1. Working group name:

   Production/Manufacturing Working Group

2. Individual sponsor(s):

   Anna Thornley, Department of Taxation
   Jennifer Lazovich, Kaempfer Crowell
   Chad Westom, DPBH

3. Describe the recommendation:

   Proposal to streamline and ensure consistent inspection requirements of recreational establishments by the same State agency.

4. Which guiding principle(s) does this recommendation support?

   Guiding Principal 4 - propose efficient and effective regulation that is clear and reasonable and not unduly burdensome.

   Guiding Principal 6 - establish regulations that are clear and practical, so that interactions between law enforcement (at the local, state and federal levels), consumers, and licensees are predictable and understandable.

5. What provision(s) of Question 2 does this recommendation apply to?

   Requirements concerning operations of marijuana establishments.

6. What issue(s) does the recommendation resolve?

   The recommendation provides that the same State agency should be in charge of inspecting both medical and recreational operations so that there is a single point for inspection and enforcement.

7. Was there dissent in the group regarding this recommendation? If yes, please provide a summary of the dissenting opinion regarding the recommendation.

   No dissent if the programs are merged under the Department of Taxation. If the medical and recreational marijuana programs are not merged under the Department of Taxation, Anna Thornley has noted a concern about the feasibility of there being a single agency performing State inspections.
8. What action(s) will be necessary to adopt the recommendation? Will statute, policy, regulations, etc. need to be addressed?

A regulation should be adopted stating that both the medical and recreational marijuana establishments shall be inspected by the same state agency to ensure consistency and efficiencies between state and marijuana operations. If the medical and recreational marijuana programs are combined into the Department of Taxation, then we suggest the following changes be made to NAC 453A.320 and NAC 453A.322.

**NAC 453A.320 Health and safety inspections of establishments. (NRS 453A.370)**

1. The Division Department may, at any time it determines an inspection is needed, conduct an investigation into the premises, facilities, qualifications of personnel, methods of operation, policies and purposes of any medical marijuana establishment and of any person proposing to engage in the operation of a medical marijuana establishment. An inspection of a facility may include, without limitation, investigation of standards for safety from fire on behalf of the Division by the local fire protection agency. If a local fire protection agency is not available, the State Fire Marshal may conduct the inspection after the medical marijuana establishment pays the appropriate fee to the State Fire Marshal for such inspection.

2. The Division Department will not issue a medical marijuana establishment registration certificate until the Division Department completes an inspection of the medical marijuana establishment. Such an inspection may require more than one visit to the medical marijuana establishment.

3. In addition to complying with the provisions of chapter 372A of NRS and chapter 372A of NAC governing the imposition of an excise tax on medical marijuana establishments, a medical marijuana establishment may not operate until it has been issued a medical marijuana establishment registration certificate from the Division Department.

4. The Division Department will not issue a medical marijuana establishment registration certificate until it has received a satisfactory report of full compliance with and completion of all applicable public safety inspections required by state and local jurisdictions, including, without limitation, fire, building, health and air quality inspections, except as otherwise provided in subsection 3 of NAC 453A.426.

(Added to NAC by Div. of Pub. & Behavioral Health by R004-14, 3-28-2014, eff. 4-1-2014)

**NAC 453A.322 Inspections of establishments. (NRS 453A.370)**

1. Submission of an application for a medical marijuana establishment registration certificate constitutes permission for entry to and reasonable inspection of the medical marijuana establishment by the Division Department, with or without notice. An inspector conducting an inspection pursuant to this section does not need to be accompanied during the inspection.

2. The Division Department may, upon receipt of a complaint against a medical marijuana establishment, except for a complaint concerning the cost of services, a complaint concerning the efficacy of medical marijuana or a complaint related to customer service issues, conduct an investigation during the operating hours of the medical marijuana establishment, with or without notice, into the premises, facilities, qualifications of personnel, methods of operation, policies, procedures and records of that medical marijuana establishment or any other medical marijuana establishment which may have information pertinent to the complaint.
3. The Division Department may enter and inspect any building or premises at any time, with or without notice, to:
   (a) Secure compliance with any provision of this chapter or chapter 453A of NRS;
   (b) Prevent a violation of any provision of this chapter or chapter 453A of NRS; or
   (c) Conduct an unannounced inspection of a medical marijuana establishment in response to an allegation of noncompliance with this chapter or chapter 453A of NRS.

4. The Division Department will enter and inspect at least annually, with or without notice, each building or the premises of a medical marijuana establishment to ensure compliance with the standards for health and sanitation.

5. The Division Department will enter and inspect, with or without notice, any building or premises operated by a medical marijuana establishment within 72 hours after the Division Department is notified that the medical marijuana establishment is operating without a medical marijuana establishment registration certificate.
   (Added to NAC by Div. of Pub. & Behavioral Health by R004-14, 3-28-2014, eff. 4-1-2014)

9. Additional information (cost of implementation, priority according to the recommendations, etc).

   It would be more cost effective to have one agency conduct inspections of both medical and recreational marijuana facilities. This will ensure cost efficiencies for the state as well as consistency in application of inspections for operators of both medical and recreational marijuana operations.
1. **Working group name:**

   *Operations - Production/Manufacturing*

2. **Individual sponsor(s):**

   *Anna Thornley, Deputy Director, Retail Marijuana, Department of Taxation*
   *Brian Hyun, Production Manager/Owner, The Grove*
   *Jake Ward, President, Pure Tonic Concentrates*

3. **Describe the recommendation:**

   *Each marijuana facility should maintain a perpetual inventory system which adequately documents the flow of controlled inventory through the cultivating, manufacturing, distributing, and retail sale process and is updated daily.*

4. **Which guiding principle(s) does this recommendation support?**

   *Guiding Principle 2 - Be responsive to the needs and issues of consumers, non-consumers, local governments and the industry*

   *Guiding Principle 4 - Propose efficient and effective regulation that is clear and reasonable and not unduly burdensome*

5. **What provision(s) of Question 2 does this recommendation apply to?**

   *NRS 453A.322 requires that an MME develop operating procedures which includes “The use of an electronic verification system and inventory control system...”*

6. **What issue(s) does the recommendation resolve?**

   *This recommendation allows State and Local authorities to retroactively and in real time monitor the chain of custody of marijuana products within individual establishments, from establishment to establishment, and from seed to sale. State and Local oversight plays an important role in avoiding diversion.*

   *This recommendation is intended to cover inventory control systems for individual establishments only.*

   *This recommendation is not intended to cover the issue of a centralized seed-to-sale system overseen by the Department or Department contractors. That issue will be covered in a separate recommendation.*
7. Was there dissent in the group regarding this recommendation? If yes, please provide a summary of the dissenting opinion regarding the recommendation.

No Dissent

8. What action(s) will be necessary to adopt the recommendation? Will statute, policy, regulations, etc. need to be addressed?

There is a solid framework already in place within the Medical regulations which should be mostly adapted to recreational marijuana regulation. Other than normal formatting changes, the only recommended changes from the 453A language is that the terms “Quantity of THC” and “measured in milligrams” should be removed. This is because it is impractical and unnecessary from both a business and regulatory standpoint for producers, cultivators, and distributors to be required to track THC amounts, measured in milligrams, across their entire inventory. Total THC can’t be totaled for plants that are growing or infused products until lab results are received on “finished” products. Total THC amounts will still be able to be calculated if necessary and if possible via product weights and laboratory results on specific products in inventory.

“Inventory control system” should be defined as it is in NRS 453A.108 “Inventory control system” means a process, device or other contrivance that may be used to monitor the chain of custody of marijuana used for medical purposes from the point of cultivation to the end consumer.”

Section 34 of LCB File No. R148-15 amends NAC 453A.414. The amended section should be adapted into the permanent recreational marijuana regulations with the purpose of providing oversight for inventory control issues. There are standard “medical to recreational” formatting changes required in the language, and the following functional changes should also take place:

4. Each cultivation facility, medical marijuana establishment, dispensary and facility for the production of edible marijuana products or marijuana-infused products shall establish and implement an inventory control system that documents:
   (a) Each day’s beginning inventory, acquisitions, harvests, sales, disbursements, disposal of unusable marijuana and ending inventory, including, without limitation, the:
      (1) Number of plants and cuttings;
      (2) Weight of flowers, measured in grams;
      (3) Weight of trim, measured in grams;
      (4) Quantity of THC, measured in milligrams; and
      (5) Weight of seeds, measured in grams.
   (b) When acquiring medical marijuana from a person who holds a valid registry identification card, including, without limitation, a designated primary caregiver:
      (1) A description of the medical marijuana acquired, including the amount and strain as specified by the cardholder, if known;
      (2) The name and number of the valid registry identification card of the person who provided the medical marijuana, if provided by a designated primary caregiver, his or her name;
(3) The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent receiving the medical marijuana on behalf of the medical marijuana dispensary; and
(4) The date of acquisition.

(c) When acquiring medical marijuana from another medical marijuana establishment:
(1) A description of the medical marijuana acquired, including the amount, strain and batch number[,] , lot number and production run number, or any combination thereof;
(2) The name and identification number of the medical marijuana establishment registration certificate of the medical marijuana establishment providing the medical marijuana;
(3) The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent providing the medical marijuana;
(4) The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent receiving the medical marijuana on behalf of the medical marijuana establishment; and
(5) The date of acquisition.

(d) For each batch of marijuana cultivated:
(1) The batch number[,] , lot number and production run number, as applicable.
(2) Whether the batch originated from marijuana seeds or marijuana cuttings.
(3) The strain of the marijuana seeds or marijuana cuttings planted.
(4) The number of marijuana seeds or marijuana cuttings planted.
(5) The date on which the marijuana seeds or cuttings were planted.
(6) A list of all chemical additives used in the cultivation, including, without limitation, nonorganic pesticides, herbicides and fertilizers.
(7) The number of marijuana plants grown to maturity.
(8) Harvest information, including, without limitation:
   (I) The date of harvest;
   (II) The final yield weight of processed usable marijuana[,] , in grams; and
   (III) The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent responsible for the harvest.
(9) The disposal of marijuana that is not usable marijuana, including:
   (I) A description of and reason for the marijuana being disposed of, including, if applicable, the number of failed or other unusable marijuana plants;
   (II) The date of disposal;
   (III) Confirmation that the marijuana was rendered unusable before disposal;
   (IV) The method of disposal; and
   (V) The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent responsible for the disposal.

(e) When providing medical marijuana to another medical marijuana establishment:
(1) The amount, strain[,] , [and] batch number[,] , lot number and production run number, as applicable, of medical marijuana provided to the medical marijuana establishment;
(2) The name and medical marijuana establishment registration certificate number of the other medical marijuana establishment;
(3) The name and medical marijuana establishment agent registration card number of the medical marijuana establishment agent who received the medical marijuana on behalf of the other medical marijuana establishment; and

(4) The date on which the medical marijuana was provided to the medical marijuana establishment.

(f) When receiving edible marijuana products from another medical marijuana establishment:

(1) A description of the edible marijuana products received from the medical marijuana establishment, including the total weight of each edible marijuana product and the [estimated] amount of THC, measured in milligrams, and [batch] the production run number of the marijuana in each edible marijuana product.

(2) The total [estimated] amount and [batch] production run number of marijuana in the edible marijuana products.

(3) The name and:

(I) Medical marijuana establishment registration certificate number of the medical marijuana establishment providing the edible marijuana products to the receiving medical marijuana establishment;

(II) Medical marijuana establishment agent registration card number of the medical marijuana establishment agent providing the edible marijuana products to the receiving medical marijuana establishment; and

(III) Medical marijuana establishment agent registration card number of the medical marijuana establishment agent receiving the edible marijuana products on behalf of the receiving medical marijuana establishment.

(4) The date on which the edible marijuana products were provided to the medical marijuana establishment.

(g) When receiving marijuana-infused products from another medical marijuana establishment:

(1) A description of the marijuana-infused products received from the medical marijuana establishment, including the total weight of each marijuana-infused product and the [estimated] amount of THC, measured in milligrams, and [batch] the production run number of the marijuana infused in each marijuana-infused product.

(2) The total [estimated] amount and [batch] production run number of marijuana infused in the marijuana-infused products.

(3) The name and:

(I) Medical marijuana establishment registration certificate number of the medical marijuana establishment providing the marijuana-infused products to the receiving medical marijuana establishment;

(II) Medical marijuana establishment agent registration card number of the medical marijuana establishment agent providing the marijuana-infused products to the receiving medical marijuana establishment; and

(III) Medical marijuana establishment agent registration card number of the medical marijuana establishment agent receiving the marijuana-infused products on behalf of the receiving medical marijuana establishment.

(4) The date on which the marijuana-infused products were provided to the medical marijuana establishment.

(h) When receiving concentrated cannabis or products containing concentrated cannabis from a facility for the production of edible marijuana products or marijuana-infused products:

(1) A description of the concentrated cannabis or products containing concentrated cannabis received from the facility for the production of edible marijuana products or
marijuana-infused products, including the total weight of each product, the amount of THC, measured in milligrams, and the production run number for each product;

(2) The name and:

(I) Medical marijuana establishment registration certificate number of the medical marijuana establishment providing the concentrated cannabis or products containing concentrated cannabis to the receiving medical marijuana establishment;

(II) Medical marijuana establishment agent registration card number of the medical marijuana establishment agent providing the concentrated cannabis or products containing concentrated cannabis to the receiving medical marijuana establishment; and

(III) Medical marijuana establishment agent registration card number of the medical marijuana establishment agent receiving the concentrated cannabis or products containing concentrated cannabis on behalf of the receiving medical marijuana establishment; and

(3) The date on which the concentrated cannabis or products containing concentrated cannabis were provided to the medical marijuana establishment.

9. Additional information (cost of implementation, priority according to the recommendations, etc.).

None
1. Working group name:

   Operations - Production/ Manufacturing

2. Individual sponsor(s):

   Alex Woodley, Director of Code Enforcement, City of Reno
   Jacob Ward, Pure Tonic Concentrates
   Bill Erlach, Reno Fire Department
   Brian Hyun, The Grove

3. Describe the recommendation:

   Since persons over the age of 21 will be able to legally purchase marijuana, there is a strong likelihood that some of those persons will choose to manipulate certain products such as flower and trim into other products such as marijuana concentrates and edible marijuana. Some of the better-known processes for creating these manipulated products require the use of materials which can be dangerous when utilized in an uncontrolled environment.

   This recommendation provides guidance related to the production of concentrated, infused, and/or edible marijuana products outside of licensed facilities to mitigate possible dangerous activities related to manufacturing marijuana products in an uncontrolled environment.

4. Which guiding principle(s) does this recommendation support?

   Guiding Principle 1 – Promote the health, safety, and well-being of Nevada’s communities
   Guiding Principle 2 – Be responsive to the needs and issues of consumers, non-consumers, local governments and the industry
   Guiding Principle 4 – Propose efficient and effective regulation that is clear and reasonable and not unduly burdensome
   Guiding Principle 6 – Establish regulations that are clear and practical, so that interactions between law enforcement (at the local, state and federal levels), consumers, and licensees are predictable and understandable

5. What provision(s) of Question 2 does this recommendation apply to?

   1) NRS 453D.020 (3) (c) Cultivating, manufacturing, testing, transporting and selling marijuana will be strictly controlled through state licensing and regulation

   2) NRS 453D.400 (5) A person who manufactures marijuana by chemical extraction or chemical synthesis, unless done pursuant to a marijuana product manufacturing license
Production Outside of Licensed Facilities - Recommendation

issued by the Department or authorized by chapter 453A of NRS, is guilty of a category E felony.

6. What issue(s) does the recommendation resolve?

- Minimizes safety and security risks associated with the production of marijuana products
- Minimizes possible fire hazards created using alcohol or similar flammable materials
- Addresses the use of solvents not specifically delineated in NRS 453D.400 (5)
- Mitigates the potential dangerous situations for marijuana patrons and neighbors with no interests in marijuana
- Mitigates possible dangerous respiratory incidents from fumes created during production

7. Was there dissent in the group regarding this recommendation? If yes, please provide a summary of the dissenting opinion regarding the recommendation.

No dissent

8. What action(s) will be necessary to adopt the recommendation? Will statute, policy, regulations, etc. need to be addressed?

1) Legislative changes in the Nevada Administrative Code and possibly Nevada Revised Statute may be required to regulate production outside of licensed facilities. Some proposed language is:

"Production of concentrated, infused, and/or edible marijuana products outside of licensed facilities is allowed for personal use, but the use of any non-edible solvents or chemicals which may be deemed dangerous or a volatile or flammable substance is strictly prohibited. These solvents and chemicals include but are not limited to butane, propane, hexane and alcohol. Violation of this section shall be subject to NRS 453D.400 (5)"

9. Additional information (cost of implementation, priority according to the recommendations, etc.).

None