May 8, 2024

Governor Kathy Hochul
State of New York
New York State Capitol Bldg.
Albany, NY 12224

Dear Governor Hochul:

In March, Director of State Operations Kathryn Garcia asked me to assemble a team of government leaders to conduct a 30-day organizational review of the Office of Cannabis Management (OCM), focusing on streamlining licensing processes and reducing time to open new cannabis retailers.

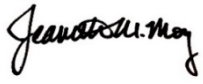
During the assessment, the task force conducted over 50 meetings and interviews with OCM staff and industry stakeholders; reviewed secondary resources including the MRTA, CCB regulations, OCM's website, public guidance, and FAQs; and attended CCB meetings to understand OCM's organizational structure and licensing processes. It is clear from speaking to operational staff that they are dedicated, mission-driven, and working very hard. In order to alleviate pressures on staff, the task force took immediate action to recruit for vacant license processing positions to increase the size of the licensing team by 40%, and to explore technology like softphones to improve the hybrid work experience.

Additionally, the task force spoke with cannabis regulators in other states and other New York State regulatory agencies to identify best practices. Lastly, we looked extensively at data from OCM's licensing system to assess progress and identify challenges. This report will provide a background overview of the current state of cannabis retail licensing, outline identified areas for improvement, and provide recommendations on addressing them effectively. The challenges are extensive, and it will take time and significant effort to make necessary changes.

The task force outlined recommendations to enhance customer service and expedite the opening of Adult-Use Retail businesses in New York State's legal cannabis market. It was a priority of the task force to craft recommendations that would enable this agency to be more transparent, efficient, and responsive to all New Yorkers. In conjunction with your recently announced Enforcement Task Force to shut down illegal cannabis stores, the recommendations in this report will enable OCM to maintain and build upon our State's commitment to social equity, while maturing into a world-class regulatory agency for a thriving New York State cannabis market.

While there are many important areas of OCM's work that were outside the scope of this endeavor, the findings in the report not only document some of the pain points of launching a new industry and state agency, but also indicate a clear pathway for improvement.

Sincerely,



Jeanette M. Moy
Commissioner, New York State Office of General Services

CONTENTS

Executive Summary

Since the legalization of cannabis in New York State, the State's adult-use cannabis market has struggled to get off the ground. OCM has faced significant criticism over its operations, lack of transparency, and the failure to build a robust and equitable market. The unanticipated rapid proliferation of thousands of illegal cannabis retailers has slowed the growth of the legal market and poses a number of safety concerns for consumers of adult-use cannabis.

In March 2024, Governor Hochul convened a multi-agency task force to assess how to improve public engagement and restore trust in OCM. The task force included government leaders from multiple State agencies with extensive operations experience and expertise in organizational redesign for agency success. Over several weeks, the task force conducted interviews with executives at OCM, employees, and external stakeholders, reviewed regulations, public guidance, and Cannabis Control Board (CCB) meetings, and designed high level process maps for adult-use retail license applications.

This report details current OCM operations and procedures and primarily focuses on improvements of general agency operations and a review of the adult-use retailer licensing process.

Key Findings

Specifically, the task force found OCM had:

1. Limited depth in administration;
2. Failed to centralize licensing operations;
3. Created complex and obscure licensing requirements;
4. Provided sparse customer service;
5. A lack of data and key performance indicators (KPI);
6. And utilized multiple disparate IT systems.

These findings have been exemplified through OCM's often confusing decisions regarding agency operations. Despite other agencies sharing and relying on similar existing application and licensing systems, OCM's relatively inexperienced leadership chose to develop new systems which contributed to a slow down of agency operations. Yet by creating new structures rather than implementing approaches based on best practices, the leadership wasted valuable time and resources. Further, iterative decision-making and continuous refinement of policy have caused implementation challenges and resulted in confusion, difficulties, and delays for well-intentioned line staff as well as applicants.

While OCM had filled nearly 180 of 245 approved positions as of April 2024, OCM underspent its Fiscal Year 2023-24 budget by $26 million. Additionally, the task force quickly discovered there were 13 vacant licensing positions that were classified for OCM use but OCM had yet to post these positions. According to OCM leadership, only 33 of the 180 staff are dedicated to processing licensing, which provided the capacity to process a maximum of 70 applications per month. The agency decentralized the process for reviewing applications across more than four different licensing units with as many as nine staff simultaneously reviewing applications. In addition, as application review progressed, the agency naturally discovered new nuances and variations in applicant scenarios,which sometimes required policy refinements or clarifications. However, the process OCM instituted to address these issues – which involved shared analysis by multiple agency staff and units to create group consensus in each individual

case – acted as a bottleneck. This led to delays and duplicative work and prevented clear accountability for timely processing of applications.

Most concerning, the task force found that OCM did not intend on reviewing all retail license applications it received, while accepting nonrefundable application fees, and requiring many applicants to execute leases or purchase property. The decision to limit the number of licenses without full transparency to applicants has created an environment of deep mistrust. Furthermore, OCM has not created a process for denying applications, appealing application decisions or non-action, or procedurally deeming an application abandoned.

Key Recommendations

Most importantly, OCM must transition its work to focus on its core mission: ensuring a functional, transparent and equitable cannabis market for New York. The perceived uniqueness of the agency's work is a significant cultural roadblock to its willingness to adopt processes and systems that have proved successful elsewhere. OCM must adopt many of the best practices and structures of regulatory agencies in order to be effective.

The task force focused on three areas, providing recommendations to guide the long-term success of the agency.

1. OCM must unclog the bottleneck of applicants awaiting determinations. Thousands of potential licensees are currently awaiting decisions on their applications. Depending on the application date, many applicants were directed to gain site control of a potential retail location. By advancing application determinations, shifting to a single case manager model, and developing clear and accurate reports, OCM can significantly improve the licensing process.
2. OCM must enhance transparency and improve communications with stakeholders and incorporate a renewed focus on customer service. Similar to other regulatory and licensing agencies, OCM is expected to provide consistent, uniform updates and guidance to applicants and industry participants. Statewide listening tours can provide OCM with valuable insight into the industry's perspective and allow OCM to incorporate feedback into their policy making process.
3. Lastly, the task force recommends long term transformations by adjusting the organizational structure, assigning internal controls, creating performance measures, and developing a strategic plan.

Introduction

On March 31, 2021, the Marihuana Regulation & Taxation Act (MRTA) was signed into law, legalizing adult-use cannabis in New York State. The MRTA established the Office of Cannabis Management (OCM) and the Cannabis Control Board (CCB) as the primary regulatory entities overseeing New York State's cannabis market from seed to sale. Under the framework set by the MRTA, the CCB sets standards or other requirements for the cultivation, processing, packaging, marketing, and sale of adult-use cannabis and issues licenses for the two-tiered market of cannabis businesses on the recommendation of OCM. The MRTA includes first-in-the-nation provisions to redress harms and create an equitable market that gives back to communities adversely impacted by the criminalization of cannabis, and breaks down barriers to entry for people with prior cannabis convictions, service-disabled veterans, distressed farmers, people of color, and women. In addition to establishing a statutory framework that aims to ensure that New York businesses are able to secure market share, the MRTA authorized the expungement of many cannabis-related convictions. The MRTA also created the State Cannabis Advisory Board (CAB), which advises OCM and administers the New York State Community Grants Reinvestment Fund, an additional key equity component of New York's cannabis legalization framework.

Building a legal, adult-use cannabis industry in New York State out of an extant medical program, a flagging hemp industry, and significant black and gray markets for personal use is a monumental task. OCM is led by policy makers who directly shaped the MRTA, who are viewed as thought leaders and advocates by many in the cannabis industry. Since its inception, OCM has operated as a mission-driven policy start-up, but has struggled with the transition to a mature regulatory entity.

New York State began to implement the MRTA's equity intent by issuing the first 463 provisional retail licenses to entities controlled by people with prior cannabis convictions and their families through the Conditional Adult Use Retail Dispensary (CAURD) license beginning in November 2022. To date, over 100 legal adult-use dispensaries have opened, the overwhelming majority of which are operated by CAURD licensees. In accordance with MRTA's aim to empower people with prior cannabis convictions, service-disabled veterans, distressed farmers, and minority- and women-owned businesses, OCM outreach to those groups. The agency facilitated technical assistance and capacity-building training programs to break down obstacles that impede their participation in the market. New York's legal cannabis industry well exceeds national averages for minority- and woman-ownership. In response to litigation-related delays in opening dispensaries, OCM rolled out innovative programs such as the Cannabis Growers Showcase to support cultivators in 2023. By its second year of operation, OCM had grown to become a 180-employee agency, significantly increasing its capacity.

Despite these successes, New York's cannabis industry has suffered from perceived and real inadequacies resulting from a complex legal environment coupled with operational challenges. Unclear and disputed roles and responsibilities among OCM, CCB, and CAB have resulted in public confusion and conflicting guidance for applicants. Externalities have hampered New York State's rollout of the legal cannabis industry. Litigation slowed the opening of legal dispensaries, enabling the rapid proliferation of illicit dispensaries. This delay prevented cultivators from selling their perishable crops and created stress for conditional licensees. The MRTA is a prescriptive statutory framework, and OCM's regulatory framework has added additional complexity.

However, many challenges experienced by the agency resulted from internal decision-making and prioritization. OCM leadership has struggled to anticipate and prepare for the needs of a nascent

regulatory agency, including staffing and system builds. OCM leadership has focused on creating policies and procedures, building systems, and staffing for immediate needs, rather than working strategically to build toward a steady condition. With limited transparency, the agency has made policy choices that have been significant but complex. This has caused difficulty in implementing, operationalizing, and explaining these changes to the public, sometimes resulting in a failure to meet established targets, deadlines, or expectations.

Focusing on external challenges, OCM leadership has not taken accountability for challenges faced by those involved in the industry, such as the dire straits of small business owners attempting to enter the cannabis industry. Instead, leadership focuses on the newness of their industry and agency, and they have consistently broken from past practices or best practices, failing to leverage other agencies' work or institutional knowledge. Several OCM leaders have shown a lack of sympathy or sense of urgency for the processing of applications and applicants' personal predicaments, noting, without specificity, that information was fully disclosed or provided on websites, instructional videos, or FAQ documents.

This tendency toward focusing on the abstract policy outcomes without regard for the operations – as well as the agency's lack of understanding of the applicants' confusion – are exemplified in its licensure process and application review.

The fall 2023 Adult-Use application window used a high-stakes lottery to prioritize review. Applicants paid a non-refundable $1,000 application fee (discounted for applicants meeting equity criteria) and some were required to obtain leases or deeds, without OCM executive intent to review all submitted applications. OCM was not consistently transparent as to how many retail licenses would be issued from the application window. The complexity of the application led to a disjointed internal application review process without a single point of accountability within the agency. In turn, the complexity of the review process has impeded clear tracking of application process, and customer service for applicants. Further, without clear decision-making tools for applicants, such as a map of excluded locations or realistic turnaround times for application reviews, applicants were making (and continue to make) business decisions in a vacuum. As a result, policy changes and operational delays are viewed with deep suspicion, particularly with the public nature of all approvals. Without applicant tracking, a centrally-documented internal control plan, or auditing, as well as OCM's structural interweaving of policy-making and application review, it is difficult to dispel allegations or widespread insinuations of unfair treatment, retaliation, or misconduct in a process taking place within a "black box."

Between the numerous litigation delays and conflicting directions, applicants and industry participants have become increasingly frustrated at the lack of communication and clarity regarding the opaque licensing process. Further compounding this frustration is the proliferation of a widespread illegal retail industry in the absence of a robust legal market.

Following this chaotic rollout of Adult-Use retail licenses, Governor Kathy Hochul commissioned a task force to assess agency operations and licensing procedures to identify opportunities for improvement, develop performance metrics, and create a plan to develop OCM from a policy-driven start-up into a world-class regulatory agency.

Context: Current State of OCM Adult-Use Retail Licensing & Performance

Sourcing notes: *OCM's primary vehicles for communicating regulatory information to applicants are undated FAQ documents and brief fact sheets. OCM leadership has also communicated information at CCB and town hall meetings, but the task force has chosen to rely on publicly available information from OCM's website, as that is the most accessible and consistent information for the industry. In addition, due to limitations and inconsistencies in OCM's available internal tracking and public reporting, data on applications are a synthesis of information across multiple sources and may not reconcile. To the extent feasible, information was validated by OCM staff.*

Overview of Adult-Use Licensing Framework

OCM has run several licensing periods, beginning with conditional licenses for cultivators, processors, and retail dispensaries in 2022. In the fall of 2023, OCM opened the Universal Adult-Use licensing window for Microbusiness, Retail Dispensary, Cultivator, Processor, and Distributor licenses. OCM is also currently offering the opportunity for the 10 existing medical Registered Organizations to transition to the adult-use market with a one-time $20 million licensing fee. The scope of the task force has focused on retail businesses, specifically Adult-Use retail dispensaries.

The adult-use retail market established by the MRTA centers around equity, including prioritizing licensure of New Yorkers who were adversely impacted by cannabis criminalization. OCM's licensure framework attempts to achieve MRTA's equity goals and mandates through several complex policy levers that have proved challenging to implement.

MRTA establishes a goal that 50% of Adult-Use cannabis licenses should be issued to social and economic equity (SEE) applicants, including those meeting the following equity criteria: people from communities disproportionately impacted (CDI) by the enforcement of cannabis prohibition, minority- and women-owned businesses, distressed farmers, and service-disabled veterans. MRTA also requires that "extra priority" be given to applicants who are members of a CDI, earn less than 80% of the median income of their county and were convicted or have an immediate family member who was convicted of a marijuana-related offense. OCM has attempted to operationalize these goals and mandates through the CAURD license and by providing additional chances to Extra-Priority SEE applicants in the fall 2023 Adult-Use lotteries.

MRTA prohibits vertical integration, establishing a two-tier market that would enable small New York State-based businesses to thrive and prevent market capture by large multi-state operators. OCM has established a true party of interest (TPI) review process that requires financial disclosure for interested parties down to 10% ownership, with more rigorous disclosure for CAURD licensees. MRTA requires that retail dispensaries be at least 250 feet from a house of worship and 500 feet from a school. It also allows the CCB to consider the number of other existing licenses in proximity to a proposed location and "the effect on the production, price and availability" of cannabis products in its licensing determinations. To limit competition in the legal market and ensure the profitability of licensees, OCM and CCB have established that a retail dispensary may not be within a 1,000-foot radius of another retail dispensary in a locality with a population of more than 20,000 and within a 2,000-foot radius in a locality of less than 20,000 people. The TPI review process and the proximity protection/location review process have proved onerous for OCM to implement.

While most licensing types require applicants to have secured a location for their business, CCB has allowed the issuance of provisional licenses to retail applicants who have not yet secured a location. Provisional licensees receive a full license once they receive OCM approval for a site they have secured.

As of the April 2024 CCB meeting, OCM had yet to process the denials and abandonment of more than 300 retail applicants.

Details of Adult Use Retail Licensing Windows

Conditional Adult Use Retail Dispensary

The CAURD license was intended to advance MRTA's goal of including justice-involved New Yorkers in the cannabis market. The CAURD application window opened on August 25, 2022 and closed on September 25, 2022. Applicants were required to pay a non-refundable $2,000 application fee. Licensees initially received a provisional license and were given a four-year conditional license when they secured an approved location. Initially, licensees were required to begin selling within 12 months of final license issuance.

The CAURD license had rigorous ownership criteria: businesses were required to be at least 30% owned by a person (or immediate family member thereof) convicted of a cannabis-related offense in New York State with qualifying business experience and at least 51% owned by people (or immediate family member thereof) convicted of cannabis-related offenses in New York State who maintain a significant presence in New York State. Qualifying non-profits were also eligible.

		Applications							
Application queue (Note all queues required non-refundable application fee; no commitment from OCM to review)	**Window dates**	Received	Remaining after removed*	Reviewed	Approved	To be denied or non-responsive	Enforcement Hold	Cure**	Remaining
CAURD Queue (Adult Use Retail only)	August 25 – September 25 (2022)	900	818	796	122 (463 Prov)	248	85		22
November Queue (Adult Use Retail [R] & Microbusiness [MB] only); *Site control required, "expedited" Jan 2023*	October 4 – November 17 (2023)	1,830	1,799	600	83 R 57 MB	61	30	296	1,199
December Queue (All)	November 17 – December 18 (2023)	5,047	2,854 R 935 MB 799 Other	175 R	0	TBD	2 R	46 R	2,679 R 935 MB 799 Other

* Removed applications that were withdrawn, voided, and with TPI violations, and other special circumstances. Number subject to change, based on OCM clean-up.
** Awaiting documentation and/or in contact with OCM to address issue

At the outset of the program, OCM only planned on issuing 150 CAURD licenses across 14 regions statewide, based on independent third-party scoring. OCM later revised its policy to issue licenses to all qualified CAURD applicants. Litigation caused significant disruption to the CAURD rollout, including a settlement agreement that required the cessation of issuing further CAURD licenses until April 1, 2024, delaying the full processing of CAURD applications.

CAURD provisional licensees were asked to submit their proposed locations to OCM by December 18, 2023 and receive proximity protections ahead of applicants in the fall 2023 Adult-Use window. While the core policy goal of the CAURD program is foundational to New York State's cannabis framework, its rollout was marred by litigation, changes in policy, and challenges with programs intended to provide financial support for licensees.

November Adult Use Retail and Microbusiness Queue

To expedite the opening of retail dispensaries, OCM bifurcated its Fall 2023 Adult-Use licensing window into two subgroups, referred to within the agency as the "November queue" and the "December queue."

In its FAQ, OCM indicated that it intended to issue 500-1,000 retail licenses and 220 microbusiness licenses from the entire licensing window.

The November queue consists of Adult-Use Retail Dispensary and Microbusiness applicants who demonstrated site control via an executed lease or deed, as per OCM's FAQs. Many applicants acquired or leased sites at considerable risk. While there was no guarantee that most applications would be reviewed, applicants were required to pay a $1,000 non-refundable application fee ($500 for applicants who meet SEE criteria). OCM did not publish the number of licenses it intended to issue from the November queue in its FAQs. Successful applicants were promised expedited review by early 2024. The task force found that OCM did not intend to review all applications, nor did OCM contemplate the staffing that would be needed to do so.

From October 4, 2023 to November 17, 2023, OCM received 1,852 applications, with 21 applications later moved to the December queue. On December 7, 2023, OCM conducted a randomization and lottery exercise, partially overseen by KPMG, of 1,799 applications following voluntary withdrawals and administrative voidings. A total of 190 retail dispensary applicants applying for Extra-Priority SEE status received three lottery slots, resulting in a queue of 2,232 ranked slots. Eighty Microbusiness applicants meeting Extra-Priority SEE criteria or having completed the Cannabis Compliance Training and Mentorship (CCTM) program received a guarantee of review and a ranking in the first 360 slots. OCM posted the queue on its website on January 12, when it began its review. Review of the November queue was delayed by technological challenges. It was impossible for OCM to meet its publicly communicated timeline for review, based on OCM's pace of review and an estimated 90% of applications having errors that required correcting. Statutorily, OCM is obligated to afford applicants a 30-day "cure period" to amend their applications or provide supplementary information.

OCM paused its review of the November queue in March 2024 and moved on to the December queue. The agency has not communicated this to November queue applicants but has referred to internal licensing targets as the rationale for pausing the review. Many November queue applicants continue to bear the financial burden of the property obligations they undertook at OCM's direction, in the hopes of winning the licensing lottery. OCM has not resumed review of the November queue and has not provided transparency to applicants on the status or timeline of their potential review or denial.

December Queue

The December queue includes all applications from the Adult-Use window that were not ranked in the November queue, primarily received between November 18, 2023 and December 18, 2023. It includes Adult-Use Cultivator, Processor, Distributor, Retail and Microbusiness licenses. Retail and Microbusiness applicants did not need to establish site control, and are eligible for provisional licenses. Applicants were required to pay a non-refundable $1,000 fee ($500 for SEE applicants), without a guarantee of review for most applications. OCM also did not intend to review all applications nor did it contemplate staffing required to do so.

After administrative withdrawals and voidings, OCM received 2,854 Retail and 935 Microbusiness applications. OCM conducted a randomization and lottery exercise, partially supervised by KPMG, to issue slots to applicants on January 30, 2024. The December queue had a slightly different equity implementation from the November queue exercise. A total of 4,588 slots were issued to the 3,789 applicants. Three lottery slots were provided to 354 Extra-Priority SEE Retail and Microbusiness applicants; two lottery slots were provided to 63 CCTM participants applying as microbusinesses. In the

November queue, these applicants were provided a guarantee of review. As of April 2024, it was unclear how many applications from the December queue OCM intends to review.

By the numbers

OCM License Issuance Targets

As of April 10, 2024, 101 adult-use retail dispensaries have opened. In its 2023 annual report, OCM reported that it had licensed 279 adult-use conditional cultivators, 40 adult-use conditional processors, and 463 conditional adult-use retail dispensaries to cultivate, distribute, and sell cannabis for adult consumption across New York State.

Adult Use License Snapshot (4/10/24)****

Retail Dispensaries open	101
CAURD Retail issued but not open	33
Adult Use Retail issued but not open	83
Microbusiness issued but not open	57

**** In April 11th CCB meeting, additional 35 Retail and 22 Microbusiness licenses issued

OCM views the limiting of licenses issued to be an important policy goal, both to ensure supply chain balance and to ensure the significant profitability of individual licensees. Accordingly, it sets specific internal targets for licenses of each type to be issued, which are not consistently transparent to applicants and are subject to change. While OCM initially intended to issue 150 CAURD licenses, it changed its approach and has issued 463 provisional CAURD licenses, with an additional 22 applications to be reviewed following the expiration of the settlement agreement on April 1, 2024.

Although OCM attested in the March and April 2024 CCB meetings that there was no cap on issuing licenses for the fall Adult-Use licensing window, this is a largely semantic distinction. In its FAQs, the agency projected licensing 500-1000 adult-use retail dispensaries from the November and December queues by the end of 2024. Internal targets for the licensing window are: 250 full retail, 550 provisional retail, and 220 Microbusiness licenses issued. OCM has since estimated that it will issue an additional 110 provisional retail licenses from the November queue. While OCM did not publicly communicate those targets in its regulatory documents, it has operated according to them. OCM reviewed the first 600 applications in the November queue and moved on to the December queue. It has not communicated this decision to applicants, who may still be paying rent or mortgages on the sites they were required to acquire, with no indication if or when their application may be reviewed. OCM is targeting issuing 450 provisional retail and 110 Microbusiness licenses from the December queue.

Snapshot of Application Queues and Status as of April 10, 2024

Impacts on Applicants

In many cases, OCM's lack of transparency, inconsistent dissemination of regulatory information, and inadequate customer service, as well as its policy choices, have created exceptionally challenging circumstances for many applicants eager to launch their businesses, many of whom attest that they meet SEE criteria. At each CCB meeting, applicants and licensees alike speak to the tremendous financial strain they are under, having liquidated retirement accounts, borrowed from family members, and refinanced homes for a chance at participating in this market. There have been media reports of adverse

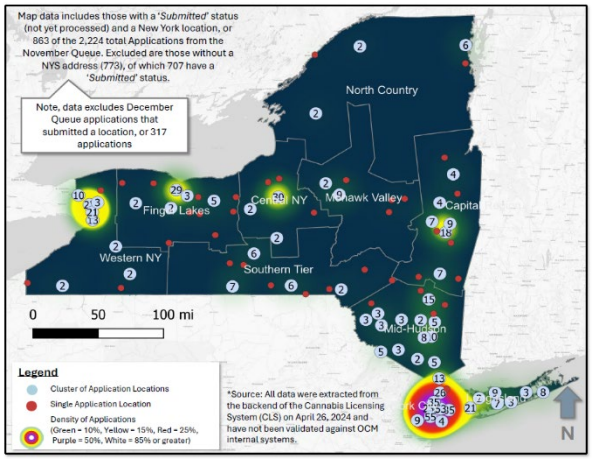
mental health effects on licensees. Task force interviews with industry participants and their representatives had very consistent themes: extreme frustration with the inconsistency of OCM's regulatory communications, the paucity of information available to applicants, and the "black box" of an application's status. Many of these participants, in turn, had a deep mistrust of OCM's leadership and concerns that processes were being inappropriately influenced, punctuated by a fear of retaliation at the individual applicant or broader industry level.

Locations of Unprocessed ('Submitted') November Queue Applications

The task force found that 1,200+ statewide applicants from the "November queue," which required that applicants had site control (including valid lease or deed) were still waiting for review as of April 2024, with several testifying at CCB meetings that they have experienced significant impact on their personal finances and are continuing to incur expenses in hopes that OCM will eventually review their applications.

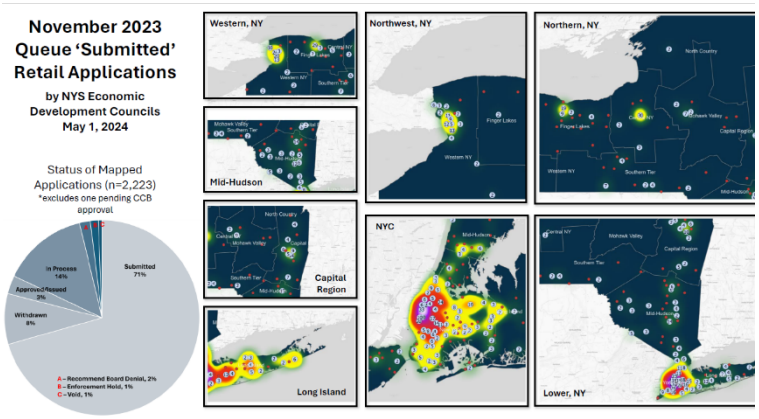
November 2023 Queue 'Submitted' Retail Applications
by NYS Economic Development Councils
May 1, 2024

Applications w/ 'Submitted' status and a NY State Address (n=863)	
Econ Dev Council	Percent 'Submitted' w/out OCM Action
New York City	49% (425)
Mid-Hudson	12% (102)
Western NY	9% (79)
Long Island	7% (60)
Capital Region	6% (55)
Fingers Lakes	6% (50)
Central NY	4% (37)
Southern Tier	3% (28)
Mohawk Valley	2% (15)
North Country	1% (12)



Applicant Testimonials *(edited to preserve anonymity and for clarity)*

Applicants have repeatedly reached out to regulators and other parties to express the hardship and financial burden that inconsistent and unclear processes have exacted on them. Many outline both the monetary and emotional toll that this process has taken – excerpts are included below.



"I am a Latino service-disabled veteran. I applied for a retail dispensary located in Central New York in the November queue. We were told that OCM was prioritizing applications that held a lease – not a letter of intent, but a lease – and applied by November 17th. We have been under lease for our space since November 1st, paying $5000 per month. We have completed both the application and the True Party of Interest requirements. We have not had any communication with OCM whatsoever. We have not been notified of any deficiencies, and we have not had any requests for additional information. ***We are still paying $5000 every month, and we cannot continue. In addition,***

we recently had someone else open a retail store within 1,000 feet of our location. Our attorney advises us that we may be unable to use the space we have paid over $40,000 for to date. We had no way of knowing that the other company had a location, and we didn't think that they were supposed to have priority over us to use their location."

"I am an Adult-Use Retail provisional licensee who meets Community of Disproportionate Impact (CDI) SEE criteria. I am a Latino male with a cannabis conviction. My application was nearly rejected, as I was told that the regulations required at least 7 years of residence in a CDI. Although I had continuously resided in the same place for 12 years, that neighborhood was only considered CDI for a 5-year period. Why would they include a ***CDI that didn't meet their own criteria*** *for length of residence? Luckily, I had previously lived in another CDI and was able to show my lease from that period. After being approved in March, I was told that* ***the location I secured was non-compliant****, because, unbeknownst to me, a CAURD applicant had just secured a space under 1,000 feet from my location in an upstate city.* ***I had paid $50,000 for the space but now it is unusable. When I secured the space, there was no way to check to see if it was compliant.*** *OCM did not release the proximity map until 2024, but we had to apply by November 17, 2023. OCM has granted me a provisional license to find another space, but* ***when I send in requests for determination on whether a space is compliant, I receive no response. I still have to pay for a lease at my unusable location, and I can't get any direction on where I can open."***

Staffing & Resources

While OCM had filled nearly 180 of 245 approved positions as of April 2024, it remains unclear what level of staffing is needed to address licensing and the agency's institutional priorities appropriately. While the operational staff currently processing license applications are hard-working and dedicated to the agency's mission, it is clear that OCM did not adequately prepare for the staffing needs to process the applications from the fall Adult-Use window in a timely manner. Working with the Civil Service Commission (Civil Service) to fill critical roles in the agency often takes months from classification, through job posting, to start date.

By OCM leadership accounts, the Licensing team has 33 total staff, working on all licensing types: 24 permanent employees and 9 temporary employees. Some Licensing employees work exclusively on customer service, responding to and routing applicant inquiries anonymously from a general inbox and answering phone calls. Some components of application review are handled by staff in other units. Inclusive of Licensing staff, OCM estimates that it has 27.7 FTE dedicated to licensing review, but its records of staff assigned to licensing may be incomplete. The New York State Department of Labor (DOL) has temporarily assigned an additional 10 staff to the effort. When the task force began working with OCM, it quickly discovered that there were 13 vacant licensing positions that were classified by Civil Service for OCM use, but OCM had not requested to post those positions. The task force ensured those positions were posted, including 9 via the New York State Hiring for Emergency Limited Placement Statewide (NY HELPS) program.

Detailed Key Findings

OCM Operational Limitations

Since its inception, OCM has operated as a fast-moving start-up focused on implementing the equity mandates of MRTA and is driven by a mission to create individually profitable cannabis businesses. However, it has struggled to make the transition to a mature regulatory agency. Iterative decision-making and continuous refinement of policy have caused implementation challenges and resulted in confusion, difficulties, and delays for well-intentioned line staff as well as applicants.

OCM often implements novel processes and systems rather than adopting and adapting existing workflows and processes from other New York State agencies. Some practices from other entities have been adopted but prove cumbersome when adapted to OCM's complex policy framework. Upper-level staff feedback on improving processes tends to focus on adding complexity to fulfill policy goals or ensure perfect accuracy in a high-stakes and litigious environment.

1. Limited Depth in Administration

OCM lacks robust administrative governance and operational functions, which hinders its ability to responsibly fulfill its regulatory duties, obligations, and oversight role.

Structurally, OCM's Executive Director has eight direct reports, most of whom do not oversee operational areas. The bulk of the agency's operations, including licensing and enforcement, are led by a single Executive Deputy Director & Chief Operating Officer with a significant span of control over critical agency operations.

The majority of OCM's most senior leadership has relatively limited experience in leading regulatory entities, and the agency has experienced significant turnover across all levels of the agency, from top to bottom. Although the agency has been able to fill an impressive 180 roles since its inception in 2022, OCM's leadership prioritized hiring policy and programmatic staff over focusing on and staffing the core of its regulatory operations and mandated agency mission, leading to struggles in meeting the needs for this phase of the agency's growth. The lack of depth in operations experience in its executive ranks impacts OCM's ability to appropriately scale programs, anticipate challenges, and mitigate operational risks. It has also resulted in the inability to effectively identify and address demonstrable gaps in program and project management at the operational level.

Strikingly, OCM underspent its Fiscal Year 2023-24 budget by $26 million, leaving resources untapped that could have been leveraged to clear its significant licensing backlog. With limited operations experience, the agency has had significant challenges developing operational plans to: scale licensing review, manage and create scopes of work for consultants; and define business requirements and drive change for its enterprise technology solutions. These challenges have resulted in OCM building and abandoning several technology applications.

The perceived uniqueness of the agency's work is a significant cultural roadblock to its willingness to adopt processes and systems that have proved successful elsewhere. As an example, in 2022, the agency chose to spend significant time exploring options for a new mapping application that replicates the State Liquor Authority (SLA)'s Mapping Project (LAMP), rather than leveraging that system to display data for applicants, as offered by the New York State Office of Information Technology Services (ITS) in 2021. After the failure of that exploration, OCM eventually decided to clone LAMP. This development delay

meant that November queue applicants were unable to determine potential location proximity to schools, houses of worship, or other retail locations.

In summary, OCM's failure to leverage existing processes creates inefficiencies caused by the time invested in developing new frameworks or tools for concepts that already have existing analogs.

The agency has not adequately addressed internal controls and audit management challenges.

There is limited evidence that OCM has sufficiently prioritized developing internal controls or audit functions appropriate to a regulatory agency. OCM lacks sufficient staffing for the agency's internal controls and audit functions. The audit and internal controls functions were both initially held by an Ethics and Risk Counsel, with split reporting to the General Counsel and the Executive Director. Having the same individual oversee both internal controls and audits against those internal controls constitutes a conflict. OCM had significant challenges recruiting and retaining two internal audit positions it attempted to fill. Following the departure of the counsel in November 2023, the audit and internal controls functions remained unfilled until March 2023, when a single junior employee reporting to the Deputy Director for Administrative Services was hired to perform the internal audit function. According to the agency's organizational chart, the internal audit position does not appear to have independent reporting or direct access to the Executive Director; rather, it is four steps down the organizational ladder.

The agency lacks an internal controls officer, but the employee hired to perform the audit function has since been redirected to focus on internal controls, again leaving the audit function vacant. Internal controls and risk assessments vary widely across business units. While some units clearly have developed robust internal controls, the task force has yet to receive the past two years of internal controls documents or past internal audit reports, and the New York State Division of the Budget (DOB) has not received any internal controls documents as required by the DOB internal control process since the agency's inception.

2. Operations Not Centralized

Licensing Operations are spread across multiple units without clear accountability or ownership for the completion of applications.

Licensing and pre-opening activities are currently spread across multiple OCM teams. This includes:

- Licensing Unit, which conducts general application reviews, and Enforcement Unit, which conducts background checks and vets whether an applicant has engaged in illegal selling post-MRTA, which both sit under Operations, which reports to the Executive Deputy Director;
- SEE Application Review team, led by the Deputy Director for Economic Development and Policy Research, on the Economic Development & Equity team, which reports to the Executive Director under Equity team;
- Location review and True Party of Interest review, which are led by different members of the Technology team, which reports to the Executive Deputy Director; and
- Post-Licensure, Pre-Opening Compliance Review, under the Health and Safety team, which reports to the Executive Director.

Each team has its own quality assurance (QA) or internal controls procedures for their section, with QA varying from four employees in the Licensing Unit successively reviewing each application to a single

employee performing all TPI reviews. There does not seem to be a standardized QA process for the entire application review, standard service levels for response to applicants, or a formalized process for coordination across teams. Each team maintains its own tracking spreadsheet. Splitting application review across multiple teams leads to inefficiency (at least nine staff touch each application before Enforcement review), lack of clear ownership/accountability for timely processing of applications, and the possibility of delays from unclear handoffs and repeated 30-day cure periods. There is no clear, single line of sight or accountability for all activities needed to open an adult-use cannabis retail business below the Executive Director.

The work of setting regulatory policy and designing programs is intertwined with operations.

Individuals and units crafting policy are also involved in the processing of individual applications, which can create the appearance of conflicts of interest. Combined with an application process with unspecified oversight, QA procedures, and end-to-end internal control mechanisms, an environment of unclear governance and limited transparency has been created.

3. Complexity and Obscurity

There is a lack of transparency regarding the progress of cannabis business licensing in New York State, from the application phase to the store opening. This lack of transparency contributes to deep public mistrust, applicant frustration, and an inability to easily dispel concerns of potential impropriety, and confusion about the process.

OCM has implemented a series of complex processes for retail licensing review, which it has had challenges explaining to industry representatives, applicants, and the general public. Each application window (CAURD, Adult-Use, Conditional Cultivator/Processor) has had different processes for prioritization, selection, and review. This has complicated training, review, compliance, and technology builds. It has also reduced both throughput and productivity overall, as line staff who are under pressure to move quickly must learn new review procedures and new systems as they're processing applications. Internally, OCM has extremely limited operational reporting that does not enable it to track the progress of applications, identify bottlenecks, or measure application status against the New York State's objectives and goals. Inconsistent descriptions of selection processes and poorly managed expectations of application review timelines have created an environment in which the agency is viewed as having little credibility. The limitations of internal reporting also make it difficult for OCM to provide transparency to applicants and the public on the progress of licensing reviews.

While CAURD is a top executive and legislative priority, the program has gone through multiple disruptive policy shifts on top of litigation, creating instability and stress for licensees. At the most recent CCB meeting, several CAURD licensees expressed concerns with the support provided, delays in opening their storefronts, and the proliferation of illegal storefronts.

For the fall 2023 Adult-Use application window, OCM leadership chose to implement a high-stakes application lottery, with limited transparency and shifting goalposts for the number of applications it intends to review, the number of retail licenses it intends to issue, and which segment of applications it would prioritize reviewing. Applicants were given an assigned queue number, which was publicly disclosed. With a fragmented process for application review and processing, applicants often reached

the CCB for recommended approval in a different sequence than the queue numbers. Despite the fact that OCM communicated this eventuality in its public queue documents, this situation has fed into perceptions of improper prioritization or queue jumping in a highly charged environment. OCM estimates that 90% of applications it has reviewed require corrections (or "curing"), speaking to the complexity of the process and the insufficiency of explanatory materials and FAQ documents. OCM leadership itself has been confused as to where/how they have communicated critical policies to applicants.

In an environment where OCM has failed to meet communicated timelines, many applicants have invested tens of thousands of dollars at-risk, paid a non-refundable application fee, and are unable to find out where their license is in the review process. This lack of transparency, combined with the fact that illegal cannabis storefronts proliferate rapidly, leaves many applicants and the general public deeply frustrated and mistrustful of OCM.

4. Sparse Customer Service

Public expectations of review timelines that are unrealistic, alongside an inability for applicants to access adequate customer service, have created challenging conditions for staff and applicants.

Information provided to applicants is extremely limited, from the lack of adequate application guidance, to inconsistent communication of key licensing policies in different forums, to the inability to get detailed status information regarding their application. Numerous staff members and stakeholders interviewed have referred to this process as a "gold rush." Customer service limitations, when combined with the significant financial investment of many applicants, zero-sum proximity protections, inconsistent descriptions of selection processes, poorly managed expectations of realistic application review timelines, and the use of an application lottery, have contributed to the creation of challenging conditions for OCM staff and applicants.

In the rush to market, several critical communications tools are missing. There is no paper application for applicants to download and review, nor is there an accompanying instructional guide for completing an OCM application. Guidance on individual sections of the application is provided across several different documents, and applicants with further questions are directed to multiple general email inboxes, based on the nature of their question. Many stakeholders expressed frustration that OCM's methods of communicating policy did not sufficiently provide regulatory clarity for the market, that updates to guidance are not promulgated in iterative documents with dates of issuance, that verbal guidance conflicted with written guidance, and that out-of-date information commingles with current guidance on OCM's website.

Once an application is submitted, applicants are not provided specific information about its status in the review process. Applicants and their representatives have limited pathways to escalate or obtain updates on their application. Unlike many State licensing agencies and other state cannabis regulators, OCM does not have a single-agent review process with a designated point person for each application. While the OCM staff reviewers are well-intentioned and dedicated to supporting licensees through the process, current OCM protocols require that they do not provide any staff reviewer contact information (or reviewer name) to applicants. Inquiries are routed through a general inbox monitored by entry-level employees from the Licensing unit. Those employees solicit responses from the unit responsible for the

area of inquiry and forward those or stock responses to the applicant from the general inbox without identification of the OCM staff member responding to the issue. The SEE review team has a separate inbox. Further reinforcing perceptions of a "black box," outbound phone calls from OCM are placed from blocked numbers, as a result of inadequate supporting technology. Many OCM staff use blocked phone numbers when teleworking, and at the time of the review, there was no plan to deploy technology (including soft phones or call center technology) that would provide caller identification and a call-back number for applicants. OCM has not provided defined service levels for response times, customer issue resolution, or monitoring of common issues that require escalation. OCM did not provided a clearly defined process for requesting waivers or an escalation process for appeals for applicants.

As of April 10, OCM determined 309 applications should be denied, including 248 from the 2022 CAURD program, but has not notified applicants CCB. Of the 248 applicants, 115 had their applications placed on hold due to issues in their background check — a fact that is not disclosed to the applicant until the issue is resolved by the Enforcement team. Without a determination, applicants are left in limbo and cannot appeal decisions. In addition, OCM was awaiting information from 296 applicants to address gaps in their applications.

As of the completion of this review, there was no documented process for denying applications, procedurally deeming an application abandoned, or appealing application denials. While individual components of the application process may have defined appeals processes (e.g., location review), it is unclear whether there is a process for applicants to appeal denials short of Article 78 petitions. While necessary, the anticipated issuance of over 300 pending denials beginning at the May 2024 CCB meeting may exacerbate applicant frustrations.

5. Lack of Data and Key Performance Indicators (KPIs)

OCM lacks reliable data and key performance measures on the licensing process. Without data on staffing productivity or application processing time, it is difficult to determine resource allocation to scale the licensure process appropriately and responsibly.

OCM is unable to provide estimated processing time for each application. Per OCM leadership, "each application is different," making it difficult to provide estimated completion times. As mentioned above, each application is reviewed by at least nine OCM staff members across four separate business units within the agency prior to an Enforcement review that conducts a background check on the applicant using web searches and complaints to determine if an applicant has any involvement in the illicit market. The application then moves through final management review, board approvals, and compliance checks before the applicant can open and operate.

Estimated processing time for each application and the related KPI of staff productivity are hard to ascertain. The task force used observation of application reviews and supervisor feedback, as well as benchmarks from other New York State agencies, to estimate the workload, turnaround times, and staffing. These must be calculated so that the agency can plan to clear the current backlog and scale for the future. Per OCM management, it was unlikely that the team could process more than 70 application approvals in a month. Further, the approximately 110 licenses sent to the CCB for approval in March was a high-water mark absent additional support. Management projected that the licensing team would

need 33-50% growth in order to scale up (approximately 10-15 FTEs). Task force models estimate the need may be even higher.

Absent KPIs and data-driven management, it is difficult for OCM to ascertain whether application reviewers are working efficiently, identify bottlenecks in the review process, set and communicate realistic licensing targets, and standardize service levels.

6. Multiple Disparate IT Systems

OCM has built multiple technology systems without a clear plan for integration, scale, or flexibility.

Each OCM business software application system was developed in silos. Due to policy and regulatory changes, essentially six different licensing systems have been built for OCM starting in Q1 2022. Because of these policy changes and limitations in requirements gathering and vendor management capabilities, several systems were built and abandoned, costing millions of dollars in public funds. There is no common business process or system design for any of the public applications or agency-facing systems. For example, a customer relationship management (CRM) system was implemented through SalesForce, which is used by some, but not all OCM divisions.

There has been a consistent pattern of OCM not acting on ITS-recommended solutions in a timely manner, which puts OCM staff in the position of having to begin using a system before it is completed, thus requiring parallel alternate solutions as temporary workarounds. For licensing, ITS had previously built a public-facing agency licensing system for the New York State Department of Agriculture and Markets' Hemp Licensing Program. Due to the short timeframe for OCM to go live with adult-use, the recommendation was to use a hemp-like licensing system. OCM deferred and spent much of 2021 and 2022 speaking with vendors. ITS implemented the first public application in a short timeframe in March 2022. Had the team started earlier in 2021, more functionalities would have been available for OCM users. For OCM enforcement and compliance needs, ITS proposed and demoed production systems used by the Department of Agriculture and Markets. These include mobile inspection for plants and commodities with connections to the agency licensing system. These were quickly modified to show a prototype for OCM. This was not deemed acceptable to OCM, so they have been using spreadsheets and other substandard and manual solutions to manage their enforcement inspections.

These delays in implementing proposed solutions have impacted OCM's ability to have a fully functioning system in place when needed for application processing. They have also affected OCM staff's productivity as they have had to learn each new sub-system as they have been implemented and are tracking application review status on multiple spreadsheets.

Adult Use Retail Licensing Operational Review

Process Overview

At the outset of this assessment, OCM did not have documentation outlining the application submission process, review criteria, escalation or appeal procedures, or communication protocols for applicants. Through comprehensive interviews with OCM staff leads, the task force was able to develop process maps, define roles and responsibilities, and estimate review times for each critical step in the licensing process. Steps included are: 1) application submission; 2) general review; 2.1) location review; 3) SEE review; 4) TPI review; 5) background check; 6) final review and license issuance; and 7) compliance checks.

Applicants for Adult-Use Retail licenses submit their information and documentation through the New York State Business Express (NYSBE) portal. The information is then transferred to the Cannabis Licensing System (CLS), developed by ITS. After the queueing process, the management and prioritization of applications are handled within CLS, supplemented by ad hoc spreadsheets tailored to each specific step of the process. Upon submission, applications undergo a lengthy review process, as detailed below. The licensing procedure is divided across multiple tracks and distributed among various divisions within OCM.

After it is first submitted, an application is examined by OCM Licensing staff for completeness and general compliance. In tandem, the OCM location review team, comprising members from various work units, dedicates time each week to verify application locations. OCM's first task is to ensure the application is complete and all required documentation is submitted. Any deficiencies identified are compiled into a correction list sent to the applicant, who then has 30 days to address these issues (known as a cure period). Additionally, if an applicant meets any of the SEE criteria, the OCM SEE review team verifies eligibility for the program, directly requesting any additional documentation required from the applicant, who is again given 30 days to respond. The final stage involves the TPI review, conducted by a single staff member of the OCM technology team, where applicants may need to provide further information and have 30 days to remedy any deficiencies noted during this review. As these reviews are conducted by different units, a single applicant may receive multiple requests to cure, potentially overlapping, with multiple submission dates to track.

After the True Party of Interest (TPI) review, the application progresses to the OCM Enforcement Unit. There, an inspector evaluates the application to determine any involvement of the applicant in illicit cannabis market activities. The inspector utilizes tools such as social media and Google complaint forms to assess the credibility of the applications. Applications raising concerns are placed in an enforcement hold status and subjected to a review by OCM leadership, who may either recommend denying the application or approve it to proceed to the final review stages.

After clearing the Enforcement Unit's check, the application undergoes a final management review by the Director of Licensing to ensure quality assurance and completeness before being presented for approval to the CCB. Currently, applications recommended for denial or those voided — specifically, applications where the applicant failed to respond to OCM's corrections or inquiries during a 30-day cure period or were otherwise non-responsive throughout the review process — are not forwarded to the

CCB. Moreover, applicants whose submissions are recommended for denial are not informed, leaving them uncertain about the status of their applications.

Once the CCB approves an application, OCM issues a notice of licensure along with a welcome letter to the applicant. However, before opening and operating a cannabis business in New York State, the applicant must attend a compliance check virtual meeting with an OCM compliance inspector to ensure all regulatory requirements are met. After passing this step (which may include re-inspections for any unmet requirements), the Compliance Unit notifies OCM leadership that the business is prepared to commence operations.

1.0 Application Submission → 2.0 General Review → 2.1 Location Review → 3.0 SEE Review → 4.0 TPI Review → 5.0 Background Check → 6.0 Final Review → 7.0 Compliance Check

Items / Steps	1.0 Application Submission	2.0 General Review	2.1 Location Review	3.0 SEE Review
Process Overview	Applicants submit applications through New York Business Express (NYBE) for all Adult-Use cannabis license types.	Upon submission and lottery review, OCM Licensing Staff assess applications for completeness. Incomplete applications prompt applicant communication to rectify deficiencies. The outcome is either ***Recommend Approval***, ***Denial***, or ***Void*** (due to abandonment).	OCM Location Reviewers examine applications to ensure compliance with proximity rules; non-compliant sites are ***Rejected***, compliant ones receive ***Location Approval***, and those without a site qualify for a ***provisional*** license.	OCM SEE Review team evaluates SEE Applicants against Social & Economic Equity criteria such as MWBE status, disabled veteran status, CDI, prior convictions, and income.
OCM Staff *	• N/A	• 18 Licensing Reviewers	• Multiple Location Reviewers across OCM teams	• 6 SEE Reviewers
Databases & Systems	• NYBE	• Cannabis Licensing System (CLS) • Spreadsheets	• CLS • Location Database (pull from CLS) • R for Geocoding • Spreadsheet • Google Maps, NYS Open Data, and various online tools	• CLS • SEE Email inbox
Average time for Staff to Process	• N/A	• 45 minutes to 1 hour	• 5 to 15 minutes	• 30 minutes to 1.5 hours
Customer Communication	• NYBE notifies Applicant of Application Submission	• NYBE notifies Applicant of Application In-Process • OCM Licensing contacts Applicant through Licensing email or outbound call (close to cure deadline) to cure deficiencies	• NYBE notifies Applicant application is 'in-process'	• OCM SEE team contacts Applicant through SEE email to cure SEE deficiencies

Confidential Draft: For Discussion Purposes Only

1.0 Application Submission → 2.0 General Review → 2.1 Location Review → 3.0 SEE Review → 4.0 TPI Review → 5.0 Background Check → 6.0 Final Review → 7.0 Compliance Check

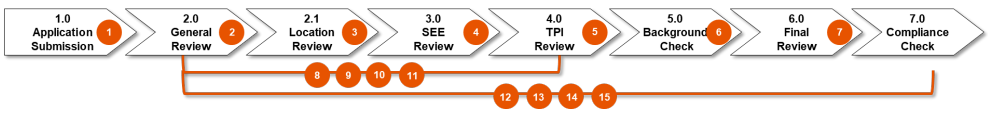
Items / Steps	4.0 TPI Review	5.0 Background Check	6.0 Final Review & CCB Approval ★	7.0 Compliance Check
Process Overview	A member of the OCM Policy Team conducts True Party of Interest Review to verify compliance with the industry's 2-tier system and license quantity limits.	OCM Enforcement Unit checks that Applicants have no ties to the illicit cannabis market.	Licensing Staff finalize reviews and submit approved applications to the CCB; successful applicants receive a license certificate but must pass compliance checks before operating.	• The Compliance Unit performs virtual site inspections to confirm Licensees meet pre-operational standards.
OCM Staff *	• 1 OCM Staff Member	• 11 Enforcement Reviewers	• OCM Licensing Manager	• 33 Compliance Reviewers
Databases & Systems	• CLS • TPI Applicant Portal • Google Doc AI (PDF data extraction)	• CLS • Enforcement spreadsheets • Social Media & Online Comments	• CLS	• Spreadsheets
Average time for Staff to Process	• Simple = 5-10 minutes • Complicated = 1 hour + feedback from TPI Policy Team	• Simple = 5 minutes • Complicated = Requires OCM decision-making	• 15 to 20 minutes	• 30 minutes to 1 hours (virtual visit)
Customer Communication	• Deficiencies cured through the TPI Portal	• None	• NYBE notifies Applicant of Application Approved Fee Due, Fee Paid, and Certificate of Licensure • OCM sends letter to Licensee of next steps before opening/operating	• Welcome Packet to Licensees on key tips for preparing for Compliance Checks • Virtual pre-ops inspection

★ Point of Licensure

Information presented is as described by OCM to the Agency Assessment Team

Confidential Draft: For Discussion Purposes Only

Through its analysis, the task force identified several pain points within the licensing process that detract from operational efficiency, reduce transparency with the public, and impose multiple deficiency cure periods on applicants, leading to frustration and confusion. Below are the key issues identified that significantly impede the application process**.**



1) Application Submission

- Complex online application process fails to effectively screen out incomplete submissions.

2) General Review

- Applicants lack a dedicated point of contact for application status and have limited ways to contact OCM staff.
- General reviews often reveal issues, such as missing continuity plans or ownership details, and resolving one issue will often unveil others.
- Frequent updates to the internal OCM user guide undermine staff confidence due to inconsistency, and there's a recurring need for clearer content.
- Each application is reviewed by four different staff for quality assurance.

3) Location Review

- Location Review as a secondary responsibility: Assigning reviewers from various OCM units to handle location reviews increases the number of staff involved in processing an application, potentially leading to inconsistencies and delays.

4) SEE Review

- Insourcing MWBE review creates additional workload and processing times.
- OCM must review status for justice-impacted individuals, at times across multiple jurisdictions.
- CDI process is complex, and periods of designation do not map to the length of residency requirements.

5) True Party of Interest (TPI) Review

- A single OCM Staff member conducts TPI reviews, creating operational risks.
- OCM staff face difficulties extracting data from applicant-submitted PDFs, slowing processing times.
- Bi-weekly OCM leadership meetings on TPI guidelines impede processing speed.
- Complex applications require thorough TPI scrutiny, though the actual scope of additional review is unclear.

6) Background Check

- OCM Enforcement staff handle all background checks, a unit managed separately from the Licensing Unit. The Enforcement staff's frequent field inspections reduce daily capacity for application review.
- Background checks are supplemented by reviews on social media and online feedback.
- OCM does not notify applicants of an enforcement hold, and complaint-based holds may take place at any point in the licensing process.

7**) Final Review**

- Applications marked for denial are not currently presented to the CCB nor communicated to applicants.

8) Simultaneous cure periods for a single applicant can cause confusion.

9) Applicant document uploads fail to notify reviewers, requiring manual update checks.

10) Applicants who miss a cure period deadline remain in limbo **without communication or closure** (currently, approximately 40 applicants are in this situation)**.**

11) OCM isn't **monitoring critical issues** in the nearly 90% of applications requiring additional information, hindering proactive improvement of application processes or the provision of clearer initial guidance.

12) Infrequent updates cause applicant confusion regarding the status of their applications.

13) Disparate tracking methods across units using ad hoc spreadsheets pose a risk to data integrity (general reviews, SEE, TPI, enforcement, and compliance statuses are all spreadsheet-managed, bypassing centralized systems).

14) Applications undergo **review by multiple personnel** (up to nine or more), leading to inefficiencies.

15) There are no set service level agreements or indicators to track turnaround times on license application reviews.

Task Force Actions To-Date

Assessment Methodology

During this assessment, the task force conducted over 50 interviews with OCM executives and staff, members of the CCB, and external stakeholders. The assessment entailed reviewing the MRTA and the CCB regulations, public guidance, frequently asked question documents, media coverage, social media statements, and past meetings of the CCB. The task force compared best practices with other New York State agencies experienced in licensing, including Empire State Development, Department of State, Office of Children and Family Services, Department of Taxation and Finance, and the State Liquor Authority. The task force also consulted with and learned about the internal operations and best practices of other states with mature adult cannabis markets, including Colorado, Vermont, California, and Washington. Following these interviews and material reviews, the task force created high-level process maps and sample performance dashboards, which could be a model for future internal tracking of license progression.

Staffing & Resources

Because OCM views the agency's initial licensing period as a unique influx of work, it did not appropriately prioritize staffing for application review. Responsive to requests for additional resources from operational staff, the task force identified 13 vacant roles in Licensing that OCM had not prioritized filling, and ensured that they were posted. The task force also secured a commitment from other agencies to provide additional licensing staff. The task force created a productivity model and validated it with OCM staff to help estimate the number of additional FTEs required to clear the licensing backlog.

The task force assessed existing OCM contracts and statewide contracts that could provide some level of staff augmentation to clear the licensing backlog. The task force has worked with OCM to leverage a centralized contract to obtain additional administrative staff to support the licensing team. It reviewed a newly executed OCM contract vehicle, scope of work and rates for consulting and audit services, and flagged risks and concerns for resolution by the vendor. In addition, the task force began a high level draft of potential services needed in order to support the agency's transition into functional, well structured regulatory body.

Process & Performance Review

Process Maps

During the review, the task force developed a comprehensive process map that outlines the entire licensing journey — from application submission to license issuance, including the compliance checks required before a licensee can commence operations. This was achieved through detailed discussions with unit management, side-by-side interviews with OCM staff, systems demonstrations, and reviews of existing process flow maps, which were lacking. By documenting the entire process, the task force not only built a deeper understanding but also identified critical pain points. These process maps will be invaluable in training new OCM personnel and provide those unfamiliar with the process a clear

overview of all the stages an application undergoes, whether leading to license issuance or a recommendation for denial.

Customer Service

In response to gaps in customer service technology, the task force worked with ITS to solution support for remote employees. ITS was able to identify call center technology that would allow remote employees to provide caller information to applicants while making outbound calls, as well as track and route issues between customer service staff.

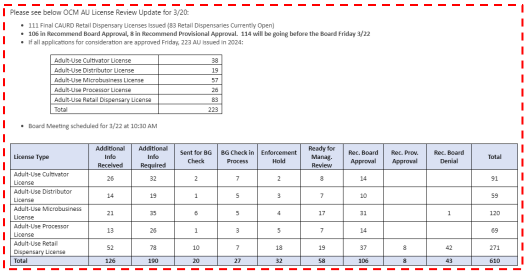
In addition, the task force has begun work on a training roll out plan for licensing staff to support the onboarding of both full time and part time staff.

Developed Management Dashboards

During the review, the task force discovered that OCM lacked internal operational management reports and did not track KPIs. In response, the team developed a set of performance indicators and collaborated closely with ITS staff to create queries from the CLS for generating data on the progress of applications at various stages of the licensing process. Implementing these indicators will enable OCM to pinpoint bottlenecks, identify common deficiencies to improve communications with prospective applicants, and determine where to allocate additional resources or focus on enhancing processing efficiency.

As a result of this review, the task force recommends the implementation of two management dashboards, initially developed in Excel as prototypes, with plans to convert them into operational dashboards using PowerBI or similar software for real-time data integration. The first, the OCM Executive Summary (EXSUM), is an enhanced version of the Adult-Use application review update previously utilized for Executive Chamber briefings. The second, the OCM Process Dashboard, is intended for internal use by OCM management to track application-related metrics and monitor process efficiency.

1. EXSUM
    a. **Current state:** “Adult-Use Application Review Update.”



Please see below OCM AU License Review Update for 3/20:

- 111 Final CAURD Retail Dispensary Licenses Issued (83 Retail Dispensaries Currently Open)
- **106 in Recommend Board Approval, 8 in Recommend Provisional Approval. 114 will be going before the Board Friday 3/22**
- If all applications for consideration are approved Friday, 223 AU issued in 2024:

Adult-Use Cultivator License	38
Adult-Use Distributor License	19
Adult-Use Microbusiness License	57
Adult-Use Processor License	26
Adult-Use Retail Dispensary License	83
Total	223

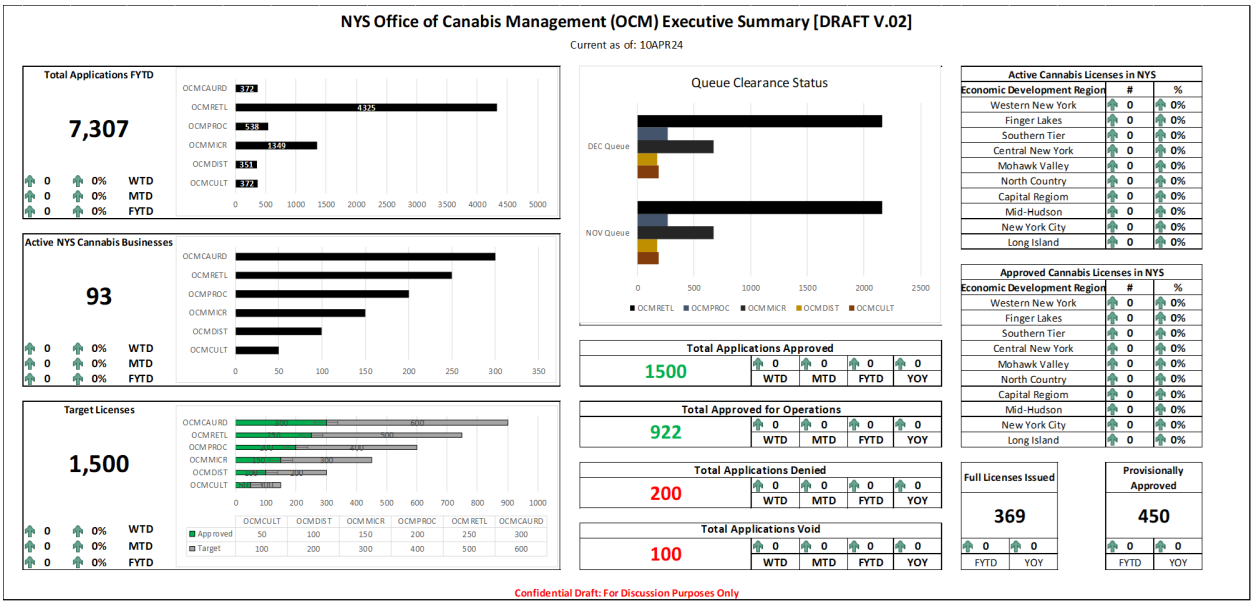
- Board Meeting scheduled for 3/22 at 10:30 AM

License Type	Additional Info Received	Additional Info Required	Sent for BG Check	BG Check in Process	Enforcement Hold	Ready for Manag. Review	Rec. Board Approval	Rec. Prov. Approval	Rec. Board Denial	Total
Adult-Use Cultivator License	26	32	2	7	2	8	14			91
Adult-Use Distributor License	14	19	1	5	3	7	10			59
Adult-Use Microbusiness License	21	35	6	5	4	17	31		1	120
Adult-Use Processor License	13	26	1	3	5	7	14			69
Adult-Use Retail Dispensary License	52	78	10	7	18	19	37	8	42	271
Total	126	190	20	27	32	58	106	8	43	610

- Manual extraction from CLS for reporting to Leadership.
- No automation; manual data retrieval.
- Inability to access data in real time.
- Limited utilization of data solely for situational awareness purposes.

    b. **Proposed dashboard:**

- Data picture is live and elevated to enable greater situational awareness for decision-makers.
- Data will import and transform using Power BI to allow for automated data modeling, data visualization, and an interactive dashboard.
- Automatic or scheduled data refresh.



2. NYS OCM Process Dashboard

a. Current State:

- Tool does not currently exist.
- Data is either managed within spreadsheets or must be queried from CLS as required.

b. Proposed Dashboard:

- Data picture is live and elevated to enable greater situational awareness for OCM managers.
- Data will import and transform using Power BI to allow for automated data modeling, data visualization, and an interactive dashboard.
- Automatic or scheduled data refresh

NYS Office of Cannabis Management (OCM) Process Dashboard [DRAFT V.02]

Current as of: 10APR24

Applications Submitted (FYTD): 1,000 | 0 YOY

Type	Total	SEE
CULT	100	5%
DIST	200	10%
MICR	300	3%
PROC	400	2%
RETL	500	5%

Applications In-Process: 950 | 0 MOM

Type	Total	SEE
CULT	100	5%
DIST	200	10%
MICR	300	3%
PROC	400	2%
RETL	500	5%

Average Application Completion Time: 76 Days | 2 MOM

Application Processing Times

Type	Completion Time	Total Aging
General	7 Days	105
Location	7.5 Hours	0
SEE	1 Week	0
TPI	2 Months	0
Background	3.5 Days	0
Final	8 Hours	0

General Application Review

100 | 0 MOM

Reccomend Deny: 2 | 2% | 0 MOM

Void: 1 | 1% | 0 MOM

Cure Pending: 80 | 80%

TAC (MTD)	TANC (MTD)	TACK (MTD)
5	1	10%

Deficiencies: 95 | 95% | AWD (MTD) 80%

Top Deficiencies

1	
2	
3	
4	
5	

Apps aging

Time (Days)	Total	%
< 90	5	50%
90-120	10	50%
120-180	15	50%
180-220	20	50%
220-280	25	50%
> 280	30	50%

Location Review

100 | 0 MOM

Reccomend Deny: 2 | 2% | 0 MOM

Void: 1 | 1% | 0 MOM

Cure Pending: 80 | 80%

TAC (MTD)	TANC (MTD)	TACK (MTD)
5	1	10%

Deficiencies: 95 | 95% | AWD (MTD) 80%

Top Deficiencies

1	
2	
3	
4	
5	

Apps aging

Time (Days)	Total	%
< 90	0	0%
90-120	0	0%
120-180	0	0%
180-220	0	0%
220-280	0	0%
> 280	0	0%

SEE Review

100 | 0 MOM

Reccomend Deny: 2 | 2% | 0 MOM

Rejected: 7 | 350% | 0 MOM

Void: 1 | 1% | 0 MOM

Cure Pending: 80 | 80%

TAC (MTD)	TANC (MTD)	TACK (MTD)
5	1	10%

Deficiencies: 95 | 95% | AWD (MTD) 80%

Top Deficiencies

1	
2	
3	
4	
5	

Apps aging

Time (Days)	Total	%
< 90	0	0%
90-120	0	0%
120-180	0	0%
180-220	0	0%
220-280	0	0%
> 280	0	0%

TPI Review

100 | 0 MOM

Reccomend Deny: 2 | 2% | 0 MOM

Void: 1 | 1% | 0 MOM

Cure Pending: 80 | 80%

TAC (MTD)	TANC (MTD)	TACK (MTD)
5	1	10%

Deficiencies: 95 | 95% | AWD (MTD) 80%

Top Deficiencies

1	
2	
3	
4	
5	

Apps aging

Time (Days)	Total	%
< 90	0	0%
90-120	0	0%
120-180	0	0%
180-220	0	0%
220-280	0	0%
> 280	0	0%

Background Check

100 | 0 MOM

Approved for Background Check: 7 | 7% | 0 MOM

Reccomend Deny: 2 | 2% | 0 MOM

Void: 1 | 1% | 0 MOM

Enforcement Hold: 50 | 50% | AWD (MTD) 80%

Deficiencies: 95 | 95% | AWD (MTD) 80%

Top Deficiencies

1	
2	
3	
4	
5	

Apps aging

Time (Days)	Total	%
< 90	0	0%
90-120	0	0%
120-180	0	0%
180-220	0	0%
220-280	0	0%
> 280	0	0%

Final Review

100 | 0 MOM

Reccomend Deny: 2 | 2% | 0 MOM

Void: 1 | 1% | 0 MOM

Cure Pending: 80 | 80%

TAC (MTD)	TANC (MTD)	TACK (MTD)
5	1	10%

Deficiencies: 95 | 95% | AWD (MTD) 80%

Top Deficiencies

1	
2	
3	
4	
5	

Apps aging

Time (Days)	Total	%
< 90	0	0%
90-120	0	0%
120-180	0	0%
180-220	0	0%
220-280	0	0%
> 280	0	0%

Pending Board Approval: 100 | 0 MOM

Pending Board Denial: 100 | 0 MOM

Total Board Approved (FYTD): 100 | 0 MOM

Total Board Denied (FYTD): 100 | 0 MOM

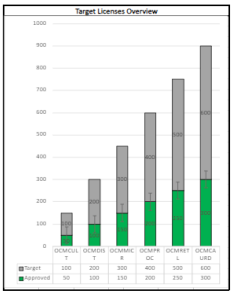
Compliance

VPO Complete	100
VPO Scheduled	50
VPO Not Scheduled	20
Welcome Packets Sent	1

Approved for Operations

Type	#	2024 Target
CULT	279	40
DIST	93	30
MICR	57	220
PROC	40	155
RETL	546	800
Total Approved for Operations	922	

Target Licenses Overview



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RECOMMENDATIONS FOR FUTURE PROGRESS

I. Unclog the Bottleneck

Improve the license review process immediately by advancing application determinations, centralizing operations, shifting to a single case manager model, and developing clear and accurate reports.

1. Clean Up Disposition of Applications

- Denials: Draft language for issuing application denials. Immediately advance pending denials to CCB for May meeting and issue to applicants.
- Post-Cure/Abandoned: Draft post-cure procedure and circulate with staff, draft language and issue to all lingering applicants.
- Process the entire November queue, consisting of applicants who were asked to make significant financial commitments by executing a lease or a deed, without critical information on proximity-protected locations and how many licenses OCM intended to issue.
- Develop program for November queue applicants who have lost their locations or whose locations have become ineligible to obtain provisional licenses or obtain refunds.
- Develop and implement plan to handle escalated applicant issues, including waiver requests, appeals, and as needed, review of allegations of misconduct or retaliation.
- Assess impact of expanding Adult-Use retail stores on the supply chain, including potential policy changes to enable cultivators, processors, and distributors to expand production and adequately meet retail needs.

2. Add Staff to Licensing, Compliance & Enforcement Teams

- Leverage existing OCM contracts to increase capacity.
- Agency Loan: Other New York State agencies will loan staff temporarily to process backlog.
- Temporary Staffing: onboard centralized contract resources.
- Utilize NY HELPS to hire licensing, compliance, and enforcement staff.

3. Launch Internal Performance Dashboards and Explore Goal-Setting for Staff

- Dashboard: Identify key performance measures, work with ITS to develop framework, and ensure leadership utilizes dashboard to inform workflows.
- Using current OCM licensing systems as the data source, deploy on existing OCM Power BI.
- Goal-setting: Develop metrics for success with licensing team, looking at targets for all staff.

4. Continue Analysis for All License Types and Full License Life Cycle

- License life cycle: Map out the entire lifecycle of all licensures, including duration in compliance and intersection of enforcement and renewals.
- Enforcement and Compliance Efficiency: Analyze enforcement and compliance workflows and assess efficiency and vulnerabilities in that process.

5. Identify Single Point of Contact / Primary Assigned Staffer for Each Application

- Develop: Map change to single point of contact for licensing flows and update training materials for staff.
- Implementation: Communicate change in workflows with team and check in to see pain points/ additional training needed.

II. Improve Communications

Enhance transparency to stakeholders by providing a single point of contact for each applicant and making official communications more consistent and customer-friendly, including public-facing data; incorporate industry's perspective through a listening tour.

1. Launch OCM Cannabis Map by Summer 2024

- Build out an online public-facing system to display the locations of OCM-licensed entities.
- Develop communication plan to roll out to license applicants (similar to SLA's LAMP, this Cannabis Map will support applicants seeking a valid adult-use location).
- Develop process to incorporate this tool into enforcement team's activities – as enforcement on unlicensed retail locations will leverage this tool when verifying if a store is legally licensed.

2. Begin Regulatory Bulletins to Communicate Policy Changes

- Create end-to-end process to internally document each policy change – outlining steps and roles/responsibilities from generation of question/issue to decision.
- Include in process a step to create a public regulatory bulletin to share policy changes.
- Working with the NYS Digital Team, refresh OCM's website, including creating space for bulletins to live.

3. Establish and Communicate Service Level Agreements (SLAs)

- Observe and document timing needed to review applications with new single-point model.
- Analyze findings; based on staffing levels, establish goals for review of each application type.
- Work with internal OCM staff to align on realistic expectations prior to sharing.
- Publicize expected time to review applications in subsequent application windows.

4. Create Customer Service & Experience Role to Improve Communications

- Draft job description and determine reporting structure.
- Identify funding in budget.
- Post job and interview candidates.
- Fill and onboard.

5. Hold Statewide Listening Session to Understand Gaps in Strategy, Operations

- Develop proposal for listening tour to identify additional pain points and pathways to improve service, including general timeline, locations, goals, and attendees.
- Publicize via OCM website, social media, mailing lists, etc.
- Hold listening sessions.
- Document what was learned and develop action plan to incorporate into OCM operations/policy recommendations.

III. Transform the agency

Move from a "start-up" to a fully operational regulatory agency by adjusting the organizational structure, strengthening internal controls, creating performance measures, and developing a strategic plan.

1. Fill Agency Governance Roles & Right-Size All Teams to Best Use State Resources

- Assess gaps in regulatory experience and executive leadership at the agency, to ensure that OCM can adequately transition from start-up to regulatory entity.
- Establish an office for transformation within the agency to lead change management, including project management, performance reporting, audit, and internal controls.
- Restructure audit reporting to ensure independent reporting directly to the Executive Director and to the CCB.
- Assess workload of all other units at OCM, and whether there are opportunities to realign staff or unfilled roles to address core operational needs in licensing, enforcement, compliance, and equity programming.

2. Focus Agency Operations in Licensing, Compliance, Enforcement; Staffing as Needed

- Develop short-, medium-, and long-term staffing plan for operations, including headcount/ budget needs. Fill all remaining roles by mid-2025.
- Consolidate all agency licensing operations under the same leadership, separate policy development from agency operations, and realign units accordingly.
- Develop and implement plan for escalating customer issues and appeals. Assess need for an independent ombudsman role or additional disclosure of existing processes for reporting waste, fraud, or ethical violations.

3. Develop and Launch External Performance Dashboards

- Identify key data points that would be helpful for public to know.
- Build an external dashboard for the public, internal executive dashboard, and operations dashboard using existing data feeds.
- Develop rollout plan for dashboards, including launch, associated descriptions, and FAQs, and identify owner of dashboard for future changes/ development.

4. Develop Technology Roadmap and system selection

- Develop a technology roadmap for OCM for integrated systems that touch the entire license lifecycle, from licensing to inspections for compliance to enforcement, enabling a case management approach and ensuring seamless operations.
- Identify any additional system build needs – internal and external.
- Include timeline for implementation.

5. Develop and Launch Strategic Plan

- Draft process to create strategic plan, including how to engage key stakeholders and any interviews/focus groups needed, what market analysis is needed, timeline for development and release, and roles/responsibilities in drafting.
- Conduct interviews and workshops as needed.
- Draft and release plan by end of 2025.

Conclusion

In the past two years, OCM has had many major achievements, despite facing significant external challenges. While change will not be easy or overnight, the agency can overcome many of its internal challenges and become the regulatory agency the New York cannabis market needs, without losing any of its focus on building an equitable industry.

There are critical success factors required in order for OCM to evolve, including experienced regulatory leadership and an empowered program manager to drive the solutions and agency transformation forward, appropriate staffing to clear the backlog and implement internal controls, clearly communicated targets for implementation, and a defined "end-state" vision for the agency. By following the recommendations outlined in this report by the task force, as well as ensuring support for the key success factors below, OCM (and New York State more broadly) will better serve New Yorkers — particularly individuals with prior cannabis convictions, service-disabled veterans, distressed farmers, minority- and women-owned businesses, and those who have limited access to start-up funding — seeking to enter the adult-use cannabis market.