

**MINUTES OF THE
SENATE COMMITTEE ON JUDICIARY**

**Seventy-ninth Session
March 24, 2017**

The Senate Committee on Judiciary was called to order by Chair Tick Segerblom at 1:05 p.m. on Friday, March 24, 2017, 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 Tick Segerblom, Chair
Senator Nicole J. Cannizzaro, Vice Chair
Senator Moises Denis
Senator Aaron D. Ford
Senator Don Gustavson
Senator Michael Roberson
Senator Becky Harris

STAFF MEMBERS PRESENT:

Patrick Guinan, Policy Analyst
Kate Ely, Committee Secretary

GUEST LEGISLATORS PRESENT:

Assemblyman Steve Yeager, Assembly District No. 9

OTHERS PRESENT:

Chad Warren Westom, Chief, Bureau of Preparedness, Assurance, Inspections and Statistics, Division of Public and Behavioral Health, Department of Health and Human Services
Deonne E. Contine, Executive Director, Department of Taxation
Will Adler, Executive Director, Sierra Cannabis Coalition
Riana Durrett, Executive Director, Nevada Dispensary Association
James O. Hartman

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Grace Crosley, Nevadans for Informed Marijuana Regulation
Michael Cathcart, City of Henderson
Alex Ortiz, Clark County
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities
Dagny Stapleton, Deputy Director, Nevada Association of Counties
Michael McAuliffe, We Can

VICE CHAIR CANNIZZARO:

I will open the hearing on Senate Bill (S.B.) 302:

SENATE BILL 302: Provides an early start for recreational marijuana sales.
(BDR 40-545)

ASSEMBLYMAN STEVE YEAGER (Assembly District No. 9):

Back in December, Senator Segerblom and I visited Portland, Oregon, and met with individuals to discuss their early start program. Much like S.B. 302 and its early start program, Oregon experienced the same issues regarding getting the program off and running sooner than might otherwise happen.

We learned a few key things in Portland, Oregon. Number 1, Nevada has the best medical marijuana program in the Country. In our conversations with Oregon legislators and other policymakers, questions were raised regarding how Nevada did things when it comes to medical and, to be honest, they were astounded how far afield Nevada was and how good its program was in terms of regulation and vetting.

In addition, it was learned that the same products that are sold as medical marijuana can be sold as recreational marijuana. It is just a matter of packaging and accounting. We learned here in Nevada there is no reason not to allow recreational sales through the existing medical marijuana structure until Ballot Question No. 2 is ready to be implemented.

In speaking to individuals in Oregon, they outlined three main benefits of the early start program. First, to help eliminate the black market sooner. Second, it generated tax revenue, and it generated a lot of tax revenue. I do not have the numbers in front of me, but I remember that whatever the estimates were for the tax revenue that would be generated probably exceeded tenfold when Oregon actually got its program off and running. Here in Nevada, early start could help support Nevada businesses and jobs which is a priority for everyone

in this Legislature. I come to share those thoughts with you about the Oregon program. We learned we can do it here in Nevada; in fact, we should do that here in Nevada.

SENATOR SEGERBLOM:

First, we all know we are here because Ballot Question No. 2 passed as shown on Slide 2 of my presentation ([Exhibit C](#)). Until Ballot Question No. 2 is implemented, we can use our existing medical marijuana structure for our recreational marijuana. The beauty of that is the Department of Health and Human Services, if this bill passes and is signed by the Governor, could start immediately because it would not have to develop any regulations. It would enable existing dispensaries to go ahead and start selling the same products but with a different tax structure.

Currently, on medical marijuana there is a 2 percent tax at the grow level, a 2 percent tax at the manufacturing level and a 2 percent tax at the retail level. Those are different amounts because the value of the product differs as you go along, but those are eliminated. Instead, there is a five-cent excise tax at the retail level which would actually produce more money than is being produced by the three 2 percent taxes.

Second, it has a 15 percent tax on recreational at the retail level in addition to the regular sales tax. Of that 15 percent, 10 percent would go to the State in comportsing with the Governor's 10 percent excise tax for schools. Another 5 percent would go to local governments to be shared. I think Senator Julia Ratti will be working on that piece along with the cities and the counties.

What it does not do which Ballot Question No. 2 does, S.B. 302 does not have a distributor level, which Ballot Question No. 2 requires, although there is some question as to whether we need to do that. It does not have a wholesale tax which Ballot Question No. 2 does. Ballot Question No. 2 takes all the product from the growers, values it at the wholesale level and imposes a 15 percent tax. This does not have that tax at all. For starting out the gate, it would just be the 15 percent tax which combined with the current 8 percent sales tax is about 23 percent. For example, right now I could legally go out on the street with an ounce of marijuana and walk up and down the street with it. I could not smoke it, but I could hold it around. If I bought it on the black market, the State would get no revenue at all and no money would go for jobs. If we purchased it at a dispensary, such as the Blum dispensary, it would be \$350 an ounce as on

Slide 5, [Exhibit C](#). Of that, using the sales tax and the State and local tax, it would be \$80 in the pockets of Nevadans, and it would really be a job enhancer. The Blum dispensary, which we are going to see this afternoon, has 22 employees just at that one location, and the grower, High Sierra Holistics Grow, has 15 employees. We are talking about 37 employees just for that one ounce we could buy for \$350 and pay an \$80 tax. It really is something that we are losing. As Assemblyman Yeager said, implementing an early start gets rid of the black market which we do not want to develop, it raises millions of dollars in revenue, and it creates jobs.

What we are not trying to do — and I really want to emphasize this — is compete with the Department of Taxation's early start program. If its early start program gets out there, we do not need this bill. But if there are hiccups in that, this would be an alternative. Our thought would be to get this bill passed and get it to the Senate Committee on Finance. Finance would then have jurisdiction with revenue and start to look at some of these questions. Ballot Question No. 2 does not have the Governor's 10 percent tax, and it does not have any tax for local government. There may be some need for legislation in addition to Ballot Question No. 2. We believe that S.B. 302 compliments Ballot Question No. 2. It does not compete with it. The other thing I want to point out is that our current medical system is the best in the Country. To that extent, we do not need to duplicate that. The best thing to do is to take our medical system, and if we have to move it over to Taxation, let us do that. Let us not try and create a new group of regulators and all that. We have those people who have killed themselves the last couple of years, worked hard for our State and deserve to stick with this program. That is the message we wanted to convey. Senate Bill 302 does need to ultimately happen, but it will be here in case something happens with Taxation's program. We need to get this out early because we are all trying to help the Governor, help the teachers and help the State with education.

SENATOR CANNIZZARO:

I might not phrase this question in the most eloquent way, but can you talk a little bit about how this interplays with the fact that Ballot Question No. 2 places the administrative burden on the Department of Taxation? Does this supplement that, work with it, supplant it?

SENATOR SEGERBLOM:

This would just be to use the current program under medical marijuana until the Taxation Department is up and running on implementing Ballot Question No. 2. My goal would be to have the people in the Health Department actually go under the Department of Taxation rather than trying to recreate the structure. The structure we have for medical is really the same structure you are going to have for recreational under Ballot Question No. 2. But for now, we should just use our medical program and just allow a different tax structure. You could go to the dispensary right now with your ID, go in, walk around, pick the product you want and just pay a different tax rate.

ASSEMBLYMAN YEAGER:

I did want to note that in Oregon, that was the experience. Its existing medical marijuana structure was under the equivalent of Nevada's Department of Health and Human Services. Under Oregon's initiative that legalized recreational marijuana, it would go to the liquor department for control. They did kind of have two at that same time. It is my understanding that at some point, even the folks who were being regulated under the medical side wanted to move over to the liquor regulation side. That either it has happened or is happening, but it really streamlines the procedure. It would allow some benefits here rather than having two regulatory schemes and at some point get them under the same umbrella.

SENATOR SEGERLBOM:

Currently, there is a medical program under the Department of Health. Ballot Question No. 2 which is under Taxation would require two sets of books, two sets of inventories, and a different tax structure that would really be a nightmare for the owners. In any event, we need to have something like this where our program goes under Taxation so it is one inventory, just a different tax structure.

SENATOR HARRIS:

I want to make sure I understand the taxing structure correctly. It is a little convoluted in the bill. If I understand what I am reading, there would be a 5 percent excise tax for medical marijuana and a 15 percent excise tax on recreational pot.

SENATOR SEGERBLOM:

Correct. Right now there is a 2 percent tax at the grow and a 2 percent tax at the manufacturing level. Those values are way down and are not equivalent to a 2 percent at the retail. We are replacing those three 2-percenters with one 5 percent tax for medical at the retail level and a 15 percent tax at the retail level for recreational. That 15 percent and 10 percent, like the Governor wants and 5 percent would go to local governments in ways to be determined by those in conjunction with our Legislature.

SENATOR HARRIS:

One other question with regard to section 1, subsection 2, paragraph (a), subparagraphs (1) through (6) where we are talking about the variety of offenses that will be decriminalized for possession of marijuana, delivery of marijuana, paraphernalia and all of that: Do we know how many criminal statutes we are actually going to impact? You said we exempting people from prosecution for possession, delivery or production of marijuana; possession or delivery of paraphernalia; aiding and abetting another in the possession, delivery or production of marijuana; aiding and abetting another in the possession or delivery of paraphernalia; or subparagraph (5), which really caught my eye, "Any combination of the acts described in subparagraphs (1) to (4), inclusive"; and in subparagraph (6), "Any other criminal offense in which the possession, delivery or production of marijuana or the possession or delivery of paraphernalia is an element." I got to thinking about that and thought well how many criminal statutes are we impacting with the decriminalization?

ASSEMBLYMAN YEAGER:

I understand your question, although given this list of six exemptions, Legal could perhaps supplement that. This group of six offenses is intended to essentially immunize anyone in the dispensary or delivery process because now, obviously, if you were to provide to a nonmedical user, it would be a crime. My sense is that the subparagraphs are aimed at making sure we are not covering anyone, for instance, who is selling or maybe delivering under our statutes, or maybe someone who is buying and then giving it to a lawful user. I would think that someone could still be prosecuted, for example, for procuring marijuana and giving it to someone underage. I am not sure that answers your question. I sort of see these as a standalone to take recreational marijuana out of the criminal element. I do not know if it necessarily intersects with other crimes, but if you have something in mind that I could address, I would be happy to do so.

SENATOR HARRIS:

I was just curious, especially since you are a public defender.

ASSEMBLYMAN YEAGER:

I will say that since we implemented even medical marijuana, the amount of prosecutions, or number of prosecutions has really decreased. We only really see prosecutions where there are large quantities of concentrated cannabis involved. Before we really had any structure in the law, you would see more prosecutions for simple possession. My understanding is even now with the passage of Ballot Question No. 2, it is a hands-off approach until that gets fully implemented.

SENATOR HARRIS:

What does that do for those who want to participate in the black market? How can we criminally deal with those individuals?

ASSEMBLYMAN YEAGER:

My understanding is if you sell outside the context of a dispensary or some kind of regulated delivery system, that you would still be subject to prosecution because you are not following this statute and are not going through a dispensary lawfully.

SENATOR DENIS:

This says that in page 4, section 1, subsection 2, "On and after the effective date of this act ..." Do they have the ability to do that? Does Taxation and everything, I mean you are making it sound like you can just flip a switch and all of sudden it just starts working, but what would it really take?

SENATOR SEGERBLOM:

Legal Division said that this does not require the Department of Health and Human Services to create new regulations, that they can just internally say "We are going to allow recreational marijuana to be sold through our process under this new tax structure. "Now the local governments would probably get involved in each dispensary in local government and would probably have to go to their city or county board and ask for permission to do this and have their own internal process. As far as the State is concerned, the Department of Health could just say tomorrow we are flipping the switch, and anybody that is selling medically can sell recreationally just as long as it has changed the tax structure.

SENATOR DENIS:

How long is it going to take to put that tax structure in place? On the local government piece where it says in section 18, subsection 4, on page 14, line 32, paragraph (b),

Thirty-three and one-third percent must be deposited in the Local Government Tax Distribution Account created by NRS 360.660 for distribution to local governments in an amount for each local government based on the tax paid within each local government.

Is there anything that says how local governments can spend that or is it just going to be used however?

SENATOR SEGERBLOOM:

This does not specify how. I have had pushback from the counties saying that it should not all go to, for example, the city; the city should be able to get all 5 cents and have to share with the county. The Las Vegas Metropolitan Police Department wants to get a piece of it, so that frankly has not happened yet. That is why we anticipate, if the bill leaves this Committee and moves further into the legislative process, looking at where that 5 cents would go.

SENATOR DENIS:

That could get determined in the legislation?

CHAIR SEGERBLOOM:

Yes. We will have Chad Westom from the Health Department up next. Has your Department looked at the proposed bill S.B. 302 and thought about if this bill passed, how you would be able to implement and what kind of time frame you are looking at?

CHAD WARREN WESTOM (Chief, Bureau of Preparedness, Assurance, Inspections and Statistics, Division of Public and Behavioral Health, Department of Health and Human Services):

This is something we have looked at, and it is feasible. The Division is neutral on this bill; if passed, we would work with our programmers. We have the statewide portal which tracks all sales of medical marijuana, and there would need to be some programming to sell recreational marijuana. We work closely with the Department of Taxation so that the proper revenue is collected.

CHAIR SEGERBLOM:

What do you think the time frame for this would be?

MR. WESTOM:

I cannot even give you that time frame at this time, but I will get back to you.

CHAIR SEGERBLOM:

Ms. Contine, what would be required to implement a new tax structure if this were to happen?

DEONNE E. CONTINE (Executive Director, Department of Taxation):

With respect to the marijuana, we would have to reprogram the three 2-percenters to 5 percent at retail; with respect to the recreational sales, we would have to program the 15 percent initially. We also program distribution so the way our system is, it brings it in and sends it out. We would have to reprogram the distribution upon the implementation of section 18 from the bill.

I do not know about timing. My staff is still working on a fiscal note. Everything can be done quickly, it just depends on how much you want to spend. I am waiting for feedback from them.

CHAIR SEGERBLOM:

It is feasible to do this?

MS. CONTINE:

Yes.

SENATOR HARRIS:

With regard to data security and the records kept with regard to the medical marijuana program as we are expanding it out to recreational, we heard earlier in a Senate Finance Committee meeting that there were some breaches of the portal. I am curious to know what thoughts have gone around the integrity of the data, so that we are protecting identities and records from those who might want to improperly use that information.

MR. WESTOM:

There was a problem with the portal. There was inappropriate access to that information, and it was taken off-line. We brought in experts on programming and had extra eyes put on to that. It stayed off-line for many weeks, if not

months, until the data integrity was secure. A portion of the portal that is the agents' side is still down. Staff did some manual work to get the agent cards processed, but it has actually been overhauled. The portal has been brought to all current standards with all proper safeguards in place.

CHAIR SEGERBLOM:

Senator Harris, you will note on page 7 of the bill, we did include a paragraph dealing with confidential information and that dispensaries are required to eliminate that within 48 hours.

SENATOR HARRIS:

Yes, I saw that 48-hour provision, but my concern was with regard to sensitive information the State is collecting. I wanted to make sure there is some continued thought and discussion around how we protect the integrity of that data.

MS. CONTINE:

For clarification, under the recreational program, the State is not permitted to request data under the medical program because it compares a cardholder with the person who walks in the door to purchase. There is no requirement on the medical side. It is actually prohibited in Ballot Question No. 2.

SENATOR HARRIS:

Presumably, if they are paying with credit cards and all that other stuff, it means it goes beyond health data, right? I am concerned that there could be a breach of sensitive data whether it is health or otherwise. I want to make sure that the structural integrity for the IT is there.

WILL ADLER (Executive Director, Sierra Cannabis Coalition):

We support the general concept of an early start recreational program whether it ends up being your bill, Senator Segerblom, or the Department of Taxation's current process through the Governor's Task Force on the Implementation of Question 2. I want to emphasize we do have illegal sales of marijuana today because it is legal to possess and use marijuana in Nevada, so anything to close that timeline would be beneficial to the State. We like the mechanisms involved with getting local governments involved and having a tax mechanism to show some reciprocity. They are the ones selling it and should also be the ones getting some benefit. Many counties choose not to, and we need to respect

that. But also, we need to support the ones that choose to have recreational sales in the State.

RIANA DURRETT (Executive Director, Nevada Dispensary Association):

We represent 90 percent of the dispensaries in southern Nevada and 80 percent statewide. We support the effort to allow for legal sales of marijuana by July 1 for many reasons, one of those being the more time we allow the illegal and underground market to flourish, the harder it will be for the legal and regulated market to compete. Allowing the illegal, unregulated market results in less taxes for the State and no ability to enforce the State's law, including the prohibition on sales to those under 21 years of age.

Our Association met with law enforcement several months ago who shared with us intelligence they received via an interception of a communication from cartels that were having a field day with this delay between legal possession and legal sales. They were increasing their harvest and production, knowing that we were not going to catch up with them until we had legal sales in our State.

JAMES O. HARTMAN:

In regard to Oregon, if you have followed the press, you will find there is a major recall.

CHAIR SEGERBLOM:

You are referring to the recall of pesticides. We test everything to the nth degree and are the best and the first-tested state in the Country.

MR. HARTMAN:

I am only reflecting on using Oregon as a touchstone. I will also indicate that when Oregon's early start campaign began the eleventh month after Measure 91 had passed, they had pesticide issues in October 2015.

SENATOR SEGERBLOM:

They did not test. Nevada has been testing since Day 1.

MR. HARTMAN:

It is irresponsible for Nevada to begin an early start campaign on July 1. Reflecting on Colorado and its process in that State, in November 2012, it adopted Amendment 64. Within one month's time, the Governor of Colorado appointed a task force to work through the issues. The task force met through

January and February 2013, and completed its work on February 28 and issued a report on March 13, 2013. In Nevada, our Governor appointed the Task Force on the Implementation of Question 2 four months after the election. It was seated for the first time a couple of weeks ago on March 3. The timeline on that includes meetings this month and next month and a plan to issue a report on May 30. That is 30 days before the July 1 early start date. Colorado had a report on March 13 that was 9.5 months before start date of January 1, 2014. We are badly behind Colorado. More importantly, Colorado struggled but got a recreational marijuana program running by January 1, 2014.

What was sold to the voters of this State was there would be a one-year gap between when marijuana was legalized and when there would be a first sale of marijuana. That was part of the initiative. It was advertised to the people that this would be done prudently, carefully and responsibly. That has been the practice throughout wherever the Marijuana Policy Project has sponsored initiatives. That has been the practice whether it is California or Arizona or Massachusetts or Colorado or Nevada. There is a one-year period for the legalization process to work itself out and regulations to be adopted. Nevada is attempting to do something quite different by legalizing within a six-month period of time. Let us look at the Commonwealth of Massachusetts that passed legalized marijuana in November 2016. Its Legislature met in the last week of December 2016 and they said this is very complicated. Massachusetts passed a law that extended its period of time for first sale to July 1, 2018. The state treasurer said, "Boy, this is complicated stuff." A Democrat, a liberal, and she said "this is very tough stuff." The state senate president who supported Question 4 in that state, who is a very liberal Democrat said, "We want to do it right in Massachusetts. We are going to wait until July 1, 2018." That is the practice going forward in Massachusetts.

I will conclude by saying you have a lot of working groups out there that are not going to have a report and practices until the end of May. They need to be listened to. We have a tremendous number of issues still outstanding here that I think are pertinent and need to be sorted through. For example, edibles, that is not a charge to the Task Force. You have a bill that deals with the subject of edibles. I do not know what is in the bill. In Colorado, 50 percent of the market is in edible products. That is a big question mark going forward.

Regarding opt-outs, what is Nevada's practice going to be on opting out? In Colorado, 63 percent of the counties have opted out, meaning they do not have

commercial marijuana; 75 percent of the municipalities have opted out. Eighty-nine cities and counties in Oregon have opted out. In California, an entity can opt out of recreational marijuana and can opt out of medical marijuana. In Massachusetts, the biggest issue there are towns that want to opt out even though it has been legalized. They had a referendum in Westborough, Massachusetts, two weeks ago on the subject of opting-out. Question 4 had barely been defeated in the town of Westborough, but when it went to a vote of the people of Westborough, on a vote of 4 to 1, they opted out of legalized marijuana.

In other words, maybe people voted for Ballot Question No. 2 because they did not want to see people go to jail, they thought it was a good idea to tax it or that regulating it made some sense. When it comes to something in people's neighborhoods, towns and cities, they do not want recreational marijuana there. This Legislature is going to need to deal with the reality that this lost in 13 of 17 counties in Nevada. If it had not carried Clark County by 100,000 votes, it was even in the other 16 counties in this State. You have got to allow a lot of counties in this State to opt out if that is the will of their people.

CHAIR SEGERBLOM:

Let me address that issue. This bill only allows existing medical dispensaries. The 14 counties that do not have a medical dispensary do not have to worry about recreational marijuana. This pertains to just the medical marijuana dispensaries that currently exist. Regarding whether a county can opt out, that has already been decided.

The second thing is, we are out of here on June 5. We do not come back for two years. The Governor gave us a charge to raise \$100 million in the next 2 years. We cannot afford to sit around and wait.

And third, our medical program is better than Colorado's recreational program. We do not need to wait around and figure out what to do. We can implement this now and then Ms. Contine's platform and her things come together. They are going to work on the final regulations. To think we have to sit around for another two years to implement this is crazy. We already have the best laws on the books. All we need to do is to figure out how to get recreational in there.

GRACE CROSLEY (Nevadans for Informed Marijuana Regulation):

With respect to Senate Bill 302, one of its purposes is to prevent crime. It says one or more years will pass before retail sales of marijuana commence. The Department of Taxation plans to have regulations in place by July 1, which is just a few months away.

The bill predicts that between now and July 1, Nevada will develop a black market for marijuana, but marijuana has been illegal for decades. It is still illegal federally, and we already have that black market here. Certainly, any time in the past couple of decades if someone wanted to get pot, people knew exactly who to ask. In order for that black market that we already have to grow in size over the next few months, you would have to hypothesize that there are people who are unwilling to use marijuana until it is legal. At the same time, now that it is legal, they are willing to purchase it illegally instead of waiting a few months to be able to purchase it legally in a store. That does not make any sense. This bill is basically addressing an imaginary threat.

If we are really concerned about crime, we should be slowing the legalization process down rather than rushing it. The new crime problems are actually going to come when we add grow operations in retail stores. For example, there is an article by the THC Broadcasting Network that talks about crime in Oregon since legalization. It says,

In Oregon, community debates have been taking place concerning problems that have arisen from the regulation of marijuana. The problem they are currently facing is an overproduction of cannabis, meaning there is more cannabis being produced than consumed in the State. This implies that the excess production is entering into the black market for illegal exportation.

There is a similar article from *Fortune Magazine* in 2016 about Colorado.

Marijuana legalization has delivered some surprises statewide to regulators, police, and citizens alike. For instance, many people thought legalization would quash the black market for the drug. "That's been a fallacy," says Cynthia Coffman, Colorado's attorney general. Legalization of cannabis stores and grow operations has drawn more drug-related crime, she says, including cartels that

grow the plant in Colorado and then illegally move it and sell it out of state. "They use the law," she says, "to break the law."

Since 2013, law officials say they have busted 88 drug cartel operations across the state and just last year law-enforcement made a bust that recovered \$12 million in illegal marijuana. Adds Coffman: "That's crime we hadn't previously had in Colorado." The state legislature is trying to play catch-up.

My point is having retail sales of recreational marijuana is not going to stop crime. If anything, it is going to increase crime, and we need to take the time to come up with the correct regulations so that we can be prepared for that in advance.

Briefly, S.B. 302 says it will not interfere with the system approved by voters in Ballot Question No. 2. However, it actually does go against the language that was presented to voters, as Mr. Hartman referred to, because it is temporarily placing the Division of Public and Behavioral Health in charge of recreational sales. Ballot Question No. 2 clearly states that the Department of Taxation will be in charge of regulating and licensing recreational marijuana. That is what people voted for. They voted for requiring retail stores to be licensed by the Department of Taxation with the understanding that the Department would invest up to a year's worth of research and careful thought before proceeding to issue licenses. Now this bill says that the Division of Public and Behavioral Health shall adopt such regulations as it determines to be necessary or advisable to carry out the provisions of this section. But that is what the Department of Taxation is supposed to be already doing. Now we are asking the Division to just sort of do it on the fly based on what it has done with medical marijuana, and that is a recipe for some really bad policy. Obviously, even the authors of Ballot Question No. 2 knew that we need proper time to develop good regulations before rolling out retail sales.

The last point I want to bring up is the really big issue with the bill. It takes away the rights of local governments to permit or prohibit recreational marijuana stores. Medical and recreational marijuana are two pretty different topics.

CHAIR SEGERBLOM:

How does this take away that right?

MS. CROSLEY:

I am not positive that it does. It depends on how it is read. The lawyers I have spoken to were under the impression that local governments will not have the authority to prohibit the existing medical dispensaries from acting as retail stores for recreational marijuana. Is that so?

SENATOR SEGERBLOM:

No. It is not. But your concern is that the existing medical marijuana dispensaries would be allowed to do recreational without any local government approval?

MS. CROSLEY:

Yes. If that is the case, it basically turns the medical dispensaries into Trojan horses. Maybe people in the community thought "Yeah, you know medical, that's for people with existing debilitating medical conditions who need a controlled form of medicine. Yeah, you know we should be sympathetic and establish some dispensaries." But they might not want recreational marijuana in their community, or they might just want the opportunity to regulate and permit it differently than they do with medical marijuana. This bill is taking away that opportunity for local governments because they thought they were approving dispensaries.

CHAIR SEGERBLOM:

Let us cut to the chase here. We are going to hear from people from local government who are going to speak in a second. We will address that issue.

MS. CROSLEY:

Okay. If you are trying to make stores work for the whole community, sneaking them in like this is the wrong way to do it. If you try to do things too hastily, you are going to end up with a lot of backlash and unforeseen problems that you could have accounted for just by allowing the Department of Taxation to take the time and do its research. Let us do as Ballot Question No. 2 says, take our time, let the Department of Taxation come up with regulations, show some respect for local governments and communities, and do not rush into an early start.

MIKE CATHCART (City of Henderson):

Our concern is that the legislation would impact the moratorium our City Council has put into place. As you indicated though, we would have the opportunity to

clarify that as this bill moves through the process, if we see that is needed. We are willing to work with you on any language that we need to put into the bill. It would just clarify that local jurisdictions have that option to put a moratorium in place.

CHAIR SEGERBLOM:

Our intent is not to push anything down your throat if local government does not want it. If it is a moratorium, then local government wishes would be respected.

MR. CATHCART:

We agree with your statement earlier. Nevada is the best at the medical marijuana process now. Our program is the blue star program of the Nation. The five dispensaries in Henderson are some of the five-best operators in the Country.

CHAIR SEGERBLOM:

They really are. I mean that is the truth. To the extent that we can help them survive, that is tough to complain about.

ALEX ORTIZ (Clark County):

We are neutral and actually propose an amendment ([Exhibit D](#)) that Chairman Segerblom accepted on our behalf. It essentially clarifies that all local land use requirements must also be met by establishments under this bill. In section 1, subsection 4, [Exhibit D](#), we added a few words to ensure that is met.

CHAIR SEGERBLOM:

In response to the previous witness, would you say that the amendment would give you the authority to say "yay" or "nay," and we could not just ram something down Clark County's throat without your permission?

MR. ORTIZ:

We believe that does give us some official authority.

WES HENDERSON (Executive Director, Nevada League of Cities and Municipalities):
We certainly support the concept of the early start and appreciate Senator Segerblom's work on this. We also appreciate the funding piece for local governments. We have all had conversations with the National Association of

Counties (NACO) about working together to figure out how that would work, and we will continue to do that and work with this body as well.

CHAIR SEGERBLOM:

A question about that, whether the counties think they deserve a piece of the cities' pie, are you agreeable to that or are you just going to talk about it?

MR. HENDERSON:

Jeff Fontaine and I had a discussion about that this morning. Even if a dispensary is entirely located within a city within a county, it would still have some impact on the county. Like I said, we are willing to work with NACO to figure out just how that would be split up.

CHAIR SEGERBLOM:

Okay, good. Just do not take too long.

DAGNY STAPLETON (Deputy Director, Nevada Association of Counties):

We echo the comments of the previous testifiers, including Mr. Henderson. We did talk about that as well as with you this morning and appreciate the opportunity for us to work on that distribution piece. We will make sure that we do that and be quick about it. We also wanted to indicate our support and appreciation for you putting the mechanism in to bring some of the revenue and benefit to local government. Finally, we are also in support of Clark County's amendment, [Exhibit D](#), to ensure local governments retain that authority.

MS. CONTINE:

As you and the members may know, we are working toward an early program to be able to license marijuana establishments by July 1. We are having a temporary workshop next week, and it is the intent of the Governor to be ready to go forward. We will be going through that same process of having a hearing and getting community input. I would like to emphasize that process is prudent, and it is with a lot of thought. I am confident that the State will be ready to go on July 1.

CHAIR SEGERBLOM:

For the record, we are not trying to compete with you. It is just an idea that was supposed to be early start two months ago, and now we are finally here. The reality is there are probably a lot of ideas here that you may need help with

as you go through the same thing. I think we both agree that we want to have one inventory and one accounting system.

MICHAEL McAULIFFE (We Can):

We Can is the State's largest cannabis education nonprofit with chapters in Clark, Nye and Washoe Counties. We are officially neutral on this bill because although we support it 99 percent and we support you 100 percent for work you have done to get us to this point, Senator Segerblom, we would like to see an amendment to the bill. One of the 10 original requirements of S.B. No. 374 of the 77th Session was that medical marijuana establishments (MME) detail to the State and the county the community benefits their businesses would provide. This was mandated as part of the consideration as to which applicants would qualify.

In the intervening time, neither the State or counties have determined whether these business owners have kept their word. Considering that these businesses are planning to use State law to mitigate any potential federal prosecution, it behooves the State to determine whether these businesses are actually in compliance with their assurance to the State. We Can believes that an amendment to the bill should be included which precludes any MME from moving into the recreational market unless and until it has kept its word with the people of our State, which means holding each MME to fulfill the community benefits as promised when it was trying to close the deal and get a license.

Senate Bill 302 contains a provision whereby some of the monies collected are earmarked for the State Distributive School Account. If an MME owner decided to pay for some school lunches, buy some uniforms or underwrite some other aspect of educational needs, the State would not say that owner has fulfilled tax requirements to the fund. It is the same here. People who stand to make tens of millions of dollars here in Nevada should be required to honor their word and fulfill obligations they made to the State when promising the moon in order to get their licenses. Other than that, we completely support everything you are doing. It is a great move forward in our State.

CHAIR SEGERBLOM:

Finally, the Department of Taxation and the Legislature, we are going to get this done. We are going to get it done as soon as possible. We already have the best programs. We are just going to take that program, make it better and get it out

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there. For those that are in the industry, I can assure you that we understand the money and time you spent, and we are going to make sure that you are able to do your job, help our economy and be able to collect on your investments.

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CHAIR SEGERBLOM:

I will close the hearing on S.B. 302 and adjourn the meeting at 2:00 p.m.

RESPECTFULLY SUBMITTED:

Eileen Church,
Committee Secretary

APPROVED BY:

Senator Tick Segerblom, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	4		Attendance Roster
S.B. 302	C	8	Senator Tick Segerblom	Presentation
S.B. 302	D	5	Alex Ortiz/Clark County	Proposed Amendment