

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Eighty-first Session
April 1, 2021**

The Senate Committee on Revenue and Economic Development was called to order by Chair Dina Neal at 1:32 p.m. on Thursday, April 1, 2021, Online. [Exhibit A](#) is the Agenda. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Dina Neal, Chair
Senator Julia Ratti, Vice Chair
Senator Moises Denis
Senator Ben Kieckhefer
Senator Heidi Seevers Gansert

GUEST LEGISLATORS PRESENT:

Senator Pete Goicoechea, Senatorial District No. 19
Senator Dallas Harris, Senatorial District No. 11

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Alex Polley, Committee Secretary

OTHERS PRESENT:

Paul Johnson, White Pine County School District
Adam Young, White Pine County School District
Juanita Cox
Janine Hansen, Nevada Families for Freedom
David Goldwater, Inyo Fine Cannabis Dispensary
Jo Ann Abajan, The Apothecarium Dispensary
Bonnie Chu, Euphoria Wellness
Mark Fiorentino, The Grove
Tyler Klimas, Executive Director, Nevada Cannabis Compliance Board

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John Ritter, The Grove
Bruce Schneider
Brady Telles
Kennedy McKinney
Chad Christensen
Bernadette Schneider
Demetri Kouretas, The Grove
William Napoles
Pej Bady
Brandon Wiegand, Nevada Organic Remedies; Nevada Dispensary Association;
The Grove
Rusty Graf
Jon Marshall, Deep Roots Harvest
Joe Gutierrez, Thrive Cannabis Marketplace
Scot Rutledge, Chamber of Cannabis
Tisha Black, Nevada Dispensary Association
Layke Martin, Nevada Dispensary Association
Aesha Goins, Cannabis Equity and Inclusion Community; Deep Roots Harvest
Richard Williamson
Marla McDade Williams, CPCM Holdings/Thrive Cannabis Marketplace;
GreenMart of Nevada/MPX Bioceutical Corporation; Nevada Organic
Remedies/The Source

CHAIR NEAL:

We will begin with a work session for Senate Bill (S.B.) 310.

SENATE BILL 310: Makes an appropriation to the Nevada System of Higher Education to enable the College of Southern Nevada to assist and carry out the NV Grow Program. (BDR S-570)

JOE REEL (Deputy Fiscal Analyst):

Senate Bill 310 is sponsored by Senator Neal, and was heard by the Committee on March 25. The bill is summarized on the work session document ([Exhibit B](#)). There is an amendment summary on page 2. The amendment adds an incubator program to section 1, subsection 1, paragraph (f). The third paragraph adds an additional appropriation of \$200,000 as money becomes available within federal relief funds.

CHAIR NEAL:

The amendment's focus is to expand Nevada Grow to businesses in the startup phase or those that intend to pivot online due to the pandemic. Since Nevada Grow does counseling, coaching, support and technical assistance, we thought the Program could expand. Nevada Grow is bringing businesses to the College of Southern Nevada to develop e-commerce platforms. The amendment applies if federal relief funds becomes available.

SENATOR KIECKHEFER MOVED TO AMEND AND DO PASS AS AMENDED S.B. 310.

SENATOR SEEVERS GANSERT SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

CHAIR NEAL:

We will open the hearing on S.B. 395.

SENATE BILL 395: Revises provisions governing the funding of capital projects by school districts in certain counties. (BDR 34-815)

SENATOR PETE GOICOECHEA (Senatorial District No. 19):

Senate Bill 395 allows school districts in counties with populations under 45,000 residents to approve a new property tax rate, with voter approval, to fund capital projects with \$.25 on each \$100.00 of assessed property valuation. The tax would be imposed outside the cap of \$3.64 on each \$100.00 of assessed valuation. The tax would have to be authorized by voter approval, and the revenue used for capital projects—predominately schools. There are issues funding schools, and this bill will allow school districts to go to voters to authorize a property tax outside the cap. The ballot language would probably limit the length of time the cap override is in place.

SENATOR KIECKHEFER:

The potential tax is outside the \$3.64 tax cap and abatements. Would this levy not be constrained by *Nevada Revised Statutes* (NRS) 361.4723, the property tax cap?

SENATOR GOICOECHEA:

The property tax is intended to be outside abatements. I do not think it would be exempt from the 3 percent property tax cap. However, it probably would be exempt because \$.25 would increase the property tax rate above 3 percent.

SENATOR KIECKHEFER:

It appears that section 4, subsection 2 exempts abatements from taxation.

PAUL JOHNSON (White Pine County School District):

I do not know the abatement's impact. It affects 28 percent of our total property tax revenue. We have been at the property tax cap since 1997. White Pine County has 2 schools that are 100 years old. These schools serve about 45 percent of our students.

I have been the chief financial officer for 24 years. I have been trying to replace these school facilities since I took the job. The amount of funding we are asking to raise will not cover the full cost of a whole school. This is a partial approach. The \$.25 would bring in \$7 million, excluding the Net Proceeds of Minerals Tax (NPOMT), based on our current property tax base.

RUSSELL GUINDON (Principal Deputy Fiscal Analyst):

Paul Johnson answered accurately. The Department of Taxation's fiscal year (FY) 2020-2021 Local Government Finance (LGF) Redbook has White Pine County's assessed value at \$670 million for that FY. The \$.01 for every \$100.00 of assessed value would generate \$67,000.00.

Section 4, subsection 2 of S.B. 395 places the approved voter rate outside partial abatements pursuant to NRS 361.4722, NRS 361.4723 and NRS 361.4724.

SENATOR KIECKHEFER:

The \$.01 for \$100.00 of valuation would come out to \$67,000.00?

MR. GUINDON:

Yes. This is based on the \$670 million of assessed value in the LGF Redbook for White Pine County.

SENATOR KIECKHEFER:

It would be \$1,670,000, and it generates \$7 million. Did Mr. Johnson say it would generate \$7 million per year?

MR. JOHNSON:

We have a \$.249 levy created by a rollover initiative to generate capital funds. We secured a \$7.5 million bond. That excludes the NPOMT because it is not a good idea to secure long-term debt with a volatile revenue source.

SENATOR KIECKHEFER:

Are you suggesting using the \$1.6 million in revenue to secure \$7 million in debt and not that the proposed tax will generate \$7 million in revenue per year?

MR. JOHNSON:

Yes. The amount of revenue generated by the potential tax multiplied by the tax base—excluding the NPOMT—will be used to secure a 20-year bond. I am not sure if Mr. Guindon's estimation included the NPOMT.

SENATOR KIECKHEFER:

Would it generate the potential for \$16 million in bond authority?

MR. JOHNSON:

It would if the NPOMT were included. However, excluding the NPOMT shrinks the tax base to \$400 million. I use this figure to secure long-term debt.

SENATOR SEEVERS GANSERT:

Can the NPOMT be used to fund school construction?

SENATOR GOICOECHEA:

The school's portion of the NPOMT could be used for school construction. It is not wise to base a bond on the NPOMT. Proceeds from the NPOMT are typically used for one-shot funding and not incorporated into the budget because of its volatility.

SENATOR SEEVERS GANSERT:

Since the NPOMT is used for one-shot funding, what do the reserves look like?

SENATOR GOICOECHEA:

White Pine County is doing fairly well. However, there have been years in the past decade where the County has had to pay money back.

MR. JOHNSON:

It is great when we have reserves from the NPOMT. It is difficult to know if there will be reserves from the tax on a year-to-year basis. There have been years with zero reserve from the NPOMT. There is no warning in advance when the reserve will be zero or fluctuate. This is why we do not use the tax to secure long-term debt. The NPOMT was used to secure long-term debt in 1993. When the proceeds from the NPOMT diminished, the school district was unable to meet its financial obligations to pay debt and was bailed out by the State. We exclude the NPOMT from the bond calculations.

We have a secure general fund balance in excess of the 16.6 percent of budgeted expenditures required by NRS 387.1213. We have a comfortable balance in the debt service fund, which helps capital improvements with a pay-as-you-go tax. There is no guarantee this will continue. The mine in the County has a definite life span determined by the cost benefit to extract. We are in a good position in our operation fund and debt service fund.

ADAM YOUNG (White Pine County School District):

I am the superintendent of the White Pine County School District. You understand the connections between industry, workforce, economic development and world-class schools.

I meet regularly with members of local government, industry, parents and students. In White Pine County, we have developed a *District Performance Plan*, which pushes toward world-class learning. It includes opening a STEAM Academy, operating innovative preparation programs and creating college and career-ready specialists to stretch students toward their goals.

Imagine trying to persuade families to relocate to Ely when, upon touring our 1909 elementary school, they learn that fire suppression systems, ventilation and campus security are limited due to the age of the facility and cost of remodeling. The innovation of a STEAM Academy that enrolls 33 percent of the school's students has less appeal.

Imagine emphasizing to employers our focus on equity and inclusive practices for children when a tour of our 1913 middle school reveals there is no ADA access for two of the three floors. Based on estimates from experts in the construction industry, the cost of remodeling nearly equals that of building a new facility. Equity in theory and concept only goes so far unless there is equity in practice.

Senate Bill 395 allows for smaller school districts, many of which are already maxed out in bonding capacity under statute, to go to the voters of their counties and secure funding. This will help remove structural barriers that limit their progression and inhibit economic development. Through the cooperation of local government, parents, voters, students and industry, the proposed changes would allow us to seek funding to move our students out of facilities constructed prior to World War I and into ones that match and support our vision of world-class learning.

JUANITA COX:

Although it is subject to voter approval, I oppose S.B. 395. Republican Legislators must not support new taxes. Nevadans are still experiencing economic hardship from pandemic shutdowns. People should not pay more property taxes when it is difficult to pay for basic necessities. The lack of property taxes to fund schools is from the Tesla deal, which hurt Storey County. Do citizens have to pay more in property taxes? Rural counties have to pay a lot for schools. More people will lose their homes and businesses because they cannot pay for increased property taxes.

JANINE HANSEN (Nevada Families for Freedom):

We oppose S.B. 395. We understand the concerns of White Pine County to build new schools. We are worried about the broad nature of this bill, which will allow 11 rural counties to raise their property taxes above the cap. Even though this allows for a vote by the people, government combines their resources to promote raising taxes. This is a bad time to raise taxes.

There are other ways to address this issue. Arizona introduced the Empowerment Scholarship Account in 2011 and 2012. Originally reserved for special needs children, the program has been expanded to children in failing schools. The program is groundbreaking in its flexibility for how the account can be used. Money in the account can be used for tuition, textbooks, tutors, online classes, homeschool materials and more.

Analysis from the Goldwater Institute shows the State saves \$12,250,000 per year for every 5,000 students who utilize the Empowerment Scholarship. We can reduce the cost for schools by encouraging choice in education.

I live in Elko County which will not be affected by this tax, but I have noticed numerous businesses that have closed permanently. People will lose their homes, jobs or businesses. This is no time for a tax increase. According to the Institute for Policy Innovation in the U.S., 56 percent of annual personal spending is in taxes.

SENATOR KIECKHEFER:

Senate Bill 395 does not require a county commission to place this question on the ballot. Would the normal process be followed where a county commission voluntarily puts a question on the ballot and imposes it if passed? Would a school district have to go to a board of county commissioners to start the process?

SENATOR GOICOECHEA:

Yes. That will be the only way a vote in a rural county can happen. It could be done by petition referendum. Senate Bill 395 intends for the question to go before a board of county commissioners. There is a belief that White Pine County Board would bring the question forward.

SENATOR KIECKHEFER:

Has the Board taken a position yet?

SENATOR GOICOECHEA:

No. I believe the Board would entertain the question and let voters decide. They would impose the tax on themselves.

CHAIR NEAL:

We will open the hearing on S.B. 235.

SENATE BILL 235: Revises provisions relating to cannabis. (BDR 56-136)

SENATOR DALLAS HARRIS (Senatorial District No. 11):

Senate Bill 235 creates a system where one adult-use license can be used for both medical and recreational cannabis sales. It allows all adult-use license holders to sell medical cannabis products, which would be subject to all

applicable sale regulations. A conceptual amendment ([Exhibit C](#)) provides a sunset provision for the issuance of new licenses. However, more medical licenses can be put forward if a jurisdiction has not reached the cap. Otherwise, the bill prohibits new medical licenses from coming into the market.

The Cannabis Compliance Board (CCB) would be authorized to issue the single adult-use licenses to applicants who meet certain requirements listed on page 1 of the conceptual amendment, [Exhibit C](#). The requirements include people who applied for, but were not granted, an adult-use cannabis establishment license in the 2018 application process; people who are dual licensees; people who meet the requirements of NRS 678B.250; and any other requirements deemed necessary by the CCB. The bill will limit how long applications can be accepted. It provides that statutory caps do not apply to the licenses issued under that provision.

The conceptual amendment in [Exhibit C](#) defines a "social equity applicant" as someone who has been adversely effected by the war on drugs. It would require the CCB to establish criteria for who qualifies as a "social equity applicant," and adopt regulations governing all future competitive application processes. The CCB will be asked to establish clear and objective criteria to score applications, set forth a relative weight for each criteria, require a preference for social equity applicants, permit a cap on the number of licenses, require the use of a system that provides the same information to all applicants, take into account geographic diversity of licensees and several more provisions as outlined on page 2 of the conceptual amendment, [Exhibit C](#).

The bill will remove the exclusion of felony offenses to get more people involved in the cannabis industry. People within the industry have suggested that this exclusion is unnecessary. This can be done safely.

Beginning March 1, 2022, the CCB will conduct a study on market demand and determine how many licenses can be awarded in a future licensing round. The CCB will have to complete the study by February 1, 2023. Once the market demand has been determined, the CCB will offer a competitive and merit-based licensing round open to any interested market participant no later than July 1, 2023. It will be pursuant to the regulations established in section 7 of the conceptual amendment, [Exhibit C](#).

DAVID GOLDWATER (Inyo Fine Cannabis Dispensary):

The nascent cannabis industry continues to evolve and deal with opportunities to improve. The 2018 round of cannabis licenses provides an opportunity to remedy licensing issues and improve future license application processes. There have been problems with the incongruent dual-licensing structure.

Senate Bill 235 aspires to convert medical cannabis licenses into a single class of licenses, which would allow medical patients to access dispensaries not available with their medical card; it creates a process where many, but not all, small local dispensaries can convert medical licenses into the new single-class license eligible to be imported to another location; and it makes statutory and regulatory changes that will cure issues that complicated the 2018 licensing process highlighted by District Judge Elizabeth Gonzalez in an Eighth Judicial District Court decision, ([Exhibit D](#)).

JO ANN ABAJAN (The Apothecarium Dispensary):

We opened our medical marijuana dispensary and cultivation in February 2016. Serving medical patients has been a cornerstone of our business. Under Nevada's structure, there are medical and adult-use only dispensaries. Medical patients cannot use their medical cards at adult-use only dispensaries. There is no way for a patient to distinguish between the types of dispensaries. By creating one class of dispensary licenses, all dispensaries can participate in Nevada's medical cannabis program, which will expand access to patients throughout the State. This will help patients and dispensaries, and lighten the CCB's burden of maintaining two separate classes of licenses.

BONNIE CHU (Euphoria Wellness):

I am an owner of Euphoria Wellness, and I handle the dispensary's finances. I am in the position to share what economic impact dispensaries have in the community.

We have about 50 employees, offer health insurance and pay competitive wages. There are 15 service and supply providers that we work with including accountants, attorneys, payroll services, insurance providers and wholesale vendors. In my experience, a dispensary creates 30 to 50 indirect jobs. The Nevada cannabis industry has created thousands of good-paying jobs and has improved communities.

Senate Bill 235 is an opportunity to expand the economic development benefits that dispensaries provide. A study published by RCG Economics ([Exhibit E](#)) suggests the Nevada cannabis market can handle an additional 40 dispensaries with the 80 operating dispensaries and 51 approved dispensaries from the 2018 licensing process. Black market sales comprise a large percentage of cannabis sales, according to RCG Economics. The addition of more dispensaries erodes the illegal market and expands the taxed and regulated market. This bill provides opportunity to expand employment and economic development in the State by local operators with proven track records. There is capacity for more cannabis dispensaries in Nevada.

MARK FIORENTINO (The Grove):

The decision by District Judge Gonzalez, [Exhibit D](#), points to the 2018 licensing round as flawed. Issues are addressed in the conceptual amendment, [Exhibit C](#). The licensing process needs to be fixed, and it denied economic opportunities for the State. The conceptual amendment is designed to enhance the ability for companies to invest in the community and create new tax revenue.

SENATOR KIECKHEFER:

I am trying to understand the number of potential new licenses that could be awarded by the conceptual amendment. Is there an estimate for how many new licenses could be issued under section 2 of the conceptual amendment?

TYLER KLIMAS (Executive Director, Nevada Cannabis Compliance Board):

There were 127 applicants in the 2018 licensing round. Seventeen applicants received 61 licenses for standalone retail facilities. That left 110 applicants without a license. There is potential for 110 retail facilities as a result of section 2 of the conceptual amendment, [Exhibit C](#).

SENATOR KIECKHEFER:

Do the 110 applicants hold licenses? Are the medical licenses being converted to dual licenses?

MR. KLIMAS:

Licenses before 2018 were essentially dual licenses. These licenses would be for a standalone recreational retail facility. However, section 1 of the conceptual amendment, [Exhibit C](#), which allows retail facilities to sell medical cannabis, would make the distinction irrelevant.

SENATOR KIECKHEFER:

How many dispensaries are operating, and how many provisional licensees have yet to open?

MR. KLIMAS:

We have roughly 81 operational retail stores. There are around 50 dispensaries on provisional status that will be opening by February 2022. The CCB set this date for any and all provisional licensees.

SENATOR KIECKHEFER:

Would the 50 dispensaries be included in the jurisdictional cap in NRS 678B.260?

MR. KLIMAS:

That is correct. The cap for recreational licenses is 132, and the additional 50 dispensaries would satisfy the retail facility cap.

SENATOR KIECKHEFER:

Is there a breakdown by jurisdiction for the 110 applicants from the 2018 round?

MR. KLIMAS:

No. Some applicants could apply for multiple licenses in different jurisdictions. There needs to be clarification to which jurisdiction a license will apply.

SENATOR KIECKHEFER:

Has the CCB endeavored in promulgating potential licensing procedures?

MR. KLIMAS:

That is something the CCB intends on doing. The CCB is nine months old. The CCB was created by A.B. No. 533 of the 80th Session to promulgate regulations prior to a new licensing round. There has not been a round of licensing since the Board was created. Studies and data will be important to make decisions, and it will be important to use data initiated by the CCB. How we open a licensing round will be developed over the next year or two.

We have 50 provisional licensees that have yet to open retail stores. Watching the impact of these new stores will be important when we open a new licensing round.

SENATOR KIECKHEFER:

Does the CCB have full discretion on when to open a new licensing round? What discretion does the CCB have on statutory caps by jurisdiction and total number of dispensaries?

MR. KLIMAS:

The CCB has authority to open up a licensing round; however, caps are set in NRS 678B.260. The CCB is authorized to make recommendations to the Legislature on any need to lift or raise caps. There are mechanisms for local jurisdictions to request this as well. The 132 cap would have to be changed by the Legislature.

MR. FIORENTINO:

The number of potential licenses is less than 110. Requirements in the conceptual amendment, [Exhibit C](#), create limitations. An applicant has to have been a dual licensee on the effective date of the act. That number is roughly 60 applicants. Subtracting the 17 applicants who received licenses during the 2018 round from the 60, the potential number of new licensees is closer to 43—not 110. The potential number may be closer to half of 43 when accounting for the remaining criteria of the conceptual amendment, which requires applicants to provide local government approvals. Of the 43 potential applicants, maybe 20 could be ready to meet these criteria.

In regard to which jurisdictions these licensees will be in, I suspect they will be distributed in the population centers. People will not invest in locations that cannot be supported by the market.

There are local governments that do not allow recreational cannabis sales. All the limitations will likely leave 20 applicants that would be ready. A concern with [S.B. 235](#) is the flooding of the market with too many licenses.

SENATOR RATTI:

There are existing dispensaries that have only medical licenses and want recreational licenses? Would these be brand-new licensees?

I understand [S.B. 235](#) seeks to solve confusion in the marketplace. Dispensaries are only medical, recreational or both. The solution was to allow medical-only licensees that were unable to compete in the 2018 round to become recreational and medical licensees. This would benefit the licensee and patient.

A patient could go to any dispensary, receive a 10 percent tax reduction, and not worry about being at a medical-only or recreational-only retailer.

Is this problem solved by the 20 potential licenses?

MR. FIORENTINO:

A different part of S.B. 235 solves this problem. The few medical-only licensees only exist in jurisdictions that do not allow recreational cannabis sales. The 2018 licensing round was for adult-use licenses. Approximately 60 licenses were issued in the last round, and if they get put into effect, none of them would legally be able to sell medical product to patients because they do not have medical licenses. These licensees could not add medical licenses because those are capped, and almost all jurisdictions have reached the cap.

MR. GOLDWATER:

Yes, the additional 20 or more licenses would address the problem in Senator Ratti's question.

SENATOR RATTI:

Are there 20 medical-only licensees?

MR. GOLDWATER:

That is correct. There was a preference for local dispensary owners who have received a medical license in the first round of licensing. That preference was not included in the 2018 licensing round. Of the people who hold medical licenses, most are local and have been in the cannabis industry since 2015.

SENATOR RATTI:

Does the CCB have the authority through regulatory means, or would it need statutory changes to solve the problem and be fair to the early medical businesses passed over in the recreational cannabis expansion?

MR. KLIMAS:

Two medical-only dispensaries operating are both medical-recreational dual licensees that were unable to procure a standalone recreational license in the 2018 round.

SENATOR RATTI:

Are there only two retailers that have medical-only licenses? Are the dual licensees just looking to expand?

SENATOR SEEVERS GANSERT:

Some tables produced by the CCB may be helpful.

MR. GOLDWATER:

The first round of medical licensing was for 66 medical-only licenses. Recreational Marijuana passed, and there was an early-start program. Sixty of the medical licensees received an adult-use license. The remaining 60-plus licenses were awarded in the 2018 round of licensing.

Other than the two medical-only licensees in rural Nevada, every license created by this bill would go to a licensee who holds a dual license. They would now have a flat standalone license. A medical license converts to a new adult-use license.

SENATOR RATTI:

That adds clarity. Every medical licensee received an adult-use license when recreational cannabis was approved.

MR. GOLDWATER:

That is true. Additionally, the licenses awarded in the 2018 round were only adult-use licenses. These were awarded to many people who did not have a prior medical license. A medical patient cannot use the medical card at adult-use only dispensaries.

SENATOR RATTI:

That is where the marketplace confusion occurs. It is not that there are medical dispensaries where a person cannot get recreational cannabis; rather, there are recreational dispensaries where patients cannot get medical product or the 10 percent tax reduction because the dispensary does not have a medical license.

MR. GOLDWATER:

That is true, and that is the confusion in the marketplace. The adult-use only licensees are also subject to a vape tax, whereas medical dispensaries are excluded from this tax.

SENATOR KIECKHEFER:

There are 14 standalone recreational dispensaries and 1 standalone medical facility, according to the CCB website. These 15 facilities create the marketplace confusion. Does the conceptual amendment solve this problem with the conversion to a single license?

MR. FIORENTINO:

That is in the first part of the conceptual amendment, [Exhibit C](#), that clarifies language.

SENATOR KIECKHEFER:

Would it allow CCB to convert all licenses to see both recreational and medical cannabis?

MR. FIORENTINO:

No. It would allow all adult-use licenses to sell medical product.

SENATOR KIECKHEFER:

Is that problem separate from new licenses being issued?

MR. FIORENTINO:

Yes.

SENATOR KIECKHEFER:

Does the second part of the conceptual amendment deal with new licensing procedures? Are the remaining sections prospective?

MR. FIORENTINO:

That is correct.

JOHN RITTER (The Grove):

I support S.B. 235 as amended. It will allow medical cannabis patients better access to medicine. The bill addresses the major flaws in the 2018 licensing process. It will generate about 1,000 well-paying and minority jobs. This is equivalent to bringing two new large companies into the State without giving out tax breaks or incentives. It will instead generate millions of dollars in tax revenue. This is in the best interest of Nevada.

BRUCE SCHNEIDER:
I support S.B. 235.

BRADY TELLES:
I support S.B. 235 as amended. I believe in the medical cannabis program, and local dispensaries should have a fair opportunity to expand locations.

KENNEDY MCKINNEY:
I support S.B. 235 as amended.

CHAD CHRISTENSEN:
I support S.B. 235. I own Pisos dispensary in Clark County, and we employ over 100 people. We provide insurance and pay tuition. District Judge Gonzalez's decision described the flaws in the 2018 licensing process. There is support for these changes to help patients, remove confusion and allow the conversion of medical licenses to recreational licenses.

BERNADETTE SCHNEIDER:
I support S.B. 235 as amended. I believe in the medical cannabis program, and local dispensaries should have a fair opportunity to expand locations.

DEMETRI KOURETAS (The Grove):
I support S.B. 235 as amended. I experienced issues during the 2018 licensing round. District Judge Gonzalez pointed out the application process, and the merit-based grading system was conducted with unfair and inequitable practices. The bill will alleviate this unjust situation and provide fairness. Data suggest the Nevada cannabis market can support additional dispensaries. The industry is on the verge of being taken over by multistate operators without ties to the community. Fewer operators do not benefit consumers. Options will be fewer and prices will be higher with less competition. This bill levels the playing field. This was the intent of the cannabis program. Additional legal cannabis puts a squeeze on the illegal market. The industry is heavily regulated, and testing ensures safe products are going out to consumers. The black market continues to operate, and products are not safe. New retail operations will curtail the illegal market.

WILLIAM NAPOLES:
I support S.B. 235 as amended. I believe in the medical cannabis program, and local dispensaries should have a fair opportunity to expand locations.

PEJ BADY:

I have been in the cannabis industry for eight years. I support S.B. 235. Our patients have confusion with the differences between recreational and medical programs. They do not understand why medical cards cannot be used at certain dispensaries. The new 60 dispensaries are recreational only, and our patients cannot obtain what they need from these places. District Judge Gonzalez found the 2018 licensing round was unfair. The remedy has been directed to the Legislature to bring fairness to the groups disadvantaged by the process. The bill will allow local companies to participate in the industry. Large concerns and Canadian companies have moved to the State. Economic development will be promoted. Jobs will remain local instead of being outsourced. Smaller cannabis businesses will be able to survive.

BRANDON WIEGAND (Nevada Organic Remedies; Nevada Dispensary Association; The Grove):

I oppose S.B. 235. The proponents claim additional licenses will generate tax revenue and jobs. This argument is unsupported by facts and is shortsighted. There is no evidence more stores will increase consumer demand. In a 2020 report on supply and demand dynamics in the Nevada marijuana industry, Jeremy Aguero states that over 95 percent of the southern Nevada population is within a 15-minute drive of an existing dispensary. Few, if any, Nevada residents reside in an urban market that does not have access to a cannabis dispensary. Existing licensees may experience sale reductions if additional licenses and storefronts are added to the market. New stores may dilute the existing retail market, which will not lead to significant increases in tax revenue or jobs. Maintaining or increasing tax revenue can be done by strengthening and stabilizing the existing market. Growth should be analyzed prior to opening additional licensing rounds. This bill defies licensing caps.

RUSTY GRAF:

I oppose this bill. The decision by District Judge Gonzalez did not rule the 2018 licensing round was flawed. The flaws were not of a youthful industry but of an evolving administrative industry. The Department of Taxation is no longer the administrative agency that governs this highly regulated industry. The CCB now has this responsibility. This includes processing licensing applicants and determining if new licenses should be issued. This bill removes these responsibilities from the CCB. The Board is familiar with the issues in litigation. The CCB reviewed and approved the settlements entered into by successful and unsuccessful applicants. The court deferred to the Department's interpretation

and creation of governing regulations. The CCB is the third agency governing the marijuana industry. Allow the CCB to fulfill its purpose. This bill is an attempt to award licenses to those who were unsuccessful in the 2018 round and the litigation.

JON MARSHALL (Deep Roots Harvest):

We oppose S.B. 235. It is a destructive bill that dismantles Nevada's cannabis licensing model that has been the gold standard since 2014. It contains sweeping provisions to the licensure process and indiscriminately gives licenses to companies that scored low in 2018. This bill allows companies to bypass the licensing process entirely. The CCB review policy is too important to bypass. It brings accountability and transparency to the industry. This bill ignores the CCB agreement to study market demands prior to issuing additional licenses. The proponents are circumventing the decision by District Judge Gonzalez. Many dispensaries are struggling to attract customers, and with 50 new dispensaries opening over the next 12 months, demand does not justify additional storefronts. This bill disregards caps for retail stores in each county.

JOE GUTIERREZ (Thrive Cannabis Marketplace):

We oppose this bill. It bypasses caps in the State. The Cannabis Advisory Commission is responsible for studying issues and making recommendations to the CCB about the regulation of cannabis and the distribution of licenses. In July 2020, the Department of Taxation signed a settlement agreement regarding the 2018 application process. The CCB has been tasked to conduct a study on how many licenses need to be distributed to satisfy the market demand. The study has not been conducted. With 50 licenses yet to open, the CCB may not find that more licenses are necessary. More licenses may dilute the market.

The amendment does not make the licensing process any better as it is redundant. The CCB is backlogged, and this bill gives the Board more responsibility. New licensing will cause issues and benefit a small number of groups. This will cause division and less diversity in the marketplace.

SCOT RUTLEDGE (Chamber of Cannabis):

We oppose this bill and the conceptual amendment. There are things to like about the bill and amendment such as the sale of medical cannabis in adult-use retailers. The Chamber supports efforts to increase access and reduce cannabis costs for medical patients. If the State were to authorize the additional

licenses, how would future social equity applicants be impacted? We appreciate the CCB's report on the lack of diversity in the cannabis industry. The passage of S.B. 235 would not expand diversity. Rather, it would dilute the opportunity for potential social equity applicants.

TISHA BLACK (Nevada Dispensary Association):

I am the Founder and the President of the Nevada Dispensary Association (NDA). I have participated in Nevada's industry and have been successful and unsuccessful in licensing. I have participated in my capacity as an attorney in all of the litigations related to licensing.

I am testifying in opposition to S.B. 235 as written with regard to the new licenses created in section 2 of the bill. Nevada restricted the cannabis industry by limiting the number and location of cannabis licenses. These restrictions protect both our community and cannabis licensees against oversaturation and enable a methodical regulatory process.

The NDA and its members are excited and relieved to have a settling regulatory framework policed and shepherded by the CCB. The CCB is purposed to understand our industry's unique needs and economic challenges. This is a time when our industry must be moving toward stability, transparency and diversity. Senate Bill 235 advances none of these goals.

This bill supplants the CCB's authority to recommend licenses with private-party demands, reroutes licensing away from the CCB, creates a brand new class of license, disregards market necessity, gives licenses to a select few who scored too low to receive licenses in the 2018 application round, disregards the court order of a two-month long trial and creates future litigation. Importantly, this bill seeks to create and distribute approximately 110 brand-new licenses before any economic study is conducted by the CCB to determine market needs.

As Director Klimas testified, over 50 previously awarded recreational licenses will be coming on line by February 2022. These licenses will be opening in communities in addition to any new licenses granted under S.B. 235. Section 2 will increase the number of present day recreational licenses by over 200 percent, surpass the prescribed statutory population cap and not consider where these licenses will be concentrated, as many counties do not allow for cannabis establishments.

All of this is before Nevada determines that market demands will meet the supply. The bill asks to direct new licenses to a select few without the recommendation or oversight of the CCB. This is neither fair nor open, and it should not be the standard. Circumvention of the CCB process will perpetuate instability, and lawsuits, and limit diversity. It will undermine the CCB's ability to set and regulate licenses.

The NDA Board voted to oppose this bill as it conflicts with the NDA's most fundamental tenet that licenses should be limited as the people have willed, until the CCB determines more licenses should be awarded or created. The NDA would support new licenses provided that these are awarded pursuant to a fully open, transparent and merit-based process.

LAYKE MARTIN (Nevada Dispensary Association):

I am the Executive Director of the NDA. The NDA Board is comprised of five representatives elected from membership at large.

The award of new licenses in the second part of the amendment threatens the strength and integrity of the industry, and it is not something the NDA would ever support.

Proponents hoped that the Association would stay neutral, and when the Board voted to oppose the bill, the proponents sought to make it look like it acted against the interest of its members.

That is simply not true. The NDA's mission is to develop and promote the best practices among Nevada's dispensary owners. It is best for new licenses to be awarded through an open, competitive and merit-based licensing process run by the CCB. It is best to increase diversity in the cannabis industry, and social equity should be a part of the next licensing round.

It is best for all applicants, including those in the proponent's group, to apply in an open, merit-based licensing round to be awarded licenses. Further, it is best for the CCB to analyze supply and demand in the market before any new adult-use licenses are awarded.

A fair, open and competitive application process that accounts for economic principles and diversity is best for the market and NDA members. But because

S.B. 235 seeks to award licenses to a select few outside of the State's licensing process, the NDA cannot support this bill as written.

AESHA GOINS (Cannabis Equity and Inclusion Community; Deep Roots Harvest):
I oppose this bill. On February 4, CCB Director Klimas presented the "Demographic Report of Nevada's Cannabis Industry." It received responses from 99 percent of cannabis establishment owners. Of the 612 owners, 28 are Black, 14 are Alaskan Native or Indigenous, and 71 are of Latin or Hispanic descent. Approximately 18 percent of all U.S. businesses are minority-owned. I appreciate strengthening the cannabis medical marketplace and the conceptual amendment's inclusion of a study and social equity language. However, my largest concern is introducing new licenses prior to opening the 50 pending retail licenses.

This bill could result in market saturation, which may make it more difficult for social equity applicants to have a sustainable business model. We must pay attention to the language in the conceptual amendment that states "applied for, but was not granted, an adult-use cannabis establishment license for an adult-use cannabis retail store in the 2018 application process." This language could bypass the CCB's ability to put in place a fair and transparent process that could move the industry into a more diverse and inclusive direction. This would not uphold S.C.R. No. 1 of the 32nd Special Session, declaring systematic racism as a public health crisis.

RICHARD WILLIAMSON:

I oppose S.B. 235. The proponents of this bill offered a new economic report. It acknowledges that more licenses would result in additional tax revenue, and not a decrease. The report submitted during court litigation argued that there were already too many licenses. In June 2020, there was a dispensary within a 15 minute drive for 95 percent of the population. Another 50 dispensaries are scheduled to open. The proponents want to offer more. We do not need a dispensary on every street corner.

I encourage the Committee to read District Judge Gonzalez's court decision. She found multiple flaws in the 2018 licensing process, which the Department of Taxation handled. The flaws affected both sides. She did not find unfairness on the proponent's part. Findings of Fact 75 and 76 of the decision cover the tainted and untainted plaintiffs. The proponents of S.B. 235 do not deserve help. District Judge Gonzalez did not recommend the law needed to be changed

by the Legislature. She found the Department of Taxation's departure from requiring every owner, officer and board member to be background-checked was inappropriate. She entered an order on that. The proponents' and the plaintiff's claims were speculative, and the equities were not in favor of one side.

If there are flaws and confusion, it should be addressed. It could be investigated by the CCB, and the Legislature could address it in due time. Part 1 of the conceptual amendment would address confusion. Sections 2, 3 and 4 of S.B. 235 will flood the market with unneeded licenses being awarded to unsuccessful operators. Social equity should be first and not last. The CCB should study social equity, decide if new licenses should be awarded and then award licenses. It is troubling that the proponents of this bill do not know how many licenses will be awarded. The bill favors unsuccessful applicants from the 2018 round.

MARLA MCDADE WILLIAMS (CPCM Holdings/Thrive Cannabis Marketplace; GreenMart of Nevada/MPX Bioceutical Corporation; Nevada Organic Remedies/The Source):

I am testifying in opposition to section 5 of S.B. 235 because it appears to bypass the statutory ceiling for the number of adult-use establishments authorized.

The proposed amendment does not seem to fix these issues, rather it adds issues. When the medical marijuana licensing program was established, we struggled with the statutory language concerning the criteria for consideration and how to ensure a fair and equitable application process. We did the best we could, but some nuances in NRS made it a difficult process for applicants. Maybe it is time to look at NRS, but it should be a deliberative process done by the Cannabis Advisory Commission or the CCB. The CCB has resource issues, and this bill will add burden.

MR. GOLDWATER:

Much of the opposition spoke to the bill and not the conceptual amendment. The amendment attempts to resolve many of the issues that the opponents pointed out. The companies that opposed this bill were awarded up to 10 to 15 licenses in the 2018 round. Members of the NDA have a difference of opinion with this bill. The board members opposed to S.B. 235 that were awarded multiple licenses in 2018 are big companies.

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CHAIR NEAL:

Seeing no public comment, this meeting is adjourned at 3:41 p.m.

RESPECTFULLY SUBMITTED:

Alex Polley,
Committee Secretary

APPROVED BY:

Senator Dina Neal, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Begins on Page	Witness / Entity	Description
	A	1		Agenda
S.B. 310	B	1	Joe Reel	Work Session Document
S.B. 235	C	1	Senator Dallas Harris	Conceptual Amendment
S.B. 235	C	1	Mark Fiorentino	Conceptual Amendment
S.B. 235	C	1	Tyler Klimas	Conceptual Amendment
S.B. 235	D	1	David Goldwater	Elizabeth Gonzalez Decision
S.B. 235	D	1	Mark Fiorentino	Elizabeth Gonzalez Decision
S.B. 235	E	1	Bonnie Chu	RCG Economics Economic Impact Report