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WRITTEN TESTIMONY

Pennsylvania Senate Democratic Policy Committee

Hearing:	Adult-Use Cannabis: Criminal Justice, Safety & Economic Impacts
Date and Place:	Friday, September 25, 2026, 1:00 p.m., DoubleTree by Hilton, Philadelphia
Presiding:	Senator Nick Miller, Chair; Senator Sharif Street
Witnesses:	John Bowser, Chad Harlacker, and Dan Lauria, Emerald Penn – Co-Founders

Who Gets a Seat at the Table*: *What the Medical Marijuana Act Teaches Us About Small-Business Opportunity in an Adult-Use Market

INTRODUCTION

Chair Miller, Senator Street, and members of the Committee: thank you for the opportunity to present this testimony. We are the founding partners in Emerald Penn, a small business based in Central Pennsylvania with a focus on creating new opportunities in our state's cannabis industry that allows small, diverse, and disadvantaged businesses to compete for market share while bolstering community partnerships.

Today's hearing rightly covers criminal justice, public safety, and economic impacts of adult-use cannabis, but our testimony addresses a missing piece of the economic question: who gets to participate in the market that an adult-use law creates?

Pennsylvania has already run this experiment once. When the General Assembly enacted the Medical Marijuana Act, Act 16 of 2016, it created a new licensed industry from scratch. Ten years later, that industry is dominated by large multistate operators (MSOs) and the small, local, and diverse businesses the Commonwealth hoped to see in it largely never made it through the door. An adult-use law is a far larger opportunity. If we do not learn from the shortfalls of the medical program, we will repeat it at a larger scale.

It is important to note that we believe the MSOs that have driven Pennsylvania's medical market have done a very good job ensuring patients in need of medical cannabis have access to quality and reliable product. Has it been perfect? No. But they have built a market that achieves many of the goals from the original Act. However, we remain adamant that new opportunities need to be created for other entities to ensure a balanced and competitive market over the long-term.

MEDICAL MARIJUANA AND SMALL BUSINESSES

Medical Marijuana: Intent versus outcome

The evolution of the state's medical marijuana program has offered both a lesson in legislative advocacy and a guide on how implementation of a law can divert from the intent of its authors, sponsors, and supporters. Again, there is a great deal of positive that has come from Act 16. Nonetheless, it also proves to have fallen short when it comes to allowing diversity in the market – both with minority ownership and small business access.

Provisions in Act 16 were intended to create a diverse market – one that was not controlled by a handful of "big business" entities. Caps were put in place on the number of permits held by single entities; diversity provisions were highlighted to ensure fairness in the marketplace; and vertical integration – a combination of both dispensary and grower permits owned by a single company – was intended to be limited. Unfortunately, as the medical system has evolved, these intended parameters have fallen short of the goals laid out by the legislature when implemented.

A Hard Cap, and Long Odds

The original Act capped the program at 25 grower/processor permits and 50 dispensary permits, to be awarded in two phases. In Phase I, the Department received 177 grower/processor applications and 280 dispensary applications and issued 12 and 27 permits, respectively. Phase II in 2018 added 13 grower/processors and 23 dispensaries. Each dispensary permit allowed up to three locations.

As we now know, permits awarded to many applicants in the early onset of the program have now been swallowed up by a handful of MSOs. This has helped the medical market evolve, but it has also effectively eliminated any chances for small businesses, diverse businesses, and disadvantaged businesses to compete for new opportunities.

A Scoring System That Accounted Too Little for Market Diversity

Section 615 of the Act required every applicant to submit a diversity plan, and the Department's 1,000-point scoring rubric assigned diversity and separately community impact up to 100 points each: ten percent each. While evident there was intent to create diversity in the market, we now know that did not come to fruition as the legislature had hoped.

Researchers at Wright State University and Penn State Harrisburg analyzed the Department's published scores and found that in Phase I, diversity and community impact scores had little effect on who won. Applicants in the top tenth for diversity plans were no more likely to receive a permit than applicants with average plans. What predicted success was strength in security, safety, capital, and business history. Phase II showed some improvement, but the structural advantage already belonged to the best-capitalized operators. Small businesses were at a disadvantage from day one – albeit unintentionally.

Consolidation Followed

By 2019, the Philadelphia Inquirer reported that multistate operators were rolling up Pennsylvania permit holders, some of which had not yet sold cannabis products, and industry analysts openly expected the operators already in place to hold the first-mover advantage in any adult-use market. By 2022, trade press was reporting that the few independent operators without

a multistate parent were struggling as wholesale prices fell, while larger companies bought up the smaller businesses.

By 2025, a Pennsylvania Capital-Star analysis of Department of Health data found that nearly all the 190 licensed dispensaries then selling medical cannabis in Pennsylvania were owned by MSOs. The medical program produced a licensed market that small Pennsylvania businesses could watch but not reasonably compete for market access.

THE GENERAL ASSEMBLY HAS ALREADY RECOGNIZED THE PROBLEM

In 2023, the Senate passed Senate Bill 773 by a vote of 44 to 3. This was a bipartisan response to a medical market that lawmakers of both parties described as controlled by too few companies. It became Act 63 of 2023. Representative Dan Frankel, chair of the House Health Committee, said during consideration that the industry had seen dramatic consolidation and that product makers without dispensaries could not find shelf space.

Act 63 is worth studying for what it did, but it also needs to be assessed for what it did not do. It allowed existing independent grower permit holders to apply for an additional dispensary permit, and it restricted ownership changes so that independents would not be bought out immediately. But it created no new opportunity for a small business that did not already hold a permit. We broadly opposed this shortcoming. Further, Act 63 all but ensured a vertically integrated system, which was clearly not the intent of the legislature when they enacted the state's medical marijuana law.

The move prompted former state House member Donna Bullock to introduce legislation that would create a new market in Pennsylvania's medical system for excluded businesses. After she retired from the legislature, State Representative Nate Davidson introduced a similar bill. In both cases, the bill focused on creating opportunities for businesses by adding a dispensary permit in each region for small business, diverse businesses, and disadvantaged businesses while requiring the Department of Health to publish surrendered or revoked permits each year and re-award them in a competitive process to those types of businesses. That bill remains in the state House.

WHAT THIS MEANS FOR AN ADULT-USE MARKET

The revenue prize for the state in an adult-use market is significant. The Independent Fiscal Office (IFO) estimated in February that cannabis legalization under the Governor's budget plan would generate nearly half a billion dollars in annual revenue by 2028. Who captures that value will be decided by the license structure the General Assembly writes into the statute.

Senate Bill 120, sponsored by Senators Laughlin and Street, is a bipartisan vehicle that we believe is a very strong foundation for development. It would legalize possession for adults 21 and older; create a privately operated and state-licensed market; provide for expungement; and impose a new tax structure to generate new state funds. Most importantly, it creates a complete structure to promote opportunities for small businesses, diverse businesses, and disadvantaged businesses, while also focusing on "disproportionately impacted areas." While not perfect – as no legislation is upon introduction – it makes a bold step for an adult-use market that considers businesses of all types. This effort should be carried forward as negotiations evolve.

RECOMMENDATIONS

When considering legislation that will serve as the launching pad to Pennsylvania's adult-use market, lawmakers should look to right-size the unintended consequences and oversights made in the creation of its medical market. To help meet that objective, we recommend the following as a strong start:

1. **Define the beneficiaries in statute.** Define "small business," "disadvantaged business," and "diverse business" in an adult-use act to ensure each class has guaranteed opportunities to compete for permits.
2. **Create a dedicated small-business permit allocation.** Reserve permits for small businesses, diverse business, and disadvantaged businesses separate from and not counted against the conversion of existing medical dispensaries under the MSOs or newly permits created for "disproportionately impacted areas."
3. **Sequence the market fairly.** Open the small-business application window before, or no later than, medical-permit conversions. This will help ensure new entrants are not lagging on market share with MSOs already prepped for adult-use.
4. **Guard against concentration and flipping.** Limit the number of licenses under common ownership, prohibit non-qualifying entities from acquiring small-business permits for a meaningful period, and bar affiliates and subsidiaries of larger companies from qualifying.
5. **Reclaim and re-award.** Require the Department to publish surrendered, revoked, and vacant permits each year and to re-award them under a competitive process to small businesses, diverse businesses, and disadvantaged businesses in both the medical and adult-use programs.
6. **Measure the results.** Require annual public reporting of ownership by license category, including the share held by small businesses, diverse businesses, and disadvantaged businesses so that the General Assembly can see whether the promises made at enactment are being kept. Also, ensure disclosure on which entities own permits in the state and make that information public.

CONCLUSION

The question before Pennsylvania is no longer whether adult-use cannabis will be legal, but when will it occur; on what terms will it be enacted; and who will benefit from the market expansion.

We have a decade of evidence from the medical program showing that neutral-sounding licensing rules can produce a closed market. We also have a chance to do better. If small businesses, diverse businesses, and disadvantaged businesses are going to have a place in this industry, the statute must make room for them now and take steps to protect that space.

Respectfully,

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SOURCES

- Senate Democratic Policy Committee hearing announcement, as reported by Marijuana Moment (Sept. 21, 2026) and The Marijuana Herald (Sept. 2026).
- PA Dept. of Health, Growers/Processors and Dispensaries program pages (fees, capital, permit caps, diversity plan); Pa. Bulletin notices on Phase I and Phase II (48 Pa.B. 462).
- PA Dept. of Health press release, June 20, 2017 (177 grower/processor and 280 dispensary applications; 12 permits).
- Hannah, Mallinson & Azevedo, summarized in LSE USAPP blog, "How Pennsylvania has taken steps to address the cannabis industry's equity problem" (Aug. 5, 2022).
- Philadelphia Inquirer, "Big marijuana firms are 'rolling up' local dispensaries and growers" (June 4, 2019); MJBizDaily, "Pennsylvania marijuana market in tumult amid falling prices, consolidation" (Aug. 25, 2022).
- Pennsylvania Capital-Star, Ian Karbal, "Advocates say legalizing cannabis opens doors for small business" (July 17, 2025).
- Act 63 of 2023 (SB 773): PA Dept. of Health Act 63 page; Pa. General Assembly bill page; Marijuana Moment (Oct. 31 and Dec. 2023); Cannabis Business Times (Dec. 2023).
- Marijuana Moment, "New Pennsylvania Bill Would Award Medical Marijuana Licenses To Small, Diverse and Disadvantaged Businesses" (July 13, 2026) (HB 2694; Davidson cosponsorship memo; IFO estimate).