



Comparison of Connecticut and Massachusetts Adult-Use Cannabis Cultivator Licensing Laws

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Issue

Compare Connecticut and Massachusetts adult-use cannabis cultivator licensing laws and regulations.

Summary

This report provides a general overview of some of the requirements for cannabis (i.e. marijuana) cultivator licenses in Connecticut and cultivator and craft marijuana cooperative licenses in Massachusetts. Both states have similar requirements on operations and security, as well as product testing. Both states allow municipalities to decide if cultivators may operate within their jurisdiction, but Massachusetts requires the municipality to affirmatively agree to an applicant's operations before they are approved by the state.

A major difference between how Connecticut and Massachusetts license cannabis cultivators is that Massachusetts has multiple license categories based on grow space size and whether the cannabis is grown inside or outside. Massachusetts has 11 different license tiers with fees that vary significantly, ranging from \$625 to \$50,000. Although Connecticut has a separate microcultivator license for operations that are less than 25,000 square feet, it only has one license category for all other cultivators, regardless of whether the cannabis is grown inside or outside. With a significant exception, described below, license fees to begin operations as a cultivator in Connecticut are set at approximately \$100,000 (except for micro-cultivators, the fee is generally

about \$1,500). Both Connecticut and Massachusetts reduce fees for certain applicant classes (e.g., as part of social equity initiatives).

Another difference is that Connecticut's law outlines a lottery process for applicants, while Massachusetts does not cap the number of applicants or approved licenses. However, the Connecticut Department of Consumer Protection (DCP) has not held a lottery for cultivators. Instead, a separate, limited-duration licensing process for social equity applicants has generally been used which has limited the number of licensees. Additionally, this process requires these cultivator applicants to, among other things, pay a \$3 million dollar fee to receive a license.

Unlike Connecticut, Massachusetts also offers a "craft marijuana cooperative" license that allows groups of residents to form a co-op to cultivate, obtain, manufacture, process, package, and brand marijuana for delivery to marijuana establishments, but not to consumers. Notably, a collective is not limited to a particular number of cultivation locations (i.e. grow operations for the business can occur on non-contiguous parcels of land) but is limited to three locations for certain authorized activities involving product manufacturing.

Connecticut

Obtaining a Cultivator License

Connecticut law requires anyone who cultivates, grows, or propagates cannabis at an establishment of at least 15,000 square feet to be licensed by DCP as a cultivator (CGS § 21a-420n(b), as amended by PA 25-166, § 18). By law and policies and procedures, a cultivator establishment must have a total of between 15,000 and 250,000 square feet of combined indoor and outdoor cultivation (grow) space (CGS § 21a-420n, as amended by PA 25-166, § 18; -420q, as amended by PA 25-166, § 22, & PA 25-168, § 127; and DCP Policies & Procedures § 21a-421j-23).

In addition to cultivating, growing, and propagating cannabis, cultivators may also label, manufacture, package, and perform extractions on any cannabis they cultivate, grow, or propagate at their licensed establishment (e.g., food and beverage products that incorporate cannabis and cannabis concentrates), if they meet all licensure and application requirements for food and beverage manufacturers and product manufacturers (<u>CGS § 21a-420n(c)</u>, as amended by <u>PA 25-166</u>).

Application Process. Although the law allows for a lottery process, DCP has not held one for cultivators since cannabis was legalized under <u>PA 21-1</u>, June Special Session. Instead, under the same act, DCP opened a three-month application period for social equity applicants to apply for a

provisional and final cultivator license for a cultivation facility located in a disproportionately impacted area (DIA) without participating in a lottery or request for proposals (<u>CGS § 21a-420o</u>, as amended by <u>PA 25-166</u>, § 19). To get a provisional license under this "DIA cultivator" process, the applicant must, among other things, pay a \$3 million dollar fee. (For more information on the lottery process, see DCP's <u>website</u>.)

By law, the general lottery entry fee for a cultivator license is \$1,000, a provisional license fee is \$25,000, and the final or renewal license fee is \$75,000, but social equity lottery applicants only have to pay 50% of these fees (CGS § 21a-420e, as amended by PA 25-166, § 13).

Social Equity Cultivators

This past session, PA 25-166 provided additional avenues for social equity applicants to cultivate cannabis outside DIAs. Under specified conditions, these avenues included allowing them to (1) locate their cultivation facility outside a DIA if they, among other things, employ a certain number of people from a DIA (§§ 16 & 19), or (2) lease hemp producer lots that are outside a DIA (§ 9).

The same act also allows DCP to grant a final cultivator license to a social equity provisional cultivator license holder who has not developed the capability to meet the minimum 15,000 square feet of grow space for an additional two years (i.e. December 31, 2027) (§ 18).

Conversion From Micro-cultivator

The law allows a micro-cultivator to convert to a cultivator if it desires to expand to more than 25,000 square feet of grow space (CGS § 21a-420p, as amended by PA 25-101 and PA 25-166). If a micro-cultivator maintains its license and meets all of the cultivator application and licensure requirements, including license fee payments, the micro-cultivator licensee must be granted a cultivator license.

(Initially, a micro-cultivator has between 2,000 and 10,000 square feet of grow space but can annually apply to expand by up to 5,000 square feet, up to a maximum of 25,000 square feet of grow space. For a micro-cultivator license, the fee (1) to enter the lottery is \$250; (2) for a provisional license is \$500; and (3) for a final license or a renewal is \$1,000 (CGS § 21a-420e, as amended by PA 25-166).)

Physical Security Controls and Protocols

In addition to general requirements for cannabis establishments, the policies and procedures specifically require cultivators, among other cannabis establishments, to have a security system to prevent and detect diversion, theft, and loss of cannabis using commercial grade equipment, which

must, at a minimum, include a perimeter alarm, motion detector, video surveillance cameras, and an audible security alarm ($\underline{\text{CGS}}$ $\underline{\$}$ 21a-420n(b)(1), as amended by $\underline{\text{PA}}$ 25-166, $\underline{\$}$ 18, and $\underline{\text{DCP}}$ Policies & Procedures $\underline{\$}$ 21a-421j-7).

Cultivators that have an outdoor cultivation space must maintain additional security and operational requirements for the operations, including a fence surrounding the perimeter of the outdoor operation and all points of ingress and egress must be illuminated, have video surveillance, and be secured by commercial-grade locks.

The policies and procedures also require cultivators to maintain a log of each instance of an employee accessing a restricted area in which unpackaged cannabis is stored (<u>DCP Policies & Procedures</u> § 21a-421j-8(b)).

Operations

The policies and procedures generally require cultivators to conduct authorized activities at their establishments and prohibits them from dealing with other establishments differently, including discriminating in price, taking into consideration certain factors (<u>DCP Policies & Procedures</u> § 21a-421j-23).

Additionally, cultivators must, before beginning operations, conduct an initial comprehensive inventory of all cannabis at the establishment (<u>DCP Policies & Procedures</u> § 21a-421j-4). Then they must establish ongoing inventory controls and procedures for conducting inventories that allow them to detect any diversion, theft, or loss in a timely manner.

Cultivators are required to use a Cannabis Analytic Tracking System that tracks cannabis through a unique identifier from the point cannabis is propagated from seed or cutting, including through and to the point cannabis is acquired by an end-user or disposed of (i.e. seed-to-seed traceability system) (DCP Policies & Procedures § 21a-421j-5).

The policies and procedures also provide minimum requirements for storing and handling cannabis (<u>DCP Policies & Procedures</u> § 21a-421j-24). This includes requiring cultivators to, among other things, ensure all applicable areas have adequate ventilation, temperature, sanitation, humidity, space, equipment, and security conditions for cannabis that generally meet federal food and drug building and facility standards (<u>21 C.F.R. §§ 211.42-211.58</u>).

Product Testing and Registration

By law, each cannabis establishment must submit cannabis samples from each batch to a cannabis testing laboratory for testing (<u>CGS § 21a-408w</u>). The laboratory must test each sample for (1) microbiological contaminants, mycotoxins, heavy metals, and pesticide chemical residue and (2) an active ingredient analysis, if applicable. Policies and procedures also prohibit a cannabis establishment from selling, transferring, or transporting cannabis for retail sale until it has received a certificate of analysis from a cannabis testing laboratory confirming satisfactory results (<u>DCP Policies & Procedures</u> § 21a-421j-29).

By law, cultivators must register brand names for cannabis (<u>CGS § 21a-421</u>), as amended by <u>PA 25-166</u>, § 29, & <u>PA 25-168</u>, § 164). They are prohibited from selling or providing cannabis to a consumer without a product name that has been registered with DCP or without final packaging that has had stability testing. In order to register with DCP, a cultivator must provide the test results; information about the ingredients and applicable processing techniques and solvents used; and a proposed product name. Among other things, product names cannot be identical or confusingly similar to existing non-cannabis product, an unlawful product, or a previously registered cannabis product (<u>DCP Policies & Procedures</u> § 21a-421j-30).

Municipal Regulation

For a cannabis establishment to operate, it must have zoning approval from local authorities. The law allows municipalities to amend their zoning regulations or enact local ordinances to take certain actions regarding cannabis establishments, including prohibiting their establishment (<u>CGS § 21a-422f</u>, as amended by <u>PA 25-166</u>, § 35). The law requires municipal chief zoning officials to report any zoning changes to the Office of Policy and Management secretary and DCP within 14 days after adopting the change.

(For more information on which municipalities have a moratorium or prohibited cannabis establishments, see DCP's <u>website</u>. Please note that the website does not specify if it is a total ban or only applies to specific cannabis establishment types.)

Massachusetts

Obtaining a Cultivator License

Under Massachusetts law, a "marijuana cultivator" is an entity licensed to cultivate, process, and package marijuana and to deliver and transfer marijuana to marijuana establishments, but not to consumers (Mass. Gen. Laws Ann. ch. 94G, § 1).

Massachusetts law classifies cultivators into tiers based on their total canopy (i.e. grow space), with differing application and license fees depending on both operation size and where the marijuana is grown. There is a single licensing fee due as part of the provisional licensing process, and then again at renewal (935 Mass. Code Regs. 500.005 & 500.050). Certain applicants are eligible for an application fee waiver or a 50% reduction of the annual license fee (e.g., certain social equity program participants, certain veteran businesses). Applicants apply to the Cannabis Control Commission (CCC) and are not subject to a lottery process or an overall cap on the maximum number of licenses approved by CCC. Applicants must generally have community buy-in before they apply (see host community agreement section, below).

Table 1: Massachusetts Cultivator License Tiers

License Type (Indoor or Outdoor)	Application Fee Indoor (I)/Outdoor (O)	License Fee Indoor (I)/Outdoor (O)
Tier 1: Up to 5,000 square feet	\$200 (I)/\$100 (O)	\$1,250 (I)/\$625 (O)
Tier 2: 5,001 - 10,000 sq. ft.	400 (I)/200 (O)	2,500 (I)/1,250 (O)
Tier 3: 10,001 - 20,000 sq. ft.	600 (I)/300 (O)	5,000 (I)/2,500 (O)
Tier 4: 20,001 - 30,000 sq. ft.	2,000 (I)/1,500 (O)	20,000 (I)/10,000 (O)
Tier 5: 30,001 - 40,000 sq. ft.	2,000 (I)/1,500 (O)	22,500 (I)/11,250 (O)
Tier 6: 40,001 - 50,000 sq. ft.	2,000 (I)/1,500 (O)	25,000 (I)/12,500 (O)
Tier 7: 50,001 - 60,000 sq. ft.	2,000 (I)/1,500 (O)	30,000 (I)/15,000 (O)
Tier 8: 60,001 - 70,000 sq. ft.	2,000 (I)/1,500 (O)	35,000 (I)/17,500 (O)
Tier 9: 70,001 - 80,000 sq. ft.	2,000 (I)/1,500 (O)	40,000 (I)/20,000 (O)
Tier 10: 80,001 - 90,000 sq. ft.	2,000 (I)/1,500 (O)	45,000 (I)/22,500 (O)
Tier 11: 90,001 - 100,000 sq. ft	2,000 (I)/1,500 (O)	50,000 (I)/25,000 (O)

Changing Tiers. The regulations allow cultivators to apply to CCC to change tier classifications, whether to increase or decrease production (935 Mass. Code Regs. 500.050(c)(2)). If a cultivator applies to expand production, it must demonstrate that it is cultivating at the top of its productions tier and has sold 85% of its product consistently over the six months before the application (for indoor cultivation) or for the previous harvest season (for outdoor cultivation). (CCC may also assign a lower tier classification to cultivators that sell less than 70% of what is produced during the six months or previous harvest, as applicable, before a renewal application.)

Craft Marijuana Cooperative

A craft marijuana cooperative is a type of cultivator that may cultivate, obtain, manufacture, process, package, and brand marijuana to deliver it to marijuana establishments, but not to consumers (935 Mass. Code Regs. 500.002). The cooperative must consist of Massachusetts

residents who have formed a limited liability company, limited liability partnership, or cooperative corporation.

The law limits a business to one license and prohibits cooperative members from having a controlling interest in any other marijuana establishment. Unlike a cultivator, a cooperative is not limited to a particular number of cultivation locations, it is limited to a total canopy of 100,000 square feet.

The fees for the craft marijuana cooperative license are based on canopy size (see Table 1 above) (935 Mass. Code Regs. 500.005 & 500.050). If the craft marijuana cooperative has more than six locations, then \$200 per additional location for indoor cultivation operations and \$100 per additional location for outdoor cultivation operations is added to the application fee, and \$1,250 per additional location for indoor operation and \$625 per additional location for outdoor operations is added to the annual license fee.

Physical Security Controls and Protocols

As for all marijuana establishments, cultivators must implement sufficient security measures to deter theft, prevent unauthorized entrance to areas with marijuana, and ensure the safety of employees, consumers, and the general public (935 Mass. Code Regs. 500.110). Cultivators must, among other things, limit access to those age 21 and older, have procedures on preventing loitering, secure entrances to prevent unauthorized access, and securely store all finished marijuana products.

Cultivators must also have perimeter lighting and alarms, a failure notification system to notify designated employees when the security system is down, a panic alarm, and video cameras in certain areas (e.g., where marijuana or cash is held).

Operations

Massachusetts law requires every marijuana establishment to have and follow a detailed set of written operating procedures that include, among other things, employee security policies, description of the hours of operation, storage and waste disposal, the marijuana strains that will be cultivated, and a product price list (935 Mass. Code Regs. 500.105).

The regulations also set out requirements for, among other things, handling and storing marijuana, conducting inventories, and recordkeeping. For example, establishments must establish inventory controls and conduct both a monthly inventory and a comprehensive annual inventory of marijuana.

Cultivator Specific Requirements. In addition to the general requirements for all marijuana establishments, cultivators must disclose to CCC all growing media and plant nutrients intended to be used during the cultivation process (935 Mass. Code Regs. 500.120). The law generally limits authorized marijuana activities to designated areas away from the public and requires documentation of compliance with testing requirements. The law also requires the cultivation process to use best practices to limit contamination (e.g., mold, fungus, and bacterial diseases).

The law also requires cultivators to meet minimum energy efficiency and equipment standards, among other things (935 Mass. Code Regs. 500.120(11)).

For a cultivator engaged in indoor cultivation, it must include a report of its annual energy and water usage with its renewal application (935 Mass. Code Regs. 500.103).

Product Testing

Massachusetts law allows CCC to establish testing protocols for the sampling, testing, and analysis of marijuana, finished marijuana, and marijuana products (Mass. Gen. Laws Ann. ch. 94G, § 15). By law, the regulations must be based on the most recent standards as issued by the U.S. Pharmacopeial Convention and must address sampling and analysis to characterize the cannabinoid profile and biological and chemical contaminants. All marijuana must pass a test conducted by an independent testing laboratory before it may be sold or marketed in Massachusetts. The regulations further set out how the marijuana must be tested and additional contaminants that must be tested for (e.g., mold and mildew) (935 Mass. Code Regs. 500.160).

Municipal Regulation

Massachusetts law allows a municipality to adopt ordinances to impose reasonable safeguards on the operation of marijuana establishments as long as they are not unreasonably impractical or in conflict with state law. The law specifically allows municipalities to (1) limit the number of marijuana establishments in their jurisdiction and (2) restrict cultivation, processing, and manufacturing that is a public nuisance (Mass. Gen. Laws Ann. ch. 94G, § 3).

Host Community Agreements (HCAs). Massachusetts law allows municipalities to negotiate and enter into HCAs (935 Mass. Code Regs. 500.180). The HCA (1) identifies all stipulations and responsibilities of both the host community and the license applicant or establishment and (2) must include certain terms, such as the specific license operations allowed under the agreement, the duration, and the execution date. CCC requires license applicants to submit an HCA as part of their application. CCC must generally assess and certify these agreements before granting a license. (For more information on HCAs, see CCC's website.)

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