



August 22, 2023

Cannabis Compliance Board
700 E. Warm Springs Rd. #100
Las Vegas, NV 89119
BY EMAIL: regulations@ccb.nv.gov

Re. Regulation 5 Licensing, Background Checks, and Registration Cards

Dear Chairman Douglas and Members of the Board:

Thank you for considering input regarding changes to regulations governing cannabis licensing and registration. We are concerned that some of the proposed changes do not reflect the Legislature's express intent to adhere to a merit-based system of awarding cannabis establishment licenses. Specifically, the change to Regulation 5, Licensing, Background Check, and Registration Card. Throughout the proposed revisions, the regulation proposes changing the regulation that governs "cannabis lounges" to "cannabis establishment," effectively changing the merit-based licensing approach used to award licenses for dispensaries, cultivations, and productions, to a random/lottery style approach used by the CCB to award licenses for cannabis lounges.

It is our belief that a merit-based system of awarding cannabis licenses in Nevada is far superior to a random or lottery-based system. In his remarks concerning Senate Bill 374 of the 77th Session of the Legislature on June 1, 2013, Senator Tick Segerblom stated, "When considering applicants, the criteria include a background check, how the applicant has been in Nevada, financial resources, experience, medical background, et cetera. These criteria will be used by the state in making the selections." This merit-based approach differed in intent from the approach used in licensing cannabis lounges. Legislators enacted a path for cannabis consumption lounges to be awarded to qualifying social equity applicants but has not done so for other license types. This diversion from the previously enumerated criteria of merit applies only to consumption lounge licensing.

First and foremost, a merit-based system ensures that licenses are awarded to those who are most qualified and capable of performing the tasks associated with a Nevada cannabis license. This means that the public can have greater confidence in the abilities of those who are granted licenses, which in turn can improve safety and quality across a range of industries. In contrast, a random or lottery-based system would essentially be a game of chance, with no guarantee that the best candidates would be selected, regardless of an initial screening. Additionally, a merit-based system incentivizes individuals and organizations to invest in developing the skills and capabilities needed to qualify for a license. This creates a culture of excellence that can drive innovation, foster competition, and ultimately benefit consumers and society. A random or lottery-based system, on the other hand, would provide no such incentives, and could potentially reward those who are less committed to excellence or who lack the necessary skills and qualifications.

The proposed regulation change in its current form has been considered by the Cannabis Compliance Board and sent to workshop on several occasions prior to this agenda. Dating back to June 28, 2022, staff has attempted to blend all cannabis "establishments" with the unique licensing process of "consumption lounge" by regulation rather than following the separate statutory framework outlined. December 13 of 2022, it was heard by the Board and sent to workshop. April 14th 2023 was the workshop, yet in May 23rd meeting, staff presented the same language for consideration. That, too, was sent back for workshop. Little has changed in the proposed regulation despite the acknowledged opposition and weaknesses.

In conclusion, we strongly urge the CCB to withdraw the change to Regulation 5 and any amendment that extends the random/lottery based system used for cannabis lounges to all current cannabis establishments. Should

future licensing be needed, the current merit based system ensures that licenses are awarded to the most qualified and capable candidates, incentivize excellence and innovation, and promote transparency and accountability. We support the efforts of White Pine County to get a license, however, believe there are more efficient ways of accomplishing that goal.

Thank you for considering our perspective on this important issue.

David Goldwater
Inyo Fine Cannabis

Bonnie Chu
Euphoria

Pejman Bady
Integrity Pros



August 21, 2023

Cannabis Compliance Board
700 Warm Springs Road, Suite 100
Las Vegas, NV 89119
Via email to: regulations@ccb.nv.gov

Subject: Agenda Item V Proposed Changes to NCCR 5

Dear Cannabis Compliance Board Members and Director Klimas,

On behalf of the Nevada Cannabis Association, we are submitting this public comment on Agenda Item V, the proposed changes to NCCR 5. We are supportive of White Pine County's economic development efforts, and we appreciate the Board's willingness to continue to revise the proposed regulation. For the reasons discussed below, we propose that any amendments to NCCR be narrowly focused and limited to a licensing round for the medical cultivation and production licenses only, based upon the existing parameters set forth in statute.

NCCR 5.020

NCCR 5.020 does not need to be broadly expanded to apply to all cannabis establishments, and doing so creates some confusion as to the Board's statutory authority. The Board's authority to award certain licenses is limited by population, as set forth in NRS 678B.220 and NRS 678B.260. For clarity, the regulation should be revised as follows:

Subject to the limitations of NRS 678B.220 and NRS 678B.260, As often as the Board deems necessary, the Board will determine whether a sufficient number of ***cannabis establishments*** ~~consumption lounges~~ exist to serve the people of this State and, if the Board determines that additional ***cannabis establishments*** ~~consumption lounges~~ are necessary, the Board will issue a request for applications to operate a ***cannabis establishment*** ~~consumption lounge~~.

NCCR 5.035

As currently drafted, pursuant to NCCR 5.035(5), a county commission may issue one (or more) letter in support of an applicant. If the county issues one letter in support, unless the other applicants also obtain a letter in support from the county, they will not "qualify" for the license.

Under NCCR 5.035(2)(c), letters in support factor into the merit-based analysis for eligibility to enter the random number generator, unless no letters are issued. "Merit-based analysis for eligibility to enter the random number generator" is not defined and seems interchangeable with "minimum scoring criteria" in this context.

As drafted, it seems that if a county has a preferred applicant or number of applicants, it could ensure that its preferred applicants move forward (and other applications are eliminated) by issuing at least one letter in support. While community impact can be a criterion of merit



considered as part of the evaluation process pursuant to NRS 678B.240(1)(j), as currently drafted the regulations give the county's preference significant, disproportionate weight compared to other criteria.

NCCR 5.045

The use of a random number generator was authorized by statute only for consumption lounges when a local jurisdiction limited the number of licenses available. The use of a lottery should not be expanded without clear legislative authority.

Recommendations

Rather than expanding the use of a lottery to all cannabis establishments, we ask the Board to consider instead creating a narrow licensing round for this specific type of license. The Board should evaluate license applications based upon the criteria of merit set forth in NRS 678B.240 and develop a rubric for scoring applications as required by NRS 678B.240(2). One of the factors the Board may consider and give weight to is community impact.

Broader policy discussions are important and necessary before a licensing process is adopted for all future cannabis establishment types. Further, changes to the statute would need to be made if the Board wishes to expand the use of a lottery system. Nevertheless, White Pine should be able to move forward with this narrow licensing round without being caught up in these broader discussions. The parameters already exist in statute for this licensing round to move forward, and we would support a narrow licensing round based on these parameters.

Thank you for your consideration of these comments.

Respectfully,

A handwritten signature in black ink that reads "L. Martin". The signature is written in a cursive, flowing style.

Layke A. Martin, Esq.
Executive Director
Nevada Cannabis Association