

CANNABIS COMPLIANCE BOARD STATE OF NEVADA



JOE LOMBARDO
Governor

ccb.nv.gov
CARSON CITY OFFICE
3850 Arrowhead Drive, Suite 100
Carson City, Nevada 89706
Main Line: (775) 687-6299

LAS VEGAS OFFICE
700 East Warm Springs Road, Suite 100
Las Vegas, Nevada 89119

JAMES HUMM
Executive Director

MICHAEL MILES
Deputy Director

ADRIANA GUZMÁN FRALICK
Chair

SMALL BUSINESS IMPACT STATEMENT AS REQUIRED BY NRS 233B.0608

Nevada Cannabis Compliance Regulations

1. Background

The Cannabis Compliance Board drafted proposed changes to the Nevada Cannabis Compliance Regulations (“NCCR”) 1, 4 and 6 to incorporate changes from the 2023 legislative session, clarify definitions, establish new category violations, redefine and update existing category violations, and address issues regarding disciplinary actions, exemptions and collection of fees.

2. A description of the manner in which comments were solicited from affected small businesses, a summary of their responses, and an explanation of the manner in which other interested persons may obtain a copy of the summary.

Prior to conducting the small business impact survey, the CCB worked on these proposed changes with key industry stakeholders, including several industry attorneys who provided initial comments on the proposed changes. Many of these comments have been incorporated into the final proposed changes.

On April 29, 2024, the Cannabis Compliance Board (“Agency”) notified the public of the proposed changes and upcoming workshop by posting a notice of workshop, proposed language, and the results of its survey on the CCB website.

Draft language provided proposed changes to the following NCCRs:

- Regulation 1. Issuance of Regulations; Construction; Definitions
- Regulation 4. Disciplinary and Other Proceedings Before the Board
- Regulation 6. Production and Distribution of Cannabis

On April 11, 2024, the CCB sent a thirty-one-question survey to solicit input and information from small businesses to gauge what impact the proposed language would have on their businesses. This survey closed on April 21.

The survey and a link to the proposed language was distributed as follows:

- via Agency Listserv to 9806 members of the public and members of the cannabis industry.
- Posted on Agency and local chamber social media.

The questionnaire was open for eleven (11) days. During that time, eighteen (18) people completed the survey. Many respondents did not provide additional comments beyond indicating whether the regulations would have adverse or beneficial effects. Nongermane comments were omitted from the results.

Responses provided the following major themes:

- The changes will help to curb unauthorized activities and diversion of cannabis.
- Additional definitions and clarifications will assist licensees in maintaining compliance.
- Adding specifics to the regulations regarding category violations and what actions constitute violations helps industry better understand and comply with CCB requirements.
- The reduction in civil penalties is financially beneficial and helps licensees to continue to operate.
- Concerns that some of the regulations would impose punishments that are too harsh, especially on very small operators.
- The changes to time and effort billing are beneficial and provide less of a financial burden than the prior system.

45.45% of respondents (11 individuals) identified themselves as owners/officers of cannabis establishments.

100 % of respondents identified as having less than 150 employees.

For each of the Regulation changes – for Regulations 1, 4, and 6, respondents were asked whether the changes would have a direct or indirect adverse impact to their business, a direct or indirect beneficial impact on their business, or whether they were “not affected” or “unsure” of the impact on their business. Those results are further detailed by each regulation as follows:

Regulation 1 Adverse Impact

Only one respondent (5.56% of respondents) indicated an adverse economic effect.

94.45% responded no or unsure/not affected.

Explanation included:

- The proposed definitions were still too broad.

Regulation 1 Indirect Adverse Impact

Only one respondent (5.56% of respondents) indicated an adverse economic effect.

94.44% responded no or unsure/not affected.

Explanation included:

- The proposed definitions are still too broad.

Regulation 1 Beneficial Impact

77.78% responded no or unsure/not affected and 22.22% responded yes

Explanations included:

- The changes would help to punish operators engaging in unauthorized activities and diversion to the black market.
- Additional definitions and clarifications will help licensees remain compliant.
- The clarifications should help the regulated cannabis industry by assisting with enforcement.

Regulation 1 Indirect Beneficial Impact

77.78% responded no or unsure/not affected and 22.22% responded yes

Explanations included:

- The changes would help to punish operators engaging in unauthorized activities and diversion to the black market.
- Additional definitions and clarifications will help licensees remain compliant.
- Having a definition for "Unlicensed activity" will help the CCB identify those operators and provide a basis to begin enforcement processes.
- NCCR 1.234 defining unlicensed activities gives a clear parameter of what activities are unlicensed.
- Enforcement of unlicensed activities will benefit legal operations.

Regulation 4 Adverse Impact

66.67% responded no or unsure/not affected 33.33% responded yes.

Explanations included:

- Fines may still be too high for very small operators.
- Civil penalties should not be fixed amounts; rather, they should vary by the size of the operator.
- Some violations leave little room for error, though this is also the case with the current regulations.

Regulation 4 Indirect Adverse Impact

83.33% answered no or unsure/not affected, 16.67% responded yes.

Explanations included:

- Fines may still be too high for very small operators.
- The regulations should be further simplified.
- Some violations leave little room for error, though this is also the case with the current regulations.

Regulation 4 Beneficial Impact

66.67% responded no or unsure/not affected and 33.33% responded yes

Explanations included:

- The changes will appropriately penalize operators who are not following the rules.
- The reduction in penalties is helpful.
- Adding specifics to the regulations regarding category violations and what actions constitute violations helps industry better understand and comply with CCB requirements.
- The clarifications assist in enforcement.
- NCCR 4.200 will improve the viability of the licensed cannabis industry.

Regulation 4 Indirect Beneficial Impact

72.22% responded no or unsure/not affected, 27.78% responded yes

Explanations included:

- The changes will appropriately penalize operators who are not following the rules.
- The reduction in penalties is helpful.
- The clarifications assist in enforcement.
- The reduction in penalties will provide cannabis establishments an opportunity to continue to operate.
- The reduction in penalties relieves the financial burden on licensees.
- Regulations dealing with unlicensed activity will hopefully deter unlicensed activities and bring more customers to legal dispensaries.

Regulation 6 Adverse Impact

94.43% responded no or unsure/not affected 5.56% responded yes.

Explanations included:

- There should be a set hourly fee.
- Appeal rights should be unlimited rather than tied to a percentage above estimated cost.

Regulation 6 Indirect Adverse Impact

88.89% answered no or unsure/not affected, 11.11% responded yes.

Explanations included:

- Small rural facilities could incur larger fees based on their location.

Regulation 6 Beneficial Impact

61.11% responded no or unsure/not affected 22.22% responded yes

Explanations included:

- Making the change to bill for “investigation costs” only is good and will help operators who follow the rules.
- This addition provides clarity and traceability to the billing practices associated with an investigation.
- The estimated cost allows a business to plan cash flow accordingly.
- The changes provide more transparency in billing for time and effort.

Regulation 6 Indirect Beneficial Impact

83.33% responded no or unsure/not affected, 16.67% responded yes

Explanations included:

- Making the change to bill for “investigation costs” only is good and will help operators who follow the rules.
- The prior regulations for time and effort billing were a financial burden for small businesses and the changes eliminate that burden.

3. **The manner in which the analysis was conducted, including the methods used to determine the impact of the proposed regulation on small businesses.**

The Agency used informed, reasonable judgment in determining that there would not be an impact on small businesses due to the nature of the regulation changes. The Agency also reviewed its history of disciplinary actions and settlement agreements. The proposed permanent regulations refine and clarify violations resulting in civil penalties, lower civil penalties for virtually all violations, and spread violations over more categories. In addition, the scheme for progressive discipline has been revised so that it takes significantly more violations, and violations of a higher severity, before the penalties of suspension or revocation can be invoked. The Agency also consulted with the Administrative Law Judges who act as its hearing officers for additional input on the regulations.

In addition to reviewing prior disciplinary actions and settlement agreements, the Agency analyzed the written responses from the Small Business Impact Survey and initial input from key cannabis industry stakeholders and attorneys representing industry to determine the likely impact of the proposed permanent regulations on small businesses. This analysis included categorizing responses to identify themes and the frequency with which impacts were named. The Agency also looked at issues named with less frequency but could potentially have impact. CCB has determined that there will be no adverse impacts to small businesses.

4. **The estimated economic effect of the proposed regulation on the small businesses which it is to regulate:**

Direct and indirect adverse effects

The Agency finds that there is no adverse economic effect on small business. Rather, the Agency anticipates that there will be beneficial economic effects on small businesses.

The changes make updates to existing regulations and reduce financial and regulatory burdens on small businesses.

Direct and indirect beneficial effects

The Agency anticipates that those cannabis businesses that may be impacted will realize the beneficial economic impacts by reduced civil penalties for regulatory violations, reduced investigation costs, and a new progressive disciplinary scheme that significantly reduces the risk of suspension or revocation of a license. Also, the new enforcement provisions are aimed at combating the illegal market, which should generate additional revenues for the legal cannabis market.

5. **A description of the methods that the agency considered to reduce the impact of the proposed regulation on small businesses and a statement regarding whether the agency actually used any of those methods.**

The agency considered the feedback from the public and the aforementioned survey results and determined that revisions to the proposed language were not necessary to reduce the impact on small businesses.

6. **The estimated cost to the agency for enforcement of the proposed regulations.**

The proposed permanent regulations present no significant foreseeable or anticipated cost for enforcement. To the extent violations have been clarified and discipline reduced, licensees will find it easier to maintain compliance and operations. This may reduce disciplinary actions and potentially reduce costs to the agency.

7. **If the proposed regulations provide a new fee or increases to existing fees, the total annual amount the agency expects to collect and the manner in which the money will be used.**

The proposed regulations do not increase or introduce new fees.

8. **If the proposed regulations include provisions which duplicate or are more stringent than federal, state or local standards regulating the same activity, an explanation of why such duplicative or more stringent provisions are necessary.**

The proposed permanent regulations do not overlap or duplicate any regulation of other federal, State or local governmental entities, but does reference regulatory authority granted by NRS 678A through NRS 678D.

9. **The reasons for the conclusion of the agency regarding the impact of these regulations on small businesses.**

The Agency has determined that there will be no adverse impacts to small cannabis businesses, as set forth above. Conversely, the Agency has determined that there will be beneficial impacts to small cannabis businesses based on the results of its small business survey, the reduction in civil penalty amounts, the broadened progressive disciplinary scheme which reduces the risk of revocation or suspension, and the enforcement now allowable against unlicensed cannabis operators.

I hereby certify, to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulations on small businesses and that this statement was properly prepared, and the information contained herein is accurate.

Dated this 26 day of April 2024.



James Humm
Executive Director
Nevada Cannabis Compliance Board

To receive a printed copy of this Small Business Impact Statement, contact:

Attn: Small Business Impact Summary – 5/14/24
Cannabis Compliance Board
700 E. Warm Springs Road #100
Las Vegas, Nevada 89119
Email: regulations@ccb.nv.gov