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Kentucky NORML Addresses Recent Concerns on Medical Cannabis Licensing

The Kentucky state chapter of the National Organization for the Reform of Marijuana Clarifies the Kentucky Medical Cannabis License Lottery Process

Louisville, KY – September 1, 2024 — Kentucky NORML is addressing recent concerns and misconceptions regarding the application process for medical cannabis licenses in the Commonwealth. Allegations have surfaced about multi-state operators (MSOs) or "Big Canna" companies gaming Kentucky's lottery system by opening multiple LLCs under the same parent company. We aim to clarify the facts and reaffirm the program's commitment to fairness and transparency.

Legislative Framework:

Senate Bill 47 (SB 47):

Sponsored by Senator Stephen West, SB 47 establishes Kentucky's medical cannabis program with a focus on creating a fair and competitive market. The bill aims to prevent any single entity from monopolizing licenses for dispensaries or cultivation facilities, ensuring a diverse and inclusive industry. Senator West stated, during the recent Administrative Regulation Review Subcommittee meeting on August 13, 2024. "The intent, clearly, of SB 47 and 829 was never to allow one entity to have a monopoly on locations, whether it be cultivation or dispensaries. Quite the opposite, for there to be a bright line of distinction between the two so there could be no overlap."

House Bill 829 (HB 829):

Primarily sponsored by Representative Jason Nemes, HB 829 complements SB 47 by addressing administrative and regulatory aspects. It includes provisions to establish the Office of Medical Cannabis and related divisions within the Cabinet for Health and Family Services. The bill outlines measures to regulate the application process and maintain program integrity. Despite his key role in shaping this legislation, Rep. Nemes has recently criticized the program he helped create, calling it "shady" in a WHAS11 interview. His comments are at odds with the supportive framework of the bills.

Clarifying the Facts:

Provisional Lease Agreements:

Some businesses have secured provisional lease agreements for multiple properties. These agreements are contingent upon winning a license and are standard practice in preparation for potential approval. They do not guarantee a license nor do they influence the lottery outcome.

Multiple LLCs:

While larger operators may create multiple LLCs for operational purposes, this does not give them an unfair advantage in the licensing lottery. The system is designed to ensure fairness, with each LLC being subject to the same rules and regulations. Director Sam Flynn explained, "We require in these regulations them to provide us their ownership, their corporate structure, and they have to explicitly disclose whether they have a parent of any kind. Through these mechanisms, we're able to determine

whether there is a parent company, and because we define the parent as the applicant, in that case, the parent company can't, in a sense, you know, load the lottery with multiple applications.”

Addressing Concerns About Application Stacking:

Application stacking—where companies submit multiple applications under different names or shell entities to increase their chances of winning a license—has been a significant concern in other states. However, Kentucky’s medical cannabis program has put in place stringent safeguards to prevent such practices. These safeguards encompass thorough background checks on all applicants and their affiliated entities, ensuring that no one can submit multiple applications without detection.

Program Funding and Fees:

The legislation mandates that Kentucky's medical cannabis program must be self-sustaining. This means it must cover its own costs without burdening taxpayers or patients. The non-refundable application fees are crucial for funding the program’s operations and maintaining financial responsibility. The non-refundable application fees are necessary to cover the costs of running the program, ensuring that these expenses do not fall on the patients who need access to medical cannabis.

Responding to Media and Business Criticism:

Recent criticisms have included alarmist rhetoric and suggestions of unethical dealings behind the scenes. It is essential to distinguish between legitimate concerns and misinformation. Confusion may arise from a lack of understanding of contingent leases, which allow multiple businesses to secure potential locations by placing them on hold. This practice is particularly relevant in areas with limited real estate options for cannabis businesses.

Lottery System Integrity:

The Kentucky medical cannabis license lottery will be conducted by the state’s official lottery system, known for its transparency and integrity. The process will be streamed live online to ensure complete transparency and public oversight. This system is designed to provide equal opportunity to all applicants, regardless of their size or financial resources.

The Kentucky Lottery’s Role:

The Kentucky Lottery, responsible for the license lottery, has a long-standing reputation for integrity, accountability, and social responsibility. Since 1999, it has funded over \$5 billion in college scholarships and grants, including the KEES Scholarship program. The Kentucky Lottery operates under core values of integrity, accountability, social responsibility, diversity, equity, and inclusion.

Matthew Bratcher’s Perspective:

Matthew Bratcher, Executive Director of Kentucky NORML, emphasizes the importance of the lottery process: “The lottery process central to Kentucky’s medical cannabis program serves as a vital mechanism to prevent any efforts to manipulate the system. Using this randomized selection process, the program ensures that no one can manipulate the outcome in their favor. This method levels the playing field, giving every qualified applicant an equal shot at obtaining a license.”

Bratcher also responded to criticisms: “It’s important to distinguish between legitimate concerns and misinformation. The safeguards in place are designed to ensure that only legitimate businesses are granted licenses, upholding the integrity of the system.”

Kentucky NORML's Commitment:

[Kentucky NORML](#) remains dedicated to ensuring that the medical cannabis program is implemented fairly, transparently, and with the best interests of patients in mind. We encourage all Kentuckians to stay informed and engaged with the process and to seek out accurate information.

For further information or to voice your concerns, please visit www.kynorml.org . You can also contact Kentucky NORML at info@kynorml.org or call/text 502-888-1522.

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