

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON JUDICIARY**

**Eightieth Session
May 21, 2019**

The Committee on Judiciary was called to order by Chairman Steve Yeager at 8:04 a.m. on Tuesday, May 21, 2019, in Room 3138 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/80th2019.

COMMITTEE MEMBERS PRESENT:

Assemblyman Steve Yeager, Chairman
Assemblywoman Lesley E. Cohen, Vice Chairwoman
Assemblywoman Shea Backus
Assemblyman Skip Daly
Assemblyman Chris Edwards
Assemblyman Ozzie Fumo
Assemblywoman Alexis Hansen
Assemblywoman Lisa Krasner
Assemblywoman Brittney Miller
Assemblywoman Rochelle T. Nguyen
Assemblywoman Sarah Peters
Assemblyman Tom Roberts
Assemblywoman Jill Tolles
Assemblywoman Selena Torres
Assemblyman Howard Watts

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None



STAFF MEMBERS PRESENT:

Diane C. Thornton, Committee Policy Analyst
Bradley A. Wilkinson, Committee Counsel
Karyn Werner, Committee Secretary
Melissa Loomis, Committee Assistant

OTHERS PRESENT:

J. Brin Gibson, General Counsel, Office of the Governor
Melanie Young, Executive Director, Department of Taxation
Shannon Kallin, Legislative Extern, Office of the Governor
Shellie Hughes, Chief Deputy Director, Department of Taxation
Jungmin Park, Legislative Extern, Office of the Governor
Laura Freed, Executive Branch Budget Officer, Office of Finance, Office of the Governor
Jorge Pupo, Deputy Director, Marijuana Enforcement Division, Department of Taxation
Randy Soltero, representing United Food and Commercial Workers International Union
Riana Durrett, Executive Director, Nevada Dispensary Association
Marla McDade Williams, Director, Strategies 360, Northern Nevada
Robert Groesbeck, Chief Executive Officer, Planet 13 Holdings, Inc., Las Vegas, Nevada
David F. Kallas, Private Citizen, Las Vegas, Nevada
Krystal Saab, General Counsel, Nevada Organic Remedies, LLC; and The+Source, Las Vegas, Nevada
Chuck Callaway, Police Director, Office of Intergovernmental Services, Las Vegas Metropolitan Police Department
William Adler, representing Scientists for Consumer Safety
Clint Cates, Owner, Director of Compliance, Kynd Cannabis Company; and Mynt Cannabis Dispensaries
Fernando Leal, Chief Executive Officer, WSCC, Inc., Reno, Nevada
Mona Lisa Samuelson, Private Citizen, Las Vegas, Nevada
Aesha Allums-Goins, representing Eaze, LLC
Hawah Ahmad, representing Delta Nine Group, LLC
Leo Drozdoff, representing Western States Hemp
Haley Summers, Government Affairs Associate, Blockchains, LLC
Rebecca S. Gasca, representing Alliance Financial Network, Inc.
Corey Solferino, Lieutenant, Legislative Liaison, Washoe County Sheriff's Office
Vicki Higgins, representing Medical Cannabis Advocates
Virginia Valentine, President, Nevada Resort Association
Erin McMullen, representing Boyd Gaming Corporation
Dagney Stapleton, Executive Director, Nevada Association of Counties

Dylan Shaver, Director of Policy and Strategy, Office of the City Manager, City of Reno

Jude F. Hurin, Administrator, Management Services and Programs Division,
Department of Motor Vehicles

Wes Henderson, Executive Director, Nevada League of Cities and Municipalities

J. Chase Whittemore, representing Las Vegas Sands Corporation

Jim Penrose, representing Nevada Resort Association

Nick Vassiliadis, representing Nevada Resort Association

Michael Alonso, representing Caesars Entertainment

Sam Bauserman, representing Peppermill Casinos Inc.

Chairman Yeager:

[Roll was called. Committee protocol and rules were explained.] We are going to move on to our agenda. At this time, I am going to hand the gavel over to our Vice Chairwoman since I will be helping to present the bill [at 8:07 a.m.].

Vice Chairwoman Cohen:

I will now open the hearing on Assembly Bill 533.

Assembly Bill 533: Revises provisions relating to cannabis. (BDR 60-1217)

Assemblyman Steve Yeager, Assembly District No. 9:

With me at the table this morning is Mr. Brin Gibson, general counsel for Governor Sisolak, and Ms. Melanie Young, Director of the Department of Taxation. It is my honor to make some introductory remarks in support of Assembly Bill 533.

Assembly Bill 533 represents the next evolution of the cannabis industry in Nevada by setting up the Cannabis Compliance Board (CCB) and the Cannabis Advisory Commission. Just as Nevada is the gold standard when it comes to gaming, so too can Nevada be the gold standard when it comes to cannabis. Assembly Bill 533 will make that goal a reality.

A little bit of history as to where we have been might be helpful. Since 2013, our former colleague, Senator Tick Segerblom, a passionate and tireless advocate for a well-regulated cannabis industry, planned a series of fact-finding missions to other jurisdictions to learn more about regulating cannabis. I should add that these fact-finding missions came at no cost to the taxpayers.

In 2013, when the state first set up a system of dispensaries for medical marijuana, I was in this building, not as an elected official, but as a lobbyist for the Clark County Public Defender's Office. During that session, I joined lawmakers in a visit to Phoenix, Arizona, to study their system of dispensaries. In 2013, Nevada launched its medical program with the Department of Health and Human Services taking the lead. In 2015, I returned to this building as a lobbyist and traveled with others to Denver, Colorado, to learn more about their burgeoning adult-use industry. Some tweaks to Nevada's medical program were made that session.

At the 2016 General Election, Nevada voters approved adult-use marijuana. Before the 2017 Session, I traveled with other lawmakers to Portland, Oregon, to learn about their early start sales program, where they implemented the adult-use program earlier than required by their ballot initiative. We were able to start the adult-use program in Nevada six months earlier than required by the ballot initiative and to move the program under the Department of Taxation. It was a credit to the Department of Taxation and the former director, Deonne Contine, that Nevada was able to enact an early start a full six months before mandated.

Finally, prior to this session, I joined a delegation of lawmakers and others on a visit to San Francisco to study their consumption lounges and further explore that model. Also, prior to this session, Nevada hosted New Jersey lawmakers and lobbyists who traveled to Nevada to learn about our industry and how they might replicate its success in the Garden State.

So why am I telling you all of this? Because all of those fact-finding missions, and all of that research culminates today in Assembly Bill 533, which ensures that Nevada will remain at the forefront of responsible regulation when it comes to cannabis. With this legislation, Nevada will continue to be the model for other states on how to do this and do it right. As much as I might like to plan and attend another fact-finding mission, those days are likely over. With this legislation, with this regulatory model, Nevada will be the destination for fact-finding delegations from other states.

The bill itself, in section 3, lays out why this piece of legislation is so very important. The continued growth and success of this increasingly important industry depends upon public confidence and trust. Public confidence and trust only happen when the industry is regulated in an efficient, fair, and transparent manner. That is exactly what the Cannabis Compliance Board (CCB) and the Cannabis Advisory Commission will do.

I must give credit where credit is due, and credit is due to Mr. Brin Gibson, who has worked tirelessly on this legislation, and many others in this room, including Ms. Young, who have contributed tremendously to the legislation in front of you.

J. Brin Gibson, General Counsel, Office of the Governor:

I have the honor of presenting Assembly Bill 533. The first question one might ask is why this bill? What is the necessity of the bill? What is the origin? In 2017, then-Governor Brian Sandoval empaneled a task force to prepare for the implementation of recreational marijuana. That task force came up with a number of recommendations. It is a robust series of discussions and recommendations that you should review if you have not had the chance yet.

One of the key recommendations was, at the appropriate time, that a Gaming Control Board-type structure be created to regulate cannabis. As I looked back through the minutes of the task force and talked to people, I realized that, much like gaming, people who study cannabis, and marijuana in particular, saw that there was an evolutionary need that was happening fairly quickly. The regulatory model needed to evolve in kind and in step with the

way the industry was evolving. When Governor Sisolak took office on January 7, 2019, I became his general counsel. I came immediately off a position as chief of the Gaming Division in the Office of the Attorney General. I spent four years there as chief counsel to the Nevada Gaming Control Board and the Nevada Gaming Commission, and wrote many of their regulations. I was involved in many of the key disciplinary actions that you read about. I had a good sense; I had been involved in reviewing structures of regulatory agencies around the world, especially in gaming. Most other countries, as they try to stand on their own gaming regulatory structures, come to Nevada to look at what we did. They made changes based on their culture, et cetera, but for the most part the structure and the center was the same. What I noticed through that experience and prior experience was that regulatory structures in general had a number of commonalities. The parallels between gaming and the evolution of gaming in the early days of wide-open gaming—in 1931 Governor Fred B. Balzar signed into law a wide-open gambling statute—and the cannabis industry today are actually amazing. Dennis Neilander, who has been the longest-serving chair of the Gaming Control Board, has privately discussed with me the parallels between the cannabis industry and its growth and regulatory structures and the need for regulatory evolution to keep up with it as being the similar kind of evolution that we have seen in gaming.

To go back to the gaming space—so you can understand what we are doing here—in 1945, the Nevada Legislature passed a law authorizing the state's first casino licenses, and authorized the gaming revenue tax. The Nevada Tax Commission at that time became the first regulatory authority for the gaming industry; however, in 1945, statutory amendments to gaming provisions granted no express authority for the Tax Commission to truly regulate the gaming industry. We had an enterprising and very talented attorney general at that time, Alan H. Bible, who went on to fame in the political world. He issued an official attorney general opinion (AGO), and argued that the 1945 gaming statute, even though there was no express authority for regulating gaming, implied the authority to pass regulations necessary to inquire into the backgrounds in probity of potential casino licensees. As the gaming industry shot up and started to evolve by the bootstraps, the regulatory structure tried to catch up. It is unusual for an AGO to step out in front of law. It is not something I would personally do, and I do not think you would see it very often these days, but he did it back then and for important reasons. We are in a similar position today, although we have the benefit of being in session. We have the opportunity to pass laws as opposed to using AGOs or other methods to catch up to the industry, which is what we are trying to do.

In 1950, United States Senator Estes Kefauver from Tennessee empaneled a federal committee with the charge of reviewing the influence of organized crime in America. He chaired the committee, and his focus became a microscopic scrutiny of Nevada's early gaming industry. He was critical of Nevada's, what he called, "thin gaming regulatory apparatus." While Nevada's federal delegation did its best to push back on the Senator from Tennessee and federal efforts to basically squash out entirely the gaming industry, state leaders realized that they had to strengthen the controls of the original Gaming Control Act.

In 1955, the Nevada Legislature passed the next Gaming Control Act. It was part of Elko Democratic Governor Grant Sawyer's theme, "Hang Tough!" He said to put in place something that works and is legitimate in order to legitimize the gaming industry, but also to keep the federal government out. The 1955 version of the Gaming Control Act is the one that, when people talk about the Gaming Control Act, they are usually talking about. They created a two-part regulatory structure with a full-time gaming control board acting as the administrative agency. It reported its findings of investigations into gaming applicants to the Nevada Tax Commission, which had the ultimate authority to approve the casino licenses. The problems with the gaming industry at that time persisted, and they were not able to entirely drive out organized crime.

I misspoke. The governor in 1955 was not Grant Sawyer. In 1958, after he won election, Sawyer's slogan was, "Nevada is not for sale." He pushed legislation during the 1959 Session to move regulatory authority for the gaming industry from the Tax Commission to an independent agency: the Nevada Gaming Commission. From 1959 to the current day, the gold-standard gaming regulatory structure in Nevada consists of a two-part structure. We now have the Nevada Gaming Commission, which is the deciding authority, and the Nevada Gaming Control Board, which is the administrative agency that makes recommendations to the Commission.

The historical parallels that I mentioned between the evolution of Nevada's gaming industry and the marijuana industry are fascinating. It is happening much faster for marijuana than it did for gaming. It took a number of years of wide-open gaming, from 1931 to 1959, to get the modern structure in place. There was a lot of stuff that happened in between, especially the intrusion of organized crime into the gaming industry, which has since been stamped out. The Gaming Control Board and the Commission have done a great job of doing that. It is the finest gaming regulatory agency in the world.

In the marijuana space we have a very fast-moving, highly lucrative, in most cases cash-based business that is prohibited at the federal level. We have a series of states, primarily through ballot initiatives, that have pushed a state's rights—Tenth Amendment narrative—and passed laws that have enabled marijuana, especially medical marijuana—and now recreational in some states—to be legalized under a regulatory regime. The federal government has failed to act. They have not acted to this point to alleviate some of the difficulties with banking and regulatory oversight, et cetera, but they have done a few things that have eased some of the pressure from the federal government. They authored the Cole Memorandum from the U.S. Department of Justice, which was effectively an enforcement memorandum that set out a series of directives that, if you are a state that has, what we will call, "state licensed or regulated marijuana," as long as you follow the mandates, you will be more or less protected from federal prosecution, which is what everyone is concerned about.

The Wilkinson Memorandum was the application of the Cole Memorandum taken and applied to tribal sovereigns. Both of those memorandums, under former-U.S. Attorney General Sessions, were rescinded. When that happened, it created a lot of uncertainty in the

cannabis world. If you read the industry publications and listen to the folks in that space, there was a lot of chatter and discussion right after the rescinding of those two memorandums suggesting that Attorney General Sessions' "broken window" theory—marijuana being like a broken window—the theory of crime prevention, was what was going to take hold. There was some concern in the industry that the federal government might crack down.

We are still in the same position. During his confirmation hearing, the current Attorney General, William Barr, suggested that he would hold to the dictates of the Cole Memorandum if he were to be put into that position; he was confirmed. We at least have his statements on the record that the Cole Memo and its prioritization of prosecution and use of federal law enforcement resources will stand. Nonetheless, it is important that we recognize we do not have the Cole Memo in writing. We do not have federal action, and we need to have a clean, transparent, and robust industry related to cannabis.

The Nevada Governor, as one of his first acts, signed Executive Order 2019-03 on January 7, 2019. He empaneled a board that we will call a task force, but it was an advisory panel for creating a Nevada Cannabis Compliance Board (CCB). That was something I understand was out of his experience in dealing at the county level as Chairman of the County Commission. He saw the need for additional ordering among the various counties and municipalities across the state when it comes to cannabis rules, how they apply, transparency, fairness, equity, et cetera. By signing Executive Order 2019-03, he put in place a group to review a number of different things, not the least of which was how to stand up a regulatory agency that could provide the protection to the legal cannabis industry that is necessary to ensure the federal government and others that are looking at it see a robust regulatory structure—not overly robust where it is pressing down and pushing out potential operators—that keeps the industry clean. We did that. Members of the panel included me as the Chair of the panel. We also had Arlan D. Melendez, Chairman of the Reno-Sparks Indian Colony; Jennifer Roberts, professor, gaming lawyer, and who is now the associate director of the International Center for Gaming Regulations at the University of Nevada, Las Vegas; Senator Yvanna D. Cancela; Assemblywoman Daniele Monroe-Moreno; and Dennis Neilander, who is the longest-serving chair of the Nevada Gaming Control Board. We met and broke into work groups. The work groups sent back recommendations. One of the key recommendations and points of agreement was the same one that came out of Governor Sandoval's 2017 task force: the need to stand up a separate and dedicated regulatory structure to cannabis enforcement, compliance, and regulations in order to dedicate resources and ensure the focus is not diverted to other functions, such as those a tax department might have, and that can move, be agile, react to the industry, keep it clean, and have access to records. We need to know who owns what, and if there are violations of monopolistic provisions in statute, this Board would also have the authority to issue primarily civil disciplinary actions, all to keep the industry clean, and through that process, legitimize the industry; and as it did so, in the same way gaming has spread across the country and the world, we would see cannabis become legitimate. According to a model similar to gaming, we would see a model adopted across the country and the world that would show others how to regulate the cannabis industry.

That is the background, the genesis of Assembly Bill 533. It took a lot of work. I am not an expert on marijuana. The key elements of Assembly Bill 533—the thing the Governor pressed on me—was to stand up a structure. That structure is the structure that both task forces suggested and is similar to the Gaming Control Board, but it is a lighter structure of roughly 45 people as opposed to the 400 in gaming. It is an attempt to recreate a similar type of apolitical regulatory structure that is self-sustaining for the most part and is able to stay clean and help grow this industry.

Melanie Young, Executive Director, Department of Taxation:

I would like to share a bit about the Department of Taxation, our mission, and what we do. The Department of Taxation's mission is to provide fair, efficient, and effective administration of tax programs in Nevada. In fiscal year (FY) 2018, the Department collected \$6.87 billion in taxes, which was an increase of \$519.5 million over FY 2017, for an 8.18 percent increase. The taxes that are collected fund the State General Fund, the Distributive School Account (DSA), the State debt service fund, as well as local governments.

The Department is organized in six divisions: the Executive Division, Compliance, Administrative and Fiscal Services, Local Government Services, Information Technology, and the Marijuana Enforcement Division. The Department serves as staff to five boards and commissions: the Nevada Tax Commission, the Committee on Local Government Finance, the Appraiser's Certification Board, the State Board of Equalization, and the Mining Oversight and Accountability Commission. The Department collects revenue from 17 different tax types and has approximately 725,000 active taxpayer accounts. Since July 2018, the Marijuana Enforcement Division has implemented the adult use of marijuana, regulated the industry, and collected \$81.2 million in FY 2018. So far in FY 2019, we have collected \$82.4 million, including taxes and licenses.

Assembly Bill 533 proposes to separate the regulatory structure of the cannabis industry and tax collection by providing dedicated resources to the cannabis industry to ensure a well-regulated, gold-standard industry. This will allow the Department to return to its core mission of collecting and distributing taxes. The amount of revenue collected in taxes and fees for the marijuana industry equals 1.18 percent of the total revenue we receive. However, since the implementation of the program, the Department has dedicated significant resources to stand up the marijuana program, so much so that the Department has stopped growing its tax programs. Currently, only 3 of our 17 tax types can have returns submitted on line, which means 14 tax types have to submit paper tax returns to the Department. The Department does not currently accept any form of payment other than cash, check, or an online transfer from a checking account. To be a fair and efficient taxing entity, the Department of Taxation needs to return to the core mission and address these areas.

The risk to the state of continuing to dedicate the Department of Taxation's resources to regulating the cannabis industry could be delayed tax collections, delayed tax distributions, unallocated revenue, and higher accounts receivable. For example, during the last economic forum, there were multiple comments from the state's economists about the Department not

distributing over \$20 million of tax revenues for two quarters that would have been distributed to the General Fund. This was due to a taxpayer paying his taxes, but the tax return never arrived. This is one of the 14 tax types for which a taxpayer has to file a paper return.

I would like to thank you for your consideration of Assembly Bill 533, so the Department can address its resources, grow the tax program to be more fair and efficient to Nevada's taxpayers, and return to their core mission, which funds a lot of what the state does—the General Fund, local school districts, and local governments—so they can function.

Brin Gibson:

I would like to make one correction on the record. There was an additional member on the task force and that was Chris Giunchigliani. She is an outstanding member, is very knowledgeable, and has been involved since the beginning. I want to thank her as well.

Shannon Kallin, Legislative Extern, Office of the Governor:

I am an extern in the Office of the Governor. We will present the major components of the bill, which will include an overview of the purpose, new definitions, the Cannabis Advisory Commission, the Cannabis Compliance Board, medical and adult-use, retail sales, consumption lounges, the delivery of cannabis, advertising cannabis, hemp retail sales, and the amendments ([Exhibit C](#)).

The purpose of Assembly Bill 533 is to protect public health, safety, and the general welfare of Nevadans with regard to cannabis [page 3]. It is also to regulate, license, and register medical and adult-use cannabis establishments and agents. It establishes the Advisory Commission of industry experts to study cannabis and the cannabis industry and to recommend regulations. It also establishes a Cannabis Compliance Board to execute provisions within this bill, and provides oversight of hemp-derived products sold in cannabis establishments.

We are going to go through some new definitions [page 4]; obviously not all of them since it is a 180-page bill. "Cannabis" will be used in place of "marijuana" in the statute. "Cannabis Advisory Commission" is a body that studies cannabis-related issues and makes recommendations to the Cannabis Compliance Board. "Cannabis Compliance Board" will carry out those recommendations, handle regulations, licenses, registrations, and discipline. There is a concept of a "dual license" which allows sellers to sell medical and adult-use cannabis. There will be an "agent registration card," which is a license given to owners, employees, contractors, and volunteers by the Cannabis Control Board for the lawful sale and distribution of cannabis. There will be a separate "agent registration card" for an executive license, which is given to owners who have more than a 5 percent share. There is also a "cannabis consumption lounge," which licenses businesses that allow consumption of cannabis or cannabis products on their site without selling or distributing cannabis products.

Now, let us talk about the Cannabis Advisory Commission [page 5]. The purpose of this Commission is to study issues and make recommendations, covering everything from

research, use, cultivation, sales, advertising, and regulations of cannabis. The members of the Commission are composed of an Executive Director who is the Chair; the Director of the Department of Public Safety; the Attorney General; the Executive Director of the Department of Taxation; and eight Governor appointees who represent the industry as a cultivator, a retail seller, a laboratory scientist and toxicologist, a product manufacturer, a physician, a cannabis use advocate/expert, a criminal justice reformer, and a cannabis law attorney.

Next is the Cannabis Compliance Board [page 6, ([Exhibit C](#))]. The purpose of the Board is to establish Nevada as the leader in the cannabis industry, with a world-class model for other states to follow. It is also to promote licensing transparency and fairness, and to instill public confidence and trust that the cannabis industry will run in a safe and efficient manner. It transfers regulatory functions from the Department of Taxation to a body suited to keeping the industry competitive, inclusive, and accessible. The function of the Board is to regulate, license, and register establishments and individuals engaged in the production or sale of cannabis or cannabis products, and to enforce the laws in this state.

The Board is composed of Governor-appointed members, with at least one public accountant with expertise in finance or economics; an expert in investigation or law enforcement; a licensed attorney specializing in regulatory compliance; an expert in the cannabis industry; and a licensed physician with expertise in public health, environment, or public health care [page 7]. The Chair must have at least five years of leadership experience in his or her field. The main duty and responsibility of the Compliance Board is regulation. They will enforce, adopt, amend, and repeal regulations of the cannabis industry. They will also outline oversight, recordkeeping, and audit requirements for cannabis establishments. They will share adoption of hemp regulations with the State Department of Agriculture, covering retail sales of hemp products. They will set forth quality standards, tests, and labels for commodities and products made using hemp and similar products containing cannabidiol.

They are also responsible for licensing [page 8]. They will govern medical and recreational cannabis establishments and consumption lounges; maintain the records of applications and licensing; conduct audits on accounts, programs, funds, activities, and other functions of the licensees; and will allow for dual licensing for combining inventory of medical and recreational cannabis. The Compliance Board is also responsible for registration. They govern medical and recreational cannabis establishment agents. This bill also extends agent cards from one to two years.

The Compliance Board is also responsible for prescribing any fees [page 9]. Any revenue generated must first pay the costs of the Board, and any excess revenue must be given to the State Treasurer for the State Distributive School Account in the State General Fund. The Board also handles disciplinary issues. It sets forth procedures by which action may be taken against a licensee or registrant. Investigations of complaints are conducted by an independent fact-finding body. The hearings are conducted by the Board where both sides present and refute evidence. Any disciplinary action is determined by the Board. Unfavorable decisions may receive a judicial review in district court. There is a final appeal option available at the appellate court level.

Shellie Hughes, Chief Deputy Director, Department of Taxation:

I will be discussing the provisions that are carried over from current law and what provisions are being revised. Then I will turn it over to Mr. Park who will discuss the provisions relating to delivery of cannabis and advertising. After that summary, I will discuss our conceptual amendments for the bill ([Exhibit D](#)).

To begin with, in provisions 125 through 171, existing law regarding medical-cannabis establishments is reenacted and revised into a new chapter of the *Nevada Revised Statutes* (NRS) [page 10, ([Exhibit C](#))]. These provisions were not intended to substantially change existing law. This section carries over provisions from NRS Chapter 453A in the role of the Division of Public and Behavioral Health in medical cannabis use. The Division will still have oversight of the issuance of registry identification cards and letters of approval, and they will continue to regulate the holders of those cards and letters. The only new language in this section is in section 152, which allows dispensaries to deliver cannabis and cannabis products to a person who holds a valid registry identification card or a letter of approval, if the delivery is made by a cannabis establishment agent who is authorized to deliver by the dispensary in which he or she is employed. It also enables the Board to adopt regulations prescribing procedures and protocols for delivery.

In provisions 173 through 187, existing law regarding oversight of adult-use cannabis establishments in NRS Chapter 453D is reenacted and revised into a new chapter of the NRS. Some areas to highlight in this section include section 178 that provides an exemption from state prosecution for persons 21 years of age or older in cannabis establishments from certain actions related to the adult use of cannabis. This is brought over from existing law. Another area to highlight is section 185 in the companion section on the medical side of section 150, which allows for dual licensees to combine medical and adult-use inventory and designate each sale as either a medical sale or an adult-use sale at the point of sale. Section 185, subsection 4(b) requires a dual licensee to verify that each person who purchases medical cannabis or medical-cannabis products holds a valid registry identification card.

Sections 103 through 105 are provisions regarding agent registration [page 11]. Section 104 is a new provision that will create a new category for cannabis executive agent registration cards for individuals holding an ownership interest in a cannabis establishment of 5 percent or more.

Sections 91 through 94 include provisions related to medical cannabis establishment licenses and discuss the application, the limit on the number of licenses per county, how monopolistic practices will be prevented, and the criteria the Board will consider when granting applications.

Again, sections 103 through 105 provide the provisions for agent registration cards. They are the same requirements as medical agent cardholders [page 12]. The corresponding provisions relating to the adult-use cannabis establishment licenses are in sections 96 through 99. Section 102 provides provisions regarding the issuance of a license as provisional until such time that the establishment is in compliance with all local government

ordinances and rules, and the local government has issued a business license for the operation of the establishment. Section 107 incorporates the fees that are already in existing language in NRS 453A.344 and NRS 453D.230, but changes the fee for the registration card from \$75 to \$150 due to the corresponding change in the renewal period from one year to two years in sections 103 and 104. Section 110 provides that the establishment licenses and registration cards are not transferable, but enables the Board to adopt regulations that describe the procedures and requirements which allow the holder to transfer its license.

Sections 100 and 119 through 121 contain provisions regarding cannabis consumption lounges [page 13, ([Exhibit C](#))]. We have a conceptual amendment ([Exhibit D](#)) to these sections that will be discussed later.

There are a few more provisions I would like to highlight [page 14, ([Exhibit C](#))]. Section 205 designates enforcement agents as peace officers for the purposes of enforcement of the provisions and the prevention of unlicensed cannabis sales. Section 213 brings over provisions in NRS 453D.500 to NRS Chapter 372A. *Nevada Revised Statutes* Chapter 372A is the chapter regarding taxes on controlled substances. This provision imposes a 15 percent excise tax on the wholesale of cannabis by adult-use cultivation establishments and is in line with the 15 percent excise tax on the wholesale of cannabis by medical-use cultivation establishments. This is an existing model, and we are just moving it over to the correct provision. The collection of tax on cannabis and cannabis products will still be conducted by the Department of Taxation. Lastly, section 223 authorizes the Board to adopt regulations establishing quality standards and requirements for hemp for human or animal consumption.

Jungmin Park, Legislative Extern, Office of the Governor:

Assembly Bill 533 would allow both medical and adult-use cannabis establishments to deliver their products to customers within the regulations outlined in sections 114, 148, 151, and 185 [page 15]. First, deliveries must be made by cannabis establishment agents who are authorized by the cannabis sales facility to make deliveries. Second, the sale for delivery must be made directly from a licensed retail establishment or its website. Next, if a third party or intermediary is used for delivery, such a third party may not advertise that it sells, offers to sell, or appears to sell cannabis or cannabis products or allows customers to submit orders with them for such. Furthermore, section 185 requires that adult-use cannabis retail stores and all independent contractors who perform deliveries of cannabis and cannabis products for such stores must have their names published on the Internet website of the Cannabis Compliance Board.

Section 116 prohibits selling, offering to sell, or appearing to sell cannabis or related products without a license to cultivate or sell [page 16]. Section 185 mandates that adult-use cannabis establishments may not advertise in a way that promotes overconsumption of cannabis products, depicts the actual consumption of cannabis, depicts a person less than 21 years of age, appeals to persons who are under 21 years of age; and such establishments shall not place an advertisement within 1,000 feet of a public or private school, playground, public park or library, but may maintain such an advertisement if it was initially placed before the aforementioned places were moved within 1,000 feet of it. There are other

regulations and required disclosures in this section. One final notable regulation I would like to mention is in subsection 2, which states that a local government may adopt an ordinance for the regulation of advertising related to cannabis, which is more restrictive.

Shellie Hughes:

We put together some conceptual amendments for Assembly Bill 533 where the Department of Taxation has incorporated amendments received from various parties. I can go through them one by one or I can highlight the major amendments ([Exhibit D](#)).

The major amendments include, first of all, defining an owner for the purposes of licensing under this chapter not to include stockholders holding less than 5 percent interest in a publicly traded company that is applying for a license. It revises the definition for tetrahydrocannabinol (THC) in section 51 to the definition in NRS 453.139, which includes Delta-8-THC. For section 66, we are asking to revise NRS 360.255 to allow the Taxation Department to share information with the Board and to add provisions allowing the Board to provide licensing names, including owners, officers, and board members, much like what was included in Senate Bill 32 that was recently passed. It should be noted that this section applies to new applicants and licensees going forward. Section 67 will clarify what type of audit will be conducted. Taxation will still conduct the tax audits. Section 68 will clarify that the Office of the Attorney General will work on criminal violations in conjunction with the POST-certified [Nevada Commission on Peace Officers' Standards and Training] officers employed by the Board. In sections 91 and 96, we would request that the provisions apply for initial applications, and a separate process will exist for renewals.

Regarding section 100, which relates to consumption lounges, our recommendation is to establish local government regulatory authority over cannabis consumption lounges, but provide a list of standards that must be followed for the board of county commissioners to approve a license. Another last minute revision to this section—that will not be in the summary that was provided today—will include a standard that prohibits gaming or alcohol in the consumption lounges. This section will become effective upon passage. The second part of this section will enable the Board to adopt regulations providing for the standards by which a local government may grant a license, and that section will become effective July 1, 2020.

Section 118 adds language as to who will cover the cost of the Random Laboratory Assurance Checks program. Section 169 revises the procedures in which the Division and the Department of Motor Vehicles will issue registry identification cards. Then, another section should be added right before section 223 that makes revisions to NRS Chapter 439 that allow the Department of Agriculture and the Board to adopt regulations regarding the sale of any commodity or product containing hemp, which is intended for human consumption or a product that purports to contain cannabinol with a THC concentration for the testing of such commodities and products.

In summary [page 18, ([Exhibit C](#))], Assembly Bill 533 provides provisions to create a Cannabis Compliance Board to regulate, license, and register medical and adult-use cannabis

establishments and agents. The Department of Taxation will retain the tax collection that pertains to cannabis and cannabis products. The Division of Public and Behavioral Health will retain the registry cards and letter of approval processes. *Nevada Administrative Code* Chapters 453A and 453D will remain in effect and will be transferred to the Board on January 2, 2020. All references to the Department will be changed to the Board. These regulations will remain in effect until revised or repealed by the Board. All current licensees and establishment agent cardholders as of January 1, 2020, will continue to hold such a license until that license expires or is revoked. The act will become effective upon passage and approval for the purposes of adopting regulations and performing other preparatory tasks, and on January 2, 2020, for all other purposes.

Assemblywoman Miller:

I do not think any of us question the need for this. I have a question about the makeup and structure of the Board and Commission. I am looking at section 55, subsection 1, which says, "Each member of the Board must be, or within 6 months after appointment become and remain, a resident of the State of Nevada." Why would we appoint people to be on the Board that are not already living in Nevada? I have a commitment to ensure we put Nevadans first. This essentially says that we could potentially appoint people who do not live in Nevada and then give them six months to move to Nevada. Since this work is for Nevada with Nevadans as the focus, I wonder why that would be in there.

Shannon Kallin:

Quite a bit of the composition of the Board was taken from the Gaming Commission. We can make a note of that and work with Mr. Gibson on possibly changing that.

Brin Gibson:

In practice, I do not think it would ever happen since it never has happened. There has never been an appointee to the Gaming Control Board or Gaming Commission who was not a Nevada resident. There would not be on this Board either. That is archaic language that has been carried over. We can change that.

Assemblywoman Miller:

Then you are okay with amending the archaic language out?

Brin Gibson:

Yes.

Vice Chairwoman Cohen:

Committee members, to make it easier for the rest of us since this is such a large bill, please also say the page number even though that is not our habit. It will help all of us when flipping through to find what you are speaking of.

Assemblywoman Miller:

I am looking at page 10 of the bill where it talks about section 52 and who will be on the Commission, and the different fields and levels of expertise they come from. Has there been

any consideration to including a counselor or social worker or someone who works directly with the people or families?

Brin Gibson:

Yes, that was one of the categories we were trying to capture. Subsection 1, paragraph (e)(6) of section 52 says, "One member who is a representative of an organization that advocates on behalf of patients who engage in the medical use of cannabis." You might be talking about something that is broader, and we can broaden that language if that is necessary. We are looking to find advocates for people who have issues that may lead them to need medical marijuana.

Assemblywoman Miller:

On page 11, section 53, subsection 2, paragraph (d), where you are explaining the different subcommittees, it talks about the participation of women-owned businesses, minority-owned businesses, veteran-owned businesses, and local agriculture. I think those are all terrific groups that we need to stay focused on, but how? One of the concerns that has been laid out for the last few years is that we do not currently have enough representation between these groups in the ownerships and licenses of the dispensaries and such. Can you explain the work you anticipate that subcommittee would do to ensure more engagement or more accessibility? Accessibility is truly the issue. We have to be honest that these licenses are not easy to obtain by the average Nevadan. Even in here, we are talking about the large amount of money you need to have and the percentage of ownership that you have to have. There may be some potentially innovative and creative business owners out there, but it has not been made accessible to everyone. Can you please speak to that briefly?

Brin Gibson:

That has been a primary concern of the Governor. One of the issues with ensuring financial probity on the front end is that what you end up with are people who have more access to traditional training and unfettered capital. There is some homogeneity in the ownership now. That is something we need to find ways around, especially among those populations that have been most affected by the converse of what we are trying to do here, which is what we would traditionally call "the war on drugs," especially marijuana. In the ancillary businesses that surround marijuana, there are opportunities for low-capital investment. People from those communities would have the opportunity to participate.

I also think the Advisory Commission will be people who are not precluded from serving on this group by virtue of their participation in the industry, so they can have what I call a "conflict." They are just advising, and nothing they say is mandatory. The people on the Board will have to be entirely divested from the industry. This group will understand where the essential insertion points are, how to fit the people from these groups in, and how to make opportunities. Massachusetts has an incredible equity program where they have a series of criteria they have established. They have ZIP Codes and other designators that help one qualify for certain priorities in licensing. There are things that this group can review and study to make sure we make up for some of the things that have occurred in the past.

Assemblywoman Backus:

If I can first have you look at page 17, section 66, which pertains to the confidentiality provisions. I understand, in the amendment, there is reference that it will be withdrawn. I know that Senate Bill 32 has just been signed into law. I take it that this new proposed bill is not intended to roll back any of those provisions, including those that pertain to investigations?

Shellie Hughes:

You are correct; however, NRS 360.255, which Senate Bill 32 amended, is the chapter that the Department of Taxation uses. The Cannabis Control Board will need to have an entirely new set of provisions that apply to them. That is why there is an entirely new section.

Assemblywoman Backus:

Is it contemplated that the amendment being proposed is going to mirror Senate Bill 32 with respect to the new board?

Brin Gibson:

Yes. The intention is that the work put into Senate Bill 32 be mirrored here with regard to confidentiality. We want to make as much of this public as possible. There are certain things that should not be public, such as people's personal identifying information, anything medical-related, ongoing investigative documentation, and anything that might undermine law enforcement activities. Those need to be protected, as well as trade secrets. There are variants of the same types of chemicals, but in different quantities that each of these manufacturers put together and market in different ways. They have different qualities apparently. Those are the types of things that we try to protect under a trade-secret provision.

Assemblywoman Backus:

I think Senate Bill 32 did take that into consideration. There were two components: First, who are the owners of the licenses? Then there was a cursory part to the investigation aspect that, in my mind, is analogous to the State Contractors' Board's investigation results. This goes to multiple places, and the intent is pretty clear that if someone already has a current license that was issued by the Department of Taxation, they do not need to apply for a new license with the newly created board.

Shellie Hughes:

That is correct. That license will be valid until it expires or is revoked.

Assemblywoman Backus:

Is the Department of Taxation going to continue to maintain the operational audits as well as the financial audits?

Shellie Hughes:

The Department of Taxation will retain the audits that relate to tax collection. Any operational or regulatory audits of the cannabis establishments will be done by the Board.

Assemblywoman Nguyen:

That answered my question, but to follow up, I am curious what happens to the employees who are at the Department of Taxation and currently handle the licensing. How will that work?

Shellie Hughes:

We are proposing that these employees be grandfathered into the Cannabis Control Board when that Board is created. Some of the positions that are currently in the Marijuana Enforcement Division are tax-related positions, and those will go back to Taxation. Ms. Freed is here and will speak more on the budget and how those positions will be provided.

Assemblywoman Nguyen:

In section 57, subsection 1, paragraph (b), on page 14, it says, "A member of any committee of any political party, or engage in any party activities." I am uncomfortable with the vagueness of "engage in any party activities." What was your intent behind that? It discourages people to be active in any kind of civic engagements.

Shannon Kallin:

Much of this language is carryover language. The intent would be not to have anyone biased so that we have impartiality and transparency.

Laura Freed, Executive Branch Budget Officer, Office of Finance, Office of the Governor:

In answer to the question about what will become of the Marijuana Enforcement Division, employees who currently work for Taxation will engage in a ramp-up process when the Cannabis Compliance Board (CCB) is stood up on January 2, 2020. Although this is a policy bill, it is also a budget implementation bill. On May 15, 2019, the joint subcommittee of the two money committees for general government closed these two budgets approving the creation of the Cannabis Compliance Board, but the new department will not stand up until FY 2021. However, on January 2, 2020, the ramp-up process will begin because there is a great deal of knowledge transfer from Taxation to the CCB that will need to occur. All those folks who currently work in the Marijuana Enforcement Division at Taxation would become CCB employees, but they would not become part of the new department until FY 2021 according to the way the money committees closed these two budgets.

Vice Chairwoman Cohen:

Ms. Freed, while you are up here, can you talk about the budget and what impact this is going to have on the money rolling to the DSA?

Laura Freed:

The other day we received the mostly completed budget from your fiscal staff. They are still working their way through it and developing money bills. According to what we received, \$40.1 million is budgeted to transfer to the DSA in the first year of the upcoming biennium, and \$42.2 million is budgeted to transfer in the second year of the biennium.

Assemblywoman Torres:

Assemblywoman Miller covered this too, but in section 65 on page 16, when we look up the policies and procedures of the Board and their creating regulations that make sure the industry is economically competitive and inclusive, something like that should be mandatory and should not be that they "may" adopt, but should be that they "shall" adopt regulations. Changing that language ensures that it will actually happen. We might overlook that.

Looking at page 53, it is a discussion on consumption lounges. I have some concerns with the idea of having a business that operates by allowing individuals to bring products into their establishment—specifically something like weed—when you do not know where the individuals got their substances. We do not know if it is from a legal vendor. There is no way to ensure that. If it is in the package, we would have to assume it was, but as we know, you can reuse a bag. I would be concerned, as a business owner, whether I could get insurance for that. You have individuals coming in who are consuming products that you are not selling. I think that could be a real issue for business owners.

Shellie Hughes:

I agree with you; however, there are provisions in the bill that allow for the Board to regulate this. It is something that could be brought up in discussions. The Advisory Commission could also discuss recommendations to solve that problem.

Assemblywoman Torres:

I understand that. They can discuss those problems, but they would still not have the ability to sell cannabis in the lounge.

Shellie Hughes:

Yes. The provisions of this bill carry over from existing law. There are limits on retail cannabis licenses. If you allow a consumption lounge to sell, it is avoiding the limitations that are in statute. We have standards listed here that an existing cannabis establishment licensee, such as a dispensary or retail store, could get a consumption lounge license and have both locations on their premises, as long as there is a separation between the two. Individuals can purchase the cannabis in the dispensary or retail store and walk over to the consumption lounge on the same premises.

Assemblywoman Torres:

You said that would be for existing dispensaries. Would that also be the precedence for new dispensaries?

Shellie Hughes:

Yes. In our conceptual amendment ([Exhibit D](#)), we are proposing that those are the standards that the county commissioners look at when approving licenses for consumption lounges.

Assemblyman Daly:

I have 23 questions on my list, but I will not ask all of them. Perhaps you could talk to me off-line. I have shared these with the Chairman as well.

What causes me the most concern, and to not support the bill unless it is changed, is section 65, in combination with section 196, regarding the exemption from NRS Chapter 233B in the current regulatory process. Can you tell me why you need that exemption? I know you are modeling it after the Gaming Control Board, but I also know they are currently exempt. I also know you are bringing over the regulations from NRS Chapter 240 like the Tax Department already did. When they adopted all of those regulations—I remember that it was a 200-plus page document that we saw at the Legislative Commission—they went under the normal process. I do not see why you need that exemption. That is one of my pet peeves. I think there should be legislative oversight on the adoption of regulations.

Shellie Hughes:

As you said, these provisions are modeled after gaming, and gaming has their own regulatory process that does not follow NRS Chapter 233B. Part of the reason it is important is that this industry is fast moving and quickly changing. Regulations need to be adopted and moved quickly for oversight to allow enforcement of these establishments, as well as provide clarity to the establishments as to how to operate and to be in compliance.

I believe the intent was that gaming is very successful with their regulations, and since we are modeling gaming, we bring these provisions over as well. There is still oversight because there is a judicial review process. We feel it would be important to have the regulations not follow the processes of NRS Chapter 233B.

Brin Gibson:

I know this is an issue near and dear to your heart. Yes, I think agility is critical. In the *Nevada Administrative Code*, Chapters 453A and 453D are significant pieces of regulation already. There will need to be some additional regulations to deal with things like equity and other things related to consumption. As this industry changes, and it is changing very fast, there will be the need for tweaks here and there.

I have written lots and lots and lots of regulations. One of the issues I have found with NRS Chapter 233B is that it is one of the most confusing statutes there is. A number of good lawyers have taken a stab at rewriting it. So far, no one has been successful in clarifying it. The Nevada APA [Nevada Administrative Procedure Act] is not clear as to exactly how one should go through things. You have this part-time legislative body that is not paid a whole lot that is tasked with reviewing these voluminous regulations and then signing off on them. Oftentimes, legislators will dig in where they have been lobbied. One of the goals is to make this as apolitical as possible.

Middle ground might be to have a review process by which the legislative committee could pull up a regulation, review it, and jettison it if they find it is outside the scope of the

statutory authority. It is agility and we have, in some cases, years' worth of regulations that have never been codified. I am concerned about that.

Assemblyman Daly:

We can agree that NRS Chapter 233B is confusing, but a lot of agencies throughout the state get through the process and get their regulations adopted and codified through the process. Yes, I know there have been some hiccups, but I know you have read NRS Chapter 233B and have temporary regulations that can be put in more quickly. You also have emergency regulations that can be put in immediately, as long as you get the Governor to sign off. There is agility in NRS Chapter 233B. I understand that, just because the Gaming Control Board that you modeled this after does not have that, it is still valid. The regulations you are bringing over from Taxation probably have 90 percent of what you are going to be doing. There are some new things in this bill that you are going to need to regulate, and I anticipate there will probably be some emergency or temporary regulations if you are under NRS Chapter 233B. You may need to have agility for a year or so, but maybe that is a compromise we can look at. You are right; I believe the Legislature has that authority now. The people on the Legislative Commission take it seriously and are up to the task of reading those regulations and getting their job done as well. They have a role to play.

This is a question on the dual license. Is everything separate now, so if you are in cultivation you can only be in cultivation and cannot have a license to be a producer or retailer? You can only be with medical or adult use? If the lounges go through, can you be a lounge operator at the same time? The only thing the dual license covers—the way I am reading it—would be a medical seller or an adult-use seller. Is it intended to be that way? Are they already walled off? Can someone get all of those licenses? What is your intention with that?

Shellie Hughes:

Currently, yes, you can hold several different licenses in several different categories. Under current law, you can be dual-licensed. You can have a cultivation and a production facility license, and a retail marijuana store license. We are bringing those provisions over into this bill.

Assemblyman Daly:

I did not see a definition for a dual license in what I think is NRS Chapter 453. I did not know if it was all walled off. If you have a definition of what a dual license is, would it create a problem since you are not clarifying that? It is the only dual license you can have according to your definition.

Shellie Hughes:

You will find the definition of dual licensee in NRS 453D.030.

Assemblyman Daly:

I did not see that, so I apologize. Is this language going to make it unclear that you can have all of those other licenses, because your proposal says you can only have the two?

Shellie Hughes:

I apologize because I am not familiar with that. Section 32 says, " 'Dual licensee' means a person or group of persons who possess a current, valid medical cannabis establishment license and a current, valid adult-use cannabis establishment license." With that, a cannabis establishment license could be any type of license. It could be a cultivation license, or a distributor license, et cetera. I am reading this that you can have both. We can look at this and try to make it clearer if that would help.

Assemblyman Daly:

It would help because it was not clear to me. Regarding the consumption lounges—I think it is section 100—I know there is a limit on the number of licenses on the other establishments, but I did not see a potential limit on the number of lounges. I did not know if that is intended to be unlimited, or that there is no need because they cannot actually sell. I am curious what you were thinking there.

Shellie Hughes:

We have a conceptual amendment ([Exhibit D](#)) to that section [section 100]. We are essentially leaving the regulatory function to the local governments and providing them with a list of standards. We are not putting any limit on the licenses because they are not selling.

Brin Gibson:

I would like to shed some light on the consumption lounge issue. This is not something I relish getting into, frankly. I would rather have left it alone entirely, but the issue really comes down to a ballot initiative that prohibits public consumption and a Legislative Counsel Bureau opinion that says consumption lounges would not fall under that prohibition. Based on that opinion, the local jurisdictions are moving forward with their consumption lounge ordinances. My concern was having a hodgepodge of different rules and laws related to consumption lounges, depending on the jurisdiction, if it were allowed to evolve in the way it was evolving. It was not countywide; it was just municipality wide. The options in my mind were to introduce a prohibition—which most of the current licensees would not want—and to pull the entire thing back and make this a straight state-licensing function in the same way that the rest of this industry will be handled. The problem with that is you end up in a two-thirds requirement, which is difficult under these circumstances. I think we can get there another way, and that way is by introducing a checklist of things that the local governments—the counties—need to adhere to in order to license consumption lounges. There is some disagreement among the various parties on this issue between the nonrestrictive gaming licensees and distance separation requirements for consumption lounges, grandfathering, and things like that. That is a point of contention that we have noted.

You will hear about something that is not entirely resolved yet. There are existing dispensaries and licensees who are within 1,500 feet of nonrestrictive gaming licensees. One of the problems is that if they are in place right now and operating under the former rules, they were licensed, stood up their businesses, and spent money. There is no right to a consumption license, but if there is not a way of grandfathering some of these people in that

are within the 1,500-foot threshold, they will be boxed out based on a new set of rules. Those are equity and fairness issues that I have been thinking about and trying to figure how best to address them.

Assemblyman Roberts:

While we are talking about consumption lounges and local government involvement, I know they will have some involvement in that amendment, and you will give them a set of guidelines. Will they be able to further restrict that? Will they have the ability to deviate from what you are setting down in the amendment that we have not seen yet?

Brin Gibson:

The way it is drafted is there are prescribed elements that local governments would need to adhere to. They would be the entities that would issue the licenses. They would impose and collect the fees and do everything else.

Assemblyman Roberts:

Would they be able to restrict them further?

Brin Gibson:

Yes, unless this body decided that they did not want to allow them that authority.

Assemblyman Roberts:

How do you envision the licensing process? Will it be different from what it is now? You mentioned that it would be handled completely by the Commission. Can you walk us through what that would look like?

Brin Gibson:

This is a difficult issue. The conflict arises from the fact that you have a limited number of licenses, and you have the desire for transparency. The best you can do is to be transparent. That has to be there. Without transparency, there is no trust, and you end up with lawsuits and allegations that are difficult to prove and probably are not true. Some will be true, but you get the point.

The way I see this happening is at the state level licenses, outside the consumption space, which devolve to the local governments, would have full background checks based on access to the National Crime Information Center (NCIC) database. There would be financial backgrounds and personal backgrounds in the same way gaming does for those who qualify. If it is a publicly traded company, or it is a legitimate stock exchange, and if you own under 5 percent, there is probably no need to go into a deep background for a person like that, especially for those who qualify as owners. You would then apply a set of matrices that are as objective as you can make them in a public forum, and based on those, you would make the award. This body would ultimately have to decide to lift the limit or cap on the number of licenses. There are different mechanisms by which you could do that. You could use consumer price index, population growth, or whatever—or you can just come back every other year and decide that you are going to allow for X number of additional licenses.

It could be a demographic-type calculation. There are different ways to do it, but the bottom line is that the function of the Board would be to vet, according to this body's determination as to the number—assuming a limited number, which is the case now—but we are not proposing that the number be increased. When the time comes that you want additional licenses to be issued, based on the scoring you have in a public setting, those licenses will be awarded.

Assemblyman Roberts:

In the beginning of the bill, it talked about the Board meeting at the discretion of the Chair. Do you envision they would meet often? You probably grabbed that language from gaming and do not see it as a problem, but did you envision they would meet on a regular basis to review licenses and conduct business?

Brin Gibson:

Yes. If I had it my way, it would be at least monthly. If there are no new licenses that this body decides to issue or allow, there is a ton of cleanup work that has to be done. Bringing everyone into compliance, ensuring the programs are equitable and the current rules and regulations are imposed and followed, issuing fines, and ensuring people are compliant will be the primary mission of this group to begin with. Over time, I expect monthly meetings, at least for the first year. Beyond that, I hope they meet monthly. I hope this industry grows in a way that would necessitate monthly meetings. In the gaming space, you have special meetings if there is a specific dispensation. For example, if there is a privately held company that is in bankruptcy and wants to pull out some equity, there would be a special meeting. You could do things like that, but monthly meetings are what I am anticipating.

Assemblywoman Krasner:

Section 213, subsection 5, [page 128] regarding taxation and revenue as it relates to education of K-12, reads:

The revenues collected from the excise tax imposed pursuant to subsection 2 must be distributed: (a) To the Cannabis Compliance Board and to local governments in an amount determined to be necessary by the Board to pay the costs of the Board and local governments in carrying out the provisions of the chapter consisting of sections 173 to 187, inclusive, of this act; and (b) If any money remains after the revenues are distributed pursuant to paragraph (a), to the State Treasurer to be deposited to the credit of the State Distributive School Account in the State General Fund.

Do you envision that there will be any changes to this taxation and the proceeds as they relate to education K-12 with the bill or any of the proposed amendments? Please speak to that.

Shellie Hughes:

This is carryover language, so this is currently how it is structured and how the excise tax is distributed. We do not have any amendments to this section in this bill.

Laura Freed:

The way the budget was closed, \$5 million is still the amount to be granted to the local governments as we have done in the current biennium. The wholesale excise tax supports the marijuana enforcement efforts, the retail tax is transferred to the rainy day fund, and any leftover goes to the DSA. This goes to my previous comments regarding questions posed by the Vice Chairwoman about how much would go there: approximately \$40 million a year.

Assemblywoman Hansen:

I am going back to the amendment on consumption lounges in section 100, giving the county commissioners the authority for licensing. In some parts of rural Nevada, there are some real differences between city and county and their views on cannabis. For instance, in Elko there is a moratorium, but West Wendover has a dispensary, and they want to get licensed for a consumption lounge. How will that process work when there is a moratorium in the county?

Shellie Hughes:

Currently, our amendment allows for the board of county commissioners to grant those licenses. I am not sure we have taken your point into consideration. This is a conceptual amendment, and I am sure it will be changed. We can look into that further and try to address it.

Assemblywoman Hansen:

If the county commissioners in Elko County are being asked to issue a license, but they will not, it seems there is a big conflict between the municipality of Wendover as a city having dispensaries, and the county having a moratorium on any more.

Assemblywoman Tolles:

Section 100 outlines there will be no alcohol, gaming, or sales in the consumption lounges. Is that correct? Can there be food? They should be on the premises or attached to a cannabis sales facility. Is that correct?

Shellie Hughes:

No. They do not necessarily need to be attached, but we are allowing provisions for that to happen if an owner wants to have a lounge on the premises.

Assemblywoman Tolles:

Are we envisioning that the only owners of these cannabis consumption lounges would be those who also have a sales facility? Would it be open to another small business owner who was not directly connected to the sales facility?

Shellie Hughes:

I may have confused your first question. We are envisioning that the consumption lounges will be open to anyone who wants to apply for a license. However, if existing cannabis establishment licensees want to open a cannabis lounge on their premises, we would allow for that as well.

Assemblywoman Tolles:

Upon reading it, it seemed that it was only a cannabis sales facility that could open an adjacent or connected lounge, but now it sounds like this could be open to an independent business. Would they need some type of written agreement or contract with the cannabis sales facility, or would it be open to anyone?

Shellie Hughes:

We do not have any standards for that. We would leave that up to the local governments to make that judgment. Once they are established, if the Board decided to make any standards involving that, they are free to do so by regulatory provisions.

Assemblywoman Tolles:

Section 96 on pages 34 and 35 relates to the process for obtaining an adult-use cannabis establishment license. On page 35, subsection 3, paragraph (a), subparagraph (2)(IV), thinking through the process that owners have to go through to apply for a license, they have to provide evidence that the applicant owns the property or has written permission of the property owner to operate that. Having some connection to commercial real estate, I am curious how that process works between the local jurisdiction and the state. For example, the way I read this is, if I want to open a facility and apply for a license, I have to first sign a lease or purchase the property, then go to the state for permission to have that license, then go back to the local jurisdiction to obtain any other appropriate licenses and permits in order to operate my business. I am interested to know more about how we see the timeline and the order of that process. My concern is for the business owner who goes through the process of signing a lease or purchasing property and then his license is denied or the process takes a long time. That will create problems for the landlord waiting for that business to operate. Please walk me through the process and the timeline. That would help clarify those questions for me.

Shellie Hughes:

I would like Jorge Pupo to come forward to explain that.

Jorge Pupo, Deputy Director, Marijuana Enforcement Division, Department of Taxation:

Historically, what has happened during the process is the applicant either owns the property, which would not be a problem because he obviously has permission to use that property for a cannabis business, or in other situations, applicants have entered into leases contingent on getting a license. If they do enter into a lease, they provide a letter from the landlord stating that they are authorized to operate a cannabis-related establishment on that property. At that point, they would proceed through the local government process in obtaining a special use permit for the business and the approval process for the business license. Once all the local jurisdiction requirements are met, the Marijuana Enforcement Division would issue a final license.

Assemblywoman Tolles:

What is the typical timeline for that process based on your experience?

Jorge Puppo:

That varies from local jurisdiction to local jurisdiction. It could take anywhere from three months to several months, maybe even a year, depending on planning, zoning, construction, tenant improvements, and those types of things. We make a determination when an applicant applies for a license. Statutorily, we have 90 days to make a decision, then we issue a conditional or provisional license. The final license is contingent on the applicant meeting all of the local requirements.

Vice Chairwoman Cohen:

On page 15, section 63, the powers of the Board are discussed. In subsection 10, it addresses monitoring federal activity regarding cannabis. I want to get back to that. In your initial overview, there was a discussion on federal law. Is the Board able to do any actual lobbying for the state at the federal level, or do they just monitor and report back what is going on federally?

Shellie Hughes:

Section 63, subsection 10, is just to monitor and not to provide input to the federal government. They just monitor what is happening at that level and how it applies to the state.

Vice Chairwoman Cohen:

When I mentioned input, I meant back to the state of Nevada. Will there be involvement in lobbying efforts by the state to impact federal law?

Shellie Hughes:

I am not sure it was envisioned with that, but it is possible that the Board could do that.

Assemblywoman Miller:

My question takes a different turn to page 123, section 205. I know law enforcement is in the room, and this might be more appropriate for them, but I am not sure if they are planning to come up. I see we would be establishing a new law enforcement agency of category II peace officers, similar to what we did for the Transportation Authority, the Taxicab Authority, and all of those others. I understand the intention, but how many officers would need to be hired? According to the bill, it says, "inclusive, of this act, including, without limitation, the prevention of unlicensed cannabis sales." Would the peace officers' role be to—as they do now with these separate entities—focus on compliance issues, or is it actually to go after and prevent unlicensed sales? I seriously do not want to open a can of worms—but this is our job—but is there any conflict because our category II peace officers will carry firearms? I know there is some federal and state conflict when it comes to marijuana laws and firearms. Please speak to that.

Laura Freed:

Oh, boy. To answer the first practical question, there was a concern among the money committees in hearing the marijuana budget that there was need for more criminal enforcement. As a result of those concerns, the money committees added four

Peace Officers' Standards and Training (POST) certified positions, two in the north and two in the south.

Regarding compliance versus criminal activity, the answer is both. While hearing the testimony, you might ask some of the law enforcement folks who testify about the hesitancy to engage in cannabis enforcement. That was the other motivating factor. If this body has authorized consumption and personal use of cannabis, and the locals are reluctant to do it for a variety of reasons, it seemed reasonable to the money committees that we have our own enforcement. We will see in the next biennium how those investigators' duties shake out in terms of the breakdown between assisting the existing marijuana inspectors with destruction of contraband versus receiving tips about unlicensed criminal activity. I am not sure any of us are clear on the scope of that problem at this time.

Vice Chairwoman Cohen:

Seeing no other questions, there are several amendments, and I want the Committee to understand which amendments are considered friendly, besides your conceptual amendment. Are there others you consider friendly?

Shellie Hughes:

I have not seen all of the amendments, but we have been working with the industry, local governments, and other state agencies with their amendments and have incorporated them in our conceptual amendment.

Vice Chairwoman Cohen:

I will invite anyone else who has amendments to submit them. Please be clear if you are mentioning your amendments in your testimony. A friendly amendment is not just that I like this bill and I want my amendment included. It has to be that the Governor's Office has accepted your amendment as a friendly amendment.

Additionally, we have several people signed up to testify. We want to be clear that if you are signed up and are going to testify in support, that means, under our rules, you are supporting the bill, and you are approving the measure as written with the conceptual amendment. If you want to change a comma, you are not in support. We need you to testify in opposition if you have any concerns about the bill as drafted with the conceptual amendment. You are in opposition if you do not support the measure as written, or you are opposing the measure as revised by an amendment that has not been approved by the sponsor. Neutral is that you are taking no position on the bill, and you are only offering insight on the measure. With that, you might want to reconsider how you signed up.

Since we have many people signed up, we are going to stick to two minutes for testimony. "Ditto" is always acceptable. With that, I will invite people in support to start filling in the chairs in Carson City and in Las Vegas.

Randy Soltero, representing United Food and Commercial Workers International Union:

We are in full support. We are engaged in representing folks in the marijuana industry, both in the dispensaries and in the grow facilities. We have been looking forward to this language, and we think it is going to make the industry more robust. For that reason, we are in complete support.

Riana Durrett, Executive Director, Nevada Dispensary Association:

The Nevada Dispensary Association (NDA) represents the majority of the dispensaries throughout the state. Many members are vertically integrated, so they also own and operate cultivation and production facilities. The NDA formed in late 2014 in order to develop and promote best practices in Nevada's legalized cannabis industry. The NDA has supported the creation of a board modeled after Nevada's world-class Gaming Control Board since 2015, but a board seemed out of reach until Governor Sisolak announced the creation of such in his State of the State address earlier this year.

The Governor and his staff held hearings and convened meetings with industry stakeholders as well as community stakeholders on the framework of the proposed board. The Governor's panel has been very thoughtful and receptive to industry concerns raised throughout drafting Assembly Bill 533. In a nutshell, industry priorities relate to the importance of stability and predictability for the businesses involved and the tax revenue they generate; the need to focus attention on the robust and often sophisticated illegal operations throughout Nevada; the need to maintain the integrity of the strict regulatory framework; and finally, improvements in the efficiency and how these strict regulations are applied. There are several NDA members who are here today to testify in support.

Marla McDade Williams, Director, Strategies 360, Northern Nevada:

At the time the licensure of medical marijuana establishments was authorized, I was the deputy administrator of the Division of Public and Behavioral Health, which was the state agency charged with implementing medical marijuana establishments in the state. During that process, we had a condensed time frame in which to do it, but we spent significant time with the industry standing up stakeholder groups and getting provider input into how the industry would move forward. As Mr. Gibson mentioned in his testimony, adult-use marijuana had extensive input during the 2017 Legislative Session.

Going into the substantial change of the industry, we ask for recognition of a process that allows quality input, particularly with any substantial changes and expectations. We are in support of the bill as it relates to new licenses in the future. We would advocate for certainty in knowing how that will happen. There was some discussion earlier about that process, and we are open to continuing to discuss that, so we can have that level of certainty in the future. We support the transparency language that was discussed on Senate Bill 32 in section 66, and would like to ensure that new provisions in that section apply to new applicants moving forward, and that the new language does not adversely affect existing licensees.

Section 82 addresses provisions related to judiciary review for disciplinary actions and specifies that it does not apply to licensing decisions, and we support those provisions. We ask for consideration similar to Senate Bill 32 to specify that judicial review does not apply to denials of applications back to the 2017 applications.

Robert Groesbeck, Chief Executive Officer, Planet 13 Holdings, Inc., Las Vegas, Nevada:

This bill is necessary and is going to send a message throughout the industry in Nevada and the entire United States that Nevada will continue to be a gold standard with respect to cannabis regulation. It is a big bill and a lot has been dropped. I am here to testify in support of the bill.

There are a few issues that I want to address for the record that need some clarification, particularly with respect to the competing amendments. One issue is alcohol. I have no personal issue with respect to holding that out. We have indicated that the sheriff in Clark County has had some concerns with it, and we respect those concerns. I have a problem seeing language like this codified. That is an issue we believe should be left to the local jurisdictions. We have no problem excluding alcohol for a period of time to see how these facilities operate.

We are unique because our company primarily caters to the tourist market. Almost all of our customers come to our facilities from the resort corridor through cabs or rideshare. We think the impairment issues are legitimate and real, but it could be mitigated for certain operations such as ours.

The other issue I want to talk about is the 1,500-foot separation requirement. That appears to be a bit arbitrary, particularly in light of the 1,000-foot restrictions for churches, schools, and parks. We think something like that makes sense. That said, I can support the distance requirement as long as existing operators, such as our company, have the ability to apply for lounges. I believe our company is within that 1,500-foot parameter, but if it is not, I do not want to be foreclosed for moving forward with a lounge. We have offered amendments, and they will be in the record. I do not see them here.

One point I want to add is that Assemblywoman Torres had an excellent point having to do with how product is brought into the facilities. We, as an operator, will not accept product from any other dispensary facility. In fact, we have offered language to that effect because we do not believe it meets with our operational requirements. The language we proposed reads as follows: "Have absolute discretion to reject any cannabis products from being brought into the cannabis consumption lounge by a customer."

David F. Kallas, Private Citizen, Las Vegas, Nevada:

What I have presented, along with this bill that I support, is a clarification regarding the Governor's appointments to positions on the Board. Currently, most of the people with the experience to be on the Board, at least how it reads in the bill, are people who are retired from public service, like those who are retired from the Department of Taxation,

Enforcement Division, Laboratory Enforcement Division, and even some members of the Advisory Committee who put the broad regulations together for this bill. I have put forward a clarification under NRS 286.520 regarding retired public employees who are appointed or may be appointed by the Governor to this Board to allow them to work without having their retirement frozen until such time that their term on the Board is completed. If you have received that and have any questions about it, I would like to clarify it.

Krystal Saab, General Counsel, Nevada Organic Remedies, LLC; and The+Source, Las Vegas, Nevada:

We are a vertically integrated cannabis company focused on serving the needs of local Nevadans. The Source was a founding member when the Nevada Dispensary Association was established in November 2014.

I appreciate this opportunity to express our support for Assembly Bill 533. We support the creation of the Cannabis Compliance Board and the Cannabis Advisory Commission. This bill and the resulting regulatory framework will further cement Nevada's cannabis industry as the gold standard for legalized and controlled sales of medicinal and adult-use cannabis. The Source looks forward to this next chapter of our industry and stands ready to offer whatever assistance may be required by the Legislature, the Board, the Commission, and the Governor's Office.

Chuck Callaway, Police Director, Office of Intergovernmental Services, Las Vegas Metropolitan Police Department:

We are here in support of the bill as written. We are long overdue for a Cannabis Compliance Board. It was a recommendation that came out of Governor Sandoval's task force, which I served on. It is a step in the right direction. We support the additional officers who would have category II power to help with enforcement. We currently work hand in hand with the Department of Taxation. The Las Vegas Metropolitan Police Department typically handles criminal issues, while the Department of Taxation handles the regulatory issues. Having that police power would be beneficial.

I spoke to the Governor's Office this morning about a couple of things in the bill that need cleanup language or a technical change. First, on page 59, section 120, subsection 10, it talks about collaborating with law enforcement to collect marijuana product that is left behind, and that it should be part of the regulatory process as a disposal for the business or compliance board officer. I do not believe it is the intent for local law enforcement to be janitors, so to speak, to go around collecting marijuana product after a business closes.

Next is page 89, section 170, subsection 4. In 2011, then-Senator Segerblom put language in the bill on behalf of law enforcement—this was prior to recreational marijuana—to allow law enforcement to prohibit its employees from using medical marijuana. We would like to see recreational marijuana added in, now that recreational marijuana has been approved by the voters, so that it is consistent.

Finally, on page 93, section 181, subsection 3, there is ballot question language that says you are prohibited from consuming in a moving vehicle. I think we should add in there "parked or moving" vehicle. If you stop at a red light, the guy in the backseat could light up. As long as he is done before the light turns green and the vehicle is in motion, under the language that is in the bill and the ballot question, that would be allowed. It is just a technical cleanup that should be added. We are in support of the bill as written.

William Adler, representing Scientists for Consumer Safety:

Scientists for Consumer Safety applauds the Governor and his efforts to create the Cannabis Compliance Board, similar to the Gaming Control Board. It will have a good regulatory aspect of having the bifurcated board with recommendations and expertise across the entirety of the regulatory board. It should add more depth to our current regulatory process in the cannabis industry.

In addition, we commend the amendments to section 117. Section 117 clarifies that, currently, lab testers do test heavy metals and microbials in their testing. That takes all of the NRS Chapter 453A medical marijuana language and updates it to the newer recreational language. Section 117 also asks for the costs of lab testing to be covered by those who are going to be doing the testing in the laboratory facilities, and we are in support of that effort as well.

Clint Cates, Owner, Director of Compliance, Kynd Cannabis Company; and Mynt Cannabis Dispensaries:

We are vertically integrated cannabis companies that have 11 different licenses in four jurisdictions. We have been in business in Nevada for nearly five years, and have paid millions of dollars in taxes and licensing fees to the state and local jurisdictions. We employ over 120 people, and we are members of the Nevada Dispensary Association.

We appear here today in support of Assembly Bill 533. We think the Cannabis Compliance Board and the Cannabis Advisory Commission would be great pieces of oversight for the Nevada cannabis industry and hope you approve this bill.

Fernando Leal, Chief Executive Officer, WSCC, Inc., Reno, Nevada:

We have operated Sierra Well for over three years. We are a fully integrated cannabis company. Our company was founded by the late Joe Crowley and other individuals whose family roots in northern Nevada date back numerous generations. Our company was the first dispensary opened in Reno and the second in the state. As early entrants, we have witnessed the successes and the challenges. We are members of the Nevada Dispensary Association.

I am here to voice our support for the establishment of the Cannabis Compliance Board. Despite the promise of tax revenue being collected, revenues have been relatively flat for the last 12 months in our industry. A contributing factor to slow growth is the stigma that surrounds the cannabis industry. We have witnessed how the legalization of adult-use cannabis has dramatically increased the number of consumers that use it for medicinal purposes. Like the early consumers who obtained medical cards to obtain cannabis, new

entrants have many more questions, not only about the products they are purchasing, but also where the product comes from and how the businesses are regulated. We believe the growth of this industry, which is creating thousands of jobs in addition to tax revenues, will be dependent on instilling confidence in consumers that the products they are consuming come from and are being sold by companies that have met all state regulations. The state has done an incredible job in regulating our industry to date. The addition of this Board composed of experts from a diverse set of disciplines will contribute to allowing the state of Nevada to maintain its position as a template that many other states will look to emulate.

Vice Chairwoman Cohen:

Is there anyone else in support in Carson City or Las Vegas? Seeing no one, we will move on to opposition. Is there anyone in opposition here or in Las Vegas?

Mona Lisa Samuelson, Private Citizen, Las Vegas, Nevada:

I am Nevada's very first medical marijuana patient advocate. I have a letter from the Governor—when he was a commissioner—from December 18, 2015, way before the governor's task force panel. I asked him to write this letter to create a panel or some type of advisory group, so it is a long time coming.

Assemblyman Yeager talked about the background. He himself discussed the 2013 fact-finding trip for cannabis regulation, not for medical marijuana, which was what was promised to patients. We were promised we would have medical marijuana regulations handled. They decided to have a task force panel and push forth the regulations six months earlier than required. They had six months to regulate cannabis, not medical marijuana, which was promised to the patients. We were promised that we would have regulations worked out for the patients, and there is a huge difference between medicinal use and medical marijuana use. This is something we still need to handle.

I am very excited to see a Cannabis Control Board and a Cannabis Commission. I know I do not have time in two minutes to discuss everything that needs to be relooked at for medical marijuana patients. I am hoping you will not hold meetings at the call of another meeting so that it is not telecast so patients can get involved. I am hoping you do not hold meetings at 8 a.m. when it is hard for your constituents to come out and give you their concerns. It is a 160-page bill. As we are revisiting all of the original verbiage, now is the time we can clock out the parts patients were promised a long time ago that we would have our medical marijuana program regulations handled.

I want you to understand that we thank you for a lot of the things in this bill, and I have things that we need to still look at.

Vice Chairwoman Cohen:

We are over two minutes, so I will ask you to feel free to email us or submit anything you would like us to read.

Mona Lisa Samuelson:

Before I leave, I want to make it very clear that it is very important that we have more support, as we heard from one of our assemblywomen. Nevadans should be considered first.

Aesha Allums-Goins, representing Eaze, LLC:

Eaze is a dynamic delivery service. Unfortunately, this morning I have to oppose this bill. This is a thorough and thoughtful bill; however, I am concerned with section 116, subsection 2 and section 151, subsection 4, that restrict third-party advertising. This language will minimize licensees from reaching new consumers, and allowing third-party advertising could minimize illicit businesses along with and act as a partner in communicating public safety measures. I would propose to add to section 116, subsection 2, "sell, offer to sell or appear to sell cannabis or cannabis products, or allow the submission of an order for cannabis or cannabis products, unless the person holds" and the new language would be "or is acting on behalf of a person that holds," and continues, "an adult-use cannabis establishment license or a medical cannabis establishment license." I will be submitting this in writing.

Hawah Ahmad, representing Delta Nine Group, LLC:

We are excited to have this bill go forward, but we are here to oppose the proposed changes in section 100. We feel strongly that our state needs cannabis consumption lounges to ensure our tourists have a place to sample cannabis products that is safe and away from our hotels and casinos. With that said, these businesses should have a chance for new entrepreneurs to enter the cannabis market, and not be just another opportunity for the already established monopolies to become even more insulated. We believe that any amendments to this section should take out paragraph (g), which is on page 3 of the Department of Taxation's proposed amendment and exhibit ([Exhibit D](#)). With the removal of paragraph (g), there would be an opportunity for new businesses to enter the marijuana industry and an incentive for new businesses to enter. These businesses could add to the innovation and creativity of Nevada's cannabis industry. If paragraph (g) cannot be removed, we recommend that the state require all cannabis consumption lounges to be located within or have ownership of a cannabis adult-use license.

Vice Chairwoman Cohen:

Seeing no one else in opposition, we will move to neutral. Is there anyone in neutral? If so, please come forward and fill in the chairs in Carson City and Las Vegas.

Leo Drozdoff, representing Western States Hemp:

I want to point out a few things for the Committee. We do not want to do anything to distract from the very important topic of cannabis oversight.

The farm bill of 2018 [Agricultural Improvement Act of 2018] created federal legislation that was signed into law that said hemp is now a legal product at the federal level. Hemp, unlike marijuana, is legal at the state and federal levels. There are two bills making their way through this legislative session: Senate Bill 347, which allows for the Department of Agriculture to develop a state plan required under the farm bill or the federal government

will do that; and Senate Bill 209, which gets into consumer protection. The logic behind Senate Bill 209 is that it is a bifurcated process where the Department of Agriculture will handle raw hemp and what goes on outside in the field, and then the retail will be covered by the Department of Health and Human Services, pursuant to its authority under NRS Chapter 439, NRS Chapter 446, and NRS Chapter 585. We would ask the Committee, the Chairman, and the Governor's Office if the thinking—whether it was gaming in the sixties or marijuana today, where it is not legal federally—if that template still works for hemp when it is a federally authorized product. At minimum, we think the bills that I mentioned should be examined for consistency and to see whether hemp is truly appropriate to be included in this legislation.

Haley Summers, Government Affairs Associate, Blockchains, LLC:

I am testifying in the neutral position today. We have proposed several amendments ([Exhibit E](#)) related to information systems and data in Assembly Bill 533. I would like to go through them briefly and explain why we feel these amendments are important.

One of the amendments we are proposing is in section 33. It includes "a public blockchain" and "electronic verification system." We are also including with "information and data," in section 66, "public blockchain." We are also including and amending sections 88 and 131, an "inventory control system," to include the use of a public blockchain. I would also like to highlight that this amendment only authorizes public blockchain, and it is only one of several electronic options; it is not a mandate.

It is important to clarify that the use of a public blockchain is included as an accepted means for information systems and data management. A blockchain, at its core, is a database ledger that combines the use of cryptography, and a public blockchain is exceptionally powerful because of its transparent nature. Being transparent across a ledger is exceptionally powerful in supply chain management. It is also important to mention that security is available for confidential information on layer 2 applications of these protocols.

The immutability of such a ledger will ensure that effective supply chains and document management can be handled, and that there is a robust system of checks and balances to ensure these ledgers are not changed, and that you can guarantee you have reliable information in your inventory and supply chain document systems.

Vice Chairwoman Cohen:

Since you have an amendment that has not been accepted by the bill's sponsor, I am going to move you to opposition, but please continue to reach out to their offices and I am sure they will work with you.

Rebecca S. Gasca, representing Alliance Financial Network, Inc.:

Alliance Financial Network (AFN) is a voluntarily registered financial institution with FinCEN, the Financial Crimes Enforcement Network of the United States Department of the Treasury, with regulatory oversight by the Internal Revenue Service. Through our electronic exchange portal (eXPO), AFN allows businesses and individual consumers who are vetted

against the Office of Foreign Assets Control (OFAC), and Anti-Money Laundering (AML), to open an eXPO account and perform financial services on our eXPO financial network.

We are a permissioned system, which is different from blockchain which is a permissionless system. We also work following the guidelines of the FinCEN guidance issued on February 14, 2014, regarding marijuana-related businesses and cash transaction reports, filing with FinCEN any suspicious activity reports (SAR) or "Marijuana Limited" SARs or anything related to transactions over \$10,000. We deal with cash. Our electronic exchange portal operates on Amazon web services and is rated to 100,000 transactions per second with the highest level of financial security in the world. The network is beta tested for 14 months, managing over \$27 billion with 60 clients. They have \$9 million in cash. We are not a closed-loop system. We have been in touch with the Governor's Office and the Department of Taxation. We have not submitted an amendment and are looking forward to working with them to, hopefully, address tax leakage, which is probably one of the largest issues, not only in cash transactions in general, but also in the cannabis industry.

The solution that we provide is single source of truth technology, a data-storage approach information technology system that ensures that one transaction is recorded singularly and that ensures a data trail, which currently does not exist with double-entry accounting.

We look forward to seeing this bill move forward. We believe that the auditory powers given both to the Board and that remain financially within the Department of Taxation are wholly appropriate, and we look forward to supporting this bill.

Corey Solferino, Lieutenant, Legislative Liaison, Washoe County Sheriff's Office:

We are here neutral today. I want to register our support for the Cannabis Advisory Commission and the Compliance Board. We believe this brings transparency and legitimacy to this industry. We are neutral and hope we can work toward full support with the cosponsors.

As to Director Callaway's points, we share the same issues with the legislation. Furthermore, the one concern we have is from an occupational health and safety standpoint, as we know that lounges, if enabled in our jurisdiction, are not immune from crime. We are worried about an exposure level for our officers. We have been working with industry folks in the interim to address those concerns. Law enforcement does not have the luxury of dictating what calls we do and do not go on. We go to all of them, but we would like to recognize the health and safety factors for our officers responding to concentrated environments.

Vicki Higgins, representing Medical Cannabis Advocates:

I have been advocating for medical cannabis since about 2009. Governor Sisolak promised he was going to follow through and give us some protections, and here we are. It is very well written, and I love the fact that we are calling it "cannabis" instead of "marijuana." Special-use venues and social-use venues are something that are definitely necessary to reduce the tourists smoking in public. I believe we need special-event-option applications

available for special events. Caregivers can be patients; that is wonderful. Research is planned; that is huge. Employee protections, transparency, and fairness are just wonderful.

Unfortunately, I have to testify in neutral because it appears that some of our protections have been removed. I made a submittal by medical cannabis patients. I submitted an overview on impairments and penalties and our grow rights. As we are well aware, the impairment issues are very vague and undeterminable. We would like to see impairment evidenced on documented evidence of impairment. In this bill, I do not see the protections that we requested. We automatically are considered criminals on certain things, and you will see that on my overview. When our group was up in Carson City, we gave you a lot of information in reference to these individual subjects, so you have the information, and I am not going to go into detail. I feel we need to clear past convictions for any medical marijuana or marijuana situations that have become legal. On page 72, line 25 [section 143], regarding permanent disability options, it says we need to return our cards if it is not a permanent disability. There needs to be some concessions made for permanent disability so the patients do not have to go through that regularly.

Vice Chairwoman Cohen:

You are over the two minutes, so please wrap up and provide us with your written testimony. So you are aware, there is a bill for an interim study on impairment.

Vicki Higgins:

That is wonderful. I assume that is what will happen with Reno. I want to suggest random lab testing on products that are in dispensaries. There is some question as to the tetrahydrocannabinol (THC) content across the board on many products. I would love to see the Commission implement something where we can track and verify the lab results.

Virginia Valentine, President, Nevada Resort Association:

While we support the concept of regulating cannabis like gaming, it is a strong regulatory regime that has been proven successful, not just in Nevada. It has become a model for gaming regulation around the country and around the world. The Gaming Policy Committee, the Gaming Commission, and the Gaming Control Board have repeatedly, in numerous meetings, made it very clear that the marijuana industry and the gaming industry are incompatible. Cannabis is still federally listed as a Schedule 1 drug. Possession and consumption are felonies. Conflicts between state and federal law clearly demonstrate the two industries are incompatible. Violation of control board guidance or flaunting federal law could result in a gaming licensee being called forward for a hearing on suitability. A hearing on suitability or an unsuitable method of operation can result in penalties from losing a license to some very large and significant fines. Our members hold these privileged licenses in states where cannabis is not legal, and a finding of a licensee operating in an unsuitable fashion could have consequences for these licensees in other venues.

Because cannabis and gaming industries are incompatible, we are asking for protection for the gaming industry. The tourism industry employs about 450,000 people in Nevada. It provides hundreds of millions in capital investments and is over 37 percent of the

State General Fund revenue. We appreciate inclusion in section 100 of the 1,500-foot buffer. We have proposed an amendment ([Exhibit F](#)), which Jim Penrose will present on our behalf under neutral. The land use between marijuana and gaming is clearly incompatible to us, and we are asking that this bill include protections for the state's largest industry.

Erin McMullen, representing Boyd Gaming Corporation:

While we are neutral on the bill, we are supportive of the amendment that the Nevada Resort Association has posted to the Nevada Electronic Legislative Information System (NELIS). We believe this is a very important issue and discussion to consider as part of [Assembly Bill 533](#). We have been working with Mr. Gibson and thank him for his efforts. We will continue to work with him as we move through this process.

We were happy to see that the 1,500-foot buffer was included in section 100 from nonrestricted gaming licensees to consumption lounges, but we think that should extend to all cannabis establishments. As Ms. Valentine mentioned, gaming licensees must comply with federal and state laws per our gaming regulators. Since marijuana is still a Schedule 1 drug under federal law, we must take precautions to ensure compliance so as not to jeopardize our privileged license.

As some of you may know, Clark County ordinance prohibits marijuana or cannabis establishments within the resort corridor, but those protections do not extend to any other gaming resort properties outside of that corridor, many of which are our properties. Fremont Street also has that prohibition under the canopy, but it does not extend beyond that. Clark County recognized the problems that can arise with the proximity of cannabis establishments to gaming. It exacerbates guest and employee issues that we have. We have children at a number of our properties. A lot of our properties have movie theaters, bowling alleys, and we host many student sporting events. It is also a risk to have tourism areas with establishments seeking locations right on the borders of these buffer zones or within close proximity of gaming like we have seen at the Fremont Street Experience recently. Consequently, we believe a buffer between nonrestrictive gaming licensees and all cannabis establishments is warranted, would level the playing field, and would protect Nevada's largest industry.

Dagney Stapleton, Executive Director, Nevada Association of Counties:

We are neutral on the bill. We worked on the bill and some of our input was accepted. As you know, counties play an important local role in the regulation of this industry.

Dylan Shaver, Director of Policy and Strategy, Office of the City Manager, City of Reno:

The questions asked in your Committee have exposed that—while this is an excellent bill overall—there are some technical considerations that need to be made with regard to the way this industry interfaces with local governments and how this new Commission would interface with local governments. Our city, and I am sure other cities in attendance, will happily help the sponsors work through those issues. We do not believe putting the licensure authority for consumption lounges at the county level and not extending that to the municipal

level was intentional. We offer ourselves up to help ensure that we get this right the first time and that we are not here with half a dozen trailer bills next session to clutter up your Committee's time.

**Jude F. Hurin, Administrator, Management Services and Programs Division,
Department of Motor Vehicles:**

The Department of Motor Vehicles is neutral, and we would like to extend our appreciation for accepting our amendment on section 169 ([Exhibit G](#)).

Wes Henderson, Executive Director, Nevada League of Cities and Municipalities:

We support the concept of this bill and the establishment of the Compliance Board and the Advisory Committee. We would like to see local government representation on the Advisory Committee. Generally, ordinances enacted by a Board of County Commissioners apply only to the unincorporated areas of the county, so there would need to be similar language for cities. We have reached out and will continue to work with the Governor's Office on some possible amendments. I would like to point out that the amendment on page 31 of the Department of Taxation's' conceptual amendment ([Exhibit D](#)) limiting additional licenses for medical marijuana establishments could be problematic. Some of our members have a requirement that if they have a recreational license, they must also have a medical marijuana license. With the number of medical licenses being half of recreational, that could be a problem.

J. Chase Whittemore, representing Las Vegas Sands Corporation:

We are testifying in neutral, but we very much support the amendment that is being proposed by the Nevada Resort Association. We would very much appreciate this Committee's consideration of that language being included in Assembly Bill 533.

Jim Penrose, representing Nevada Resort Association:

I want to do a quick review of the amendment that has been proposed by the Nevada Resort Association ([Exhibit F](#)).

Vice Chairwoman Cohen:

To be clear, this amendment has not been accepted by the bill's sponsor. Correct?

Jim Penrose:

That is correct.

Nick Vassiliadis, representing Nevada Resort Association:

It is language that we have been working extensively on with the sponsor. We want to make sure, on the record, that the Committee has the opportunity to hear the intent behind the amendment.

Jim Penrose:

Currently, in the city of Las Vegas, it is our understanding that licensing businesses that function as cannabis consumption lounges—the proposed addition of section 100.1—would

meet the 1,500-foot gaming buffer, effective on passage and approval, to any such establishment. If you look at the transitory provision that we added, it would not apply to any existing licensees. The changes we proposed to sections 91 and 96 of the bill add the 1,500-foot buffer provision to the provisions of the bill that also relate to medical cannabis establishments and adult-use cannabis establishments. There is a lot of green ink there, but the bulk of that simply reorganizes the language in those sections to make it more readable.

The third part of our proposed amendment would amend provisions of existing law, again, effective on passage and approval, to make the 1,500-foot buffer applicable to applicants who apply for registration as a medical marijuana establishment or for licensing of a marijuana establishment under NRS 453D.210. That change would likewise be effective on passage and approval.

Vice Chairwoman Cohen:

I am concerned about safety issues. I do not want our tourists driving to a consumption lounge. I want them to be able to walk. I believe that would be safer for our communities and the tourists instead of driving back after consumption. Please address that.

Nick Vassiliadis:

That concern is valid in theory. We have lots of folks who come from all over the Las Vegas Valley and from all over the world. They visit several of our establishments, and they go off the Strip to go to bars and other places. There are Ubers and Lyfts and taxis and other ways to get around while consuming the substance, so they are not breaking the law by driving from place to place.

Vice Chairwoman Cohen:

It is different when we are dealing with alcohol. Yes, people go off the Strip, but they can consume alcohol on the property, while they cannot consume marijuana on the property.

Nick Vassiliadis:

You are also not supposed to consume on property unless you bought on property. Alcohol is different, but it is also very heavily regulated in a way that cannabis is not yet.

Vice Chairwoman Cohen:

I am just letting you know that safety is my concern. It is a safety issue, and we can address that later. Is anyone else in the neutral position?

Michael Alonso, representing Caesars Entertainment:

I will not repeat all of the things that Ms. Valentine and Ms. McMullen stated, but we agree with those comments. We are neutral on the bill and support the Resort Association's proposed amendment for the reasons previously stated.

Sam Bauserman, representing Peppermill Casinos, Inc.:

For the reasons stated by Ms. Valentine, we are neutral on Assembly Bill 533, but support the Nevada Resort Association's amendment for the 1,500-foot buffer between the consumption lounges and nonrestricted casinos.

Vice Chairwoman Cohen:

Is there anyone else in Carson City or Las Vegas who is neutral on the bill? Seeing no one, I will invite the presenters back up for final remarks.

Melanie Young:

I would like to thank the Committee for hearing this bill today and asking very thoughtful questions.

Assemblyman Yeager:

I want to thank you, Madam Vice Chairwoman, for running this meeting. I want to thank the Committee members for your engagement and questions. I am proud of the work our Committee does. No bill gets a pass in this Committee, and this bill is no exception.

I think this is the right approach to take us to the next level of regulation in the cannabis industry. We have heard some good suggestions and concerns. I am committed to ensuring we get this right and get things moving along. We only have 14 days left, but that can seem like an eternity. Keep in mind that we will be working very hard to get this to where it needs to be and to earn this Committee's support.

Brin Gibson:

I echo what Assemblyman Yeager and Melanie Young said. You have done a great job asking questions. Assemblyman Daly has dug in like no one else can. He knows this bill backward and forward. We will work with those who have proposed amendments and see if we can work through some of those and adopt the ones that will work.

Vice Chairwoman Cohen:

With that, I will close the hearing on Assembly Bill 533. We will open for public comment. Is there anyone with public comment in Carson City or Las Vegas?

Mona Lisa Samuelson, Private Citizen, Las Vegas, Nevada:

I am the state's medical marijuana patient advocate. I give this public comment to let you know that when you have meetings that end at the call of another meeting, where the testimony cannot be televised to people who are watching and concerned, and you have 8 a.m. meetings, and things like that, you are not taking into consideration the original medical marijuana patients. We are not recreational patients; we are the people who had no other medical way of addressing our issues, especially chronic pain, epilepsy, cancer, and things that you need to take into consideration when you are talking about cannabis and hemp. Medical marijuana started out in this state. It was supposed to be a medical program before it was moved forward. That is not how it came to be. Keep that in mind when you have public meetings, especially meetings that you count legislatively on record as

a meeting, yet no one can attend except those who are privy to be in Carson City. That is not going to be your medical marijuana patients because we cannot afford to lobby specific issues. We need you all to listen to our issues and help us out. How and when you handle your meetings are very important.

Assemblywoman Torres:

I want to let you know that the meetings are available on Nevada Electronic Legislative Information System. You can look that up. It is N-E-L-I-S. You can view all of the meetings there, and you can submit comments. We, as legislators, have access to that and can view them.

Vice Chairwoman Cohen:

With that, please note that tomorrow morning we will be starting at 9 a.m. on Assembly Bill 534. The meeting is adjourned [at 10:47 a.m.].

RESPECTFULLY SUBMITTED:

Karyn Werner
Committee Secretary

APPROVED BY:

Assemblyman Steve Yeager, Chairman

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a copy of a PowerPoint presentation titled "AB533—Revises provisions relating to cannabis, Office of Governor Steve Sisolak," dated May 21, 2019, presented by Shannon Kallin, Legislative Extern, Office of the Governor.

[Exhibit D](#) is a proposed amendment to Assembly Bill 533, presented by Shellie Hughes, Chief Deputy Director, Department of Taxation.

[Exhibit E](#) is a proposed amendment to Assembly Bill 533, presented by Haley Summers, Government Affairs Associate, Blockchains, LLC.

[Exhibit F](#) is a proposed amendment to Assembly Bill 533 presented by Jim Penrose, representing Nevada Resort Association; and Virginia Valentine, President, Nevada Resort Association.

[Exhibit G](#) is a proposed amendment to Assembly Bill 533, presented by Jude F. Hurin, Administrator, Management Services and Programs Division, Department of Motor Vehicles.