

Nevada regulators mull expedited marijuana supply licensing

July 13 2017, by Scott Sonner



In this Saturday, July 1, 2017, file photo, people line up at the NuLeaf marijuana dispensary in Las Vegas. The Nevada Tax Commission is expected to approve an emergency regulation on Thursday, July 13, to issue distribution licenses needed to address an anticipated supply shortage in the coming weeks. (AP Photo/John Locher, File)

Following an overwhelming demand for recreational marijuana, Nevada regulators are set to vote Thursday on emergency rules that would expedite licensing for pot distributors.

Dozens of retailers started selling recreational [marijuana](#) on July 1 but a unique state law could quickly lead to empty shelves. The law dictates only alcohol wholesalers can transport pot from growers to store fronts for the next 18 months.

So far, fewer than 10 alcohol wholesalers have applied for pot distribution licenses and as of last week none had met the qualifications, the Nevada Department of Taxation said.

Most recreational retailers were previously licensed under a 2-year-old medical marijuana program and many were distributing to themselves. The medical marijuana dispensaries started stockpiling supplies months ago in an anticipation of high demand.

However, some of the 47 licensed retailers have reported twice as much business as they anticipated, said Nevada Tax Department spokeswoman Stephanie Klapstein.

"I have heard of some dispensaries running on fumes, if you will," said Nevada Dispensary Association President Andrew Jolley.

The Nevada Tax Commission was scheduled to consider a new regulation Thursday in Carson City to license some pot retailers to serve as their own middleman if there aren't enough alcohol distributors to do the job.

The proposed regulation would at least temporarily clear the way for sales as a legal battle over distribution continues.

A judge granted a temporary injunction, which the state is appealing to the Nevada Supreme Court, after the Independent Alcohol Distributors of Nevada persuaded him the state had arbitrarily concluded there was an insufficient number of liquor wholesalers to meet the demand.



In this July 1, 2017, photo, plants are on display during the first day of recreational marijuana sales at The Source dispensary in Las Vegas. The Nevada Tax Commission is expected to approve an emergency regulation on Thursday to issue distribution licenses needed to address an anticipated supply shortage in the coming weeks. (AP Photo/John Locher, File)

Gov. Brian Sandoval has endorsed the proposal, which would specifically address what's long been an elephant in the room for states with legalizrf recreational marijuana: the U.S. government still considers it illegal.

That was the biggest reason Deonne Contine, executive director of the state's Department of Taxation, cited in March when she first expressed concern about "insufficient interest" among liquor wholesalers, especially in Nevada where many of their biggest customers are hotel-casinos also subject to numerous federal statutes.

Under the proposed regulation, the wholesaler must demonstrate it "has

resolved to the best of its ability any potential conflicts with its federal liquor licensing and the distribution of a federally illegal product."

Contine said in declaring the need for emergency action last week that marijuana retailers recorded more than 40,000 transactions in the first weekend.

"Without the ability to license marijuana distributors to continue the flow of product to the retail store, a high likelihood exists that consumers will revert to the black market," Contine wrote. Unless the matter is resolved quickly, the distribution bottleneck will cost both the state and investors millions of dollars, thousands of jobs and "cause this nascent industry to grind to a halt."

The new guidelines used to determine sufficiency to meet demand also would include:

- a sample of market demand for both medical and recreational pot the last three months
- industry growth expectations based on other [states](#)
- the need make a minimum of three to five deliveries a day to some dispensaries
- an understanding of a complicated "seed to sale" tracking system

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