

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-Eighth Session  
May 12, 2015**

The Senate Committee on Finance was called to order by Chair Ben Kieckhefer at 6:04 p.m. on Tuesday, May 12, 2015, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Ben Kieckhefer, Chair  
Senator Michael Roberson, Vice Chair  
Senator Pete Goicoechea  
Senator Mark A. Lipparelli  
Senator David R. Parks  
Senator Joyce Woodhouse  
Senator Debbie Smith

**GUEST LEGISLATORS PRESENT:**

Senator Patricia Farley (Senatorial District No. 8)  
Senator Tick Segerblom (Senatorial District No. 3)

**STAFF MEMBERS PRESENT:**

Mark Krmpotic, Senate Fiscal Analyst  
Alex Haartz, Principal Deputy Fiscal Analyst  
Catherine Crocket, Program Analyst  
Lona Domenici, Committee Manager  
Emily Cervi, Committee Assistant  
Susan McArthur, Committee Secretary

**OTHERS PRESENT:**

Alex Ortiz, Clark County  
Kevin Schiller, Assistant County Manager, Washoe County

Senate Committee on Finance  
May 12, 2015  
Page 2

Scott Gilles, Office of the City Manager, City of Reno  
Vicki Higgins, EcoNevada L.L.C.  
Stephen Dubin, M.D.  
Del Marting, C.F.O., Sierra Wellness Connection  
Jared Kahn

Laura Freed, Deputy Administrator, Regulatory and Planning Services, Division  
of Public and Behavioral Health, Department of Health and Human  
Services

Adam Mayberry, Community Relations Manager, City of Sparks  
Lindsay Knox, Greenleaf Wellness, Inc.  
Jason Yapur, M.D.

Deonne Contine, Executive Director, Department of Taxation  
Chuck Callaway, Police Director, Las Vegas Metropolitan Police Department  
William Horne, CW Nevada; NuVeda; Alternative Solutions  
Will Adler, Executive Director, Nevada Medical Marijuana Association  
David Marlon, President, Solutions Recovery, Inc.  
Shay Patel

Eric Spratley, Lieutenant, Washoe County Sheriff's Office  
Robert Schreihans, Fire Chief, Carson City Fire Department  
Bob Roshak, Executive Director, Nevada Sheriffs' and Chiefs' Association  
Mary Wherry, R.N., M.S., Deputy Administrator, Community Services, Division  
of Public and Behavioral Health, Department of Health and Human  
Services

Stuart Smith, Chairman, Foundation for Recovery  
Sean McDonald, M.B.A., Administrator, Division of Central Services and  
Records Department of Motor Vehicles  
Greg McKay, Chair, Commission on Off-Highway Vehicles  
Troy Dillard, Director, Department of Motor Vehicles

**Chair Kieckhefer:**

We will begin with a work session on Senate Bill (S.B.) 422.

**Catherine Crocket (Program Analyst):**

Senate Bill 422 is a budget implementation bill for the Department of Health and Human Services (DHHS), Division of Health Care Financing and Policy, that allows for the continued expansion of Medicaid's preferred drug list.

**SENATE BILL 422 (1st Reprint)**: Allows for the continued inclusion of certain drugs on the list of preferred prescription drugs to be used for the Medicaid program. (BDR 38-1159)

This bill was heard by the Senate Committee on Finance on April 22. Temporary provisions in *Nevada Revised Statute* (NRS) 422.4025, which allow Medicaid to include typical and atypical antipsychotics, anticonvulsants and antidiabetic medications on its preferred drug list, will expire July 1, 2015. Inclusion of these medications on the list reduces their cost. Senate Bill 422, as amended, would extend the expiration of these provisions until June 30, 2017. The Executive Budget includes General Fund savings of approximately \$870,000 over the biennium associated with this bill.

SENATOR GOICOECHEA MOVED TO DO PASS AS AMENDED S.B. 422.

SENATOR LIPPARELLI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

\* \* \* \* \*

**Chair Kieckhefer:**

I will now open the hearing on Senate Bill 276.

**SENATE BILL 276**: Revises provisions governing the registration of certain medical marijuana establishments. (BDR S-996)

**Senator Tick Segerblom (Senatorial District No. 3):**

Senate Bill 276 was designed to address some of the issues that have arisen since the passage of S.B. No. 374 of the 77th Session. That bill allowed for 66 marijuana dispensary certificates. Eleven of those allocated to rural counties were not assigned.

Lawsuits are pending over the assignment of the dispensary certificates in Washoe and Clark Counties.

Senate Bill 276 allows for the 11 unused dispensary certificates to be reassigned, 8 to Clark County and 3 to Washoe County. The certificates will be

issued to marijuana dispensaries that were previously approved by the State. It is hoped the redistribution of these certificates will resolve the pending lawsuits.

The City of Reno received fewer dispensaries than it was due under S.B. No. 374 of the 77th Session, so two of Washoe County's redistributed certificates will be issued there. Reno received 30 percent of the initial dispensary allocation, even though it represents 50 percent of Washoe County's population.

Proposed Amendment 7200 to S.B. 276 ([Exhibit C](#)) allows for transfer of dispensary ownership, which was prohibited by S.B. No. 374 of the 77th Session.

Proposed Amendment 7200 also allows for dispensaries to relocate anywhere within their jurisdiction, which S.B. No. 374 of the 77th Session limited to within 5 miles. Three marijuana dispensary certificates were issued for Incline Village, so those businesses can dispense throughout the area, subject to Washoe County Commissioners' approval.

A significant number of certificates were issued in North Las Vegas to an area that lacks access to water or power, so now those businesses can relocate to more appropriate locations.

**Chair Kieckhefer:**

Will S.B. 276 allow a dispensary to move anywhere within its licensed jurisdiction?

**Senator Segerblom:**

That is correct. The initial limitation, as written in S.B. No. 374 of the 77th Session, was to accommodate strict State control. However, in the past 2 years, our understanding of the industry has evolved, and we have learned that local control should take precedence. Under S.B. 276, the State's oversight of marijuana dispensaries is largely limited to background checks of criminal behavior and finances.

**Senator Patricia Farley (Senatorial District No. 8):**

Senate Bill 276 contains all the provisions needed to launch the medical marijuana industry in the State. We have met with licensed dispensary owners

and fire and police officials to discuss existing and anticipated problems, which are addressed in the proposed legislation, S.B. 276 and Assembly Bill (A.B.) 70.

**ASSEMBLY BILL 70**: Provides for the administration and enforcement of excise taxes on medical marijuana. (BDR 32-322)

There is currently one medical marijuana dispensary open in the State, in Las Vegas. In anticipation of industry expansion, hundreds of thousands of square feet of warehouse space have been leased for growing or retailing marijuana. Significant numbers of tenant improvement contracts have been extended, and millions of dollars in bids have been submitted by suppliers for lights and electrical equipment.

Commodities platforms are being built to allow cannabis farmers to lock in prices and buyers to secure inventory. As the federal government continues to declassify marijuana, a futures market will develop and new financial institutions will form to support the industry.

Nevada has received many inquiries about our marijuana marketplace. Money begets opportunity, particularly nontraditional money. As hedge funds and nontraditional bankers move into the State's marketplace, other economic opportunities will arise.

Senate Bill 276 provides for the activation or reallocation of dispensary licenses in counties with large populations. The original cap was conservative, and the Legislature must be cautious that it does not create monopolies. The goal of S.B. 276 is to allow the counties to decide when and where they need dispensaries. The State needs to allow enough supply to meet the demand.

**Senator Goicoechea:**

If rural areas, such as Humboldt County or Elko County, decide they want a dispensary in the future, will S.B. 276 accommodate that desire?

**Senator Segerblom:**

The State can reconsider dispensary licensing in 2 years.

**Chair Kieckhefer:**

After this year's deadline, would the Legislature have to approve additional dispensaries for rural counties?

**Senator Segerblom:**

Yes, it would.

**Senator Goicoechea:**

My concern is that one of those two counties may decide in the future that it needs a medical marijuana dispensary.

**Senator Segerblom:**

Two years ago, nobody wanted dispensaries. Now, they are clamoring for them. However, nobody in Elko County has requested a license. Both Elko and Humboldt Counties have Indian Reservations. President Barack Obama has informed Indian tribes that they are free to dispense marijuana, so they might be the main providers in rural Nevada.

**Senator Lipparelli:**

Proposed Amendment 7200 to S.B 276 discusses transferability of a medical marijuana establishment (MME). Will the transferee need to meet the same level of qualification as the original owner, or will they simply be assuming the asset?

**Senator Segerblom:**

The transferee will not have to meet the criteria of the original dispensary application. However, the new owner will be subject to a criminal and financial background check.

**Senator Lipparelli:**

Does the dispensary certificate essentially function as a property right?

**Senator Segerblom:**

Yes. The model for the medical marijuana dispensary license was the gaming industry. The seller has a gaming license, wants to sell the property, finds a buyer and applies to the State. The State investigates the new buyer, and if the new buyer is approved, the license is transferred.

**Senator Lipparelli:**

Licenses in gaming do not transfer; a buyer must apply for a new license. Are you suggesting that medical marijuana dispensary licenses are a property right that is fully transferable, in whole or in part, as long as the transferee meets State requirements?

**Senator Segerblom:**

That is correct. The buyer would also have to satisfy local jurisdiction requirements, as with a license to sell alcohol.

**Senator Roberson:**

I support this bill, and I agree with Senator Farley: We do not need monopolies in this State.

**Chair Kieckhefer:**

Would local jurisdictions be the ultimate arbiters of where a marijuana establishment could locate?

**Senator Segerblom:**

Yes.

**Chair Kieckhefer:**

Is a special use permit required? Do zoning regulations apply, or is a public hearing invoked?

**Senator Segerblom:**

Different jurisdictions have adopted different methods for determining where an MME can be located. Elected officials are very cautious about what neighborhoods are affected.

**Chair Kieckhefer:**

Would you be averse to including language in the bill akin to "must be approved by a local government following a public hearing"?

**Senator Segerblom:**

No, I would not be opposed to such language.

**Senator Lipparelli:**

In terms of reallocation of certificates, are you confident that each county has had the opportunity to apply for licenses?

**Senator Segerblom:**

Yes. The application period expired in November 2014.

**Alex Ortiz (Clark County):**

I support S.B. 276.

**Kevin Schiller (Assistant County Manager, Washoe County):**

I support S.B. 276 and the language included in Proposed Amendment 7200. We have three dispensaries in Washoe County that are serving 7,000 of our 44,000 residential units. We would like to be home to another dispensary.

**Scott Gilles (Office of the City Manager, City of Reno):**

The City Council of Reno supports S.B. 276, which delivers two additional dispensaries to Reno, and the language included in Proposed Amendment 7200 allowing greater flexibility for relocation of existing MMEs. Two more dispensaries in Reno will allow us to serve a proportional amount of the population of Washoe County.

**Vicki Higgins (EcoNevada L.L.C.):**

I support S.B. 276. Vast areas of Nevada are underserved, not only in Washoe County and Clark County, but in the far north and far west of the State. My business sees over 125 new patients weekly, but some potential clients live too far out of town to make use of our facility.

**Stephen Dubin, M.D.:**

I am a primary care physician, and I support S.B. 276. We need more health care professionals involved in the medical marijuana endeavor. I see many chronic pain patients who have no better option than cannabis.

**Del Marting (C.F.O., Sierra Wellness Connection):**

I am a principal in Sierra Wellness Connection, which is a member of the Nevada Cannabis Coalition. The members of the Coalition have been awarded 17 MME licenses and thus have a significant stake in the industry.

Sierra Wellness Connection has two dispensary locations, one in Carson City and one in Reno, and each involves cultivation and retail. We have undergone the very exacting and rigorous licensing process: building the team, raising the money, completing the application, receiving approval at the State and local levels and constructing our facilities. Our facilities have passed two State inspections and we are now cultivating medical marijuana.



Up until now, the process has been fair and transparent with clear rules about how to open and operate a facility. Maintaining this transparency and rigorous oversight is key to the long-term success of the industry.

Sierra Wellness Connection and the Nevada Cannabis Coalition oppose S.B. 276. We believe it could have a deleterious effect on the future of medical marijuana in the State. The provisions of the bill allowing for reallocation of 11 licenses are problematic because the formal licensing period as defined by the State has expired. It is grossly unfair to existing license holders to change the rules of the game at this point. As existing licensees, members of the Coalition are precluded from participating in the reallocation of dispensary certificates.

Furthermore, reallocation is unnecessary. There are fewer than 9,000 medical marijuana patients in the State, and no facilities are currently open. The effort to add new dispensaries before knowing the demand is premature. The Nevada Cannabis Coalition would support adding dispensaries at such time a demonstrable demand exists.

The construction of more dispensaries, in and of itself, does not grant more patients access to medicine. What would grant more access would be to streamline the medical marijuana card application process and to widen the rules governing what types of diseases qualify for marijuana treatment in Nevada. Further, we need to eliminate the stigma that attaches to physicians who prescribe medical marijuana.

The Coalition encourages the Legislature to allow those dispensaries already licensed to open first and gather data on the dynamics of the market. Then a reasoned decision regarding new licenses can be made. A premature reallocation of medical marijuana dispensary certificates opens the door to a random, capricious process that removes State control over the industry.

The Coalition supports the elements of S.B. 276 governing transferability and reciprocity for out-of-state medical marijuana card holders.

**Senator Lipparelli:**

I assume Sierra Wellness Connection, as a current license holder, has assumed some risk of litigation. The sponsors of this bill are attempting to remove this judicial risk. Do you not see S.B. 276 as an opportunity for a fresh start?

**Mr. Marting:**

We are not directly involved in any lawsuits. We entered the industry under a clearly defined set of rules. We raised and invested capital and committed a whole host of assets. It seems quite unfair that the rules that apply to our facilities and to the people who entered the industry in good faith could be changed.

**Jared Kahn:**

I am an attorney in Las Vegas who represents an entity that was granted a medical marijuana dispensary license and is now entrenched in litigation.

There were many legal ramifications for the eight businesses that received licenses from the State and the eight businesses that did not. Provisions in S.B. 276 may address the dissatisfaction of the latter group in regards to the State's ranking system, but they do nothing for the former. Proposed Amendment 7200 to S.B. 276 only contributes to the confusion over reallocation of unissued licenses.

One issue in the lawsuit involves the State's discretion in issuing licenses. Section 5 of the Proposed Amendment, subsection 3, paragraph (c) states that the Division of Public and Behavioral Health (DPBH) of the DHHS shall "Issue a medical marijuana establishment registration certificate ... regardless of the Division's ranking of the applications ... ."

The State's ranking of applicants is very thorough. It considers what is best for the safety of the community and the health and welfare of patients.

The eight applicants involved in litigation were denied licenses because the State gave them a low ranking. The passage in the Proposed Amendment that reads "regardless of the Division's ranking" compromises the Agency's discretion to vet applicants after the reallocation of unissued licenses.

The offending language can also be found in subsection 4, paragraph (a) of section 5: "A local governmental jurisdiction may ... issue a business license ... regardless of any ranking of the establishment established by the Division." This provision usurps the DPBH authority to determine who qualifies for a license.

The wording of Proposed Amendment 7200 must be modified to ensure that the welfare of the people of the State is protected.

**Laura Freed (Deputy Administrator, Regulatory and Planning Services, Division of Public and Behavioral Health, Department of Health and Human Services):**

Disqualification is distinct from the ranking process of the applications. Disqualification applies to convicted felons or those who otherwise fail the background check. A medicinal marijuana establishment could be disqualified because its application failed certain criteria, such as the statutory distance test.

Concerning transferability, section 2 of Proposed Amendment 7200 to S.B. 276 does not provide for the requirement of fingerprints submission for the purpose of a background check. The language, as written, is proscriptive; it precludes DPBH from ensuring a transferee meets the same standards as current licensees.

The Proposed Amendment, as written, conflicts with the current law's monopoly statutes. If DPBH is required to transfer all of an MME's ownership interest, someone who owned an MME could buy more than 10 percent of all establishments in Washoe County or Clark County. If such an entity were in possession of more than \$250,000 in liquid assets, the Division would have to approve those transfers. At the same time, in such a case, DPBH would have to revoke this entity's registration certificate because it would be in violation of the monopoly provision.

The Division asks that the language of Proposed Amendment 7200 be modified to accommodate background checks of transferees and to limit transferability to what is allowed within the monopoly statutes.

In regard to reallocation, section 1 does not expire by limitation, so if the Legislature were to add certificates over and above the current statutory limit of 66, the reallocation would take place again.

There is a fiscal note on the as-introduced version of S.B. 276, which has not been precisely recalculated in light of the Proposed Amendment. The addition of 11 dispensaries would result in \$330,000 in fee income. That amount would be sufficient to accommodate any additional staff or overhead the Division would incur for regulation of 11 more MMEs.

Although reallocation without opening the process to new applicants would address current registration and business license conflicts between the State

and local jurisdictions, it would preclude other jurisdictions from entering the industry. By favoring those who submitted applications in 2014, reallocation would preclude the entry of new MMEs into the market.

**Senator Goicoechea:**

Does the law allow someone who does not live within 15 miles of a dispensary to apply for a permit for home-grown marijuana?

**Ms. Freed:**

The required distance is 25 miles.

**Senator Goicoechea:**

Since all the MMEs will be in Clark County and Washoe County, the rest of the State is going to be growing its own.

**Adam Mayberry (Community Relations Manager, City of Sparks):**

We are neutral on S.B. 276, and we have submitted a proposed amendment to reflect our desire to preserve the City of Sparks' single reallocation ([Exhibit D](#)). The Sparks City Council has communicated with Senator Segerblom about this issue.

**Lindsay Knox (Greenleaf Wellness, Inc.):**

I represent Greenleaf Wellness in support of the amendment submitted by the City of Sparks. We do not support S.B. 276 as it is currently written because Sparks is not mentioned.

**Jason Yapur, M.D.:**

I am an anesthesiologist and pain management specialist. A number of physicians groups in Las Vegas favor S.B. 276 because it represents a tremendous revenue opportunity for the State. Research on medical marijuana will benefit the pharmaceutical industry in Las Vegas.

With three MMEs comprising 1,500 square feet, the west side of Las Vegas is underserved. Extrapolating from Colorado's statistics, I estimate they will be asked to transact approximately 600 purchases per day.

Research on medical marijuana is important, and so is meeting patient need.

**Senator Roberson:**

Will DPBH's concerns with Proposed Amendment 7200 be addressed?

**Senator Farley:**

I met with Ms. Freed, and we will see that DPBH's concerns are addressed in the language of the Proposed Amendment to S.B. 276.

**Senator Segerblom:**

I have met with officials from Clark County, and they believe that Proposed Amendment 7200 will help resolve the litigation the County is facing.

**Chair Kieckhefer:**

I will close the hearing on S.B. 276 and open the hearing on A.B. 70.

**Deonne Contine (Executive Director, Department of Taxation):**

Assembly Bill No. 402 of the 77th Session, which provided for MME excise taxes, did not include many of the provisions the Department of Taxation needs to collect and distribute taxes, and A.B. 70 is intended to remedy that.

Many provisions of this bill are similar to what the Department applies to the sales and use tax and the modified business tax.

Sections 1 and 2 of A.B. 70 address interest on over- and underpayments, and it applies enforcement of NRS 360.2937 "to any of the taxes provided for in NRS 372A.075."

Section 11 defines what records the taxpayer must maintain, and section 12 allows for Department audits.

Section 13 of A.B. 70 allows for refunds in the case of overpayment and illegally or erroneously collected taxes. Section 14 defines the time limitation on refunds. Taxpayers will have 3 years to request a refund if they believe they have overpaid. Section 15 allows for interest on overpayments.

Section 16 includes the timeline to deny refund requests, to appeal such denials or audit decisions and to apply for judicial review by the Nevada Tax Commission.

Section 18 allows an offset. If a taxpayer is entitled to a refund, but owes other taxes to the Department, that amount may be deducted from the refund.

Section 19 prohibits taxpayers from filing lawsuits to prevent collection of taxes, and section 20 makes it a misdemeanor to falsify records in order to avoid paying taxes.

**Chair Kieckhefer:**

Are the provisions you have described similar to those in other excise taxes the Department oversees and collects?

**Ms. Contine:**

Yes, they are.

I am aware of some proposed amendments that may or may not have an impact on the collection and distribution of taxes. They should not be allowed to affect the content of A.B. 70.

**Senator Segerblom:**

The language in Proposed Amendment 7232 to A.B. 70 ([Exhibit E](#)) reflects the concerns of fire and police officials who met with Senator Farley.

**Senator Farley:**

I met with sheriffs' organizations and police and fire officials from the north and south of the State to discuss the costs and impacts entailed by MMEs.

Proposed Amendment 7232 would redistribute a portion of medical marijuana excise taxes. The allocation slated to remain in the State Distributive School Account (DSA) would be reduced from 75 percent to 71 percent. The 4 percent difference would be equally divided between local fire districts and local police and sheriffs' departments.

**Senator Lipparelli:**

Does the 4 percent go to local jurisdictions? That is, if an MME is in Sparks, would 2 percent of its excise tax go to the Sparks Fire Department, and if the MME is in Reno, would 2 percent go to the Reno Fire Department? Is the language in Proposed Amendment 7232 sufficiently precise to ensure specific distribution of these revenues?

**Senator Farley:**

The revenue would go to DHHS who would then allocate 4 percent to the counties according to the number of dispensaries in each county.

**Senator Lipparelli:**

Is the intent to send those revenues to the counties where the MMEs are located?

**Senator Farley:**

Yes. We need to further understand the impacts of these dispensaries, particularly for fire departments.

**Senator Segerblom:**

Proposed Amendment 7232 contains two other provisions of note: one allowing local governments to add impact fees, and another allowing third-party companies, such as those that care for marijuana plants, to be licensed to enter MMEs.

**Chair Kieckhefer:**

Are independent contractors covered in sections 29 and 30?

**Senator Segerblom:**

That is correct.

**Chair Kieckhefer:**

Where are the local government impact fees described?

**Senator Segerblom:**

The impact fees are covered on page 13 of the Proposed Amendment, section 31, subsection 4.

**Chair Kieckhefer:**

Will local governments impose the impact fee upon the application for an MME, or are the fees applied on an ongoing basis as a result of local regulation?

**Senator Farley:**

The local impact fees would be collected upon the initial application. Ongoing costs will be covered by sales taxes and the redistribution of excise taxes slated for the DSA.

**Chair Kieckhefer:**

What amount will be redistributed from the DSA?

**Senator Farley:**

We are estimating 4 percent. The goal is to meet the needs of local police and fire departments.

**Chair Kieckhefer:**

Why split the 4 percent equally between fire and police? Is there any reason not to let local jurisdictions decide what entities are impacted and to what degree, and distribute their portions of the excise tax accordingly?

**Senator Farley:**

According to other states who have taken that approach, obstacles arise that prevent appropriate amounts being delivered to either fire departments or police departments. We want to use the money being generated by MMEs to recoup the costs of the departments who are enforcing industry regulations.

**Senator Segerblom:**

The provisions governing local impact fees sunset in 2 years, so we can revisit them to determine how well the redistribution formula is working.

**Chuck Callaway (Police Director, Las Vegas Metropolitan Police Department):**

We support Proposed Amendment 7232 to A.B. 70. We have learned that both Arizona and Colorado have seen public safety impacts from MMEs. Fire departments are affected directly from fires, or indirectly from equipment purchases and costs of inspections.

Law enforcement is affected by crime and an increase in homelessness related to MMEs, as well as equipment purchases. For example, driving under the influence investigations use new, very expensive devices to detect metabolites produced by ingesting marijuana.

It is important to learn from other states that have already encountered these problems and to properly fund public safety.



**William Horne (CW Nevada; NuVeda; Alternative Solutions):**

I represent the companies of CW Nevada, NuVeda and Alternative Solutions, all of which support A.B. 70.

Section 23 of Proposed Amendment 7232 establishes that 2 percent of the revenues of the MME excise taxes be paid out to local fire and 2 percent be paid out to local police departments.

Subsection 4 of section 31 allows further collection of fees by local governments to pay costs for inspections and for ensuring MME compliance.

We would ask that the language be clarified so MMEs will not have to pay twice for the same service.

**Chair Kieckhefer:**

It is my understanding, and the legislation needs to make clear, that local government fees would cover the cost of the application process prior to any excise taxes being collected. The 2 percent for police departments and 2 percent for fire departments would cover ongoing costs.

**Will Adler (Executive Director, Nevada Medical Marijuana Association):**

We support A.B. 70 and the redistribution of excise taxes in Proposed Amendment 7232. I have submitted another amendment ([Exhibit F](#)), directing DHHS to require a standardized education program for employees of MMEs.

Reciprocity with other states' medical marijuana programs would be enhanced by standardized education for Nevada MMEs. The State needs to ensure it is providing the safest possible service for medical marijuana card holders.

**David Marlon (President, Solutions Recovery, Inc.):**

Although I have opposed medical marijuana, I believe education for those dispensing it is very important. Pregnant women, people under the age of 18 and those in possession of a firearm should not ingest marijuana. People should not drive under the influence of marijuana. Clear education is important, and I support the amendment to A.B. 70 proposed by the Nevada Medical Marijuana Association.

**Shay Patel:**

I support the amendment to A.B. 70 proposed by the Nevada Medical Marijuana Association, because people need neutral, unbiased information to make choices about how they will consume marijuana for the first time legally in Nevada for medical purposes.

**Eric Spratley (Lieutenant, Washoe County Sheriff's Office):**

We worked with Senator Segerblom and Senator Farley on this bill, and we support A.B. 70.

**Mr. Schiller:**

Washoe County supports A.B. 70 because it will help us offset our costs for public safety and implementation of MME licenses.

**Robert Schreihans (Fire Chief, Carson City Fire Department):**

We support A.B. 70 because we need to train inspectors and the Fire Department needs to hire another inspector to enforce MME regulations. The cost of a new inspector position is approximately \$150,000. We need to hire fire protection engineers to review new technologies and equipment. The 2 percent allocation of 75 percent of the MME excise taxes is not a sizable amount, but we must be business-friendly, especially in regard to impact fees. The Fire Department is eager to work with all the entities involved, but we are concerned about the funding.

**Chair Kieckhefer:**

To clarify, as the bill is written, fire departments will receive 2 percent of the excise tax, not 2 percent of 75 percent. The 75 percent originally slated for the SDSA has been reduced to 71 percent by A.B. 70, and 4 percent of the excise tax will be evenly split between local police and fire departments.

**Senator Lipparelli:**

That is correct; 2 percentage points will be directed to the fire department.

**Bob Roshak (Executive Director, Nevada Sheriffs' and Chiefs' Association):**

We support A.B. 70.

**Ms. Contine:**

I had not seen Proposed Amendment 7232 to A.B. 70 before today. The Department of Taxation collects the taxes on MMEs. This revenue will be

divided into two portions; one goes to the DSA and one goes to the DHHS. The distribution of these funds is an automated process, affecting 68 local jurisdictions. There are 50 cities, unincorporated towns and counties in the State. In Washoe County, an MME could be under County jurisdiction or the City of Reno's jurisdiction, so the Department of Taxation must determine if 2 percent of those excise taxes goes to the Washoe County Sheriff or the Reno Police Department. Such determinations control how the automated taxation distribution system is built, which entails costs to the Department.

**Chair Kieckhefer:**

Have you had a chance to review the proposed amendments to A.B. 70?

**Ms. Contine:**

I have seen Proposed Amendment 7232, but I have not seen the other two, one from the Nevada Medical Marijuana Association and one from the Nevada Cannabis Coalition ([Exhibit G](#)), both of which address NRS 453A.334.

**Chair Kieckhefer:**

Does Proposed Amendment 7232 incorporate components that are needed in A.B. 70?

**Ms. Contine:**

The collection and distribution of taxes is not quite as simple as the language implies. There could be a fee required to accomplish the requirements in Proposed Amendment 7232. An implementation date of July 1, 2015, represents a significant impact to the Department's information technology (IT) resources.

**Ms. Freed:**

The DPBH is neutral on A.B. 70. Tax revenue projections have been calculated by the excise tax projection group, which comprises staff from the Department of Taxation, DPBH, the Budget Division and the Fiscal Analysis Division. The total tax revenue for the State from MMEs is approximately \$630,000 for FY 2016, and for FY 2017 it is \$1.4 million.

The training requirements suggested by the Nevada Medical Marijuana Association in [Exhibit F](#) and in the as-introduced version of S.B. 276 would

cause a fiscal impact because DPBH would need to issue a request for proposal (RFP) to select a training provider.

**Chair Kieckhefer:**

How much would that cost?

**Ms. Freed:**

I will consult the fiscal note to S.B. 276 and report back to the Committee.

**Chair Kieckhefer:**

I will close the hearing on A.B. 70 and we will now hear S.B. 489.

**SENATE BILL 489:** Provides for the regulation of peer support recovery organizations. (BDR 40-1191)

**Mary Wherry, R.N., M.S. (Deputy Administrator, Community Services, Division of Public and Behavioral Health, Department of Health and Human Services):**

Senate Bill 489 creates a new peer support agency within the Bureau of Health Care Quality and Compliance (HCQC), which would be modeled on the Medicaid peer support provider type.

**Chair Kieckhefer:**

Do you expect MMEs to be regulated by HCQC?

**Ms. Wherry:**

No.

**Chair Kieckhefer:**

Will MMEs cause a fiscal impact to HCQC?

**Ms. Wherry:**

No.

**Stuart Smith (Chairman, Foundation for Recovery):**

Foundation for Recovery is one of two peer support organizations in the State. Senate Bill 489 does not address community-based peer support as defined by the Substance Abuse and Mental Health Services Administration. We would like

all peer support organizations, not just those seeking Medicaid reimbursement, to be involved in this discussion.

**Ms. Wherry:**

I made a presentation to the peer support leadership council meeting this afternoon. We encourage all members to submit their names so they can be made aware of public workshops allowing them to participate in development of regulations for licensure of peer support recovery organizations.

**Chair Kieckhefer:**

I will close the hearing on S.B. 489 and open the hearing of S.B. 492.

**SENATE BILL 492:** Revises provisions governing the financial administration of off-highway vehicle titling and registration. (BDR 43-1175)

**Sean McDonald, M.B.A. (Administrator, Division of Central Services and Records, Department of Motor Vehicles):**

Existing law requires the Department of Motor Vehicles (DMV) to issue an off-highway vehicle (OHV) dealer, long- or short-term lessor or manufacturer a specialty plate commonly known as a dealer plate.

Senate Bill 492 allows the DMV to charge a fee of \$12 for these plates. This fee is not unlike what is assessed to car dealers for their dealer plates, as required by NRS 490.0827.

Senate Bill 492 reallocates DMV revenues to meet OHV program obligations prior to disbursement of funds, in a manner similar to that of a business enterprise fund. It enables the DMV to cover costs incurred in the program's operation while simultaneously allowing funds to flow directly to the Commission on Off-Highway Vehicles.

This new funding mechanism would account for all revenue streams including titles, which are currently outside the scope of the program.

Senate Bill 492 removes the 85 percent Commission/15 percent DMV revenue split as outlined in NRS 490.084. Under the new plan, revenues generated from the processing of registrations and titles would be reviewed quarterly. A flexible reserve of \$150,000 would be established, maintained in a separate account

and permitted to balance forward should future revenues be insufficient to cover OHV program expenses.

This funding model is supported in a report issued by the Department of Administration's Division of Internal Audits, presented to the Executive Branch's Audit Committee on December 10, 2014. It is intended to result in higher revenues flowing over to the Commission than are possible under the existing model. The new funding model will also ensure the DMV's short-term obligations are met in the event that revenues are insufficient to meet program costs.

**Chair Kieckhefer:**

Is the OHV dealer plate a policy matter with the funding model being a budget implementation?

**Mr. McDonald:**

That is correct.

**Mark Krmpotic (Senate Fiscal Analyst):**

In its budget submission, the DMV noted the difficulties it would face implementing the provisions proposed for S.B. 492. For example, a compliance enforcement investigator position was authorized, but under the existing revenue split, sufficient funding for the position was not available. Therefore, the DMV proposed the new funding model, which the Senate Committee on Finance approved for the 2015-2017 biennium.

**Greg McKay (Chair, Commission on Off-Highway Vehicles):**

We support S.B. 492.

**Chair Kieckhefer:**

I will close the hearing on S.B. 492, and open the hearing on S.B. 502.

**SENATE BILL 502 (1st Reprint):** Makes an appropriation to the Department of Motor Vehicles for the modernization of its current platform of information technology and authorizes the Department to collect a technology fee. (BDR 43-1177)

**Troy Dillard, Director (Department of Motor Vehicles):**

Senate Bill 502 makes an appropriation to the DMV for system modernization, which is one of our top-priority projects.

Currently, the DMV operates a Common Business Oriented Language-based system, which requires lengthy linear programming. Shifting to modern software will save programming costs, decrease the time it takes to implement policy changes, move customers through our offices more quickly and allow for transactions to occur remotely.

Senate Bill 502 creates an account to accomplish system modernization with a deposit from the Highway Fund, and it creates a technology fee of \$1 to be charged on all DMV fee-based transactions. The fee would continue in perpetuity to allow the DMV to contract with vendors to maintain and upgrade the software, keeping it up to date for the foreseeable future.

**Chair Kieckhefer:**

Will the system modernization increase efficiency at the DMV?

**Mr. Dillard:**

One vendor, who has compared our current system to the proposed modernization, has provided a written proposal forecasting an increased efficiency rate of at least 30 percent. The project will undergo an RFP.

**Chair Kieckhefer:**

Will the Department of Administration's Purchasing Division oversee the RFP process?

**Mr. Dillard:**

Yes.

**Chair Kieckhefer:**

Is the system modernization project intended to relieve such congestion as shown in the photograph of the DMV office on slide 7 of your presentation "NRS 481: System Modernization and Technology Fee (S.B. 502)" ([Exhibit H](#))?

**Mr. Dillard:**

Yes, those long wait lines are what S.B. 502 will address.

Senate Committee on Finance  
May 12, 2015  
Page 24

**Senator Smith:**

The Committee has seen many IT proposals from DMV over the years. Will S.B. 502 allow you to implement them?

**Mr. Dillard:**

Yes. The DMV is incorporating several of the projects approved by the Committee into this system modernization project.

Remainder of page intentionally left blank; signature page to follow.



Senate Committee on Finance  
May 12, 2015  
Page 25

**Chair Kieckhefer:**

I will close the hearing on S.B. 502, and seeing no members of the public wishing to address the Committee, this meeting is adjourned at 7:36 p.m.

RESPECTFULLY SUBMITTED:

---

Susan McArthur,  
Committee Secretary

APPROVED BY:

---

Senator Ben Kieckhefer, Chair

DATE: \_\_\_\_\_

<b>EXHIBIT SUMMARY</b>				
<b>Bill</b>	<b>Exhibit / # of pages</b>		<b>Witness / Entity</b>	<b>Description</b>
	A	2		Agenda
	B	7		Attendance Roster
S.B. 276	C	5	Senator Segerblom	Proposed Amendment 7200 to S.B. 276
S.B. 276	D	2	Adam Mayberry, City of Sparks	Proposed Amendment to S.B. 276
A.B. 70	E	14	Senator Segerblom	Proposed Amendment 7232 to A.B. 70
A.B. 70	F	8	Nevada Medical Marijuana Association	Requested Amendment to A.B. 70
A.B. 70	G	8	Nevada Cannabis Coalition	Proposed Amendment to A.B. 70
S.B. 502	H	9	Department of Motor Vehicles	"NRS 481: System Modernization and Technology Fee (S.B. 502)"