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Minnesota Office of Cannabis Management

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<https://mn.gov/ocm/>

AT A GLANCE

Established in 2023, the Office of Cannabis Management (office) serves all Minnesotans by regulating an effective, safe, equitable, and sustainable cannabis industry.

As of July 1, 2024, the office is responsible for ensuring the highest standards of public health and safety of all cannabis products and programs in Minnesota, including the medical cannabis program and hemp-derived cannabinoid product regulation formerly housed at the Minnesota Department of Health.

The Division of Social Equity within the office is focused on addressing disproportionate harms that resulted from prohibition, including the administration of two grant programs that support social equity and community revitalization, CanGrow and CanRenew.

The office supports a legislatively mandated Cannabis Advisory Council charged with reviewing state cannabis policy and evaluating research and data in other legal states to inform future policy recommendations.

PURPOSE

The Minnesota Office of Cannabis Management (office) is tasked with developing and implementing the operational and regulatory systems to oversee the adult-use cannabis industry, the medical cannabis program, and the hemp-derived cannabinoid product industry. The office's goals are to launch an effective, safe, equitable, and sustainable cannabis industry that protects public health and public safety; minimizes the illicit cannabis market; meets cannabis market demand; promotes a craft cannabis industry; and prioritizes growth and recovery in communities that have experienced a disproportionate, negative impact from cannabis prohibition.

- The office manages the licensing and regulation of businesses participating in the new adult-use cannabis industry in Minnesota.
- The Division of Social Equity engages with the community and administer grants to communities that experienced a disproportionate, negative impact from cannabis prohibition and cannabis use.
- The office has established and will maintain strong relationships with Minnesota's sovereign Tribal nations and support compacting activities between the Governor and Tribal governments to address jurisdictional issues related to the medical cannabis and adult-use cannabis industries.
- The medical cannabis program provides treatment options for Minnesotans who face debilitating medical conditions, helping to improve their quality of life.

BUDGET

The office is funded through legislative appropriations from the Laws of Minnesota 2023, chapter 63, article 9, section 5 and the Laws of Minnesota 2024, chapter 121, article 1, section 2. Under Minnesota Statutes, section 342.11, the office collects fees from license applicants which go back into the general fund. Minnesota Statutes, section 342.15, allows the office to collect fees which are transferred to the Bureau of Criminal Apprehension to complete background checks on license applicants and business owners. In addition, the office issues monetary penalties to businesses who are in violation of Minnesota Statutes, Chapters 342 and 151. These funds are collected and sent back to the general fund.

The office was only recently established. Therefore, there is no historical data to rely on for trends and comparison data. As the office continues to grow, this information will become available.

A portion of the appropriations were allocated to establish two programs to support social equity and community development within the cannabis industry, CanGrow and CanRenew. The CanGrow program is a revolving grant program dedicated to assisting eligible organizations and farmers entering Minnesota's legal cannabis market. This financial support is crucial for establishing revolving loan accounts and delivering technical assistance, ensuring compliance with state regulations, and fostering a more inclusive industry. A total of \$2 million of the appropriation for FY24-25 was allocated to the CanGrow revolving fund. The CanRenew grant program focuses on community investments in areas where long-term residents are eligible social equity applicants, addressing economic development, social determinants of health, and other community-wide outcomes. An appropriation of \$1 million for FY25 and a base of \$15 million for future years were allocated for this program. Both programs are integral to promoting social equity and sustainable community development.

STRATEGIES

To achieve its goals, the office is statutorily authorized to conduct the following activities:

- Develop, maintain, and enforce an organized system of regulation for the cannabis industry and hemp consumer industry.
- Establish programming, services, and notification to protect and maintain public health and safety.
- Prevent unauthorized, unlicensed access to cannabis flower, cannabis products, lower-potency hemp edibles, and hemp-derived consumer products by individuals under age 21.
- Establish and regularly update standards for product manufacturing, testing, packaging, and labeling.
- Promote economic growth with an emphasis on growth in areas that experienced a disproportionate, negative impact from cannabis prohibition.
- Research and study cannabis flower, cannabis products, artificially derived cannabinoids, lower-potency hemp edibles, hemp-derived consumer products, the cannabis industry, and the hemp consumer industry.

RESULTS

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Medical cannabis patient and caregiver enrollment	Quantity	Number of patients and caregivers with approved enrollment who are currently considered active as captured in the Minnesota medical cannabis patient registry.	Active patients: 39,823 Active caregivers: 1,388 (As of July 20, 2023)	Active patients: 47,616 Active caregivers: 1,777 (As of July 25, 2024)
Number of businesses that had violations vs. number of inspections	Quantity	Total number of businesses that had at least one violation during an inspection and the total number of inspections.	Historical data not available.	1,567 inspections 909 businesses with at least one violation 58% had at least one violation (From August 2023 through July 2024)*
Scientific and other reports	Quantity	Number of reports published on the OCM webpage and peer-reviewed scientific articles published.	Historical data not available.	Not yet available

Measure name	Measure type	Measure data source	Historical trend	Most recent data
Total licenses issued	Quantity	Total number of unique cannabis or hemp business licenses issued.	Historical data not available.	Not yet available
Social equity licenses issued	Quantity	Total number of unique social equity cannabis or hemp business licenses issued	Historical data not available.	Not yet available

*During this time period, the Office of Medical Cannabis, which conducts these expenses, was still housed at the Minnesota Department of Health. It has since moved to the Office of Cannabis Management.

M.S. 342 <https://www.revisor.mn.gov/statutes/cite/342> provides the legal authority for the office.

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
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Expenditures by Fund

1000 - General			1,902	39,910	35,911	38,532	36,189	39,096
1200 - State Government Special Rev				2,526				
2000 - Restrict Misc Special Revenue				2,000	1,000	1,000	1,000	1,000
2001 - Other Misc Special Revenue			6	55	55	55	55	55
2403 - Gift				1				
Total			1,908	44,492	36,966	39,587	37,244	40,151
Biennial Change				46,400		30,153		30,995
Biennial % Change						65		67
Governor's Change from Base								842
Governor's % Change from Base								1

Expenditures by Program

Cannabis Management Office			1,908	44,492	36,966	39,587	37,244	40,151
Total			1,908	44,492	36,966	39,587	37,244	40,151

Expenditures by Category

Compensation			975	9,509	11,507	14,148	11,785	14,712
Operating Expenses			933	34,949	25,389	25,387	25,389	25,387
Other Financial Transaction				34	70	52	70	52
Total			1,908	44,492	36,966	39,587	37,244	40,151

Full-Time Equivalents

			6.17	80.50	95.25	115.25	95.25	115.25
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(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
1000 - General								
Balance Forward In				18,712				
Direct Appropriation			21,614	21,201	36,911	39,532	37,189	40,096
Transfers In			7,078	997				
Transfers Out			8,078	1,000	1,000	1,000	1,000	1,000
Balance Forward Out			18,712					
Expenditures			1,902	39,910	35,911	38,532	36,189	39,096
Biennial Change in Expenditures				41,812		32,631		33,473
Biennial % Change in Expenditures						78		80
Governor's Change from Base								842
Governor's % Change from Base								1
Full-Time Equivalents			6.17	80.00	95.00	115.00	95.00	115.00

1200 - State Government Special Rev

Direct Appropriation				2,283	0	0	0	0
Transfers In				243				
Expenditures				2,526				
Biennial Change in Expenditures				2,526		(2,526)		(2,526)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

2000 - Restrict Misc Special Revenue

Balance Forward In				1,000				
Transfers In			1,000	1,000	1,000	1,000	1,000	1,000
Balance Forward Out			1,000					
Expenditures				2,000	1,000	1,000	1,000	1,000
Biennial Change in Expenditures				2,000		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents				0.50	0.25	0.25	0.25	0.25

2001 - Other Misc Special Revenue

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
Receipts			6	55	55	55	55	55
Expenditures			6	55	55	55	55	55
Biennial Change in Expenditures				61		49		49
Biennial % Change in Expenditures						79		79
Governor's Change from Base								0
Governor's % Change from Base								0

2403 - Gift

Transfers In				1				
Expenditures				1				
Biennial Change in Expenditures				1		(1)		(1)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Direct				
Fund: 1000 - General				
FY2025 Appropriations	21,201	21,201	21,201	42,402
Base Adjustments				
All Other One-Time Appropriations		(1,628)	(1,628)	(3,256)
Current Law Base Change		17,336	19,957	37,293
Approved Transfer Between Appropriation				
Minnesota Paid Leave Allocation		2	2	4
Forecast Base	21,201	36,911	39,532	76,443
Change Items				
Operating Adjustment		278	564	842
Total Governor's Recommendations	21,201	37,189	40,096	77,285
Fund: 1200 - State Government Special Rev				
FY2025 Appropriations	2,283	2,283	2,283	4,566
Base Adjustments				
Current Law Base Change		(2,283)	(2,283)	(4,566)
Forecast Base	2,283			
Total Governor's Recommendations	2,283			
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	2,000	1,000	1,000	2,000
Forecast Base	2,000	1,000	1,000	2,000
Total Governor's Recommendations	2,000	1,000	1,000	2,000
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	55	55	55	110
Forecast Base	55	55	55	110
Total Governor's Recommendations	55	55	55	110
Fund: 2403 - Gift				
Planned Spending	1			
Forecast Base	1			
Total Governor's Recommendations	1			
Revenue Change Summary				
Dedicated				

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Fund: 2001 - Other Misc Special Revenue				
Forecast Revenues	55	55	55	110
Total Governor's Recommendations	55	55	55	110
 <i>Non-Dedicated</i>				
Fund: 1000 - General				
Forecast Revenues	20,377	2,769	9,154	11,923
Total Governor's Recommendations	20,377	2,769	9,154	11,923

Cannabis Management Office

FY 2026-27 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	278	564	564	564
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	278	564	564	564
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$278 thousand in FY 2026 and \$564 thousand in each subsequent year from the general fund to help address operating cost increases at the Cannabis Management Office.

Rationale/Background:

The cost of operations rises each year due to increases in employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat year to year.

Agencies face challenging decisions to manage these rising costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. For the Cannabis Management Office (OCM), the following efficiencies have been implemented to help offset rising operating costs:

- Utilized existing office space and furniture to the greatest extent possible, engaged in interagency agreements to leverage existing state resources instead of investing in our own.
- Made IT infrastructure choices that allow OCM to be largely cloud based.
- Paused hiring for critical positions including but not limited to the licensing and enforcement teams.

For FY 2026-27, agencies will need to continue to find additional efficiencies and leverage management tools to help address budget pressures. Holding open vacancies in certain programs or delaying hiring in other programs are examples of ways agencies manage through constrained operating budgets. Such decisions are difficult and must be weighed against a program's ability to conduct business with less staffing and its impact to service delivery. Agencies will need additional tools and flexibility, similar to those available in the private sector and other government entities, to help address operating pressures in upcoming biennium.

Without additional resources to address these cost pressures, both in funding and in flexibility to manage internal budgets, services delivered to Minnesotans will be impacted.

Proposal:

The Governor recommends increasing agency operating budgets to support current services. For the Cannabis Management Office, this funding will help cover expected growth in employee compensation and insurance, rents, IT services, and other operating costs.

Additionally, the Governor recommends providing the Cannabis Management Office with additional management tools to address upcoming operating pressures. This includes:

- the authority to transfer administrative funding between programs, with approval of Minnesota Management and Budget and notification to the legislature,
- the ability to retain up to 10 percent of competitively awarded grants if administrative funding is not already appropriated, and
- the ability for executive branch agencies to carryforward unexpended non-grant operating appropriations for the second year of a biennium into the next beginning in FY 2025 (costs carried in standalone change item in MMB Non-Operating Budget Book).

These new authorities will provide agencies with additional flexibility to manage through cost pressures within agency divisions and prioritize needs to help minimize impacts on services to Minnesotans.

Dollars in Thousands

Net Impact by Fund	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund		278	564	842	564	564	1,128
Total All Funds		278	564	842	564	564	1,128

Results:

This recommendation is intended to help the Cannabis Management Office address rising cost pressures and mitigate impacts to current levels of service and information to the public.

Office of Cannabis Management

FY 2026-27 Biennial Budget Change Item

Change Item Title: CanRenew Grant Program Continuity

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends extending the availability of the first-year CanRenew grant program's \$1 million appropriation. The proposal extends the availability of the first year of these funds beyond the 2024-25 biennium, ensuring the full amount appropriated can be invested into the community as the program is established and outreach is conducted.

Rationale/Background:

The CanRenew program, established under Minnesota Statutes, section 342.70, aims to provide community renewal grants focused on supporting communities disproportionately impacted by cannabis prohibition. The initial \$1 million appropriation in FY 2025 is essential to launch the program effectively and make the intended impact in these communities.

However, as the Office establishes the foundational policies, procedures, team, and outreach to socialize the program, we anticipate that not all funds will be encumbered by the end of the current biennium. This estimated timeline reflects the time-intensive nature of setting up a compliant grant life cycle and implementing a competitive application process well. The extension of the timeline for the initial funding for this program reflects commitment to establishing this program in full and ensuring continuity into the larger appropriation for the FY 2026-27 biennium. Without the extension of these funds, the program loses the original intent and full investment in the communities disproportionately harmed by cannabis prohibition. By rolling these funds into future years, we ensure that critical community programs already hindered have the resources that were accounted for already.

Proposal:

This proposal extends the availability of the initial \$1 million appropriation in FY 2025 to June 30, 2026. This change will ensure that the full \$1 million appropriation is available for use through the program's complete launch and implementation, including the existing base amounts in FY 2026 and FY 2027, maximizing community investment and impact.

This proposal has a direct impact on the One Minnesota goal priorities of development, safety, and stability by ensuring that resources are fully utilized to support community renewal and development. Extending the availability of funds will allow the Office of Cannabis Management to conduct robust outreach and engagement,

create a competitive and compliant grant cycle, and maximize the impact of these grants in communities that need it the most.

The effective date for this change would be upon enactment, allowing for the extension of the availability of the CanRenew first-year appropriation through FY 2026.

Dollars in Thousands

Net Impact by Fund	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
General Fund	0	0	0	0	0	0	0
Total All Funds	0	0	0	0	0	0	0

Fund	Component Description	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
1000	Est. Underspend	(1,000)	0	0	0	0	0	0
1000	Amount Carried Forward	1,000	0	0	0	0	0	0

Impact on Children and Families:

- **Innovation and Alignment:** The proposal extends access to resources for communities impacted by cannabis prohibition, supporting initiatives that bridge opportunity gaps through community-based programs and partnerships.
- **Administration Priorities:** Ensures families in impacted communities have access to mental health supports, community services, and stable housing resources.
- **Generational Impact:** By investing in community renewal, the proposal aims to build safer, more supportive environments, improving outcomes for future generations.

Equity and Inclusion:

- **Reducing Inequities:** Addresses disparities faced by people of color, Native Americans, and veterans by prioritizing grant funding for these communities.
- **Potential Impacts:** Positive impacts include increased access to resources and economic opportunities. Data from previous equity programs show improved stability and community outcomes.
- **Beneficiary Engagement:** Community stakeholders have been consulted through focus groups and public meetings.
- **Communication Plan:** Regular updates through community outreach, digital platforms, and collaboration with local leaders.

Tribal Consultation:

Tribal governments may be eligible to apply for this grant funding, similar to other grant programs. The Office has engaged and will continue to engage with tribal government leadership to discuss ongoing implementation work of the office, including the planning work for grant programs, including CanRenew.

Results:

The goal of this proposal is to provide continuity in the funding availability for CanRenew to ensure resources are fully utilized in communities disproportionately affected by cannabis prohibition. Success will be measured by the number of grants awarded per issue tract (economic development, social determinants of health, violence prevention, youth development, or civil legal aid), total funds distributed, and impact data. Over two years, success will be demonstrated by meeting 100% of targeted fund distribution and positive stakeholder outcomes.

Evidence:

Grant life cycle analysis indicates that more time leads to higher community engagement and improved outcomes.

Measure	Type	Data Source	Current Data	Projected Change
Number of grants awarded per issue area	Quantity	Internal grant tracking	N/A	Target: all issue tracts are reflected in awardees
Percentage of funds distributed	Quality	Budget reports	N/A	100% of total funds distributed by FY27
Stakeholder satisfaction	Result	Post-award surveys	N/A	80% or higher satisfaction rate

Qualitative Measures:

Stakeholder interviews and community surveys will provide qualitative insights. If successful, feedback will reflect increased access to resources and positive community impact.

Statutory Change(s):

Laws 2023, chapter 63, article 9, section 5

Office of Cannabis Management

FY 2026-27 Biennial Budget Change Item

Change Item Title: Social Equity Applicant Criteria

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends implementing proposed changes to the criteria for individuals to be considered a social equity applicant for a cannabis business license. The Office of Cannabis Management (Office) has identified an additional, one-time cost of \$4 thousand in FY 2026 to make changes to the Office's existing licensing system, contracted support, and web updates, which will be absorbed within the Office's existing budget.

Rationale/Background:

Under Minnesota Statutes, section 342.17, an applicant for a cannabis business license may qualify as a social equity applicant under certain criteria. Included in the list of criteria is if the applicant was convicted of an offense involving the possession or sale of cannabis or marijuana prior to May 1, 2023. Applicants with stays of adjudication under Minn. Stat. chapter 609 or adjudications of delinquency under Minn. Stat. chapter 260B related to the possession or sale of cannabis or marijuana cannot qualify as social equity applicants under current law, as these issuances are not considered convictions.

Proposal:

This proposal adds stays of adjudication under Minn. Stat. chapter 609 or adjudications of delinquency under Minn. Stat. chapter 260B to the list of criteria used to qualify applicants for a cannabis business license as social equity applicant. If passed, the Office anticipates this change going into effect July 1, 2025. The Office's Chief Business Technology Officer will lead this workstream and work with appropriate parties (e.g., contracted support, MNIT staff) to implement changes. It is estimated that \$4 thousand is needed to successfully implement this proposal, including changes to the Office's existing licensing system, contracted support, and web updates. The Governor recommends the Office absorb these costs.

Impact on Children and Families:

This proposal does not have an impact on children, youth, and families.

Equity and Inclusion:

This proposal is intended to address individuals who were involved in the criminal legal system and had their cannabis-related arrests and convictions stayed through criminal justice reform diversion programs. Historically, the stays of adjudication under these diversion programs have aimed to keep first-time offenders from having conviction records in the first place, making it easier for people with arrests or convictions to obtain housing, employment, and other benefits. By including stays of adjudication and adjudications of delinquency in the criteria for social equity applicant status for license applications in the adult-use cannabis market, the state will

ensure that more individuals who have been harmed by cannabis prohibition may benefit from social equity applicant status.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes
☒ No

Results:

The overall goal of this proposal is to expand access to social equity verified status to individuals with stays of adjudication and adjudications of delinquency, and in turn, increase the number of social equity applicants in the adult-use cannabis market. This proposal would be considered successful if the Office sees an overall increase in social equity applicants due to individuals with stays of adjudication and adjudications of delinquency applying for social equity status, becoming a verified social equity applicant, applying for a cannabis business license, and becoming licensed by the Office. This will prove that the current law’s exclusion of individuals with these types of sentences has prohibited access to the adult-use cannabis market via social equity application status. Additionally, this proposal would further the Office’s social equity goals and its restorative justice initiatives for those individuals who, though their convictions were stayed, were involved with criminal legal system with lasting impacts.

Measure	Measure type	Measure data source	Most recent data	Projected change
Number of social equity verification applicants and proportion of applicants qualifying under expanded criteria	Quantity	OCM licensing system (Accela)	3,144 applicants in the first licensing period (July 24 - Aug 12, 2024)	Overall increase in social equity verification applications due to expanded criteria
Number of verified social equity applicants under expanded criteria and proportion of applicants verified under expanded criteria	Quantity	OCM licensing system (Accela)	2,307 verified in the first licensing period (July 24 - Aug 12, 2024)	Increase in verified social equity applicants due to expanded criteria

Statutory Change(s):

Minnesota Statutes section 342.17

Office of Cannabis Management

FY 2026-27 Biennial Budget Change Item

Change Item Title: Cannabis Testing Facility License Variance

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends implementing proposed changes to the issuance of a cannabis testing facility license. Changes to the Office's existing licensing system would be made, as well as the development of technical assistance documents and website updates.

Rationale/Background:

Under Minnesota Statutes, section 342.37, a cannabis testing facility license entitles the license holder to obtain and test hemp and cannabis products regulated under chapter 342 from hemp and cannabis businesses regulated under chapter 342 and from industrial hemp growers regulated under chapter 18K. To obtain a cannabis testing facility license, an applicant must submit all required materials and fees required under section 342.14, as well as provide the office:

- 1) an operating plan demonstrating the proposed layout of the facility, including a diagram of ventilation and filtration systems and policies to avoid sales to unlicensed businesses;
- 2) proof of accreditation by a laboratory accrediting organization approved by the office that, at a minimum, requires a laboratory to operate formal management systems under the International Organization for Standardization (ISO); and
- 3) evidence that the business will comply with the applicable operation requirements for the license being sought.

Accrediting organizations can take between six and 18 months to grant ISO accreditation. Given that current law requires applicants to provide proof of laboratory accreditation during the license application process, the state may have a scenario in which there are not enough licensed cannabis testing facilities for the anticipated number of licensed cannabis and hemp retailers, creating a testing bottleneck. This testing bottleneck may impact cannabis product availability, and/or risk products being sold without proper testing being conducted, the latter having an impact on public health and safety.

Proposal:

This proposal allows for a variance to the cannabis testing facility license application process in current law, effective July 1, 2025. It allows the Office to issue a cannabis testing facility license to an applicant with pending laboratory accreditation status if the applicant:

- 1) submits documentation to the office proving that the business is making progress toward accreditation and can meet the standards of ISO/IEC 17025 of the International Organization for Standardization; and
- 2) passes a final site inspection; and
- 3) meets all other licensing requirements in law and rule.

Upon licensure, the cannabis testing facility may operate for up to one year with pending accreditation status with an opportunity for a one-time, six-month extension to continue operations if the business passes a follow-up site inspection and submits an audit report demonstrating progress toward accreditation. This proposal would provide the Office authority to revoke a cannabis testing facility license if the Office determines or has reason to believe the business is not making progress toward accreditation.

Additionally, this proposal clarifies that loss of laboratory accreditation must be reported to the Office within 24 hours of the facility receiving notice of loss, and results in immediate revocation of the license.

The intent of this proposal is to reduce the barrier of entry for cannabis testing facilities that are otherwise equipped to conduct testing of cannabis and hemp products and waiting on a third-party organization for accreditation. By doing so, the Office aims to prevent a potential product testing bottleneck in alignment with the Office's goals to establish a strong, sustainable adult-use cannabis marketplace.

It is estimated that \$21 thousand is needed to successfully implement this proposal, including updates to the Office's current licensing system, technical assistance documents, and webpages. The Governor recommends the Office absorb these costs. The Office's Chief Business Technology Officer will lead this workstream and work with appropriate parties (e.g., contracted support, MNIT staff) to implement changes.

Impact on Children and Families:

This proposal does not have a new or direct impact on Minnesota's children and families. The goal of the policy change is to support a sufficient testing capacity which help build towards the goals of a safe, well-regulated launch of the adult-use cannabis industry while also maintaining the medical program, a resource from some families and children who are enrolled.

Equity and Inclusion:

While the proposed legislative change may not directly target traditional equity and inclusion goals, it has the potential to indirectly support public safety and access to a more inclusive and diverse cannabis market. By allowing variances in the cannabis testing facility licensing process, the proposal lowers barriers for new entrants, particularly smaller and minority-owned businesses that may otherwise face financial or operational challenges in achieving immediate ISO accreditation. Reducing these barriers supports a diverse range of testing facilities and prevents monopolization of testing services by a few well-resourced entities, thereby promoting broader economic equity.

Additionally, ensuring that there is sufficient testing capacity across the state helps maintain product safety and reliability for consumers who may come from communities historically impacted by cannabis prohibition. An inclusive approach to licensing that addresses testing bottlenecks also promotes public trust in the regulated market, which is critical to diverting consumers from unregulated sources. These outcomes align with the Office's goals of creating a safe, accessible, and socially equitable cannabis marketplace.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes
☒ No

IT Costs:

Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Payroll						
Professional/Technical Contracts						
Infrastructure						
Hardware						
Software						
Training						
Enterprise Services						
Staff costs (MNIT or other agency), to be absorbed	21,000.00					
Total, to be absorbed	21,000.00					
MNIT FTEs						
Agency FTEs						

Results:

The overall goal of this proposal is to ensure adequate product testing capacity for the adult-use cannabis market at the time of market launch. Per industry standards, the time it takes for a laboratory to get ISO/IEC 10725 accreditation can vary, but it typically takes a laboratory six months to one year to prepare for the assessment, and about eight weeks to complete the assessment itself. The time it takes to get accreditation can vary based on a number of factors, including: the complexity and size of the business, quality management systems already in place, number of issues identified by the accreditation body, how busy the accreditation body is, and the applicant's overall readiness. Additionally, the Office received inquiries and public comment from stakeholders highlighting the need for adequate testing capacity and the time it takes for laboratories to be accredited.

Indicators of this proposal being successful would be an increase the number of cannabis testing facility license applications between calendar years 2024 and 2025, and overall ability meet market demands for product testing. During the inaugural license application period, which was held between July 24 and August 12, 2024, for applicants with verified social equity status, the Office received only five applications for a cannabis testing facility license compared to 1,069 applications for licenses with regulatory responsibility to ensure products are tested prior to sale (microbusiness, mezzo business, cultivator, manufacturer, and wholesaler). Without such a proposal, the state will likely not have sufficient testing capacity upon market launch.

Measure	Measure type	Measure data source	Most recent data	Projected change
Increase in cannabis testing facility license applications	Quantity	OCM licensing system (Accela)	5 cannabis testing facility license preapproval applications received in first application period (July 24 to August 12, 2024)	Additional cannabis testing facility license applications using the variance process

Measure	Measure type	Measure data source	Most recent data	Projected change
Number of approved cannabis testing facility license applications	Quantity	OCM licensing system (Accela)	N/A	

Statutory Change(s):

Minnesota Statutes section 342.37