

## **Mass. Cannabis Regulator Criticized for Favoritism, Revenue Missed**

### **Scathing Audit Reveals Favoritism and Lost Revenue at Massachusetts Cannabis Regulator**

The Massachusetts Cannabis Control Commission (CCC), the state's primary marijuana regulatory agency, is under fire following a critical audit by the office of State Auditor Diana DiZogio. The review exposed troubling lapses in oversight, financial mismanagement, and actions that suggested favoritism toward certain businesses.

The findings raise serious questions about the CCC's ability to equitably manage a multibillion-dollar industry that has rapidly expanded since legalization.

#### **Audit Highlights Significant Failures in Oversight**

The auditor's report identified seven major issues that call into question both the commission's management practices and its commitment to fairness in regulating cannabis businesses. These included mismanagement of license fees, improper handling of host community agreements, and internal dysfunction that undermined the agency's operations.

The overarching conclusion was that these failures not only cost the state significant revenue but also created an appearance of favoritism that threatens public trust in cannabis regulation.

#### **Mismanagement of License Fees and Missed Revenue**

One of the most damaging findings in the audit was the mishandling of prorated fees for license extensions. Instead of collecting fees as required, the CCC failed to properly enforce timelines, allowing businesses to avoid payments for extended periods.

The auditor also reported that the commission failed to identify double payments for license fees. This lack of internal controls created both financial inconsistencies and inefficiencies that drained the agency's resources.

Additionally, the CCC failed to collect prorated license fees prior to July 1, 2022, leading directly to lost revenue that could have otherwise supported regulatory enforcement or industry development.

#### **Failure to Enforce Penalties and Fines**

The audit uncovered violations of state law in the commission's inability to ensure that fines were assessed and collected within reasonable timeframes. By failing to enforce penalties consistently, the CCC not only reduced state income but also gave the impression that certain businesses could operate without accountability.

This lapse undermines the credibility of enforcement mechanisms that are critical for ensuring compliance in a heavily regulated industry.

## **Unequal Treatment in Host Community Agreements**

Perhaps the most striking example of favoritism uncovered in the audit involved the commission's failure to consistently review host community agreements.

In Brookline, one cannabis business was required to pay \$975,000 under its agreement with the city, while another competing store in the same community faced no such obligation. By neglecting to monitor these agreements uniformly, the CCC created a system where businesses could face dramatically different financial expectations depending on circumstances that were not publicly explained.

This selective oversight suggested potential favoritism and raised concerns about fairness in how cannabis operators were treated across the state.

## **Internal Dysfunction and Management Failures**

The audit revealed troubling internal issues within the CCC itself. A breakdown in management structure, combined with consolidation of roles, led to significant staff departures. Critical personnel left the agency, creating operational gaps and compliance risks.

Remaining staff members were left overworked, while the commission increasingly relied on costly outside legal counsel to fill the void. This dependence on external contractors placed additional financial strain on the agency while reducing internal accountability.

The lack of a documented and transparent process for employee settlement agreements also raised concerns about the agency's human resources practices and internal fairness.

## **Negative Impact on Small Cannabis Businesses**

While large multistate operators were better equipped to absorb inconsistent enforcement and regulatory delays, smaller cannabis businesses were disproportionately harmed by the commission's failures.

The audit concluded that entrepreneurs with limited capital were more likely to face damaging financial consequences as a result of the CCC's shortcomings. This outcome runs counter to the agency's mission of promoting equity and leveling the playing field for all participants in the cannabis market.

## **Commission Cooperation and Pledge to Improve**

Despite the harsh findings, the auditor noted that the CCC cooperated fully during the investigation. The commission also provided details of its ongoing efforts to address deficiencies and strengthen its regulatory practices.

A CCC spokesperson emphasized that improvements are already underway. According to the statement, the agency has hired new leadership, begun implementing corrective measures, and is working to restore confidence in its oversight role.

While these commitments mark a step in the right direction, the audit leaves open the question of whether the CCC can rebuild trust and ensure equitable regulation moving forward.

## **Industry Context: Business Closures and Leadership Turmoil**

The audit was released at a time of growing instability in the Massachusetts cannabis market. Recent reports showed that cannabis businesses in the state are surrendering or allowing their licenses to expire at higher rates than ever before.

This troubling trend suggests that the regulatory environment is not only challenging but may also be pushing some operators out of the industry entirely.

The CCC itself has also faced leadership turmoil. Former chair Shannon O'Brien was removed in a controversial decision last summer. Bruce Stebbins, a former gambling regulator, was reappointed to a second term and currently serves as the agency's acting chair.

This turnover at the highest levels has contributed to uncertainty about the direction and stability of the commission.

## **Broader Implications for Public Trust and Industry Growth**

The audit's findings come at a crucial time for the Massachusetts cannabis industry, which continues to generate billions of dollars in annual sales. For legalization to fulfill its promise of equitable opportunity and strong consumer protection, regulators must be both competent and transparent.

The perception of favoritism and mismanagement threatens to undermine public trust in the industry and discourage small businesses from entering the market. Without corrective action, the CCC risks damaging both its credibility and the economic potential of the cannabis sector.

## **A Call for Reform and Accountability**

The scathing audit of the Massachusetts Cannabis Control Commission underscores the urgent need for reform. From mismanagement of fees to inconsistent enforcement of agreements, the commission's actions have not only cost the state revenue but also jeopardized the integrity of cannabis oversight.

While the CCC has pledged to address the issues and strengthen its practices, the audit serves as a stark reminder that effective regulation is essential for the health of the industry. Both businesses and consumers depend on a system that is fair, transparent, and accountable.

For Massachusetts, the path forward requires more than promises of improvement—it demands tangible reforms that restore trust, level the playing field, and ensure the cannabis industry can thrive in a way that benefits all stakeholders.

Email: [info@cannabisriskmanager.com](mailto:info@cannabisriskmanager.com) | Phone: +415-226-4060

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