

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1377 (Delegate Amprey)
 Economic Matters

Cannabis - Advertising - Prohibited Locations (Equity in Cannabis Advertising Act)

This bill alters existing restrictions on advertising for cannabis licensees, cannabis products, or cannabis-related services. It also authorizes a cannabis licensee to submit an advertisement to the Maryland Cannabis Administration (MCA) for an advisory opinion on whether the advertisement complies with the statutory provisions governing advertising (as altered by the bill). MCA must review the advertisement and provide the licensee with an advisory opinion within 30 days of receipt.

Fiscal Summary

State Effect: Special fund expenditures for MCA increase by \$172,200 in FY 2026; 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 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	(\$86,100)	(\$102,500)	(\$107,000)	(\$123,000)	(\$128,200)
SF Revenue	\$94,700	\$112,700	\$117,700	\$134,100	\$139,900
SF Expenditure	\$111,900	\$133,200	\$139,100	\$145,300	\$151,500
Net Effect	(\$103,300)	(\$123,000)	(\$128,400)	(\$134,100)	(\$139,900)

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

Local Effect: Local government revenues decrease beginning in FY 2026 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: The current prohibition against an advertisement for a cannabis licensee, cannabis product, or cannabis-related service 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, an advertisement may not contain a design, an illustration, a picture, or a representation that targets or is attractive to minors, including (1) resemblances to the trademarked, characteristic, or product-specialized packaging of any commercially available candy, snack, baked good, or beverage; (2) images of food, candy, baked goods, cereal, fruit, beverages, or the word “candy” or “candies; (3) images, graphics, features, or likenesses to images, graphics, or features that are popularly used to advertise to children, such as cartoons, animals, neon colors, celebrities, mascots, or phrases; or (4) any other depiction that is commonly used to market products to minors.

An advertisement also may not contain a design, an illustration, a picture, or a representation that (1) makes claims regarding health or physical benefits to the consumer or (2) makes false or misleading statements.

Additionally, the current 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) – and the 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 – are repealed. Instead, an advertisement may not be placed with 500 feet of a (1) substance use treatment facility; (2) primary or secondary school; (3) licensed child care center or registered family child care home; or (4) playground, recreational center, library, or public park.

Other current law restrictions related to advertising are not altered by the bill.

Current Law: Chapters 254 and 255 of 2023 established the adult-use cannabis industry in the State by, among other things, (1) establishing MCA as an independent unit of State government that is responsible for the regulation of adult-use and medical cannabis; (2) creating a licensing framework for the regulated sale of cannabis, including licenses for growers, processors, dispensaries, incubator spaces, and on-site consumption; (3) requiring all medical cannabis licensees to either convert to adult-use cannabis businesses or cease operating by July 1, 2023; and (4) establishing a 9% sales and use tax on the sale of adult-use cannabis.

Cannabis Advertising

“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.

An advertisement for cannabis, cannabis products, or cannabis-related services that makes therapeutic or medical claims must (1) be supported by competent and reliable scientific evidence and (2) include information on the most serious and common side effects or risks associated with the use of cannabis.

An advertisement for a cannabis licensee, cannabis product, or cannabis-related services may not:

- violate Title 13, Subtitle 3 of the Commercial Law Article (Consumer Protection Act – Unfair, Abusive, or Deceptive Trade Practices);
- directly or indirectly target individuals younger than age 21;
- contain a design, illustration, a picture, or a representation that (1) targets or is attractive to minors, including a cartoon character, a mascot, or any other depiction that is commonly used to market products to minors; (2) displays the use of cannabis, including the consumption, smoking, or vaping of cannabis; (3) encourages or promotes cannabis for use as an intoxicant; or (4) is obscene;
- engage in advertising through specified forms of media unless at least 85% of the audience is reasonably expected to be at least age 21, as specified; or
- engage 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, a cannabis business may place exterior signage on the premises of the business for the limited purpose of identifying the business to the public.

A cannabis-related website must employ a neutral age-screening mechanism verifying the user is at least age 21 before the user may access or view any content and before the website may collect any contact information to disseminate advertisements. Similarly, if an advertisement is placed on social media or a mobile application, it must include a notification that an individual must be at least age 21 to view the content. If a website is appropriate for a qualifying patient who is younger than age 21, the website must provide an alternative screening mechanism for the qualifying patient.

Enforcement of Provisions Related to Advertising

Pursuant to the Code of Maryland Regulations (COMAR 14.17.14.06), all advertisements for cannabis products, businesses, licensees, or other cannabis-related services must comply with the statutory provisions specified above. A standard licensee, registrant, agent, or employee who violates any of those provisions is subject to a maximum fine of (1) for a first violation, \$1,000; (2) for a second violation occurring within 24 months of the first violation, \$10,000; (3) for a third violation occurring within 24 months of the second violation, \$25,000; and (4) for each subsequent violation occurring within 24 months of the most recent preceding violation, \$50,000. A violator may elect to pay the imposed fine or request a hearing within 30 days of receiving the fine. In accordance with specified hearing provisions, MCA may also deny, suspend, or revoke the license or registration of a licensee, registrant, agent, or employee who violates the statutory provisions related to advertising.

State/Local Fiscal Effect:

Maryland Cannabis Administration Administrative Expenditures

MCA advises that the Natalie M. LaPrade Medical Cannabis Commission (for which MCA is the successor agency) previously issued advisory opinions on proposed advertisements to medical licensees. However, the number of cannabis businesses expected to be licensed in the adult-use and medical cannabis industry will completely eclipse the number of businesses licensed by that commission in the medical-only cannabis industry. MCA advises that, currently, there are more than 150 licensed cannabis businesses in the State and that roughly 200 new businesses are in the process of becoming operational. MCA further reports that the second round of licensing that will occur pursuant to Chapters 254 and 255 is anticipated to more than triple the number of businesses that are currently licensed. As a result, MCA needs additional staff to implement the bill’s changes.

Thus, special fund expenditures for MCA increase by \$172,219 in fiscal 2026, which accounts for the bill’s October 1, 2025 effective date. This estimate reflects the cost of hiring two administrators to review proposed advertisements that are submitted to MCA and provide advisory opinions within 30 days, as required by the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$157,481
Operating Expenses	<u>14,738</u>
FY 2026 MCA Administrative Expenditures	\$172,219

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

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 must first be distributed to CREF to defray the entire cost of the operations and administrative expenses of MCA.

Effect on Distribution of 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. Any such impact would be speculative. However, the bill does affect the *distribution* of sales and use tax revenues, as discussed below.

As noted above, current law requires that revenues from the sales and use tax on the sale of adult-use cannabis must first be distributed to CREF to defray MCA’s operating and administrative costs. Remaining tax revenues 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 the Cannabis Reinvestment and Repair Fund (CRRF), which is administered by the Comptroller’s Office; 5% to the Cannabis Public Health Fund, which is administered by the Maryland Department of Health; 5% to the Cannabis Business Assistance Fund, which is administered by the Department of Commerce (through fiscal 2028, after which this distribution terminates); and 5% as a separate direct allocation to counties.

Thus, because the bill results in an increase in MCA’s administrative costs, the bill also results in a decrease in general fund revenues, special fund revenues for affected special funds, and county revenues, as shown in **Exhibit 1**.

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.

CRRF expenditures (for the distribution of CRRF funds by the Comptroller to counties, as required by current law) decrease correspondingly to the decrease in CRRF revenues beginning in fiscal 2026. County revenues decrease further as a result of the decreased distributions from CRRF beginning in fiscal 2026.

Accordingly, county (and municipal) expenditures decrease correspondingly.

Exhibit 1
Effect on Distribution of Sales and Use Tax Revenue

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Funds Available for Distribution	(\$172,219)	(\$204,927)	(\$214,022)	(\$223,564)	(\$233,096)
State Revenues					
General Fund	(\$86,110)	(\$102,464)	(\$107,011)	(\$122,960)	(\$128,203)
CRRF	(60,277)	(71,724)	(74,908)	(78,247)	(81,584)
CPHF	(8,611)	(10,246)	(10,701)	(11,178)	(11,655)
CBAF	(8,611)	(10,246)	(10,701)	0	0
County Revenues	(\$8,611)	(\$10,246)	(\$10,701)	(\$11,178)	(\$11,655)

CBAF: Cannabis Business Assistance Fund
 CPHF: Cannabis Public Health Fund
 CRRF: Community Reinvestment and Repair Fund

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

Source: Department of Legislative Services

Enforcement of Advertising Provisions as Altered by the Bill

The application of existing enforcement provisions to violations of the restrictions on advertising as altered by the bill is not anticipated to significantly affect State finances.

Small Business Effect: Many cannabis licensees are considered small businesses. Such licensees likely benefit from 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. 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 been introduced in the last three years. See SB 399 of 2024.

Designated Cross File: None.

Information Source(s): Harford, Montgomery, and Wicomico counties; Maryland Municipal League; Alcohol, Tobacco, and Cannabis Commission; Maryland Cannabis Administration; Comptroller's Office; Department of Legislative Services

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