

# Minnesota's Early Cannabis License Window Sees Out-of-State Surge

Minnesota's cannabis licensing process is already experiencing a significant influx of interest from out-of-state applicants. The Office of Cannabis Management (OCM) has received over 1,800 pre-applications this summer, but only 802—44%—came from Minnesota residents. The remaining majority includes applicants from across the nation, highlighting a competitive and crowded field.

## Legal Framework and Implications

State law does not restrict applicants based on residency, allowing for this diverse pool of candidates. According to the OCM, all social equity applicants will be treated equally in the upcoming lottery that will determine who receives license preapprovals. This preapproval is an essential step before the full licenses are issued, which is expected to occur early next year.

Carol Moss, a cannabis industry attorney and member of the state Cannabis Advisory Council, noted that the influx of out-of-state applicants was anticipated. "We knew out-of-state parties would be involved because attempting to restrict them has been ruled unconstitutional in other states," Moss said. She also mentioned concerns about potential predatory practices in last-minute deals between out-of-state interests and local social equity applicants.

## Social Equity Applicants and Market Impact

The social equity program is designed to provide opportunities for individuals affected by cannabis enforcement or those from underserved communities. This includes people with prior marijuana convictions, military veterans, residents of high-poverty areas, and small farmers. The goal is to level the playing field against well-funded entrepreneurs who may have more resources and easier access to regulatory processes.

Preapproval will give social equity applicants a competitive edge by enabling them to secure necessary investments and approvals more confidently. However, Moss emphasized that preapproval does not equate to a full license. "You still have a lot of rigmarole to get through," she warned.

## Regulatory and Supply Chain Developments

The state's cannabis agency has recently released a draft of its regulations, which are expected to be finalized later this year. These rules will be crucial for the issuance of full licenses and the opening of dispensaries. Meanwhile, those awarded preapproval will be able to begin operations as soon as they receive their license. This early start, combined with cannabis grown on reservations, could help stabilize supply and shift consumers away from the illicit market as legal dispensaries open.

The initial round of licenses includes 282 opportunities: 100 microbusiness, 25 mezzo business, and 38 retailer licenses. Microbusinesses and mezzo businesses will be allowed to both grow and sell cannabis.

Another round of pre-applications is anticipated to open this fall.

### **Out-of-State Trends**

Many out-of-state applicants hail from states with established adult-use cannabis markets, including Arizona, Illinois, Missouri, California, and Maryland. Interestingly, there were 29 applications for microbusiness and mezzo business licenses from Eudora, Arkansas—a small town that has shown notable interest in Minnesota's cannabis market.

As Minnesota prepares for the full rollout of its cannabis program, the early surge of applications reflects the growing national interest and the significant role social equity will play in shaping the state's burgeoning industry.

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