

# **Judge Rules Minnesota Cannabis Regulators Broke the Law**

## **Minnesota Cannabis Regulators Must Hold Social Equity Lottery, Judge Orders After Preapproval Process Was Canceled Late Last Year**

The Minnesota Office of Cannabis Management (OCM) has been ordered by a state judge to conduct a preapproval lottery for 648 social equity applicants seeking licenses to enter the state's adult-use cannabis market. This ruling, handed down on April 4 by Minnesota Second Judicial District Court Judge Stephen L. Smith, marks a pivotal moment in the state's cannabis rollout, which has faced a series of delays and legal challenges.

### **Judge Smith Rules that Minnesota Cannabis Regulators Violated the Law by Cancelling the Preapproval Lottery for Social Equity Applicants**

The judge's ruling comes nearly two years after Governor Tim Walz signed legislation into law legalizing adult-use cannabis in Minnesota. In his order, Judge Smith emphasized that the OCM had a legal duty to carry out a social equity lottery for the applicants, as stipulated by the state's cannabis law. This duty was clearly defined in the legislation, and the OCM's decision to cancel the lottery in December 2024, following a stay order issued by Judge Smith, violated the law.

The social equity lottery was originally designed to give disadvantaged applicants a leg up in securing cannabis business licenses ahead of general applicants. The lottery was meant to help applicants, many from communities that were disproportionately impacted by past cannabis prohibition, to secure business opportunities in the state's burgeoning cannabis industry.

### **Minnesota's Cannabis Market Faces Potential Delays as Regulators Fight Legal Ruling Over Social Equity Lottery**

In the wake of the ruling, OCM General Counsel Eric Taubel issued a statement asserting that the agency would seek to have the case dismissed. He expressed confidence that the adoption of cannabis industry rules would allow OCM to begin issuing licenses to qualified social equity applicants within weeks. Taubel's statement also warned that any further delays in the process would harm the integrity of the state's preapproval process and further delay the launch of Minnesota's adult-use cannabis market.

In the meantime, the OCM has been moving forward with a new licensing process that includes both social equity and non-social equity applicants, with lotteries set to begin in May 2025. However, the social equity applicants impacted by the cancelled lottery are left in limbo, their investments in securing the necessary infrastructure and real estate for their cannabis businesses at risk.

## **Judge's Ruling on Minnesota's Social Equity Lottery Reflects Larger Concerns Over Equity in Cannabis Market**

Judge Smith's ruling also reflects ongoing concerns about equity and access in Minnesota's adult-use cannabis market. In his April 4 order, Smith pointed out that the legislature's intent was to create an equitable marketplace that would help displace the illicit cannabis market with a legitimate one, offering historically disadvantaged groups a fair opportunity to enter the business. The cancellation of the social equity lottery undermines that objective, Smith concluded, especially for the 648 qualified applicants who had already invested significant time and resources in preparing for the lottery.

The OCM's decision to cancel the lottery came after a contentious legal battle over the disqualification of roughly two-thirds of the 1,817 applicants who initially applied for the preapproval lottery. State regulators had rejected 1,169 applicants, citing concerns that some were attempting to game the system by selling off their licenses if awarded. However, many of the rejected applicants, including several who claimed to be legitimate business owners, filed lawsuits against the OCM, arguing that they had been wrongly excluded from the process.

## **Minnesota Cannabis Regulators' Changing Leadership Adds Further Complexity to State's Struggles in Rolling Out Legal Cannabis Market**

The cancellation of the lottery also came during a period of leadership upheaval at the OCM. Former OCM Interim Director Charlene Briner resigned in early 2025, citing her lack of enthusiasm for the role. Eric Taubel, who had served as the OCM's general counsel, was appointed as the interim director following Briner's departure. Despite this change in leadership, the state's cannabis rollout continues to face significant delays, which could result in Minnesota having one of the longest adult-use cannabis rollouts in the nation.

Despite these setbacks, Taubel remains optimistic about the state's cannabis future. "We remain committed to launching an equitable, sustainable, and responsible cannabis marketplace in Minnesota," he said, reflecting the OCM's ongoing commitment to implementing the cannabis legalization law.

## **What Happens Next for Minnesota's Social Equity Applicants?**

As Minnesota's cannabis market faces continued legal challenges, one thing is clear: the social equity lottery, which was supposed to offer a head start to historically disadvantaged applicants, is far from a certainty. Judge Smith's order to conduct the preapproval lottery. It is an attempt to reinstate that opportunity for the 648 qualified applicants. However, ongoing legal disputes and shifting regulatory timelines mean that the future of these applicants remains in flux.

In the meantime, the OCM is working toward launching a more inclusive licensing process. But as Judge Smith's order highlights, the road ahead is anything but smooth, and the state must confront its legal and operational hurdles if it is to fulfill its promise of an equitable cannabis marketplace.

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