

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

**Eightieth Session  
April 2, 2019**

The Committee on Taxation was called to order by Chair Dina Neal at 4:09 p.m. on Tuesday, April 2, 2019, in Room 4100 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](http://www.leg.state.nv.us/App/NELIS/REL/80th2019).

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Dina Neal, Chair  
Assemblywoman Ellen B. Spiegel, Vice Chair  
Assemblywoman Shea Backus  
Assemblywoman Teresa Benitez-Thompson  
Assemblywoman Lesley E. Cohen  
Assemblyman Chris Edwards  
Assemblyman Edgar Flores  
Assemblyman Gregory T. Hafen II  
Assemblyman Al Kramer  
Assemblywoman Susie Martinez  
Assemblywoman Heidi Swank

**COMMITTEE MEMBERS ABSENT:**

None

**GUEST LEGISLATORS PRESENT:**

Assemblyman Jim Wheeler, Assembly District No. 39  
Assemblywoman Daniele Monroe-Moreno, Assembly District No. 1

**STAFF MEMBERS PRESENT:**

Russell Guindon, Principal Deputy Fiscal Analyst  
Michael Nakamoto, Deputy Fiscal Analyst  
Gina Hall, Committee Secretary  
Olivia Lloyd, Committee Assistant

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**OTHERS PRESENT:**

Tony Yarbrough, Chairman, United Veterans Legislative Council; and representing Veterans of Foreign Wars, Department of Nevada  
Steve Thaler, representing Welcome All Veterans Everywhere, Inc.  
Mary C. Walker, representing Carson City, Douglas County, Lyon County, and Storey County  
Zach Conine, State Treasurer  
Michael Brown, Director, Department of Business and Industry  
Chuck Callaway, Police Director, Office of Intergovernmental Services, Las Vegas Metropolitan Police Department  
Corey Solferino, Lieutenant, Legislative Liaison, Washoe County Sheriff's Office; and representing Nevada Sheriffs' and Chiefs' Association  
Dylan Shaver, Director of Policy and Strategy, Office of the City Manager, City of Reno  
Mike Cathcart, Business Operations Manager, Finance Department, City of Henderson  
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities  
John Fudenberg, Coroner, Government Affairs, Office of the Coroner/Medical Examiner, Clark County  
Cody Taylor, representing Soltero Strategies  
Shaunt Sarkissian, Global Head of Payments and Intellectual Property, TBOL, Inc.  
Michael Wagner, Chief Executive Officer and Founder, Tokes Platform, Las Vegas, Nevada  
Gabriel Allred, Cofounder, Tokes Platform, Las Vegas, Nevada  
Larry Lipman, Chief Executive Officer, Alliance Financial Network, Inc., Denver, Colorado  
Ryan Black, Legislative Liaison, Office of Administrative Services, City of Las Vegas  
John Delibos, Private Citizen, Las Vegas, Nevada  
William Adler, representing Silver State Government Relations  
Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association  
Lindsay Anderson, Director, Government Affairs, Washoe County School District  
Brad Keating, Legislative Representative, Community and Government Relations, Clark County School District  
Kristopher Sanchez, Interim Executive Director, Office of Economic Development, Office of the Governor  
Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development, Office of the Governor  
Delen Goldberg, Chief of Staff, City of North Las Vegas  
Nicole Thorn, Accounting Manager, City of North Las Vegas  
Tony C. Danford, Assistant Director, Administrative Services, Finance Department, City of North Las Vegas  
Pamela A. Ojeda, Chief of Police, North Las Vegas Police Department

**Chair Neal:**

[Roll was taken and Committee rules and protocol were reviewed.] I will open the hearing for Assembly Bill 436.

**Assembly Bill 436: Revises provisions governing certain tax exemptions for veterans.  
(BDR 32-998)**

**Assemblyman Jim Wheeler, Assembly District No. 39:**

I am pleased to present Assembly Bill 436 for your consideration today. Currently in Nevada, if you are a veteran, you are allowed a reduction of \$2,000 off of your assessed value for property tax purposes or an exemption on your government services tax for vehicles. A veteran must be a resident of Nevada who: has served a minimum of 90 continuous days on active duty during a specified period of time; is still serving the armed forces of the United States; or has received an honorable discharge.

Assembly Bill 436 seeks to expand those tax exemptions to all veterans, no matter when they served, but they must have been honorably discharged. After talking to members and different stakeholders, I would like to submit a conceptual amendment to the bill ([Exhibit C](#)) and will incorporate those changes as I go through.

Under section 1 and section 2, exemptions apply to all veterans as defined in *Nevada Revised Statutes* (NRS) 417.005, and that is what we would like to change with the conceptual amendment.

I have included on the Nevada Electronic Legislative Information System (NELIS) a fact sheet from the U.S. Department of Veterans Affairs showing the makeup of our veteran population ([Exhibit D](#)). Currently there are 218,406 veterans in Nevada who make up about 10 percent of our population [page 2]. These young men and women served our interests and fought for our freedoms. I believe they all deserve the same financial benefits as our other veterans.

Currently we give these discounts to veterans who served during certain time periods. For instance, I am what is called a "Vietnam Era Vet." Even though I did not serve in Vietnam, I am considered a Vietnam Era Vet, so I am eligible for these discounts. There are other people who have served in between different wartime periods, who worked just as hard, who were stationed just like myself in Altus, Oklahoma, who do not get these discounts. I do not believe that is fair.

**Assemblyman Kramer:**

Thank you for bringing this bill forward. The dates do leave some veterans out in the cold. You are right; when you are in uniform you go where you are sent. Whether there is an emergency at that time is not up to you, but we all take that chance. I do not see language that says honorable discharge. The reason I ask is I have had friends who had less than honorable discharges, who look back on their service with honor even though they screwed up before they got out. I wanted to know how this dealt with that.

**Assemblyman Wheeler:**

Under NRS 417.005, section 2 says, "was separated from such service under conditions other than dishonorable."

**Assemblywoman Cohen:**

We have heard in this body over the last few sessions how many veterans who did not serve during wartime do not consider themselves veterans, which is unfortunate. They are missing out on services and benefits they are entitled to. How are we going to get the word out to them about this, to ensure they know to take advantage of it?

**Assemblyman Wheeler:**

You have to understand that this is totally voluntary. I know some veterans, even combat veterans, who do not take advantage of this. To be honest with you, I have never taken advantage of it myself. Even though I am eligible for it, I have never considered myself a combat veteran. I am sure there will be some who do not. However, the veteran associations would be better able to address how they are going to get the word out to these people.

**Assemblywoman Spiegel:**

I was surprised not to see a fiscal note. Could you speak to that because presumably this would get used.

**Assemblyman Wheeler:**

I believe there will be a fiscal note and this will go to the Assembly Committee on Ways and Means. I think the Legislative Counsel Bureau is backed up on those. I believe it will be a fairly substantial fiscal note.

**Chair Neal:**

We will now take testimony from those who are in support of A.B. 436. Please come to the table.

**Tony Yarbrough, Chairman, United Veterans Legislative Council; and representing Veterans of Foreign Wars, Department of Nevada:**

I represent nearly 9,000 members of the Veterans of Foreign Wars, Department of Nevada. I also represent close to one-half million members of the United Veterans Legislative Council as their chairman. The United Veterans Legislative Council is an organization of all veterans' organizations throughout the state of Nevada. That includes all veterans, active duty military, National Guard, families, and advocates—those seated behind me and some in Las Vegas as well. I am a Navy veteran, as a chief petty officer.

I am sure that many of you have veterans in your family history and may have direct experience of active duty military service. As we move forward, please remember them—family sacrifices, the commitment to serve our country, and how proudly you support them. All we want to do is the best for them. We support the amendment ([Exhibit C](#)) and we support the bill.

**Steve Thaler, representing Welcome All Veterans Everywhere, Inc.:**

I represent WAVE [Welcome All Veterans Everywhere]. It is an organization in Douglas County where we welcome all veterans regardless of where they come from. I would like to personally thank Assemblyman Wheeler for bringing this bill forward. I am one of those veterans. I served from 1976 to 1980. I fall within that gap. I have been looking forward to this for many years. My father served in the Army. I served in the United States Marine Corps—honorably discharged.

If you know a member or are a member, thank you for your service, and thank you for your service today. I wholeheartedly support this bill and the amendment ([Exhibit C](#)). We are working on a bill similar to this in the Senate with Senator Settlemeyer [[Senate Bill 386](#)]. I appreciate any guidance, Assemblyman Wheeler.

**Chair Neal:**

Is there anyone in Las Vegas who would like to testify in support of [A.B. 436](#)? [There was no one.] We will move to those opposed to [A.B. 436](#). Please come to the table.

**Mary C. Walker, representing Carson City, Douglas County, Lyon County, and Storey County:**

I actually signed in as neutral on [A.B. 436](#) because of the way the bill is written, and even with the amendment it did not expand the veteran exemption to all veterans, so I was a little confused. I just spoke with Assemblyman Wheeler and that is his intent.

We did look at a fiscal note for Carson City, Douglas, and Lyon Counties. I was not able to get Storey County's yet. The census has the number of veterans per county. We know how many veterans are receiving an exemption and how many are not but who now, under this bill, would be eligible for it. Carson City currently has 4,762 veterans. They have 1,896 veterans receiving the exemption. The new veterans would be 2,866. The Department of Motor Vehicles (DMV) exemption is \$108, and most veterans do take the DMV exemption. So the potential cost to Carson City is \$309,000. The potential cost to Douglas County is \$514,000. The potential cost to Lyon County is \$349,000. This totals \$1,172,000. It is huge. When I say it is the county, it is the school districts, the state, and all of the jurisdictions that would have that impact. I just wanted to put that on record.

**Assemblyman Hafen:**

Just for clarification, the numbers you quoted were theoretical based on the number of veterans, and you do not know actually how many are taking advantage of it versus not taking advantage of it. Is that correct?

**Mary Walker:**

That is correct. All I have is the amount per census, per county, and the numbers that are currently taking the exemption. With the intent of this bill, it would open it up to all veterans at all times.

**Assemblyman Hafen:**

You quoted about \$1 million. Theoretically half of the veterans could be taking advantage of it currently, so that number could be just \$500,000.

**Mary Walker:**

No. This is after I take out the people who are currently getting the exemption.

**Chair Neal:**

Do the members have any additional questions? [There were none.] Is there anyone who would like to testify as neutral on A.B. 436? Please come to the table. [There was no one.] I will call Assemblyman Wheeler back to the table for closing remarks.

**Assemblyman Wheeler:**

I believe this will go to the Assembly Committee on Ways and Means. As you can see by the numbers that were just given, less than half avail themselves now. I do not know how many will avail themselves. That is something we will have to look at on the fiscal note. I thank you very much for hearing me today and if anyone needs to talk offline, we can get numbers for you.

**Chair Neal:**

I will close the hearing on A.B. 436. Members, we are going to go out of order. I will open the hearing on Assembly Bill 466 and call Treasurer Conine to the table. [The presenter was not present.] They are apparently not here. I will open the hearing on Assembly Bill 458 on tax credits for the Nevada Educational Choice Scholarship Program. [The presenter was not present.] Committee members, we are missing people for all three bills, so we are going to take a brief recess.

[The Committee recessed at 4:25 p.m. and reconvened at 4:32 p.m.] I will open the hearing on Assembly Bill 466. I will call Assemblywoman Monroe-Moreno and her co-presenters to the table.

**Assembly Bill 466: Requires the creation of a pilot program to facilitate certain financial transactions relating to marijuana. (BDR 18-870)**

**Chair Neal:**

There was an amendment presented [amendment not considered for the record] and we are not sure if you are going to be speaking from this amendment or from the original version of the bill.

**Assemblywoman Daniele Monroe-Moreno, Assembly District No. 1:**

I believe our amendment only had the change of the effective dates on it ([Exhibit E](#)).

**Chair Neal:**

This has more than that.

**Assemblywoman Monroe-Moreno:**

We will be speaking from the original. I am here to present Assembly Bill 466, which requires the State Treasurer to create a pilot program for the establishment of one or more closed-loop payment-processing systems to facilitate certain financial transactions relating to marijuana.

There are unique challenges present in our fast-growing medical marijuana and recreational marijuana industries. Marijuana-related companies must deal in cash because of their lack of access to the financial system. These establishments hold, distribute, and transport large sums of cash—which puts the safety and welfare of our residents and visitors at risk. We need to prevent revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels; prevent the distribution of marijuana to minors; prevent lawful marijuana financial transactions from being used as a cover or pretext for the trafficking of controlled substances or other unlawful activities; and provide marijuana establishments with a convenient, safe, and secure method of collecting taxes.

Whether you support or oppose Nevada's medical and recreational marijuana laws, we should share a desire to provide transparency into financial transactions related to the marijuana industry, and a program with controls to prevent criminals from becoming involved in the distribution chain, money laundering, and tax evasion. This, as I see it, is a public safety issue. It does not make sense to have people walking around with trash bags of cash to pay their taxes and payroll.

Therefore, a closed-loop payment-processing system, established under the pilot program we have before you today, must be designed to provide medical marijuana establishments and recreational marijuana establishments with a safe, secure, and convenient method of paying their state and local taxes.

Joining me at the table today are our State Treasurer, Zach Conine, and Michael Brown, the Director of the Department of Business and Industry. As most of you know, my career was in law enforcement and the thought of having cash businesses in our state is very concerning. Trying to find a "legal way" that is not money laundering, and how to deal with that, has been something that has weighed on me. When this possible solution was brought to me, I thought it was ideal for our state as we continue down the road of the cannabis industry. I would like Nevada to be a leader in this field. This is an opportunity for us to try something different that creates a safer environment for the dispensaries, the owners, their customers, and our state employees who have to do business with them. I will now turn it over to Zach Conine.

**Zach Conine, State Treasurer:**

As illustrated and indicated by Assemblywoman Monroe-Moreno, A.B. 466 creates a pilot program for a closed-loop payment system to provide legal marijuana businesses, their vendors, employees, and state workers a safe, reliable, and effective means of engaging in financial transactions. This has been a long road. I first proposed a version of this marijuana

bank solution about a year ago, and we have had countless conversations about the business, legal, and safety concerns of all stakeholders. I am hoping this can be the beginning of the next stage in our process to finding a solution.

In 2000 the voters of Nevada approved the passage of medical cannabis [Nevada Medical Marijuana Act, Question 9], and in 2016 Nevada became one of the first ten states in the nation to legalize marijuana for recreational use. Despite the provisions in law that allow the residents and visitors in Nevada to engage in the medical and recreational use of marijuana, because the substance is still illegal at the federal level, no safe or reliable mechanisms exist to effectively bank this industry. A closed-loop payment system could address these industry shortfalls by providing a system that holistically contains all the financial transactions associated with the marijuana business and their consumers.

In establishing a pilot program—the first step proposed in this bill—Nevada, along with our financial partners, will be able to work through any issues associated with banking marijuana businesses. The bill places the pilot program within the scope of the Office of the State Treasurer, as currently they manage and oversee the state's banking functions, and reconcile bank transactions for all state agencies. The cash management division of the Treasurer's Office is responsible for reconciling all transactions in the bank and creating necessary entries in the state's accounting system currently. The office oversees over 32 bank accounts across 4 financial institutions for the state of Nevada. Today the Department of Taxation, similar to other agencies such as the Department of Motor Vehicles, processes cash, checks, and electronic payments at various locations. As a result of the legalization of recreational marijuana, the Department of Taxation receives approximately five times more cash in its offices than it did prior to the legislation. The high volumes of cash coming to the state require additional armored car services—contracting through our banking relationship—to collect the cash each day. A closed-loop system would allow these transactions to take place electronically, giving businesses a more efficient way to conduct business while reducing risk to public safety that arises with the consistent handling of large sums of cash. Unless there are questions, I would be happy to walk through a couple of the stages of the bill.

**Chair Neal:**

Go ahead and walk through the bill.

**Zach Conine:**

In section 1, subsections 1 and 2 of the bill provide for the creation of a system within the Office of the State Treasurer and the purposes for which the system should be designed, such as decreasing threats to public safety and providing transparency in the financial transactions of the marijuana industry.

Section 1, subsection 3 lists the capabilities the system must include, such as allowing business-to-business transactions and the collection of state or local taxes in real time. I would note here that the Department of Taxation will continue to perform all tax collection functions as it currently does. This is simply a different means of getting paid. The pilot



program would simply connect to the current system and allow a taxpayer to pay directly through the system, which would simultaneously provide additional transparency and audit features by tracking the input and output of all such transactions.

Section 1, subsection 4 requires the Office of the State Treasurer to adopt regulations necessitated by the system, and requires the system be voluntary for marijuana business. The volunteer nature of the pilot is important to my office, me personally, and Assemblywoman Monroe-Moreno. The goal is to create a solution the industry wants to be a part of—not a solution they are required to be part of.

Section 1, subsection 5 allows the Office of the State Treasurer to adopt regulations regarding any participation fees. Section 1, subsection 6 requires that the Office of the State Treasurer create and submit a report to the Legislature, or the Legislative Commission when not in session, concerning the program and any suggested improvements, ensuring legislative oversight and the continued involvement of this body. The Office of the State Treasurer will submit the initial report beginning February 1, 2021, or as amended, and will continue to submit reports every six months until the program wraps.

Section 1, subsection 8 provides definitions for terms used throughout the bill. Section 1, subsection 7 requires that the closed-loop payment system be up and running on or before July 1, 2020. The timeline here is important. Our goal is to utilize existing office staff and resources to complete this process, and we believe this amount of time allows for a robust and well-participated-in pilot. I will note for the record that our office has, or will, submit an amendment to this specific part of the time. It would allow us first to determine the practicality of the system by taking into account any changes in federal law related to banking marijuana businesses or a full lack of participation in the program by the businesses. In other words, if there is an impossibility or an unnecessary nature to this program by the time we get to the pilot, we want to ensure we do not have to create a zombie program and waste state resources.

Section 2 of the bill exempts the reports that our office will provide the Legislature from the requirements of NRS 218D.380, concerning reports submitted to the Legislature, and finally section 3 of the bill lists the effective date of the program for October 1, 2019, and the end date of the program on June 30, 2023, which we think is long enough to get enough data, but not so long as to have a perpetual pilot.

The voters of Nevada have made the decision to legalize marijuana. Assembly Bill 466 supports their decision by creating a safe, efficient, reliable, and transparent process to the thousands of financial transactions the industry sees on a daily basis. The Office of the Treasurer is looking forward to working with the industry to support and assist the establishment of this program. This concludes my presentation on A.B. 466. I am happy to answer any questions. Director Brown was kind enough to come talk about the state of banking in Nevada and across the nation.

**Michael Brown, Director, Department of Business and Industry:**

The Treasurer and I have a working relationship on this, as we support the Governor's Cannabis Commission that is looking more broadly. The Treasurer and I have had meetings with Brookings Institution and with others to discuss the state of this.

Regretfully, I do not see national banks coming into the cannabis industry to support it any time soon. Their positions are quite conservative. They want the federal laws reconciled before we will see a full-on commitment from the national banks.

Congress is considering legislation on this, and you may have seen that some of it is moving through the United States House of Representatives. However, when I consulted with my friends at the Brookings Institution about the probability of enactment in the United States Senate, you have a 60-vote hurdle, and this is an issue, as has been explained to me, that is moving west to east, so consequently we are actually further ahead than where the bulk of the U.S. Senators actually reside and live. The U.S. Senate is bit older than the U.S. House of Representatives, and many of the Senators are veterans of the war on drugs and have very different views than what we have seen in the western United States. So I think the likelihood of our getting 60 votes to see a change is not high, and even if that occurred, you would probably have a two-year rulemaking process on top of it. There is no immediate federal relief coming through Congress.

We believe that the United States Department of the Treasury has some authority to make this easier, and Senator Cortez Masto, who serves now on both the banking and the finance committees, has agreed to work with us to try to make this case to the Treasury.

The third option is whether we can liberalize Nevada's markets, and we have had some interest from out-of-state credit unions and institutions to come to the state. But they still bear the risks the national banks would have if they would come here.

You really have the opportunity to be the laboratory of democracy that is often talked about and try some pilot programs. I committed to the Treasurer that we would provide as much support in that endeavor as we can from my department. The options are limited and I do not see immediate federal relief any time soon, so perhaps it is time to look at a pilot program like what has been proposed here today. Maybe it will wake up the feds also.

**Chair Neal:**

Before we get into questions from the Committee, staff handed you the amendment we received [amendment not considered for the record]. All the Committee members have it. Is this an amendment we should be considering?

**Assemblywoman Monroe-Moreno:**

No, it is not. There will be one amendment and that will be in section 1, subsection 6. We will be changing the date from February 1, 2021, to December 1, 2020, for reports to start to the legislative body.

**Assemblyman Kramer:**

I see in the proposed amendment ([Exhibit E](#)) that it changes the date from February 1, 2021, to December 1, 2020, but also in subsection 7 changes the date from July 1, 2020, to December 1, 2019. Is that a separate amendment?

**Assemblywoman Monroe-Moreno:**

We will not be doing that. We will just be changing the date in subsection 6, not in subsection 7.

**Assemblyman Kramer:**

Is the other many-page document we have that is an amendment an unfriendly amendment at this time?

**Assemblywoman Monroe-Moreno:**

Correct.

**Assemblyman Kramer:**

Thank you for bringing this bill forward. I like it. It is innovative. It reminds me of what Senator Settlemeyer was talking about. My concern is that it says it is open for multiple vendors who might want to do something like this. I am thinking you have a vendor in mind that can get you there by December 1, 2020, and I see in the stringency of your criteria that you are not going to just let any fly-by-night company come in. I think that is good. I am a little concerned you are gearing it for one and not allowing others. I would like for the record for you to say this will be open to anybody who can satisfy that criteria, and you are willing to accept multiple vendors.

**Assemblywoman Monroe-Moreno:**

Yes. The regulations for this will be set up by the Office of the Treasurer, and because it is a pilot program, none of us knows which system is the best for Nevada. That is why we said one or more vendors to come in and operate. At the end of the pilot program we can decide, along with the cooperation of our local entities and other partners, which one is the best one for our state. I did not want to limit it to one vendor.

**Assemblywoman Benitez-Thompson:**

This is a comment to remind all people in the audience how the Committee process works. Amendments have to come through our committee manager, should be submitted to the committee manager for uploading on NELIS, and at no time should amendments be put on the dais by individual representatives themselves. This is just a reminder to everyone about how the process of these committees works, so we can keep everything clean and above board.

**Assemblywoman Monroe-Moreno:**

I was not aware the makers of the amendment were going to put it on the dais. I had a conversation with the gentleman who created the amendment. I let him know we would not

be able to hear his amendment, but I encouraged him to bring it to share because he wants to be a part of the conversation. I did not expect it to be on the dais, though. I do apologize for that. I did not make myself clear to him.

**Assemblywoman Backus:**

I want to follow on Assemblyman Kramer's question. It flows with respect to the Treasurer's Office being responsible for adopting regulations. It seems like there could be so many innovative ways to meet the intent of this program. Are you going to open it up to competitive bidding, including potential regulations submitted to yourself, so there could be other options considered instead of just one specific group?

**Zach Conine:**

Yes. We believe in this case necessity is the mother of innovation. We have spoken with groups that are both very large and have set up closed-loop systems. We have spoken with start-ups that have closed-loop ideas. We want to try a number of different pilots if we can, that meet all the needs of increasing safety, providing fiscal security to the state and the assets of our citizenry, and providing different levels of service so we can find out exactly what the industry is interested in.

**Assemblywoman Backus:**

The best way I could think about this closed-loop system is almost like a server; when they get their paycheck, more taxes go out than what they may be getting in compensation. Is that the intent with this? The closed-loop system works where a portion is being paid to the marijuana establishment, that potentially more taxes could be collected through this, or are the taxes being collected and limited to the portion that is being paid through the closed-loop system?

**Zach Conine:**

I am not sure I understand what you are asking. Could you rephrase your question?

**Assemblywoman Backus:**

My understanding of the closed-loop system is it is a way that money could be transferred, obviously without using cash. I anticipate we are not going to end the cash-pay system because this is a pilot program right now and we will still have vendors who may not be interested in this program, and still do everything by cash. My understanding was the closed-loop system was enabling the Treasurer's Office to monitor what was getting paid and also to pay the taxes in an easier way. My thought was it could pay even more taxes. I was using the analogy of a server's paycheck.

**Zach Conine:**

The goal of a closed-loop system is to allow for seamless transactions without using cash. For instance, if you only had \$100 in the closed-loop system, you might put additional monies into it to transmit your tax payment if your tax payment was higher than that. From a functionality standpoint, what the closed-loop system does is give us better audit control of the transactions that are happening so we can ensure the excise taxes are paid along the way.

One of the things we would want to test in the pilot is whether those payments are made automatically as part of the initial transaction in the same way a credit card swipe fee is taken out prior to the money actually getting to the vendor. Those are things to test in the pilot program to see if they work, but yes, to your question, it is possible for that to happen.

**Assemblywoman Spiegel:**

Even though I worked in financial services for many years, until this year I had never heard the term "closed-loop system." Could you expand for the record what your understanding of a closed-loop system is so we can ensure we are all on the same page, and, generations down the road looking at the video or reading the minutes, know what we are talking about?

**Zach Conine:**

In a very broad sense, think about a Starbucks gift card as a simple, two-party, closed-loop system. Money goes on the card, it purchases goods and services, and at the end of the day you have a card that has some credits left on it. More credits can be put on, and in a closed-loop system eventually those credits would then be able to come off in the form of dollars. To expand on that, the idea is that money enters the closed-loop system and becomes converted into some sort of token or chit. Those tokens then circulate around the marketplace of marijuana dispensaries, producers, cultivation facilities, hopefully utility companies, Department of Taxation, vendors, fertilizers, lights, et cetera, hopefully payroll companies down the road, and at the end the final holder of that token comes back to the state and says, I have a token, and the state determines if it is a valid token and redeems their money. This is similar to chips floating around a casino, or various other temporary stores of value. It provides a way for those transactions to happen without duffle bags or trash bags full of cash going through our fair state.

**Assemblywoman Spiegel:**

So in the system you just described, when I put money on my Starbucks cards, Starbucks gets use of those dollars—they get the float. So in this closed-loop system, who would get the float?

**Zach Conine:**

From a professional treasurer's standpoint, the state would very much like the float. The question of the float becomes one of who is expending the resources to support it. The float is one of the ways the system generates the money to pay for itself. It minimizes cost to the dispensary and eliminates cost to the state.

**Assemblywoman Spiegel:**

Another issue that comes out of your office is unclaimed property. I know I have gift cards that I have had sitting in my drawer for years. Will there be a mechanism for dealing with unclaimed property if someone puts money into the closed-loop system and then does not redeem it?

**Zach Conine:**

That is something we need to deal with during the pilot program. From a conceptual basis, the breakage, we would like to handle it in the same way as the float. In other words, if someone were to have 100 tokens and only redeem 99, we would know who has that one token because we will have perfect data transparency as to whose it is. I expect it would enter our unclaimed property system and be recovered at some point.

**Assemblywoman Spiegel:**

When I have gone into the supermarket and looked at the gift card mall, some of the gift cards charge added fees for the convenience of having this closed-loop system and entering into it. Given our large population of unbanked Nevadans, I am wondering if the vision is for there to be a convenience fee for obtaining entry into this closed-loop system, or if it is something that would be free to consumers. How do you envision that working?

**Zach Conine:**

I think the first broader question is whether consumers would touch the closed-loop system directly, or it would be a B-to-B [business-to-business] system. That is one of the things we want to pilot. We do not expect that this is a cost to consumers. If the consumer were to enter into this, it would be a benefit to the legal marijuana business and the state, and as such, the individuals who are getting the benefit would pay the cost. Our goal is to come up with a system that is less expensive than the current cost of managing the cash.

**Assemblyman Kramer:**

I am reading in section 1, paragraph 5, that there will be fees that can be assessed. For the record, would these fees only go to those marijuana businesses that participated in the program? It sounds like with less armored car service, your costs will be less than they are now, and maybe a little bit of income from the float. Perhaps these fees will be negligible. I am sure that time will tell. I am sure your efforts will be to make them as low as possible, and be justified in their actual cost, not to make this a profit center. Is that correct?

**Zach Conine:**

Absolutely. Fees will be charged to individuals and businesses using the system. This is a system that is supposed to be paid for by its members, as opposed to paid for by the industry. I would generally have a problem with the voluntary system with compulsory fees as it relates to payment processing.

The goal here is to solve a relatively significant safety issue—to solve some of the issues that were brought up in the audit committee's review from the Department of Taxation—of what is happening in the industry right now and to provide better banking transparency. We are not looking for this to be a massive profit center for the state.

**Assemblywoman Benitez-Thompson:**

I want to ask about the time line you have in section 1, subsection 7. We have the mandate in statute that at least one closed-loop payment system needs to be up and running by July 1, 2020. The provisions of this bill do not go into enactment until October 1, 2019, so we have from October 1, 2019, to July 1, 2020, less than a year for the request for proposal, the bids, the bids reviews, and going to the Board of Examiners. Are you comfortable with all of that happening in that time frame?

**Zach Conine:**

Yes, although to be fair, we will start sooner than October 1, 2019, from writing the request for proposal and the rest.

**Assemblywoman Benitez-Thompson:**

Correct me if I am wrong, but the way I am reading it is, with the amendment ([Exhibit E](#)), you are giving yourself less time for that process.

**Zach Conine:**

That piece of the amendment—section 1, subsection 7—we are going back to the July 1, 2020, date, not the December 1, 2019, date. We are moving up the reporting but not moving up the implementation of that actual closed-loop system.

**Assemblywoman Benitez-Thompson:**

A suggestion I would make or something I think we should see in here to contemplate is, although a number of times we might see in the request for proposal the securement of a clawback or some kind of deposit in escrow to be held in case things go south, which occasionally happens with stuff like this, I think that is really important to probably build into statute. The state engages in many contracts with vendors for software, and we have had a few of those go south. We then end up arguing over deliverables, how much was actually presented, how much was not, and how much the state is losing and eating when these things go south. I would say that some discussion should happen about those protective provisions, even though it is a pilot program. If we are allowing someone to pull in the money, even from one dispensary over a period of time, if we have an "oops," we cannot be out that money.

How will section 1, subsection 4 and subsection 7 work together? Subsection 4 says that we cannot mandate that anyone participate in the pilot program, but in subsection 7 we are saying we have to have something set up. I know we want to leave it as a permissive thing, but if we are putting a hard date to start, does it make sense to make it permissive?

**Zach Conine:**

Going back to something we said earlier about the clawback, I completely agree, especially in something like this where you are getting into speculative technology and we are trying a new thing. From a control of capital standpoint—the money that is deposited in the closed loop system—one of the pieces of the pilot is the money that is deposited stays with the state. We maintain the dollars the whole way through. Those dollars do not leave our account.

The closed loop exists where the tokens move around but the actual physical cash dollars remain ours, so we are protected on that front. From a subsection 4 and subsection 7 comparison, I completely agree. We have been talking to Legislative Counsel Bureau about what the mechanics would be if it became impossible—if no one came forward to the table. Now, in our initial conversations with groups both on the closed-loop provider side and on the vendor, marijuana, dispensary, et cetera side, we have takers on both, but on the off chance that we cannot get there, we have an amendment drafted that we think covers the impossibility side, which effectively says if no one shows up to the party, we do not have to turn the music on.

**Assemblyman Flores:**

Through a consumer lens, not the business-to-business interaction, the consumer who is trying to purchase marijuana and the way the preloaded cards or token will work, will they be allowed to use a debit card to preload a card and/or token? If yes, is that not an issue at the federal level right now?

**Zach Conine:**

I do not want to speak to it from a federal level standpoint, not being an expert on that. Some of the closed-loop providers we have talked to have used direct ACH [automated clearing house] from a bank account—from a checking account into this system to create the cashless-all-the-way-through solution. That is one of the things we would explore in the pilot program—of course, working with Director Brown to ensure we stayed on the right side of banking regulations. Debit transactions would cause a separate issue.

**Chair Neal:**

In section 1, subsection 3, paragraph (e), a method which allows the state or a local government to collect taxes in real time; can you procedurally explain how the interaction for collecting taxes will work in regard to the Department of Taxation and your relationship, or the interconnectivity of that?

**Zach Conine:**

With the general caveat that in a pilot program we need to work with the Department of Taxation to understand how everything would tie in together, the intention is that when a transaction takes place it would be subject to excise tax or another tax, that those taxes could be taken out before the tokens end up on the other end. If there was a 100-token transaction that had a 10 percent excise tax, 90 tokens would show up at the seller and 10 tokens would show up at the Department of Taxation. Because this program allows for full data transparency, we will be able to see those transactions, so if for some reason there was a mistake and 1,000 tokens were transmitted as opposed to 100, that could be rolled back like any other electronic transaction. Currently, if too much cash is paid, there is a lot of finger-pointing.



**Chair Neal:**

Members, do you have any additional questions? [There were none.] I have an announcement to make. I know there are individuals sitting in the audience here in Carson City and down south in Las Vegas waiting for Assembly Bill 458. That is going to be rolled to Thursday. That bill is now going to be moved from this agenda. I will now call the individuals to the table who are in support of A.B. 466.

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

I had the pleasure of serving as the vice chair a couple of years ago on the Governor's Task Force on the Implementation of Question 2 [The Regulation and Taxation of Marijuana Act]. One of the recommendations in our report was the banking issue. It is a huge problem and having these cash-only businesses does present a public safety risk when high levels of cash are being transported for deposit.

One thing I want to throw out there, that I think the bill can cover through the regulations, I would want to ensure on the record that obviously the Department of Taxation should have access to this closed-loop system for the purposes of their regulations and enforcement. I also believe that law enforcement, in cases where there may be organized crime or financial crime investigations, should have a mechanism to access transactions.

**Corey Solferino, Lieutenant, Legislative Liaison, Washoe County Sheriff's Office; and representing Nevada Sheriffs' and Chiefs' Association:**

I am here in support. I want to thank Assemblywoman Monroe-Moreno for getting the stakeholders together and bringing this legislation forward. During the interim I sit on the Washoe County marijuana working group. We provide the security analysis for the dispensaries operating in our jurisdiction. One of the security recommendations we have made was not keeping large amounts of cash on hand, and we believe this will solve that problem.

**Assemblyman Flores:**

Do we have any data on how many incidents we have had related to violence or crime in instances dealing with somebody carrying a large amount of cash?

**Corey Solferino:**

In northern Nevada we had one incident where there was a stolen vehicle that was driven through the storefront. We do not know if the target of that was the cash or the product. I would be happy to work with you and Director Callaway offline to get you those numbers.

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

The City of Reno is the home to four recreational marijuana establishments as well as the various licensed grow and distribution operations we have in our jurisdiction. Once per quarter we have marijuana tax day. We have to bring in extra security so people can come down to the city clerk's office and pay their taxes and fees in cash. The average payment is

about \$80,000, which to put that into context is 166 pounds of money. I think a few of you have met my chief clerk. She weighs about 97 pounds, so we look forward to some solution that would allow us not to accept these payments in cash. Thank you for hearing the bill and to the sponsors for bringing it.

**Mike Cathcart, Business Operations Manager, Finance Department, City of Henderson:**

This was one of our city council's biggest concerns with our marijuana program. To Assemblyman Flores' question, I am not aware of any issues of crime when someone is transporting cash that is coming from a dispensary. We have had a few that were broken into—the actual structure of the dispensary. I want to thank Assemblywoman Monroe-Moreno and Treasurer Conine for bringing this bill. It seems to be a very innovative way to address a big problem and I look forward to working with them.

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

We would like to thank the sponsors for bringing this bill forward. The cash-only aspect of the marijuana business has been one of our biggest concerns since marijuana was legalized. Is this the best way, maybe not. The best way would be for the federal government to allow access to the federal banking system. For the first time all six members of our congressional delegation are onboard with that, but pitting hopes on something happening in Congress is probably not a good thing. We are in support of A.B. 466.

**John Fudenberg, Coroner, Government Affairs, Office of the Coroner/Medical Examiner, Clark County:**

We also support the bill for many of the reasons already stated.

**Cody Taylor, representing Soltero Strategies:**

We fully support this bill.

**Shaunt Sarkissian, Global Head of Payments and Intellectual Property, TBOL, Inc.:**

Thank you for the opportunity to testify today on behalf of A.B. 466. I am a proud resident of Reno and have been a payments engineer and executive for more than 20 years. I am also the holder of multiple patents in the payment space and authentication space, and I believe in the technology proposed by A.B. 466. I have seen that succeed in many marketplaces.

I applaud Assemblywoman Monroe-Moreno for her leadership to establish a closed-loop payment system in the state of Nevada, which will alleviate many of the serious issues within our state cannabis industry. I have had the opportunity to meet with several of you on this Committee.

As Nevadans, I particularly thank each of you, as informed electives who are aware that the federal government has left our marijuana dispensaries in dire need of banking services. We believe this gap in regulation has in part contributed to and created what has been known nationally as the cash problem. However, access to banking is only a small snapshot of the issue. In order to properly address the cash problem head-on, there must be a system to

move the money between the parties and enable those payments electronically. We are very encouraged that A.B. 466 will allow the state to lead the nation in this area and are honored, being a Nevada resident, to see that happen here locally.

To be clear, the technology is not new technology, but its application into cannabis is a carefully regulated scheme which the pilot program contemplates will put Nevada on the cutting edge and bring an element of safety and convenience to this industry that has not yet been seen. We believe establishing a closed-loop payment system pilot will allow the state to efficiently and safely collect taxes, while at the same time allow dispensaries to accept electronic payments from consumers, and in addition, provide a platform for business-to-business transactions, which are also equally important. The industry is ready for answers and we believe A.B. 466 is an excellent place to begin. Our global head of public policy, Dean Thomas, and I are here to answer any questions.

**Michael Wagner, Chief Executive Officer and Founder, Tokes Platform, Las Vegas, Nevada:**

Our company is a Nevada-based software company, launched in 2016, and I am here to comment in support of A.B. 466. Our company is an industry-agnostic software provider that primarily leverages blockchain for the purpose of digital payment solutions and the provenance of supply chain data. Given the state of the legal cannabis industry, it is great to see the beginnings of a potentially state-sponsored protocol for payments within the industry.

As many of you may be aware, the cannabis industry is littered with service providers promising to solve the banking problem, and yet there is no widely adopted solution available. This is likely due to the predatory nature of these service providers and the fact that they are exorbitantly expensive or are blatantly illegal or are potentially laundering proceeds in a fashion that does not comply with legal money services' business practices. The state support of a cashless solution paves the way for honest and compliant service providers to deploy their offerings in a test environment, working out the hurdles hand in hand with the regulatory and state bodies.

Further, A.B. 466 can put Nevada at the forefront of solving the cash problem within the cannabis industry and potentially position Nevada as the model to be followed by other states in need of a similar solution. As mentioned, our company leverages blockchain for a number of uses, and with the passage of Senate Bill 398 of the 79th Session, Nevada now has a pro-blockchain law which both recognizes the potential efficacy of blockchain for any multitude of uses, but also makes our state a favorable environment for blockchain companies to deploy innovative technologies with the potential to increase efficiencies, security, and the provenance of data within our state. This same blockchain technology may be advantageous in the case of this pilot program and serve to further position Nevada at the forefront of this emerging technology trend while improving safety, reducing costs, and increasing efficiencies within the state of Nevada. We would also like to thank Assemblywoman Monroe-Moreno as well as Treasurer Conine for presenting this.

**Assemblywoman Spiegel:**

Do you envision using blockchain technology for maintaining the ledgers related to tax payments and the actual financial transactions, or is your vision to have something like a marijuana-based cryptocurrency?

**Michael Wagner:**

Our solution would involve tracking the financial transactions on a distributed ledger, such as blockchain, which would encompass a number of digital currency solutions as well as the potential for a state-sponsored chit system or tokenized system. This could be a stable, asset-backed token that is used by customers in the industry, but these records would also be consistent with the records that would be maintained by the Treasurer.

**Assemblywoman Spiegel:**

And that could be done in a way such as Mr. Callaway suggested, that the regulations would put in requirements that law enforcement or the state be able to go in and audit, or would it just be something like bitcoin where once it is out there, it is out there and nobody can find it. Is that correct?

**Michael Wagner:**

The way the system could be developed, particularly depending on the underlying blockchain protocol that is utilized, certainly there would be the capability to have law enforcement involved in one of the tokenized systems. Depending on the content within the request for proposal and the digital currencies that are accepted, we could accept additional digital currencies like bitcoin or any of the array of digital currencies that exist out there, but largely once they are processed through a payment platform or a point-of-sale system that is capable of processing these payments, effectively it is delivered into a custody solution that again would be accessible or maintained by the Treasurer.

**Gabriel Allred, Cofounder, Tokes Platform, Las Vegas, Nevada:**

I am also a founder of the Tokes Platform, here today to testify in support of A.B. 466. As today is Blockchain Education Day in the Legislature, it seems appropriate to add a few more comments on how blockchain technology can add a layer of transparency, security, and immutability to any cashless payment system adopted by the state. While you are all well aware of the general issues and risks surrounding the cash-only nature of legalized cannabis businesses in the state of Nevada, I would like to add just a few points about how blockchain can add efficiencies and improve the function of a cashless system.

While the use case most commonly associated with blockchain is cryptocurrency, it is important to note that a blockchain is fundamentally a data structure. It is a distributed, persistent, transparent, sometimes public, append-only ledger. For this reason it can add a layer of trust in the provenance of data, ensuring that data points added to the ledger—in this case, payment data—have not been maliciously altered after the point of entry. Further, in producing a cashless system for cannabis payments, the purchase data—whether with

consumers or for wholesale purposes—not only can be linked to an automatic tax remittance at the time of sale but can be discreetly linked to event data within the cannabis supply chain, potentially reducing product diversion in or out from gray markets.

Assembly Bill 466 not only serves as an entry point to reduce the cash liability of the cannabis industry, but to potentially improve efficiencies within the industry as a whole, through better transparency, security, and, potentially, privacy for consumers. Mr. Wagner and I are available for any questions you may have on the usage of blockchain.

**Assemblyman Kramer:**

A lot of us are familiar with the Silk Road issues and buying drugs with blockchain-type currencies. What I want to hear you say, for the record, is your token system would keep track of where money came from and where it went, and would be a system that would be open for audit.

**Gabriel Allred:**

Yes. Our system would essentially still be closed-loop. We produce token-agnostic software. Right now the point-of-sale system that we developed accepts Tokes, our native token. It accepts Bitcoin. It accepts Litecoin. All of those could be disabled. We could use a state-sponsored token only that would only stay within the ecosystem of approved vendors, approved consumers, and approved members of that particular distribution chain.

**Assemblyman Kramer:**

I did not hear you say it would be open for audit.

**Gabriel Allred:**

It would absolutely be open for audit. That is part of the system we provide, auditing tools for regulators as well as business stakeholders.

**Chair Neal:**

We will now take testimony from those who are in opposition of A.B. 466.

**Larry Lipman, Chief Executive Officer, Alliance Financial Network, Inc., Denver, Colorado:**

We are registered with FinCEN [Financial Crimes Enforcement Network] and we act as a federal financial institution. I would actually be in favor of this bill if there were a few things tweaked, and I was the person who put this together [amendment not considered for the record]. It was not meant to be an amendment, it was more meant to point out a few items.

My company works in unbanked environments, that would be cannabis and CBD [cannabidiol], and there are actually about 40 corporations that got squeezed out in 2013 under Operation Choke Point by the federal government. As written, I am against A.B. 466, but with a few things tweaked, it would be an excellent bill.

I am considered a subject matter expert in this. I have been involved in it for over five years, and I am now in discussions on similar proposals in 12 states. Closed-loop programs do not work for a few reasons. There is no way for a company to be able to pay outside the network, so most states have already come to the conclusion, or are coming to the conclusion, that this type of bill, as a closed-loop, would be a Band-Aid on a massive wound.

We work with states and would be happy to work with your state and the Treasurer on creating a membership network similar to closed-loop, but it allows businesses that are unbanked and consumers who are unbanked to pay for goods and services that a Toke, or something else, would not necessarily accept.

United States banks and United States dollars are very important. The federal government has come to the conclusion that there is an enormous amount of money leaving the country for a variety of reasons, and they consider that money laundering.

The problem with a card, and the card industry has gone through a metamorphic change, is you bought the card, loaded the card, and passed the card on to someone else. That is called money laundering. That is a classic example under the FinCEN guidelines. So we went to a more electronic system, in the cloud and mobile, to prevent money laundering.

My company—and banks and credit unions—are mandated to file SARs [suspicious activity reports] for inconsistencies in financial statements. I do not see anything in here that talks about integrating with Metric, which is your state system, and that is a big problem right now nationally. People are leaking product across state lines, and in my data, which lasted 15 months in Colorado, we found that businesses were selling a pound of product and banking \$1 million. That is not possible. But in the FinCEN guidelines, of which I have to file a SAR, it states we have to file a SAR for an inconsistency in a financial statement, and that would be pretty difficult to do in this type of a program. Tweaking this would get you where you want to be, based on my history and knowledge on a national basis.

We are getting ready to open an office here in Nevada. Under the way I read this, you would be—and I may be interpreting this incorrectly and I apologize in advance—assuming costs to administer headcount and equipment when you should not have to do any of that. There are a number of things in here that other states and I have gone through that I would be happy to do with you. I am not trying to be self-serving; whether you selected me to be in the pilot or not, I think for the purposes of the industry in your state that would be an important point.

**Chair Neal:**

Mr. Lipman, I appreciate your comments. Can you get your information to my committee manager so it can be uploaded into the record? We need it electronically [([Exhibit F](#)) and ([Exhibit G](#))]. Members, do you have any questions? [There were none.] We still have another bill to get to this evening, so if you have any closing remarks you would like to make, I will allow you to do that.

**Larry Lipman:**

In conclusion, with a few tweaks to what has been written here, I think this would be an excellent idea and we would be proud to participate or help advise. I urge you to add U.S. dollars and U.S. banks, and that the taxes are collected and paid at the transaction; then I think you would have a very good bill here.

**Assemblywoman Spiegel:**

Is not a membership payment system also a closed-loop system, and if the bill went forth as written, would your company not still be eligible to be putting in a bid?

**Larry Lipman:**

In some states closed loop was interpreted only as, and defined earlier if I heard that correctly, to move money within the network, or move chits or tokens. But it did not leave an opportunity for somebody, like we do, to click a button and write a check, ACH [Automated Clearing House], or wire out. That would be the big difference. So we changed that interpretation of closed loop to more membership-oriented, so everybody was checked for OFAT [one-factor-at-a-time] AML [anti-money laundering]. We actually wrote a book for all of our banks for compliance procedures, and then that would be more defined. If the Treasurer decided he wanted to include that as an interpretation, that would be fine.

**Chair Neal:**

We will now shift from opposition to neutral. Is there anyone who would like to speak as neutral on A.B. 466?

**Ryan Black, Legislative Liaison, Office of Administrative Services, City of Las Vegas:**

We are neutral on this bill as we have some questions about how this system would operate. I do not think any of us in this room can currently speak to every specific detail, so we obviously want to know those details before we opt into a system like this, mostly related to security and things like that.

We are in support of the concept, and would love to get away from the cash-based operations that marijuana establishments currently operate. In the City of Las Vegas we do have ten dispensaries, with an additional ten that are going to come online in the next year or so. Reducing the cash on hand in these businesses would increase public safety, not only for the businesses but their employees as well as patrons. I can safely say that once we know the full specifics of a system like this, we are likely in full support of the concept.

**John Delibos, Private Citizen, Las Vegas, Nevada:**

I am involved with Mr. Lipman on Expo Financial. My neutral comment is merely a matter of clarification of the handout you received [amendment not considered for the record]. Since we had a PowerPoint along with a lot of other things, I was asked to prepare a handout to give to the Committee members so that we could get the information communicated to you.

If there was any misunderstanding that this was intended to be an amendment, it was not our intention nor was that articulated to the committee secretary or anybody involved. We presented that merely at the invitation of Assemblywoman Monroe-Moreno. She told us we could bring that. We were never intending it to be an amendment to the bill. We apologize for any confusion that may have resulted from that.

**Chair Neal:**

We appreciate that clarification.

**William Adler, representing Silver State Government Relations:**

I am in great support of the concept of this bill and the idea of using a closed-loop system inside the state of Nevada together. Just a brief comment would be that I do not believe marijuana should ever be a cashless system. A lot of the people who come into our doors do not have debit cards or even cell phones. It would be very difficult if we said, You must be cashless, because some of these people are cash-intended. A great reduction in cash coming through the doors is obviously very welcome.

Another comment was how many instances do we know of—break-ins, armed robberies, things like that. In northern Nevada we had one where a car did go through the front door of a dispensary, but he made it all of five feet into the store, entered another manned trap door, and basically climbed back out with some broken glass in his hands.

We do have a very secure system as is. We have not had a lot of instances overall in the whole state of Nevada. I do not know of any successful instances of robbery in northern Nevada at least. We have done a good job of regulating the marijuana system so far. The cash is a big inconvenience, but we do have a very high bar for safety across the state compared to Oregon, California, Colorado, and just about any other state I have seen. This system would help reduce the cash. I do believe we will never get to a cashless system, and we never should get to a fully cashless system. Anything like this could help and would be greatly appreciated.

**Chair Neal:**

We will call the bill sponsors back to the table for any closing remarks on A.B. 466.

**Zach Conine:**

I wanted to address something Assemblyman Kramer asked. In no way, shape, or form will the Treasurer's Office entertain any solution that is not fully auditable—where we know all the parties, both from an anti-money laundering standpoint and from a goal of the bill. We are looking forward to working with partners on that. Mr. Lipman has been a big help over the last year as we have talked about this. We ended up in a different place from what we think the easiest solution is, and the most reasonable solution, but look forward to continuing to work with him and any other provider to get as many potential solutions for this massive problem. Thank you for your time today.



**Assemblywoman Monroe-Moreno:**

As a legislator and as a member of the Governor's Advisory Panel for the Creation of Cannabis Compliance Board, it is my goal to help make Nevada the gold standard in the cannabis industry, in regulations and compliance. I am confident the passage of A.B. 466 would get us one step closer to that. I ask you for your support of this bill.

[([Exhibit H](#)) was submitted but not discussed and is included as an exhibit for the hearing.]

**Chair Neal:**

I will close the hearing on A.B. 466 and open the hearing on Assembly Bill 400.

**Assembly Bill 400: Revises provisions governing economic development. (BDR 18-803)**

**Assemblywoman Teresa Benitez-Thompson, Assembly District No. 27:**

Thank you, Committee members for hearing Assembly Bill 400 today. I appreciate your indulgence for the conversation we are about to have. I want to work from the conceptual amendment ([Exhibit I](#)) as the bill was drafted a little differently than the intent I wished to express.

The intent of this bill is to end the prospective abatement of the local school support tax (LSST) portion of the sales and use tax so that local sales tax dollars are no longer diverted away from our schools, and also from the State General Fund and the Distributive School Account (DSA), which is where the LSST all ends up being distributed to.

In 2011, when I was a freshman in this Committee, the state made a paradigm shift in the establishment of the Office of Economic Development, Office of the Governor (GOED). It came out of the Lieutenant Governor's Office. It became a stand-alone office, and at that time we were in the throes of a recession. We needed a way to change what was happening in the state of Nevada. You have obviously heard presentations from the GOED. We were not in a position to barter, to negotiate economically, when it came to our own economic future. The best we could do was just abate multiple sources of revenue coming into the state, one of those being the sales tax, and included in that was the LSST portion.

Although many of us are, were, and remain supportive of these kinds of initiatives and the GOED office, as the economy stands right now we can have a different conversation about what is happening. I think things have changed enough in Nevada that we can take a look at which abatements are still meaningful, and there are many that are, but perhaps where could we have more reciprocity in these abatements and where we ought to have a good discussion about where some of these need to start coming off line. I believe where we need to start is with ending the abatement of the LSST.

You have a document in front of you ([Exhibit J](#)), and this document is touching on the chapters of *Nevada Revised Statutes* (NRS) and the type of abatement where GOED is allowed to make the abatement of the LSST. I just want to walk through that with you.

First off you see NRS 274.310, 274.320, and 274.330 [page 1, ([Exhibit J](#))]. What is happening right now is by statute this does allow all local sales and use taxes paid, except for the state 2 percent rate, to be abated. The abatement must be for one year but not more than five years. Right now there are no awardees under these provisions; however, we would not want future abatements coming out of here for sales tax abatements.

The next set is NRS 360.750, and these are referred to as our general economic incentives. What you see here are different incentives for different kinds of businesses. A new business that is in a bigger county, a new business that is in a smaller county, an expanding business in a bigger county, and an expanding business in a smaller county. What is allowed here is all local sales and use taxes paid for the purchase of eligible machinery or equipment, except the state 2 percent rate, for up to two years. So what we want to say is, moving forward, these can no longer be a part of an abatement package. It is two years if you start off in the category as a new business, and then you get a future award in expanding business, then what we can see effectively is that abatement for four years. So it is two years in each kind. Effectively we would be taking offline that four years.

Then you go into aircraft, which is NRS 360.753. What you see here is the abatement of local sales and use tax, except the state 2 percent rate, imposed on the purchase of tangible personal property used to operate, manufacture, service, maintain, test, repair, overhaul, or assemble an aircraft or any component of an aircraft. That abatement can be for up to 20 years, so for 20 years we are taking those sources of revenue offline. I would say prospectively we need to ensure we do not have the abatement of the LSST there.

The next grouping are data centers [page 2, ([Exhibit J](#))]. These are NRS 360.754. For data centers we have two categories. The first is the data center may receive a partial abatement of all or a portion of the local sales and use tax, except for the state 2 percent rate, imposed on the data center for the purchase of eligible machinery and equipment for a period not to exceed ten years, and then collocated businesses inside for two years. In the other category you have the ten years and the two years as well. What you have is data center abatements that can be approved for one category at ten years and the other category is 20 years, but in both of those you have an allowance for the abatement of the sales and use tax.

Next you have NRS 360.893, subsections 2 and 3. These are known as the Faraday abatements. Should a company come in with the \$1 billion investment here, we would not want to abate out the LSST.

*Nevada Revised Statutes* (NRS) 360.965 is referred to as the Tesla abatements and obviously these already exist. This is a done deal and that abatement is in place, but should another company come in with the \$3.5 billion investment into the state, this is another place where we would want to say that the LSST is a sacred collection of taxes and we do not want them abated.

There are other abatements where the sales tax is not allowed. I believe you can have abatement packages that are great incentives and work really well for business without having to have the inclusion of local sales and use tax as an extra lure to come to the state of Nevada. A good example of that would be the LEED [Leadership in Energy and Environmental Design] abatements. There is no abatement of sales tax there or the modified business tax. There are also no transferable tax credits there. It is simply a property tax abatement, and we still see that one doing very well.

The LSST is important. As we collect that tax it gets distributed to three different places. The biggest piece of it is distributed back to the school district where the business is located. So those dollars remain local and we want to keep them local. The other distribution is a piece to the state DSA, so a piece of the LSST comes back to the state for us to invest into education. Lastly, a small piece of that LSST goes into the State General Fund. It is not a lot into the State General Fund. Last year it was just over \$11 million, but even this session we are working hard to ensure that we have a budget that works well for the state of Nevada, and \$11 million means a lot.

For the LSST of 2.60 percent, I say it is time for us to have serious deliberation and say we do not want to abate those anymore. Prospectively we want to keep local dollars in local schools and supporting education.

I do want to apologize to GOED. I talked with Mr. Armstrong on Friday. He is in Las Vegas today. I told him I would email him my conceptual amendment ([Exhibit I](#)), and I did. However, in this changing world where people move around, I sent it to Assemblyman Armstrong's email address from 2015 and just noticed today that it bounced back. My deepest apologies because I did make a commitment to them to share my intentions with them so we could have an ongoing dialogue. I believe they are probably just seeing the conceptual amendment for the first time. My apologies for that. I am available to answer your questions.

**Assemblyman Kramer:**

I understand we went through a recession. We tried to bring businesses into Nevada and tried to provide jobs for the citizens in Nevada, so we swung that pendulum to the idea of giving these tax breaks to companies if they brought their companies here. Now we are achieving the lowest unemployment we have had in a long time. Maybe it is time to trim some of those.

Some of these businesses, like Bently that have expanded their business here in Nevada, and Switch, I think who came here, likely would not have come here or would not have expanded here without these concessions. Have we done anything to measure the likelihood of someone not expanding again in Nevada? I am not talking about ones that have taken the deal. I do not think they will leave because of the way the clawbacks work, but are we in danger of maybe not growing? We have businesses that come into the Reno area because we

are a cousin to the Silicon Valley and growing in some pretty smart ways. I hate to see the likelihood of that stopping and ebbing away. What have we done to see what would be the likelihood of this deterring businesses from relocating here?

**Assemblywoman Benitez-Thompson:**

If you look at the chapters of NRS and the chart I provided ([Exhibit J](#)), I believe the state has very healthy and robust abatement packages that we are offering, and they remain healthy and robust even without the LSST being part of those abatement packages.

You can see the types of abatements we are giving. If you look at the general economic incentives, NRS 360.750, you see property tax abatements of 50 percent for up to ten years. There is a modified business tax abatement of 50 percent for four years, and then the rest of sales tax would still be abated for up to two years, and then if they roll into expanding a business for up to four years. There are still plenty of incentives here.

If you look at the aircraft abatements, there is still a property tax abatement, and that is for up to 20 years. When looking at the data centers, if we take out the LSST, the rest of the sales tax is still going to be abated. They still have a property tax abatement for up to ten years, and then the collocators of two years, so there is still a pretty healthy abatement there.

Those are the ones that have sales tax as part of them. The rest of them do not. To some of my last comments about the LEED program—the energy incentive program—there are no sales tax abatements there and we still see this one very healthy, and sales tax is not part of the computation.

I do not believe we are in any way being unfair to have this conversation. I think it would be a misnomer to say this would be a disincentive for businesses to come, just because we want to keep these local school dollars flowing to local schools. I believe that there are amazing businesses out there that are community- and socially-minded, and realize the value and benefit in this.

**Assemblyman Edwards:**

If this were to pass, does the state miss out on anything?

**Assemblywoman Benitez-Thompson:**

I do not believe we miss out on much; in fact, I believe we gain. I think we gain more revenues—local dollars staying in local schools. That means more dollars that are coming from your district going to your schools. It means more dollars coming into the state to go to the DSA for education. I know that is important to you because I saw one of your bills where you are looking to make big appropriations to teachers. We cannot ever accomplish that but for having more revenue in our coffers. We cannot have that conversation because we do not have the resources. I think this is fair. I think we are looking to engage in a reciprocal relationship with business where they have a commitment to Nevada and also have a commitment to our schools. I think we are leaving plenty of other abatement options on the table and open for conversations that are very healthy and robust.

**Assemblyman Hafen:**

Tax abatements are a very complicated subject matter. I am a big proponent of keeping it simple when it comes to taxes. However, we live in a day and age where it does not appear to be that way if we want to be competitive with other states. One of my concerns is what happened in New York City with Amazon.com—tinkering with things and the state losing the Amazon.com headquarters, and the annual wages that were lost.

I am torn here. I know we have had these abatements in place for a few years, and I believe it has been effective. Do you have any idea of an estimate of how much money has been brought in through these different programs?

**Assemblywoman Benitez-Thompson:**

We have lots of numbers and lots of figures. We know what total abatements are out for this year. The total abatements we are giving out to businesses are going to be over \$19 million, and we are not even talking about transferable tax credits that are living on the books. We have over \$38 million in transferable tax credits unallocated but living out there. I believe Senator Kieckhefer has a bill about that. There are a couple of different conversations we have to have here. Have we grown? Yes. Do we have all the resources we need as a state or local government to provide for that growth? No. Are we struggling with how we fund education? Yes. Are we struggling with housing and infrastructure? Yes.

We are growing and I know you will hear folks tell you, Do not take your foot off the accelerator of growth, and that is fine. But we are not taking our foot off the accelerator of growth by saying we do not want to abate 2.60 percent of the LSST in the future, and we are not taking away anyone's current abatements if they have them. They are going to be allowed to expire naturally.

In order to maintain a quality of life that we expect as Nevadans or come up out of being ranked 50th—we fight Mississippi in a race to the bottom between being 49th and 50th in funding for education—that is not going to happen but for more dollars coming in. This is a way to do that. I do not think this notion should really be offensive at all. I do not think that this is anything equivalent to what happened in New York City.

**Assemblyman Hafen:**

Maybe I did not clarify my question. I was looking for the revenue that was generated from bringing these new businesses in, not the revenue that was abated.

**Assemblywoman Benitez-Thompson:**

I will let GOED talk about that. You know, as a freshman sitting here, everything that was presented talked about a multiplier of 25. There are a couple of different ways to get at some numbers. If I am following your logic, I think what you are asking is, will all businesses not come to Nevada if we say we no longer prospectively abate the LSST. I believe that answer is no. I believe there are other tax incentive programs out there that are very attractive and work well in the state that never had an abatement of the LSST or sales and use tax, and they are doing fine. Industry likes them. Industry will do well without them. Not only that, but

I am sure GOED is going to talk about the wonderful new Opportunity Zones, which are the federal designation zones that are coming in. I was reading some wonderful handouts that GOED presented at a conference in March on Opportunity Zones where they said we are looking at 6 trillion potential dollars coming into Nevada in the designated growth areas. I would encourage you all to look at those growth areas. There are going to be exciting things happening and a lot of them are already on top of established redevelopment areas—on top of getting the privileges that come with being a redevelopment area from a city. There is also going to be this layering on top of a federal economic zone. They are touting Nevada as having one of the friendliest business climates out there, and this will still be the case even if we just say let us keep local school dollars local.

**Chair Neal:**

Seeing no additional questions, we will move to those in support of A.B. 400. Please come to the table.

**Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association:**

The Nevada State Education Association has consistently raised concerns about the chronic underfunding of public education in Nevada. We support A.B. 400 as one step to help protect school funding by restricting certain tax breaks, including the LSST.

In February, hundreds of educators from across Nevada rallied under the banner of "Red for Ed" to draw attention to chronic underfunding of public education. Despite recent efforts, Nevada continues to rank near the bottom of states in most metrics. In the 2018 Quality Counts report from *Education Week*, Nevada ranked 47th in per-pupil funding and dead last in both class size and overall education quality. Nevada needs to do better.

Corporate tax breaks are one area where Nevada's schools are losing an important source of funding. According to the Nevada Controller's Office, tax breaks used to attract Tesla and other corporate entities have cost Nevada public schools more than \$108 million in the past two years. The Storey County School District lost nearly \$70 million alone—a massive impact to a relatively small, financially struggling school district.

With so much attention on the issue of education funding during this session, A.B. 400 is an important step toward standing up for our public schools and ensuring their adequate funding ([Exhibit K](#)).

**Lindsay Anderson, Director, Government Affairs, Washoe County School District:**

I am here today in support of A.B. 400. I think these tax abatement programs are important to the state of Nevada. I had the unique privilege of working for GOED back in 2011, so I remember this conversation very well.

School districts feel like we are partners in the economic development efforts. We have a lot to bring to the table in terms of workforce development efforts to meet the needs of these employers, but it is really hard to do that when we do not have enough revenue to be able to support the important career and technical education programs we would like to see expanded, but even just meeting our basic budget needs.

**Brad Keating, Legislative Representative, Community and Government Relations, Clark County School District:**

I want to echo the sentiments made by my colleague, Ms. Anderson, from Washoe County. We appreciate the sponsor bringing A.B. 400 forward. When it comes to economic development, our superintendent, Dr. Jara, meets monthly with new businesses that are looking at coming into the state in a partnership with the Las Vegas Chamber, and one of the top questions asked every single time we do that meet and greet is all about the education system and wanting to know where the students are and how we can succeed in a better way. So these dollars will help us increase our student achievement as a district, and help the state.

**Chair Neal:**

We will now take testimony from those in opposition to A.B. 400.

**Kristopher Sanchez, Interim Executive Director, Office of Economic Development, Office of the Governor:**

We are in opposition to this bill as drafted. We have not yet taken a look at the conceptual amendment ([Exhibit I](#)). We look forward to working with the sponsor of the bill to do that in the near future.

There are a couple of points I wanted to make. The first point is with expansion of abatement contracts from 2009 to 2018. These contracts represent about \$9 billion in economic impact for the state, 5,800 jobs, and \$1 billion in net new tax revenue, as well as for every dollar abated, 26.48 cents in economic impact for the state.

More important is to consider the overall competitiveness. As you know, Nevada competes with our surrounding states and companies have a choice to be here, expand here, or look to our surrounding states to take advantage of the incentive programs they offer, and also capture a market share. As a Nevada-based company is looking to perhaps expand from southern Nevada to northern Nevada, or from northern Nevada to southern Nevada, we want them to make the choice to stay in the state in that expansion effort and not go to Utah or Arizona.

There was a reference to Opportunity Zones and handouts. I just want to put on the record that our office has not issued any handouts with respect to Opportunity Zones. The final point I would like to make is with respect to the recruiting of technology companies and companies that are within the sectors we are looking to grow in. Competitiveness is something we are very much attentive to as we look at our incentive programs. I look forward to working with the Committee and the bill sponsor as we seek to balance the concerns with the current state as we see it, with respect to our surrounding region as well.



**Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development,  
Office of the Governor:**

I also want to apologize to the bill sponsor. We put together a quick handout ([Exhibit L](#)), but it was finished this afternoon so we were not able to get that to her until just before the hearing. I also sent it to the Chair and Committee Manager, so I apologize for the late notice of that.

The Interim Director went over a few highlights from that. Our view of this is that the school districts would end up having a net loss if this went into effect. He went over some of those high-level numbers—the expanded abatement contracts. Since 2009 we have had 20 companies that have come to us after they have received an abatement and have sought an additional abatement. The initial abatement contracts for those 20 companies represented about \$107 million in net new taxes. The expansion abatement contracts ended up being \$483 million in net new taxes. A lot of those companies have to deal with technology or capital-intensive products that they utilize that sales tax.

Assemblywoman Benitez-Thompson was correct in saying not all businesses utilize those sales tax benefits as much as other businesses. If you are a headquarters company moving to the state—you have employees and you are just purchasing a few computers for your office—obviously that sales tax abatement is not as important to you. If you are a technology company, something the state focuses on, and you are capital intensive, then that sales tax abatement is critical to your ability to come to the state and receive that incentive, especially when the surrounding state for data centers offers 0 percent—Arizona. We are at 2 percent. So if we add an additional 2.6 percent to that, that 4.6 percent makes us not competitive in that space and we will lose out on data centers moving forward. That is not something I think is hypothetical. That will happen. Whether they are socially conscious or not, companies like Switch in 2015, when the data center abatement was approved, it was something they thought of, and I would not guarantee it but they were looking at other states to see where that would be.

I definitely think removing the LSST from our abatement package would make us not competitive. We have done an incentive study that shows we are middle of the pack for our region, and we are definitely open to sharing that with the Committee, that shows our abatement packages. We will submit that with a cover letter explaining the incentive side again and what we were hoping to achieve with that.

I do appreciate the conversation that has been opened by Assemblywoman Benitez-Thompson, but I would say that some of our more capital-intensive packages, like the aircraft, the aviation abatement package, would be severely impacted and we would see those industries look to other places if this were to go into effect.

**Assemblyman Hafen:**

I wanted to clarify on the record, Mr. Sanchez, I believe you stated that the economic benefit was \$9 billion. Is that correct?

**Kristopher Sanchez:**

That is correct.



**Assemblyman Hafen:**

I believe you stated the additional tax collected by the state was \$1 billion. Is that correct?

**Kristopher Sanchez:**

Yes, \$9 billion of economic impact and \$1 billion in net new tax revenue.

**Assemblyman Hafen:**

Is that new tax revenue that we would not have generated otherwise without these programs?

**Derek Armstrong:**

I will answer that question. The economic impact to the state was for the initial abatements; plus, the expansions that those companies then sought was \$12 billion to the state. The net new taxes from those companies, and the additional abatements, was \$590 million. I think Assemblywoman Benitez-Thompson would be correct in the fact that maybe some of those companies that are not very capital intensive and utilizing that sales tax, it is possible that some of those would have come. But I would guarantee that a lot of these would not have come that are sales tax-intensive businesses, and we would lose out on those.

One point we have not brought up is our abatements often are for higher-paying jobs. Those higher-paying jobs go to families who purchase houses and pay property taxes, and then funnel more money into the education system. It is a complicated system that requires a long conversation.

**Chair Neal:**

Do those numbers represent new taxes paid or are those the multipliers that are measured by the net taxes?

**Derek Armstrong:**

Those are our estimates for direct taxes paid by those companies.

**Chair Neal:**

Members, do you have any additional questions? [There were none.] I will now take testimony from those who wish to testify as neutral on A.B. 400.

**Delen Goldberg, Chief of Staff, City of North Las Vegas:**

Economic development has been essential for the health and growth of the City of North Las Vegas, and we have tools in our tool belt, many of them thanks to your body which has given us those tools over the past year. We share a lot of the concerns that GOED has mentioned. We have numerous businesses that have benefited from these tax breaks, particularly the equipment abatements, and they have probably created more than about \$1 billion of economic impact in North Las Vegas and have created thousands of jobs, and that is bolstering our schools. While we have those concerns, we absolutely share Assemblywoman Benitez-Thompson's concerns about our schools. A community is not a good place for economic development if you do not have a sound educational system. We look forward to working with Assemblywoman Benitez-Thompson to address her concerns but also continue the economic successes we have seen in North Las Vegas.

**Chair Neal:**

Members, do you have any questions? [There were none.] Do you have any closing remarks on A.B. 400, Assemblywoman Benitez-Thompson?

**Assemblywoman Benitez-Thompson:**

I am especially sensitive to the sky-is-falling kind of arguments when we have conversations like this, because I believe we should stay as rational as we can when we are having policy considerations and discussions about impact.

I believe what you hear GOED saying is if we remove the LSST—remember, not all of the sales tax, just 2.6 percent—then none of the businesses will come. I am troubled with that logic because I do not see how it is rational. If I were sitting here saying let us get rid of GOED altogether, then no new business would come, that might make sense; let us stop abating the property tax, that might make sense; or let us stop abating modified business tax, that might make sense. Those are really big taxes. Those have really big impacts on the bottom line. I would argue that there is still a tremendous benefit of savings going to the businesses that have the rest of the sales and use tax abated, and that 2.6 percent does not break the bank—2.6 percent does not drive people away.

I know I am going to be having conversations with GOED tomorrow and I have heard lots of different numbers. I sat through the Tesla special session, the Faraday special session, and the Raiders special session. I sat through them all and I feel that we, in some ways, have done some really good work. I support the office of GOED and the work they do. I never want anyone to think any differently. I do think sometimes we can ask ourselves, as legislators for the state of Nevada, as the ones who have the fiduciary responsibility and oversight for the state, if we could get ourselves a little bit better deal. When economic times are good, such as they are right now, can we look at modifying this? I do not want the end result to always be No, the state will fall down if we consider any modifications to these programs. I think that is more of a red herring than it is a serious conversation about how we can ensure there is balance in the abatements and what is flowing into the state.

I did neglect to mention, and I apologize, Committee, on the second part of the proposed amendment ([Exhibit I](#)) I have a provision that talks about the state average wage. I did make a mistake here because in further conversations with the fiscal staff, they let me know that is already on the books and already law, but I think the conversation we need to have with GOED, then, is accountability for that.

In the Assembly Taxation February 12, 2019, hearing, there was an exhibit submitted by GOED ([Exhibit M](#)), and you can remember there were some hearty conversations about the average wage and the number of jobs. If you look at NRS 360.750, which are the general economic incentives, from GOED's own report we can look to see how many abatement packages they are giving that actually meet the state's average wage. They are getting better over the years, but I think we still have progress to make.

The report shows that in 2010 the state average hourly wage requirement was \$20.05 [page 6, ([Exhibit M](#))], and ten of the projects, which are a little more than half of the projects for that year that abatements were given to these companies, paid less than \$20.05 per hour.

I will skip forward a couple of years and if we look at 2014 [page 10, ([Exhibit M](#))], the state average hourly wage requirement was \$20.36, and 25 of the projects—once again we are at half or a little more than half—were paying under the state average wage. Some of them were paying as low as \$13 per hour. There are quite a few here paying in the \$12-per-hour range.

Go forward to where last session we put the state average wage requirement on there and in 2017 still about 13—one-third of the projects approved—were paying wages under \$21.35 per hour, which was the state average wage for 2017 [page 13, ([Exhibit M](#))]. In 2018—when that law should be in effect—we have nine projects being paid that are under the state average wage [page 14, ([Exhibit M](#))].

Additionally, when we look at the LEED project—this is one where we do not allow an abatement for sales tax, but we do other kinds of abatements—where we want more information from GOED is the report that is in the *Executive Budget*, pages 11 through 30 ([Exhibit N](#)). You will see that on the energy baseline, the kilowatt hours being reported versus the energy savings for the abatements are reading zero for the past two years.

Perhaps we need to have a better conversation about ensuring the dollars we are giving—because we want them to be meaningful—that GOED is actually in compliance with the mandates of law on how we are awarding them and what we are asking of a business for these abatements in return. Thank you for your time, and I look forward to working with GOED on this legislation.

[([Exhibit O](#)) was submitted but not discussed and is included as an exhibit for the hearing.]

**Chair Neal:**

I will close the hearing for A.B. 400. We had a revised agenda today. We have a follow-up with some answers to questions on the More Cops hearing [March 7, 2019] from North Las Vegas. Mr. Nakamoto is handing out the questions that were answered ([Exhibit P](#)). These exhibits have been uploaded into NELIS. I will call the City of North Las Vegas to the table. I gave you specific questions I wanted answered. We can start with question 4(s) [page 2, ([Exhibit P](#))].

**Nicole Thorn, Accounting Manager, City of North Las Vegas:**

As I understand the question, it relates to the 79-page report ([Exhibit Q](#)). The question is, since this is under Fund 288, would this decrease the overall fund balance? I think I understand the question you are asking. Additional expenditures listed on that report, which are beyond the December 31, 2018, time frame, would theoretically decrease the fund balance. However, what is also not considered is additional revenues recorded after the December 31, 2018, time frame which would increase the fund balance. This would not

affect the fund balance at December 31, 2018. Each quarter these reports are trued up, and annually the report is also trued up. It is audited by our third-party auditors, and the final report is submitted that is supported by our audited financial statements.

**Chair Neal:**

What is the name of your third-party auditor?

**Nicole Thorn:**

Piercy Bowler Taylor and Kern.

**Chair Neal:**

Do the members have any questions on question 4(s)? [There were none.] Can we go to question 7 [page 3, [Exhibit P](#)], where the answer is the amount of negative \$31,058.61 represents interest? Can you explain that?

**Nicole Thorn:**

I can explain that one as well. I would like to preface it by saying the report used was less than ideal and has several flaws in the way it presents information (page 27, [Exhibit Q](#)), so the information on the report shows revenues as negatives, which in an accounting term are credits, and shows expenditures as positives, which in the accounting world are debits. The amount does represent interest allocation. It is simply the presentation of the report that is showing it as a negative.

**Assemblywoman Backus:**

Was there actually an account code that is used for interest? Was there a way to track the interest overall on all of the funds?

**Nicole Thorn:**

Yes. The account number 362399 is for interest. This was an interest allocation, allocated to Fund 288. Additionally, when Clark County actually sends the funds over to us, part of the funds they send include a very nominal amount of interest.

**Chair Neal:**

In the documents you provided us ([Exhibit Q](#)), was that listed somewhere where we can identify it?

**Nicole Thorn:**

Yes. I believe it is on page 27 ([Exhibit Q](#)) of the original 79-page document. It is about midway down the page. It lists the account number and the amount as \$31,058.61 showing as a negative.

**Chair Neal:**

With respect to Fund 297, question 8 asks for the equipment list, and you provided a list that shows \$86,934.33 ([Exhibit R](#)). Can you explain that handout?

**Nicole Thorn:**

In the original documentation, page 3 of Fund 297 ([Exhibit S](#)), the \$86,934.33 is for account number 420800, a non-reoccurring equipment account. The listing that was provided ([Exhibit R](#)) is the equipment that was originally purchased in that account, and as was pointed out on March 7, 2019, should not have been purchased. Those funds have been reimbursed by other city funds. Currently there are no equipment purchases taken out of Fund 297, which is the Clark County Crime Prevention Act of 2016 fund.

**Chair Neal:**

We received manipulated ([Exhibit T](#)) and unmanipulated ([Exhibit S](#)) versions of the fund accounts. There was \$449,533.02 [page 2, ([Exhibit S](#))], and I guess that was revenue. Then there was negative \$224,776.51. Help me understand the negative \$224,776.51 and what that represented, and the \$86,934.33 [page 4, ([Exhibit S](#)); page 1, ([Exhibit T](#)); and ([Exhibit R](#))], you say was spent on equipment but was reimbursed with other funds; what other funds or sources repaid that?

**Nicole Thorn:**

The \$224,776.51 you are looking at is in a cash-type account. It is an asset. You also mentioned a \$449,533.02, which is an accounts payable account [page 2, ([Exhibit S](#))]. In accounting, how it works is when the invoice comes in, it is a debit to the expense and a credit to the accounts payable, and then when the actual check goes out the door, you debit accounts payable to relieve the liability and you credit cash, and the cash goes out the door. I think there are several types of questions in regard to that. I spoke to what the accounts payable account was. I spoke to the cash account and then 420800, which is the non-reoccurring expenditure account [page 4, ([Exhibit S](#)); page 1, ([Exhibit T](#)); and ([Exhibit R](#))], the \$86,934.33, that is expenditures that were originally paid from this fund. A reclass entry was made last week to repay and take those expenditures out of that fund and have them paid by other city funds. Does that clarify the question?

**Chair Neal:**

Partially. I want to know the actual amount that was debited from Fund 297 [Clark County Crime Prevention Act of 2016]. You say you reclass money. It sounds like you are saying you paid the fund back for what you spent. I want to know what was actually debited.

**Nicole Thorn:**

What was actually debited was \$86,934.33, in regard to the expenditures. To the second part of your question in which I was speaking to the reclass, your understanding is in effect correct in that we made the fund whole again, so there were no expenditure charges from Fund 297.

**Chair Neal:**

I know you just attempted to explain it, but I am still fuzzy on this. The \$224,776.51, it was a negative [page 2, ([Exhibit S](#))]. What did that number represent? Were those costs?

**Nicole Thorn:**

No. That is a cash account. As of the date this report was run, that was the balance. It is my understanding that the report was run on February 11, 2019 ([Exhibit S](#)).

**Chair Neal:**

Question 9 [page 3, ([Exhibit P](#))], the SNACC [Southern Nevada Area Communications Council] contract for the radio systems—I need you to explain how this agreement works for the City of North Las Vegas and what your responsibilities are fiscally under this agreement.

**Tony C. Danford, Assistant Director, Administrative Services, Finance Department, City of North Las Vegas:**

The SNACC committee is composed of several jurisdictions in the valley—Henderson, Boulder City, North Las Vegas, water districts—there are various agencies that are composed to form SNACC. It is a communications relay system. There are several towers throughout the valley that we all use and are backboned to communicate with each other during public safety emergencies. All of these agencies help support the infrastructure of SNACC so we have a backbone to communicate with. Each agency also pays an annual fee for each radio that we turn on and activate to use on the system. The various agencies provide SNACC each year with new radios, or additional radios are purchased and activated on the system, or for radios that are now out of service and deactivated. The Southern Nevada Area Communications Council sends each department an invoice annually so each agency can budget for and pay their annual fees so that the radios will communicate on the network.

**Chair Neal:**

Members, do you have any questions on that? [There were none.] The document you turned in ([Exhibit U](#)), which is the agreement, I do not understand why the signature pages all have different dates. Some had 2013, 2015, 2018, and then back to 2013. Can you explain why those signature pages have different years at the back of that document?

**Tony Danford:**

This document is sent to multiple agencies. Those agencies send it to their councils, or to their particular person who has to sign these documents. If a new agency is added on at a later date, they sign when they are added into the communications council.

**Chair Neal:**

I just needed some clarity as I did not understand why some of the pages had different dates with no sequence of timeline. I will move to question 10 [page 3, ([Exhibit P](#))]. The answer here is pretty extensive. I need you to help us understand the answer you gave.

**Pamela A. Ojeda, Chief of Police, North Las Vegas Police Department:**

When this question was originally asked [March 7, 2019] I think it was a little confusing. It made it sound like we did not have an academy in 2017; however, we did have two academies in 2017. When Ms. Tate was explaining it, the misunderstanding was we did not fund any officers from Fund 297 as intended due to retirements, people leaving the department, and promotions that year. We had to backfill those promotions. Therefore, they

did not get funded from Fund 297. We have to fund from our previous funds, which is the 100 [general fund] and 288 fund [More Cops], before we can dip into the 297 fund [Crime Prevention]. As originally intended, they thought they were going to use Fund 297 money for the academies in 2017 but they did not, but we did have academies.

**Chair Neal:**

So, you did have two academies. You had no academy that never happened, which was stated in the March 7, 2019, meeting.

**Pamela Ojeda:**

That is correct. We did have academies in 2017.

**Chair Neal:**

It was also stated in the March 7, 2019, meeting by Ms. Tate that she was definite there were no officers hired within Fund 297. Now you are saying, in your answer to question 8, that out of Fund 297 there was \$86,934.33 expended and last week you reimbursed that money. I just want to be clear.

**Nicole Thorn:**

I would like to make a clarification. The \$86,934.33 was the specific account we were referring to in question 8. In total we refunded back \$224,776.51 to Fund 297—the non-reoccurring equipment of \$86,934.33, \$12,754.69 which relates to the SNACC fees, and \$125,087.49, which relates to the radio costs of SNACC ([Exhibit T](#)).

**Chair Neal:**

What were the other city funding sources that were used to reimburse? Was it the 2005 More Cops fund?

**Nicole Thorn:**

No. The general fund and the public safety tax fund were used to reimburse the More Cops fund.

**Chair Neal:**

This transaction of reimbursement happened when?

**Nicole Thorn:**

Last week, so you would not see that on the documents you have before you.

**Chair Neal:**

We will move to question 13 [page 4, ([Exhibit P](#))].

**Nicole Thorn:**

As I understand, the question you are asking is what the back and forth of the \$16,545.80 was, asking us to please explain the expenditure.

**Chair Neal:**

Correct. In the expenditures, under invoice number LTN8097, there were two duplicate amounts of \$16,545.80 on February 26, 2018 [page 3, ([Exhibit S](#)) and page 1, ([Exhibit T](#))]. It looked like there was a debit and then a refund. Then there was a third expenditure for that exact amount on February 27, 2018. It was not clear what was actually spent. Can you explain it?

**Nicole Thorn:**

Yes. The original purchase order for this equipment totaled \$37,185.57. It had four line items which dealt with the laptop, docking station, antenna, and power adapters. There were actually seven invoices that came in totaling \$37,185.57. As those individual invoices came in and were matched against line items on that purchase order, that is what you are seeing with the in and out. In total those expenditures are \$37,185.57, which is made up of two invoices for laptops of \$16,545.80, a second one for \$13,236.64, three invoices that relate to the docking station, one invoice each for the power adapter and for the antennas.

**Chair Neal:**

Were there any officers who received any Toughbook laptops?

**Pamela Ojeda:**

To my knowledge the Toughbook laptops were installed into the police vehicles.

**Chair Neal:**

Did those police vehicles belong to new officers?

**Pamela Ojeda:**

The vehicles are assigned to patrol. They are not assigned to a particular officer. They are assigned per squad and per substation.

**Chair Neal:**

Was this all out of Fund 297, the 2016 Clark County Crime Prevention Act?

**Nicole Thorn:**

That is correct.

**Chair Neal:**

What you are telling me is you used 2016 Crime Prevention Act money to buy laptops you put in patrol cars that did not necessarily have a correlation to new cops who were hired but existing officers who may or may not have had a relationship to this fund. Is that what I am hearing?

**Nicole Thorn:**

You are correct. However, as stated previously on the record, it was in error and we have rectified this issue.



**Chair Neal:**

Those are pretty much all of the questions. I am hoping for question 15 [page 4, ([Exhibit P](#))], on the sale invoices for \$297,486.45, \$308,247.65, and \$280,438.25, we can get the backup.

**Nicole Thorn:**

Yes, you can get the backup. These are actually receipts that came in from Clark County for the months of April, May, and June because the funds come in three months in arrears, so those were accrued in that fiscal year. We can provide that documentation if you would like.

[([Exhibit V](#)) was submitted but not discussed and is included as an exhibit for the hearing.]

**Chair Neal:**

Thank you for your time and I look forward to that information.

**Assembly Bill 458: Revises provisions relating to certain tax credits for the Nevada Educational Choice Scholarship Program. (BDR 32-794)**

[Assembly Bill 458 was rescheduled to April 4, 2019.]

**Chair Neal:**

I will open the hearing for public comment, here and in Las Vegas. [There was no one.] We are adjourned [at 6:51 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall  
Committee Secretary

APPROVED BY:

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Assemblywoman Dina Neal, Chair

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

## EXHIBITS

[Exhibit A](#) is the Agenda.

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

[Exhibit C](#) is a proposed conceptual amendment to [Assembly Bill 436](#), presented by Assemblyman Jim Wheeler, Assembly District No. 39

[Exhibit D](#) is a U.S. Department of Veterans Affairs analysis and statistics report showing the state summaries of our veteran population, presented by Assemblyman Jim Wheeler, Assembly District No. 39, regarding [Assembly Bill 436](#).

[Exhibit E](#) is a proposed amendment to [Assembly Bill 466](#), submitted by Assemblywoman Daniele Monroe-Moreno, Assembly District 1.

[Exhibit F](#) is a letter dated April 3, 2019, submitted by Larry Lipman, Chief Executive Officer, Alliance Financial Network, Inc., Denver, Colorado, in opposition to [Assembly Bill 466](#).

[Exhibit G](#) is a copy of a PowerPoint presentation titled, "Alliance Financial Network," submitted by Larry Lipman, Chief Executive Officer, Denver, Colorado, Alliance Financial Network, Inc., regarding [Assembly Bill 466](#).

[Exhibit H](#) is written testimony and a letter dated April 2, 2019, submitted by Carlos Blumberg, founding member, Nevada Dispensary Association, in support of [Assembly Bill 466](#).

[Exhibit I](#) is a conceptual amendment to [Assembly Bill 400](#), presented by Assemblywoman Teresa Benitez-Thompson, Assembly District No. 27.

[Exhibit J](#) is a document titled "Tax Incentive Programs With References to Chapter 374 of the NRS That Would Be Affected by Assembly Bill 400 (as amended)," dated March 30, 2019, presented by Assemblywoman Teresa Benitez-Thompson, Assembly District No. 27.

[Exhibit K](#) is written testimony submitted by Nevada State Education Association, dated April 2, 2019, in support of [Assembly Bill 400](#).

[Exhibit L](#) is a document containing tax abatement information regarding [Assembly Bill 400](#) and presented by Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development, Office of the Governor.

[Exhibit M](#) is a document titled, "RE: GOED Biennial Report to Legislature of Abatements from Taxation Pursuant to NRS 231.0685," dated January 15, 2019, presented by Assemblywoman Teresa Benitez-Thompson, Assembly District No. 27, regarding Assembly Bill 400.

[Exhibit N](#) is pages 11 through 30 from the *State of Nevada Executive Budget, 2019-2021*, presented by Assemblywoman Teresa Benitez-Thompson, Assembly District No. 27, regarding Assembly Bill 400.

[Exhibit O](#) is a document containing URL addresses for the Nevada Governor's Office of Economic Development website and the Opportunity Db website, submitted by Assemblywoman Teresa Benitez-Thompson, Assembly District No. 27, regarding Assembly Bill 400.

[Exhibit P](#) is a document titled "City of North Las Vegas Police Department Response to More Cops/Crime Prevention Act Inquiries," submitted by City of North Las Vegas.

[Exhibit Q](#) is a document titled "CNLV Account Analysis Report with Payables Detail, Manager's Report, Period: Jul-16 to Mar-19," dated February 11, 2019, submitted by City of North Las Vegas.

[Exhibit R](#) is a document titled "City of North Las Vegas Equipment Listing for Crime Prevention Act Fund 297," submitted by City of North Las Vegas.

[Exhibit S](#) is a document titled "CNLV Account Analysis Report with Payables Detail, Manager's Report, Period: July-16 to Mar-19," dated February 11, 2019, submitted by City of North Las Vegas.

[Exhibit T](#) is a document titled "CNLV Account Analysis Report with Payables Detail, Manager's Report, Period: Jul-15 to Mar-19, Clark County Crime Prevention Act 2016," dated February 25, 2019, submitted by City of North Las Vegas.

[Exhibit U](#) is a document titled "Southern Nevada Area Communications Council (SNACC) Cooperative Agreement," submitted by City of North Las Vegas.

[Exhibit V](#) is a copy of an email titled "SNACC fee schedule," dated March 31, 2016, submitted by City of North Las Vegas.