employees and must operate within geographic limitations established by the Administration. Strategic location of these businesses, with limited competition as the only legal provider of delivery services, will provide these businesses with an uncontested opportunity to garner potential profits even when factoring in the relatively small size of delivery sales as a function of total sales. Two factors will be important to achieve this: prices that can compete with illicit delivery services and viable coverage of the state for those who wish to purchase cannabis via delivery. The limit of ten employees could prove an obstacle for more rural areas where delivery will take significantly longer or in zones where delivery sales are intense and businesses do not have a viable way to expand to meet demand. It is possible that these gaps will incentivize illicit delivery services to fill coverage gaps where it is profitable. Under current rules, the only policy solution to coverage gaps would be to increase competition (i.e. add more micro-dispensaries) which may in turn reduce the relative revenues of the other businesses. Future monitoring of micro-business operations will be important to balancing profits and revenue generation with not allowing dead-zones for cannabis delivery nor areas where delivery may take an excessive amount of time due to excessive demand. Both scenarios will incentive unregulated actors to fill that void.

Economic Viability Analysis

Micro licenses are intended to improve market viability for smaller operators by reducing the scale of investment required to enter the cannabis industry. Because cannabis businesses typically require substantial upfront capital, micro licenses can lower barriers to entry by reducing both operational size and the capital required to begin operations. In theory, these license offerings may improve viability for entrepreneurs who do not have access to the significant capital required to operate larger or vertically integrated cannabis businesses. By limiting canopy size, processing volume, or workforce size, micro licenses allow operators to enter the market with comparatively smaller facilities and lower operating costs. This approach is most effective in regulatory environments where the number of licenses is capped, as caps help limit excessive competition and protect smaller operators from being displaced by larger, better-capitalized firms.

However, while smaller operations reduce upfront investment requirements, they may also introduce economic constraints related to economies of scale. Cannabis cultivation, manufacturing, and retail operations often benefit from scale efficiencies that allow larger operators to reduce production and operational costs, which should lead to lower prices for consumers. Micro licensees operating under strict size limitations may therefore face higher relative production or operating costs, making it more difficult to compete with larger operators in the marketplace. Further, certain regulatory restrictions may constrain revenue potential. For example, micro dispensaries are limited to delivery-only retail models and must operate within designated geographic service areas. While this structure provides micro dispensaries with a regulatory advantage, since delivery is restricted to this license type, it may also limit market reach compared to traditional brick-and-mortar retail models. Further, reaching potential customers may be harder for these businesses since they don't have a traditional retail shop and cannot take advantage of the only out-of-home advertising available, signage on storefronts. Without the exclusive authorization to provide delivery services, the economic viability of micro dispensaries would likely be more uncertain. At the same time, delivery sales typically represent a relatively small share of total cannabis sales, meaning that the advantage may be limited.

Further, Maryland regulations allow micro licensees to convert to standard licenses after being operational for at least 24 months, providing a potential pathway for businesses to expand their operations if they are doing well. This separates Maryland from other markets that do not allow microbusinesses to convert their license and presents an economic advantage to micro license holders in the state. This conversion allowance may help mitigate some of the structural limitations associated with micro licenses by allowing successful operators to scale their businesses over time, which may support long-term economic viability.

From a sustainability perspective, micro licenses may contribute to a more diverse cannabis market by enabling participation from smaller businesses that could otherwise be excluded from the industry. In principle, this type of licensing structure can support broader economic participation among small businesses and encourage entrepreneurship. It is important to note that the long-term sustainability of micro licensees will depend on whether these businesses are able to remain financially stable while operating within the scale constraints imposed by the license category. If operational limitations significantly restrict revenue potential or competitiveness, some micro licensees may experience difficulty maintaining profitability over time.

As with social equity licenses, it is too early to fully evaluate long-term sustainability outcomes for micro licensees in Maryland's adult-use market. Over time, policymakers may wish to monitor indicators such as business longevity, profitability, rates of micro license conversion to standard licenses, and business closures. These indicators may help determine whether micro licenses are successfully supporting long-term economic participation, or whether adjustments to licensing structure or scale limits may be necessary to support sustainable operations.

Converted Licenses

Overview

Maryland's transition from a medical cannabis program to an adult-use market allowed existing medical cannabis licensees to convert their licenses to operate in the adult-use market. Medical cannabis growers, processors, and dispensaries were permitted to convert their licenses to dual medical and adult-use operations upon payment of a conversion fee, which could be paid in full or on a payment plan, if needed.

Converted licenses became valid beginning July 1, 2023, and remain valid for five years from the date of conversion. Converted licenses are also subject to a five-year restriction on transfers, meaning that the license may not be transferred prior to July 1, 2028, except under limited circumstances defined in statute. This conversion framework allowed existing medical operators to transition into the adult-use market while maintaining continuity of supply for patients and regulatory oversight during the early stages of market implementation.

Economic Viability Analysis
Converted licenses are expected to demonstrate a relatively high level of viability compared to newly issued licenses, as they typically enter the adult-use market with established infrastructure, operational experience, existing supply chain relationships, and brand awareness, which may reduce the capital investment and operational uncertainty associated with entering the cannabis industry.

Because these businesses were already operational prior to the launch of the adult-use market, they were able to leverage existing cultivation facilities, processing operations, retail locations, and regulatory compliance systems when expanding into adult-use sales. This operational continuity reduces many of the startup costs and risks that new market entrants face, which may improve the likelihood that converted licensees can generate a return sufficient to justify their continued investment. The conversion process, however, also required existing operators to pay a conversion fee based on prior revenue, representing a substantial financial obligation in some cases. While the ability to enter a payment plan mitigates the immediate financial burden, the fee still represents a significant cost associated with participation in the adult-use market.

Overall, the economic viability of converted licensees is generally supported by their first-mover advantage, existing market presence, and operational scale. Converted licenses also play an important role in supporting the economic sustainability and stability of Maryland’s cannabis market. Because existing medical operators were able to transition quickly into adult-use sales, they helped ensure continuity of product supply during the early stages of market expansion. This continuity can reduce the risk of supply shortages, price volatility, or disruptions that sometimes occur when new adult-use markets launch.

From a broader market perspective, the presence of established operators may contribute to regulatory stability and operational consistency during the transition from a medical-only framework to a combined medical and adult-use market. Experienced operators are often better positioned to maintain compliance with regulatory requirements and implement operational best practices, which can support consumer safety and overall market integrity. Policymakers must balance these benefits with broader policy goals related to market competition and equitable participation. Because converted licensees entered the adult-use market with operational advantages and established infrastructure, they may initially hold a competitive advantage relative to new licensees.

Ancillary Businesses

In addition to licensed cannabis operators, the industry supports a broader secondary ecosystem of ancillary goods and service providers, including software platforms, security services, accounting and legal support, marketing agencies, and packaging and labeling manufacturers. The scale of this ancillary ecosystem is closely tied to the size and diversity of the licensed market. Broadly speaking, a greater number of cannabis businesses operating across the supply chain corresponds to a larger number of economic opportunities for ancillary providers, as more operators require external goods and services to support their operations. However, the viability of these opportunities is directly influenced by the viability of the cannabis industry and its legal protections. Smaller and undercapitalized businesses, particularly social equity and micro licensees, may be less likely to outsource certain business functions, even where doing so may be operationally efficient, due to limited access to capital and a lack of ability to write off business expenses that are typically afforded to businesses in other industries. Similarly, the supply of ancillary businesses willing to work with the cannabis industry (insurance, real estate, goods suppliers, banking, etc.) due to federal cannabis prohibition inherently drives the cost of business up for cannabis businesses. Ancillary businesses willing to take on the risk of the current federal environment are afforded a premium and experience limited competition resulting in higher goods and services prices for cannabis businesses. Similar processes occur at the local level as zoning officials typically have allocated a limited number of areas, and in turn, physical structures where business can be conducted. The result is higher rents than are typically expected in other industries.

Federal tax policy, specifically Section 280E of the Internal Revenue Code, constrains the ability of plant-touching cannabis businesses to deduct ordinary business expenses beyond the cost of goods sold. As a result, operators face increased effective tax burdens relative to non-cannabis businesses, reducing available capital for the procurement of ancillary services. In the absence of 280E restrictions, whether through federal legalization or legislative reform, cannabis businesses would retain a greater share of revenue, increasing their capacity to utilize ancillary providers and expanding overall economic activity across both the primary cannabis industry, as businesses shift capital and labor to more productive portions of their business and outsource less productive portions to ancillary services, and its supporting ecosystem.

Impact on Revenue Collections

Maryland's cannabis revenue collections are primarily driven by the interaction of its tax rate, total taxable sales, and licensing-related fees. Although the State's excise tax increased modestly from 9% to 12%, the rate remains relatively low compared to other adult-use markets. As discussed in Task B, Maryland's cannabis tax rate falls within a range that balances legal market capture and revenue generation, and CPPC does not recommend adjustments at this time.

As the cannabis industry continues to expand, tax revenues are expected to increase in the near term. However, as the market matures, operators become more efficient, and if additional licenses increase competition, a decline in cannabis prices is likely. Because Maryland relies on a price-based (ad valorem) tax structure, declining prices may dampen revenue growth over time as the demand for units of cannabis products reaches a ceiling and the price of these products continue to fall. This scenario typically occurs deep into market maturation and often results more from extensive market competition and less from efficiency gains from operators over time and is unlikely in the near future for Maryland.

License application and renewal fees provide an additional source of revenue, particularly during periods of market expansion, but these revenues are inherently limited compared to tax collections. Alternative approaches, such as weight- or potency-based taxation, could provide more stable revenue as prices decline, though such systems introduce greater administrative complexity and a higher administrative burden on cannabis businesses. Overall, Maryland's framework reflects a balance between revenue generation and market stability, prioritizing sustainable industry growth over short-term revenue maximization.

V. Task D: Statutory and Regulatory Recommendations

This section presents potential statutory and regulatory considerations for the Maryland General Assembly and the Cannabis Administration based on the analyses conducted in the preceding sections of this report. These considerations are intended to support ongoing legislative and regulatory discussions regarding the structure and performance of Maryland's cannabis market. The objective of these recommendations is to identify policy approaches that may improve market efficiency, support industry sustainability, and enhance the economic viability of licensed operators within Maryland's regulated cannabis market.

Table Setting: Cannabis Economics

Cannabis market design creates tradeoffs in the maximization of policy goals. This is due to a few core features of cannabis. First, cannabis is a homogenous agricultural commodity, more like global food markets than that of finished goods. Second, despite the presence of finished cannabis products that differentiate on quality or underlying characteristics (potency, strain, etc.), products that minimize price and maximize THC potency dominate the market. This is due to the fact that a well-defined segment of the cannabis market in daily or near daily cannabis consumers makes up the vast majority of cannabis sales. These consumers are budget constrained and price sensitive. Three, there exists the perfect substitution commodity of illicit cannabis markets. Demand for legal cannabis and illicit cannabis are interdependent, and firms in both markets compete on price, potency, and quality.

Under these contextual industry circumstances, cannabis markets are highly competitive, like other agricultural markets. Competition is directly influenced by policy decisions at the state level. For firms in near perfect market competition, such as businesses in adult-use cannabis states with low barriers to entry or exit (Michigan, New Mexico, Oregon, etc.), and easily accessible information by consumers and businesses alike, market efficiency is maximized and consumers maximize utility by obtaining their ideal “bundle” of cannabis goods at their desired prices. The first result of these highly competitive markets are more units for consumers at a lower per unit cost and illicit markets are pushed out as legal cannabis products approach price parity with illicit cannabis products. This in turn maximizes the gains from trade and the total market size (in dollars) grows at a faster rate than it otherwise would when the market is distorted by policy decisions, such as limits to entry or exit by businesses. The mechanism that produces lower prices in highly competitive markets are that businesses are pushed to operate where marginal revenue is equal to marginal cost, businesses take the price as given, and no firms are able to shift the market structure with their own choices, resulting in lower consumer prices and constraining business decision making to increase efficiency to garner profits. Businesses do so by streamlining production, decreasing business costs, and/or scale production to counterbalance falling consumer prices. Those businesses who do not do so are pushed out of business, must take on debt, or take part in acquisitions and mergers. Highly competitive markets push firms out of business or force consolidation. If firms are not going out of business or undergoing consolidation, market efficiency is likely not being maximized, and the market is being distorted by a lack of competition, or structural market design features that prevent the entry or exit of new firms. In cannabis policy, market distorting policy decisions presents itself as zoning limits, market license caps, and high regulatory fees that limit competition and distort the equilibrium price of cannabis. In other words, these policy decisions result in a per-unit price that is higher than what some consumers are willing to pay, limiting the total size of the market. While these are the market impacts of policies that distort the cannabis market, they do serve to advance other goals the state or regulators may have such as protecting public health, protecting social equity licensees, protecting small businesses, or ensuring industry sustainability. For a sustainable industry, *all firms do not have to be economically viable.* However, the policy goal of protecting certain segments of the cannabis industry is a valid concern and programs can be implemented to financially support their success. State markets who have these goals will need to continue to balance goals such as market efficiency and legal market capture against other goals that are important to their state.

Considerations for the Administration

Periodic review of license caps and retail access based on consumer demand and market performance. Maryland may consider maintaining its current license cap structure in the near term while establishing a periodic market review process to evaluate whether adjustments to license counts, particularly retail dispensary licenses, may be warranted as the market evolves. Prior CPPC analysis indicates that Maryland’s regulated cannabis market is performing strongly, with total sales exceeding $2.7 billion between July 2023 and November 2025, and licensed retailers capturing approximately 75% of total cannabis spending. These indicators suggest that the current regulatory framework is effectively supporting legal market participation and that the market is not presently constrained by production capacity or retail access. However, as consumer demand continues to grow and the market matures, policymakers may wish to monitor indicators like retail access, price trends, and legal market capture to determine whether incremental adjustments to license counts could further support market competitiveness and continued growth in regulated sales. Establishing a structured review process would allow regulators to make data-informed adjustments, if needed, while preserving the stability that Maryland's current licensing framework provides.

Monitor outcomes for social equity, micro, and converted licensees. Maryland may consider establishing a structured monitoring framework to evaluate the economic performance and operational outcomes of social equity, micro, and converted licensees as the adult-use market continues to mature. Because these license categories were implemented relatively recently, sufficient longitudinal data is not yet available to fully evaluate their long-term economic viability or broader market impacts. Policymakers should consider tracking indicators such as business longevity, profitability, rates of license conversion, workforce size, and business closures. Monitoring these metrics would allow regulators to better understand whether these licensing structures are effectively supporting sustainable market participation and economic viability, particularly for smaller or historically disadvantaged operators. Establishing a formal data collection and evaluation process would enable the Administration to identify emerging trends, assess whether existing policies are achieving their intended goals, and make data-informed adjustments to licensing structures or support programs, if necessary.

Evaluation of delivery restrictions and alternative retail models for micro dispensaries. Maryland may consider evaluating whether the current geographic service area limitations or employee limits placed on micro dispensaries unnecessarily constrain their revenue potential as the market continues to develop. Under the current regulatory framework, micro dispensaries operate as delivery-only businesses and may provide services only within an authorized region unless additional approval is granted. While these restrictions help maintain clear regulatory oversight and local market structure, they may also limit the ability of micro licensees to expand their customer base and achieve sufficient sales volume.

As the market matures, policymakers may also wish to consider whether additional operational flexibility could allow micro dispensaries to specialize or develop niche retail models that improve their economic viability. For example, the state may permit limited mobile retail models, expanded delivery service areas, or other small-scale retail innovations that allow micro operators to reach consumers more efficiently without directly competing with traditional brick-and-mortar dispensaries. Allowing micro licensees to differentiate their business models in this way may help smaller operators carve out distinct market segments while preserving the broader regulatory structure of the retail market. Periodic review of delivery trends and micro dispensary performance may help determine whether adjustments to these restrictions would support the long-term viability of micro licensees.

Consider modest adjustments to cannabis advertising restrictions. Maryland may consider evaluating whether certain advertising restrictions could be modestly relaxed while maintaining appropriate safeguards to protect consumers and restrict youth exposure. Compared to many other adult-use jurisdictions, Maryland's advertising framework is more restrictive, including a prohibition on all out-of-home advertising formats and a comparatively high audience composition threshold requiring that at least 85% of an advertisement's reasonably expected audience be 21 or older. Policymakers may wish to assess whether allowing limited out-of-home advertising under clearly defined conditions or aligning the audience composition threshold more closely with the

71.6% standard commonly used in other states, could provide operators additional flexibility to communicate with adult consumers. Any potential adjustments should be evaluated carefully to ensure that public health protections remain intact while supporting reasonable opportunities for market competition and brand differentiation.

Future policy decisions concerning adjustments to advertising restrictions should be accompanied by policy studies that investigate the impact of regulatory changes. Studies should take extra consideration to ensure that the policy change they are studying is reflected in the research design of the study. Advertising comes in numerous forms (event sponsorship, digital, billboards) and will have differential impacts on the population receiving the advertisement (adolescents, already existing cannabis consuming adults, those adults who have never consumed cannabis). Additionally, careful consideration should be made in what is being measured (how frequently someone sees an advertisement, have they ever seen an advertisement, etc.) and what outcomes are being studied (perceiving cannabis as more or less risky, purchasing cannabis, etc.). The chosen research design will be able to answer different policy questions about different target populations and need to be carefully calibrated to reflect the policy under consideration. It is plausible to expect that an experimental approach (field, lab, or digital) could be organized to understand the potential impact of advertising changes prior to these policies being implemented in practice.

Strengthen the medical program through enhanced patient protections and improved access. Rebalancing between medical and adult-use markets is inevitable, but states have adopted measures to stabilize and support their legacy medical programs and patients. Maryland tends to fall in the middle of the comparison states used in this report. It has a mixture of lower taxes, higher potency and possession limits, and employment protections, but they tend to be lower than other states. Maryland could consider adopting more explicit employment protections for caregivers, as well as broader anti-discrimination protections for patients. It could also consider allowing possession of a 60- or 90-day supply for medical patients, like other states. Maintaining a stable supply of medical products is critical for patients with chronic conditions. Allowing more flexibility to medical patients in what they can purchase, including maintaining limited access to high potency products, helps to differentiate the medical and adult-use programs in ways that protect patients. The state should also consider gathering information from medical patients regarding barriers they fact to accessing medical cannabis, including geographic access, supply