MINUTES OF THE SENATE COMMITTEE ON COMMERCE AND LABOR

Eighty-second Session April 14, 2023

The Senate Committee on Commerce and Labor was called to order by Chair Pat Spearman at 8:02 a.m. on Friday, April 14, 2023, Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Exhibit A is the Agenda. Exhibit B is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Pat Spearman, Chair Senator Roberta Lange, Vice Chair Senator Melanie Scheible Senator Skip Daly Senator Julie Pazina Senator Scott Hammond Senator Carrie A. Buck Senator Jeff Stone

STAFF MEMBERS PRESENT:

Cesar Melgarejo, Policy Analyst Bryan Fernley, Counsel Veda Wooley, Counsel Kelly K. Clark, Committee Secretary

OTHERS PRESENT:

Brett Scolari, CPCM Holding; Cura Cannabis Solutions; Clark County Natural Medicinal Solutions
Chris Nielsen, General Counsel, Office of the Governor
Will Adler, Sierra Cannabis Coalition
Warren Hardy, Urban Consortium
Vinson Guthreau, Nevada Association of Counties
Stephen Wood, Nevada League of Cities and Municipalities
Scot Rutledge, Deep Roots Harvest; Green Life Productions

John T. Jones, Jr., Nevada District Attorneys Association

Beth Schmidt, Las Vegas Metropolitan Police Department

Esther Badiata, Planet 13 Holdings; Hardin Dispensary

Scott Kipper, Commissioner of Insurance, Division of Insurance, Nevada Department of Business and Industry

Bishop Bonnie Radden

Jessica Ferrato, National Home Service Contract Association

Liz MacMenamin, Retail Association of Nevada

Adam Porath, Pharm.D, Nevada Society of Health System Pharmacists

Ken Kunke, Pharm.D, Nevada Pharmacy Alliance

Joan Hall, Nevada Rural Hospital Partners

Mendy Elliott, Nevada Rural Housing Authority

Susan Fisher, Select Health Insurance

Susan Proffitt, Nevada Republican Club

Susan Nguyen, Pharm.D., Volunteers in Medicine in Southern Nevada; Roseman University College of Pharmacy

Amanda Villa, Pharm.D

Amy Hale, Pharm.D, RN

Brian Ung

Medid Raja

KayLynn Bowman, Pharm.D, President, Nevada Pharmacy Alliance

Michelle Nguyen

Katrin Ivanoff

Wiselet Rouzard, Deputy State Director, Americans for Prosperity

Al Rojas

CHAIR SPEARMAN:

Today is the last day before first Committee passage deadline. We will hear Senate Bill (S.B.) 69.

SENATE BILL 69: Revises provisions relating to disciplinary proceedings against the holder of a license or registration card issued by the Cannabis Compliance Board. (BDR 56-278)

BRETT SCOLARI (CPCM Holding; Cura Cannabis Solutions; Clark County Natural Medicinal Solutions):

Thank you for allowing us to present <u>S.B. 69</u>. I am here representing cannabis industry partners. In Las Vegas, we also have the Cannabis Compliance Board

(CCB) executive director, Tyler Klimas, and former Nevada Supreme Court Justice Michael Douglas, who serves as the CCB Chair.

In the audience, we have Chris Nielsen, General Counsel for Governor Joe Lombardo, and George Togliatti, Director of the Nevada Department of Public Safety (DPS). We know your time is extremely limited and appreciate you allowing us to present this proposal on deadline day.

Governor Joe Lombardo, like many of you, has received calls from members of the cannabis industry frustrated with the State process. Early in the Session, Chair Spearman directed the industry to work with the CCB to find solutions. The Governor has urged the same. It is a monumental task to get those who are regulated to meet with the regulator to discuss issues in a shortened time frame. It is also a tall task to find common ground on those issues. But we have accomplished that and more with this proposal.

I am here today as the cannabis industry representative along with CCB representatives to present a proposed amendment (Exhibit C).

Quite frankly, it was time for the industry to stop whining and complaining about the CCB and the illicit market threat and roll up our sleeves to work with the CCB to find solutions.

We recognized that many other cannabis measures are being considered this Session, including the Cannabis Mentorship Pilot Program in <u>S.B. 402</u>, the fines and fees reforms in <u>S.B. 195</u>, the administrative procedure reforms in <u>S.B. 328</u>, the wholesale tax reforms in <u>Assembly Bill 430</u> and initiatives to advance the cannabis industry in <u>S.B. 277</u>.

SENATE BILL 402: Creates the Cannabis Mentorship Pilot Program. (BDR 56-1064)

SENATE BILL 195: Revises provisions related to cannabis. (BDR 56-452)

SENATE BILL 328: Revises the procedures by which the Cannabis Compliance Board is required to adopt, amend or repeal regulations. (BDR 56-519)

ASSEMBLY BILL 430: Revises provisions relating to cannabis. (BDR 32-893)

SENATE BILL 277: Revises provisions relating to cannabis. (BDR 56-193)

Instead, we focused our discussions on two separate issues. First, we want to create a more collaborative and respectful relationship between the regulator and the regulated by enabling reforms to the CCB governance. These would foster regulatory policy discussions at the CCB level that preserve and promote a strict but fair, transparent and equitable regulatory environment.

Second, we want to provide tools and resources to the CCB and other State agencies to meaningfully disrupt the illicit market and the major crimes and criminal operations associated with it.

There is no doubt that Nevada is the gold standard for regulating licensed cannabis operations, but sometimes it needs a little polishing. Nevada can also be the gold standard in addressing the illicit market at its core by disrupting those crimes and criminal operations that flood the market with unregulated, unsafe and untaxed cannabis products.

The industry and the CCB share the same goals to bring high-quality, safe cannabis products to consumers and patients, and maximize the collection of tax dollars coming into the State and local government. The lion's share of those funds is ultimately routed to the State Education Fund.

The proposed amendment, <u>Exhibit C</u>, was submitted by the Cannabis Working Group, made up of industry representatives and CCB representatives, at the request of Governor Joe Lombardo. The amendment will delete the original bill in its entirety. It is organized into ten separate sections we call "Concepts."

Concept 1 proposes changes to the *Nevada Revised Statutes* (NRS) 678A.005. This recommendation makes various changes to the preamble of the Cannabis Compliance Board. The goal is to more accurately reflect the role and purpose of the agency by striking a balance between the strict but fair regulation of those operating licensed cannabis establishments, while acknowledging that the unregulated and unlicensed market presents unique challenges to regulators, license operators and the general public.

These changes do not scale back the importance of a strict but fair regulatory system for the licensed operators. The changes are designed to focus the CCB

on the protection of the public health, morals, good order and general welfare of Nevada residents and visitors.

The changes seek to address tax revenue losses that result from a persistent and robust unlicensed market that is often associated with large-scale criminal operations. The changes discourage use of unsafe and untested cannabis products that often target minors.

The changes acknowledge that a well-regulated industry is important to the State welfare and economy and runs contrary to the criminal and corruptive elements of the unregulated and illegal market.

Concept 2 proposes changes to NRS 678A.350. This recommendation specifies that the CCB adopt and set regulatory policy based upon the public policy enacted in statute.

This change reinforces the CCB's obligation to review and adopt regulation policy and aims to promote an open and robust discussion to give the regulated industry more predictability and participation in the regulatory process.

Concept 3 proposes changes to NRS 678A.360 to revise factors for the Governor to consider when appointing certain CCB members. For instance, changes are suggested to a proposed appointee's knowledge, skill or experience in agriculture, manufacturing, distribution, law enforcement, illegal cannabis activities, retail and laboratory sciences.

The proposed amendment also removes the cooling-off period for the industry-related CCB position to attract quality candidates with relevant experience. These changes are not designed to be limiting. The idea is to give the Governor additional flexibility when appointing CCB members who might have different experiences in a wide range of subject areas. That experience might be similar or related to industry topic areas and could benefit the agency in making sound policy decisions.

Removing the cooling-off period for the CCB's industry-related position is sought to ensure that qualified individuals are attracted to apply. They might be people who have sold their cannabis business, retired as an executive of a cannabis business or retired from cannabis law practice. Perhaps they are interested in

leading the industry with the desire to serve on the CCB. With the industry still young, the cooling-off period severely limits the pool of qualified candidates.

Concept 4 proposes changes to NRS 678A.370. This recommendation staggers Board member terms, allows change of the chair position after two years, adds a vice chair position and requires Board members to receive general training similar to a cannabis establishment agent. It also allows the Governor to remove a Board member for neglect of duty.

By the current statute, the CCB members serve concurrently commencing on the last Monday in January. It is sound policy to stagger those terms to promote continuity and stability on the Board. Allowing the Governor the option to change the Chair after two years is a valuable tool for a number of reasons. The addition of a Vice Chair is also good policy; often the Vice Chair is the next member to serve as Chair. Lastly, the addition of removal for neglect of duty is consistent language with other agency boards including the Nevada Gaming Control Board.

Concept 5 proposes changes to NRS 678A.420. This recommendation provides that the executive director of the CCB is appointed and removed by the Governor.

It also revises factors for the Governor to consider when appointing the executive director to include special references to skill and experience in the regulated industries in agriculture or manufacturing, distribution or retail.

Moving the executive director to a gubernatorial appointment promotes more interaction, cooperation and consistency between the Office of the Governor and the agency. Further, this is common for similar State agencies. The Governor appoints the executive director of the Nevada Department of Taxation. The Governor also appoints a member of the Nevada Gaming Control Board to serve as both chairman of the board and executive director of the agency.

The recommendation also aims to enhance the executive director position with additional factors available for the Governor to consider when making the appointment.

Concept 6 proposes changes to NRS 678A.440. In summary, this recommendation revises Board powers to include provisions to commit

resources and take actions to address unlicensed and illegal cannabis activities as follows:

Refer these activities to DPS and Office of the Attorney General (OAG) for investigation and prosecution of such matters;

Educate the public on the dangers and illegality of unlicensed cannabis activities and the importance of regulated and licensed cannabis establishments by using different mediums and public outreach and communications;

Create a confidential means for the public licensees and agent cardholders to report on unlicensed cannabis activities; and

Establish a civil disciplinary system for unlicensed cannabis activities including the seizure and destruction of cannabis and cannabis products related to the unlicensed activities.

The illicit market is not easily defeated, but we strongly believe it can be disrupted meaningfully with enough resources and tools in the toolbox. At its heart, this disruption of the illicit market must focus on the root of the problem: the large-scale operations flooding the marketplace with out-of-state, untested, untaxed and unsafe cannabis products.

These operations are highly organized and carry criminal elements that need to be combatted with trained law enforcement professionals. Giving CCB a tool to refer these matters to DPS and OAG is a crucial step in the right direction.

Providing CCB with additional tools to address the illicit market, such as public education and a tip line, are good means to assist in disrupting the unlicensed market.

Concept 7 proposes changes to board regulations in NRS 678A.450. This recommendation includes a provision to train and certify the CCB agents prior to commencing inspections, audits or investigations of licensees. This recommendation also revises the CCB's regulatory foundation for enforcement and disciplinary action to establish a system to educate and advise the licensee or registrant on items of general compliance without being subjected to disciplinary action.

Lastly, the proposed changes contemplate that the CCB establish specific grounds to initiate disciplinary action for grossly negligent acts, omissions and other serious actions threatening public health or safety.

These proposed changes promote regulatory predictability and an "educate first, discipline second" environment. A strict, but fair and equitable system that promotes discourse and respect between the regulator and licensees can be lost at times. These changes intend to ensure that cooperation.

Concept 8 proposes changes to NRS 372A.290. This recommendation directs a portion of the cannabis wholesale excise tax be distributed to the DPS and OAG to investigate and prosecute major crimes and criminal operations in the illegal and unlicensed cannabis market. These criminal acts threaten the safety and welfare of the public and are a threat to the regulated cannabis market.

The DPS and OAG will use this funding to establish units to investigate and prosecute major crimes in the illegal and unlicensed cannabis market.

Concept 9 proposes changes to NRS 244.35253 and NRS 268.0977. This recommendation directs local governments to set aside a portion of their license tax proceeds to fund public outreach campaigns. The goal is to educate the public on the dangers and illegality of unlicensed cannabis activities and inform the public about the safe purchase and consumption from licensed sellers.

Customers continue to knowingly, or unknowingly, buy cannabis illegally. This causes an array of public health and safety concerns. These concerns include sales to minors, untested products that may be laced with other drugs and violent crimes associated with illegal sales. There are currently no public funds directed to awareness campaigns concerning safe cannabis purchase and use.

Concept 10 proposes changes to NRS 453.321. This recommendation was requested by local law enforcement and the Nevada Resort Association. It clarifies the illegality of possession of cannabis with the intent to sell. I believe those representatives are here and can answer questions.

SENATOR PAZINA:

How would these staggered terms be implemented? Would someone lose their position early?

Mr. Scolari:

That is something that we are still reviewing. Right now, the terms are all tied to the last Monday in January 2025. All current Board members will be termed out then. There is no intent to remove anyone. If this bill moves forward, we would need to work with the Legislative Counsel Bureau (LCB) to reset those terms as staggered. The staggered terms would go into effect with the new appointments.

SENATOR PAZINA:

The current proposal has the Governor's Office selecting the Chair, the new Vice Chair, the members as well as the executive director. Who currently selects the executive director?

Mr. Scolari:

The CCB selects and removes the executive director.

CHAIR SPEARMAN:

So this proposal, in regard to CCB Board membership, requires no input from the Legislature?

Mr. Scolari:

The only change here is to make the executive director position a gubernatorial appointment.

CHAIR SPEARMAN:

I understand that. My question is, specifically, is there no involvement of the Legislature in this new schema?

Mr. Scolari:

At it sits today, the Nevada Legislature does not make any appointments of CCB members or the executive director.

SENATOR LANGE:

I know this work group has been meeting for a while to figure out its direction. Can you tell me a little about how it was formed? What was its makeup? Was it diverse?

Mr. Scolari:

I will defer to the Governor's General Counsel on that. We were invited to participate in the work group because our firm, Strategies 360, had multiple cannabis clients. We were asked to be a participant in a group that would get CCB folks together with the industry. We served as a participant; we had no authority to appoint members to the working group.

CHAIR SPEARMAN:

Was there ever any opportunity to suggest someone to join the work group? Or were participants just selected and then the work group moved forward?

CHRIS NIELSEN (General Counsel, Office Of the Governor):

I can answer those questions. This was an informal group. The idea was to get the regulators and cannabis industry representatives together to meet and work out some of these issues.

As Mr. Scolari stated, from day one of Governor Lombardo's administration, there has been one industry issue after another. That is no criticism of the regulators.

I believe this group was created last month. We got as many people as we could, representing a cross section of the cannabis industry together with CCB executive director Tyler Klimas and CCB Chair Douglas. They worked together at three or four meetings over the last two to three weeks. This proposed amendment is the product of what we came up with. That is how the work group evolved.

SENATOR LANGE:

Did you invite anyone from the Chamber of Cannabis? I think diversity is really important to reflect the people who make up our State. Was there diversity or was it just people the Governor decided to invite?

MR. NIFLSEN:

From our perspective, there was diversity. We wanted a cross section of industry individuals and regulators to work together on issues at a high level. For the industry, individuals represented growers, retailers and the whole gamut of the business. The regulators were represented by the Honorable Justice Michael Douglas, who is Chairman of the CCB, and CCB executive director Tyler Klimas.

Our goal was to see if we could find common ground on two issues: improving the industry-regulator relationship and disrupting the illicit market.

Although the Concepts in the proposed amendment may not be complete given the time limitations and late start, we believe they respond to the two areas that need to be addressed this Session.

CHAIR SPEARMAN:

Regarding the work group, was there diversity in gender? Can you break that down for me?

MR. NIFLSEN:

I am not sure. I believe Chelsea Capurro was there, and Layke Martin participated. Maybe Will Adler could add to that?

WILL ADLER (Sierra Cannabis Coalition):

I would like to emphasize that this was a spur-of-the-moment approach to the problems with cannabis in Nevada today. When we looked at the current bill drafts from the CCB, it did not appear that any would address the directional changes that the industry, the Governor's Office, and some elected officials who we spoke with, wanted.

As far as gender diversity, Layke Martin of the Nevada Cannabis Association was there. Her representative, Chelsea Capurro, also participated. But there was, I think, a lack of full inclusion in the process.

CHAIR SPEARMAN:

Here is my issue. The current cannabis industry business plan was developed by people who are now in jail or had felonies. Because of that they can never qualify for a cannabis license. Our State is diverse. All my life as a Black woman, I have seen these "working groups" and heard people say, "Well, we just kind of pulled it together." All the while, I am seeing no indication that there was outreach of any kind to a more diverse population, including people of color and women.

In 2020, we had a revelation. The COVID-19 pandemic was revelatory because it pulled back the covers on the inequities that exist in Black, Indigenous, and People of Color communities to include health care. To his credit, Governor Sisolak pulled together a diverse group of people to make sure we

were addressing the inequities. The resolution said, "We declare that racism is a public health crisis."

Now, let me be clear. I am not saying you are a racist. I am going to say that again for the record: I am not saying that you all are racists. What I am saying is that there is a system of racism that exists in our Country. If we are not acutely aware of that, and if we do not take painstaking initiative to make sure that in everything we do we include a diversity of people, then we will never change that system.

For instance, was A'Esha Goins included? She is a prominent name in the whole industry. It offends me when I hear a decision-making group is pulled together at the last minute and apparently no one was invited from the Black, Latino, or Indigenous communities. Few women were invited. It is especially disturbing that A'Esha Goins, who has worked her tail off to bring equity to this industry, was not involved. I do not know if there is anybody in the State who does not know her name. She has been actively involved in this issue since we passed medical marijuana in 2013.

I am saying we have to be intentional about diversity, equity and inclusion. If we are not, we are going to keep doing the same thing over and over again. There is always going to be a small, last-minute group pulled together without consideration for diversity of the people involved.

If you look at pictures of the licensees, there is little diversity. You all are not racist. I do not want anyone to leave here and tell the lie that I called you racist. But this is something that we must be intentional about. If we are not intentional about it, by design or default, then we push forward a system that excludes diversity.

SENATOR SCHEIBLE:

I share my colleague's concerns about the lack of diversity in the group and its secrecy. I am glad to see Mr. Nielsen up at the table. My first question was going to be, "How did you, Mr. Scolari, end up stuck in the hot seat, answering these questions, instead of a member of the Governor's staff?"

Mr. Scolari:

Let me share some of my background. Before I joined Strategies 360, I was involved with a multistate cannabis operator as general counsel and director of

government affairs for eight years. We came into this Session 100 percent not to exclude anyone. We came into this Session from an operator standpoint, representing operators frustrated with how things were going. My apologies for not including more folks in this process. That is our fault.

Folks who are licensed right now are frustrated with their regulator; they are frustrated with the illicit market and those big elements of the illicit market. That was our focus and our goal. I apologize for not including other folks. The work group was focused on the relationship between the regulated and the regulators, as it exists today.

SENATOR SCHEIBLE:

This Committee has heard a couple of bills relating to cannabis and the industry. There has been a common theme that license holders are struggling with the relationship with the CCB and how they are regulated. There are many legislators who have been trying to address those problems along with other stakeholders and community members.

I want to move away from problems with the working group itself, which I take seriously, to issues with the policy, particularly in Concept 8.

It is unclear to me whether any local governments were included in this working group. But it looks like you are reallocating money from local governments to State governments. What was the local government feedback on that provision? Did you talk to them about it?

Mr. Scolari:

I will say, yes, that was an idea. We did run it by local governments knowing that they would be concerned about that requirement. We consider this loosely as a placeholder. We needed to find funds. The rationale to this was, I think, we had to have funding to address the illicit market in an impactful way.

There are funds from the wholesale tax that are distributed to those local governments. They have that mechanism to mitigate cannabis activities in their local jurisdictions. They also have a 3 percent license fee that can be charged on the gross revenues of cannabis establishment licensees. So, they have funding mechanisms.

This idea was to redirect some of those funds to create a Statewide unit that could look at this as a whole and coordinate response to the illicit market activities with local governments, local law enforcement and other State agencies. That was the theory behind that Concept. I know the local governments will come up in opposition to it. If this bill does by chance move, we have indicated we will work with them. We can be in the Senate Finance Committee and work on those issues. That is how we left that issue.

SENATOR SCHEIBLE:

So where is the data to support that taking a Statewide approach is more effective than letting local governments handle the illicit markets in their own communities?

Mr. Scolari:

I am not aware of any studies. Our discussion centered on this new idea: How do you disrupt the illicit market at a Statewide level?

Some local jurisdictions do not have the resources. In those cases, the State could help fill those gaps. Some of the larger jurisdictions might have a task force that could coordinate with this unit of the State. We were looking at the issue from a Statewide perspective because cannabis is regulated and taxed at the State level.

I think the coordination could flow from the State to the local governments. Some local jurisdictions might have their own task force that could work with this unit and DPS.

We have seen instances where rural counties are affected by the illicit market. There are warehouses full of cannabis that have been imported from other states. There are operations that flow out of rural counties and into the urban markets. So that is really the rationale. Maybe it is not perfect today, but it is a start.

Mr. Adler:

Consider the intent of the Sandoval Administration's initial \$5 million per year allocation to local governments approved in S.B. No. 487 of the 79th Session. Back in 2017, it was meant to address the "unknown effects of legalization of cannabis and the unknown effects of having cannabis sales in the legal market" and what the impacts of those legal sales would be.

What we have seen is that those concerns about the legal market are now turning into concerns about the illicit market. Basically, we have legalized the ability to possess and sell very small quantities of cannabis. Disrupting the illicit market is becoming an almost impossible task for small local governments or task forces. The problem crosses county lines; it does cross borders and it is pervasive. It is a toxic and continual process that is hard to stamp out at the county level.

Illicit cannabis has become a Statewide issue. These are State-level funds. It makes sense to review the original intent for this funding, and to now consider how it might be applied going forward.

MR. NIELSEN:

That is exactly it. In talking with Director Togliatti at the DPS, this is certainly not meant to have the State take 100 percent ownership of this activity from the law enforcement end. As Mr. Scolari said, there would be some resources at the State level to work with the local and federal jurisdictions, when appropriate, on these so-called major crimes that typically involve certain growers in rural counties, and transportation on our highways. It is not meant to supplant any local resources.

SENATOR SCHEIBLE:

Just one last policy question about addressing the illicit cannabis market. Is there any strategy to address the issue other than policing, investigating, arresting, jailing, fining, and criminalizing people? Is there any other approach that the Governor's Office is using to address illicit cannabis?

MR. NIELSEN:

I believe Concept 6 includes an educational component. I will turn it over to Mr. Scolari.

Mr. Scolari:

Under Concept 6, NRS 678A.440 would be amended to enable some powers of CCB. Subsection 7, paragraph (b) refers to the public education piece. The confidential tip line to report unlicensed cannabis activities is in subsection 7, paragraph (c), and subsection 7, paragraph (d) establishes a civil process that CCB could adopt by regulation for those unlicensed activities.

In Concept 9 of Exhibit C, we ask the local governments to participate in that public awareness campaign as well.

SENATOR STONE:

I like many parts of this bill, especially going after the illicit cannabis market, which some claim makes up as much 50 percent to 65 percent of the State's cannabis market. That hurts the people who are following the rules. I worry that the illegal cannabis may be laced with products, including fentanyl, which can create morbidity and mortality. An estimated 80,000 people died over the past year from fentanyl overdose. Certainly, the illicit market causes a loss to our schools, which are the true beneficiaries of the cannabis excise tax. The schools do not get what they truly deserve when people purchase cannabis illegally.

It was brought up that local governments have their own ordinances as funding mechanisms. In Las Vegas, there is a 3 percent tax that totals about \$18 million a year. I hope that money is used to educate the public about why it is important to use a licensed retailer to purchase cannabis products.

I like the efficacy of having OAG as a partner. But I must be honest. I am concerned about telling local governments and their public safety agencies that we are going to divert their resources to OAG that is now going to be responsible for the entire State.

Larger urban areas with populations of 300,000 or more have their own response plans. I represent the City of Henderson. The City has a robust plan to go after illicit users. I ask that you continue to work with public safety and local jurisdictions on some compromise to help them maintain local funding.

If you take local funding away, a number of things will happen. For example, consider Las Vegas. If this bill becomes law, Clark County may take that local 3 percent tax and increase it to 6 percent. What will that do to the price of cannabis? It is going to drive it up. That will push more people into the illicit market.

As far as addressing the criminalization of the illicit market, I hope you use every tool available to prosecute those entities. Cartels have found Las Vegas to be an easy place to do business. They further exploit people when they sell untested, illicit cannabis. The purchasers do not know what they are getting. I applaud the efforts here today.

I applaud the Governor for helping to facilitate the authoritarian rule of the CCB which has been, I think, overactive and hurting our retailers and penalizing them with heinous fines and time and charges, which we have already discussed with other bills.

I think this bill will temper a lot of that. I appreciate the hard work, especially at 9 a.m. on deadline day. This is a comprehensive effort. I hope we can get this bill to a place where we can say it is cooked and ready to go.

MR. NIELSEN:

Regarding prosecution, I just want to clarify that under this proposal, OAG would have co-jurisdiction over prosecutions. It is just another avenue. The intent certainly is not for the State to work alone. I told OAG that this would be a co-jurisdictional approach. It would not be exclusively with the State, nor would it lie solely with the local jurisdiction.

Second, regarding the regulators, I want to applaud Mr. Klimas and the CCB Chair Michael Douglas for meeting with this group. They participated in a meaningful and professional way during this very short, but collaborative process. I want the Committee to know that.

SENATOR DALY:

The bill has some merit, but the part on illicit sales concerns me. The local governments are going to view this as taking their money. How do we ensure the funding and the program actually get carried out on the streets to address the problem? My observations have been, you give another \$1 million or so to OAG or DPS and it will be lost in the shuffle. Is there focus? Is someone assigned to it? I think there needs to be better coordination with the locals. They probably already have people on the ground working on this.

I am concerned that this will be ineffective without local government coordination. You already said you did not talk to them to develop this recommendation. The other thing that needs work is the makeup of the Cannabis Compliance Board. You need to ensure there is not just a single silo of control there. You have some work to get over those hurdles. I do not want to see the money get lost in the shuffle.

SENATOR STONE:

Can you explain to me the wisdom of empowering OAG to be the prosecuting entity instead of using the district attorneys in Clark County or Washoe County, for instance? I have always believed that local control is better. Can you help me understand why you thought OAG would be best?

Maybe it is because we have some counties with smaller budgets for their district attorneys. Maybe you could bifurcate the program where OAG can work with the rural counties, then the bigger counties would continue to have control with their district attorneys. Maybe we could divide the funding and fund them appropriately, instead.

MR. NIELSEN:

As Mr. Scolari said, the legalization of cannabis was approved at the State level, and it is regulated at the State level. Under this proposal, we are contemplating giving the State additional resources for investigations.

The policy in looking to OAG would be to give their investigators one more avenue for prosecution. Again, not exclusive to OAG. It would be determined, I believe, on a case-by-case basis. It would probably add two additional deputy attorney generals to OAG. They would work with local prosecutors and enforcement, based on where the crimes occurred.

We have heard many times of anecdotal situations where arrests and referrals have been made. Yet, for one reason or another, there is nobody to prosecute these cases. It is unclear whether that is due to a lack of resources or lack of priority.

This is certainly not a criticism of any local law enforcement. This program will provide another tool, additional resources, given that cannabis is regulated at the State level, and frankly, is taxed at the State level, too.

Mr. Scolari:

I will point you to Concept 7, changes to NRS 678A.450, subsection 3. That really speaks to the coordination between CCB and local and State law enforcement agencies. That gives CCB the tools to establish regulations. It can determine to refer these tips or initial investigations, whether to OAG or to the local agency.

MR. ADI FR:

These are small crimes, misdemeanor-sized crimes. There are networks that distribute from California and Nevada. They are in different counties. They move from county to county. It is hard to tie them together without having a State-level prosecutor who will take the time to investigate.

Let us say a district attorney (DA) busts one kid who brings in \$1,500 worth of product in a rental car. The car cannot be seized. The kid is jailed for 24 hours, then gets bailed out. It is not worth the local DA's time. At the local level, nobody is too worried about busting a kid for a single delivery. This bill is trying to attack the whole network behind it. It really takes State-level resources to tackle this.

SENATOR HAMMOND:

I need to say something about diversity in the group and perhaps even the word secrecy. I do not think that word that is particularly accurate here. If there is any fault, I suppose it lies with me. The group was put together about a month ago, and I was asked to be a mediator between the industry and CCB. I was asked who to invite.

I do not run in that circle. At the time, I did not know a lot about cannabis. When I was asked who should be involved, I kept thinking of the people I see here regularly at these meetings about cannabis.

I also wanted to make sure the group was somewhat small. Since we had a time crunch, I thought we should we limit the size of the stakeholder group. When you have time, you want as many stakeholders as possible; it brings out a lot of ideas, but in a short time frame you need focus.

Back in 2015, when I was working with then-Senator Ford, we had large stakeholder meetings with homeowners' associations. It was the only time in my whole legislative career that I left every meeting with a headache.

So, for this group, I wanted focus, to make sure we got to the gist of the issue. I wanted both the regulator and the regulated industry representatives in the room. During the meetings, a lot of things came out to help us understand what the issues were and how we could overcome them. We began to see how the industry could coexist with CCB and how CCB could regulate the industry, too.

I will tell you, in the future, we will make sure we include others. If there is an occasion for this bill to go forward, and I think there should be, we will continue to work on the necessary issues that plague the industry. The work group did the best they could. What happened here today is my fault.

CHAIR SPEARMAN:

I appreciate your comments. One of the issues that we have always had with respect to dismantling sexism and racism has always been the fallback. "Did not find anybody," or it was "short notice," or "do not know anybody."

As someone who grew up in the early civil rights movement, I was spit at, called the N word and expelled from school because I would not let them call me that.

I am sensitive to that. People who are born into privilege have no idea what I am talking about. It is the same thing for women. We became the first female majority-led Legislature in the Country in 2019. There were newspapers all over the Country that came and interviewed us. We have remained a female majority Legislature since then.

In our Democratic caucus, we have Blacks, Whites, and Asians. We have straights, gays, and bisexual people. We have men. We have women. You could not look more like America than our caucus. So, whenever there is a group, we must have diverse participants. Diversity helps broaden the perspective.

For instance, <u>S.B. 69</u> needs some work. Diversity of thought would have helped improve it. There are some things in here that are good for law enforcement. To his credit, Clark County Sheriff Kevin McMahill has an Office of Diversity because he recognizes the importance of it. He does outreach to communities of color. You can talk about enforcement, but enforcement without some accourrements to deter people from doing that illegal thing is hollow. Just like the so-called "War on Drugs." It would be the same people getting picked up.

We have <u>S.B. 402</u>, the Cannabis Mentorship Pilot Program. Someone asked me whether State funds would be used to fund that. I think if the industry is serious about diversifying, the leaders should figure out a way to pay for that.

There are some good points in this, but the lack of diversity is really a problem for me. Senator Hammond, I am not discounting what you said. But unless

people showed up with tape over their mouths, somebody could have said something. Some of you do not know me; this may be our first encounter. I am not going to say anything privately that I cannot say publicly.

This is not an attack on you personally, nor is it an attack on Governor Joe Lombardo. But I think it is important to highlight that we now have cannabis industry licensees dominated by the "used-to-be majority." That is because globally, minorities are now the majority. I do not see how we escape it.

You can have three people and have diversity, and you can have 300 people and not have diversity. It is not the numeric count. It is the quality. We will now hear opposition to the bill.

WARREN HARDY (Urban Consortium):

I am here today representing the Urban Consortium, which is made up of the cities of Las Vegas, Reno, Sparks, Henderson and North Las Vegas.

We thank the Senators for identifying our concerns about the funding mechanism. I agree with Senator Daly, Senator Stone and Senator Scheible in that regard. We would otherwise be in support of this Concept. We think that the fight against illicit cannabis is a growing fight and a growing concern.

Our cities are active in dealing with the issue locally and at various levels. Good coordination with the State is important, but we do have significant concerns about the precedent of dipping into traditionally local government funds to fund the State program. I may say that if we ever were to agree to do that, it might be to go towards the fight on illicit drugs.

We simply cannot support the precedent this bill and its amendment creates. We look forward to continuing to work with stakeholders to resolve this problem in the future. We do believe the illicit sale of cannabis is an increasing problem in our State and we want to be a partner to fix the problem.

We do have programs that our individual cities and our law enforcement are capable of doing. One can argue that the local government is the place that this should be resolved. But we do welcome contributions and participation from the State in this all-hands-on-deck approach.

VINSON GUTHREAU (Nevada Association of Counties):

I am executive director of the Nevada Association of Counties (NACO). We stand in opposition to Concept 8, which is the funding diversion. We oppose the diversion of funds. When this bill was originally proposed, there was carefully crafted language regarding the distribution.

I cannot speak for other local governments, but unfortunately, NACO was not asked to be involved in a working group on this legislation. I just want to make sure that is on the record. Otherwise, we would have been able to share our concerns in advance. For counties, that money is currently used for its intended purpose. As described in Concepts 8 and 9, counties are asked to reduce our revenues and then do more. I am concerned about that. We stand in opposition.

STEPHEN WOOD (Nevada League of Cities and Municipalities):

I represent the Nevada League of Cities and Municipalities. I echo the comments of the Urban Consortium and NACO. I would also be remiss if I did not mention that the League was involved in the negotiation on the initial language that passed a few sessions ago and included the current distribution. However, like NACO, we were not involved in the discussions this time. We look forward to that. But as it stands, we are in opposition.

CHAIR SPEARMAN:

Those of you who came here in support, forgive me. Here we are in the 21st century, and I am just really undone by what I have heard. Anyone else in support?

SCOT RUTLEDGE (Deep Roots Harvest; Green Life Productions):

Our support is for the policy that lives within this legislation. It has been discussed many times that the illicit market is a major issue for this industry and for the residents of Nevada.

We are here to support the policy of this work. We have heard the Committee's comments loud and clear. We would like to work with any other stakeholders. A number of bills have involved other stakeholders this Session. We want to find a way to put different pieces of the puzzle together and to create viable solutions for this Legislature and our industry.

JOHN T. JONES, JR. (Nevada District Attorneys Association):

I am here on behalf of the Nevada District Attorneys Association, speaking specifically to Concept 10 in the proposed amendment in Exhibit C. The reason Concept 10 is in the statute is there was a case in Clark County where the judge ordered the Nevada Board of Pharmacy to de-schedule marijuana. That effectively removed marijuana from certain criminal offenses that we used to charge in the criminal system.

Chair Spearman and Senator Scheible, I fully agree with your comments that law enforcement cannot be the only entity going after the illicit market. I think it is important that we have education campaigns, civil enforcement remedies and better coordination between local and State governments. However, the case in Clark County has left us with only a few statutes for enforcement, and they deal with marijuana possession.

Our marijuana trafficking statutes begin at 50 pounds. Making the changes in Concept 10 would give us the ability to charge somebody who is possessing with the intent to sell or somebody who has actually been seen transacting marijuana sales without a license under Title 56 of NRS.

BETH SCHMIDT (Las Vegas Metropolitan Police Department):

Thank you for acknowledging our multicultural committee. That has helped drive our policy and how we run our organization; we are the better for it. I echo John Jones' testimony. We support Concept 10 because it impacts our ability to address the illicit marijuana market. We are not talking about someone selling a little bit of marijuana; these are large amounts. Due to this court ruling that changed marijuana offenses, we support Concept 10.

CHAIR SPEARMAN:

I understand the support. I think you all know I am a retired cop. At Fort Hood, I was the officer in charge of military police investigations. I understand your concerns, but there may be other ways to accomplish this.

ESTHER BADIATA (Planet 13 Holdings; Hardin Dispensary):

With the amendments today for <u>S.B. 69</u>, we particularly appreciate the provisions aimed at tackling unlicensed cannabis activities. These are significant steps to address the illicit market that is harming the public, undercutting legal licensees and depriving the State of its tax revenue for K-12 education.

We strongly support annual funding for public safety awareness campaigns. It is important to protect our communities from harmful products and make sure purchasers understand the products they buy.

Mr. Scolari:

I really appreciate your indulgence in letting us present these important policies today. The comments we heard are noted and taken to heart. We hope to have the opportunity to work on the funding piece with local governments and advance these important policies.

MR. NIELSEN:

On behalf of Governor Joe Lombardo, I thank you all for hearing these policy considerations, especially on the last working day. We take to heart the discussion that occurred as well.

CHAIR SPEARMAN:

Thank you for listening and for taking that discussion to heart. There is always the danger that when you speak out for policy, politics may become involved. I have never been concerned about that. It has never silenced me. If anything, it tells me to "sic 'em." We will close the hearing on S.B. 69.

VICE CHAIR LANGE:

We will close the hearing on S.B. 69 and open the hearing on S.B. 436.

SENATE BILL 436: Revises provisions relating to service contracts. (BDR 57-873)

SENATOR PAT SPEARMAN (Senatorial District No. 1):

I will present <u>S.B. 436</u> which addresses the need for a timely and efficient response from home warranty service companies. Many home warranty service contracts are designed to protect homeowners from the high costs of unexpected repairs and replacement of major home systems and appliances. When these essential home services fail, families can find themselves in dire circumstances, often with a significant financial burden or loss of essential service like heating, air conditioning or plumbing.

Homeowners purchase warranty policies in good faith, trusting that their investment will be met with reliable and prompt service. In most cases, the annual average cost of home warranties ranges from \$300 to \$600. That

averages \$25 to \$50 each month. You can also expect to pay a service fee of around \$60 to \$100 each time a technician comes to your home.

Approximately 1.4 million out of 5.6 million homes sold in 2020 had home warranty coverage. In 2022, the home warranty industry has a market size of \$3.6 billion. According to a review of home warranties, about 40 percent of home warranty providers will send a repair technician within two days of receiving a claim.

However, too often homeowners find themselves waiting for days or even weeks for their home warranty service providers to respond to their claims and requests for services. This can leave them without necessary home systems and appliances, further complicating their lives and causing additional stress. It is essential that we address this issue and demand timely responses from these companies.

Requiring home warranty service companies to respond promptly to clients' claims and service requests is not only a matter of principle, but it is also a matter of public safety and consumer protection. The quality of our lives is directly impacted by our environment. A home that is not properly maintained or has malfunctioning systems can pose a serious risk to our health and well-being.

Unfortunately, this measure is too late for a Henderson resident, Virginia DeSapio. She passed away in her home in August 2022 along with her dog after dealing with multiple days without air conditioning (AC). Reports showed temperatures inside her home reached 120 degrees. Ms. DeSapio's AC went out on August 11, 2022, and documents show she filed a claim that day with her home warranty company. However, her AC repair appointments kept getting canceled. The AC was finally repaired on September 5, 2023, about two weeks after Ms. DeSapio had passed away.

By implementing legislative measures to hold home warranty service providers accountable for timely responses to client claims, we are ensuring that homeowners receive the level of service they have paid for and deserve. We must establish clear guidelines and expectations for these companies, so they understand the importance of their role in maintaining the safety and comfort of our homes.

I am compelled to introduce <u>S.B. 436</u> to further address service contract providers. Existing statutes in NRS 690C regulate service contract providers and define a service contract as a specific agreement in which a provider is obligated to repair, replace, perform maintenance on or indemnify or reimburse the holder for repairing, replacing or performing maintenance on goods.

These statutes also grant the Commissioner of Insurance the authority to assess civil penalties against providers who fail to comply with the law, or who violate any order of the regulation. Senate Bill 436 requires service contract providers to maintain a contract for an adequate network of employees of contractors that is sufficient to fulfill their obligations to the holders of a service contract in a timely and reasonable manner. This includes duties to repair, to perform maintenance and to respond to urgent requests.

If a provider fails to maintain such a network or workforce, the holder is entitled to reimbursement for any reasonable and necessary costs incurred to repair, replace or perform maintenance on the goods.

I only recently became aware of Ms. DeSapio's demise. I was first compelled to bring this bill last June when several people reported issues with their home warranty service providers. In June, it is only 102 degrees, but by August, it is usually 117 or hotter.

I looked at the issue and reviewed some of the statutes. Then I began to talk with the Commissioner of Insurance about legislative actions that could better protect people. We must make sure that once people pay their money that they are indeed given the service that was promised to them.

People who have a home warranty are being denied service, and then charged anywhere between \$60 and \$100 on every service call. I can absorb those costs, but many others cannot. For some people, \$75 is the difference between paying a utility bill or paying their rent or mortgage. When you do not get the service that you contracted for, that is wrong.

On the one hand, you have people who have service contracts and pay for them and depend on them to be effective when things break. Then on other hand, you have a \$3.6 billion industry with dozens of lawyers. The person with the home warranty probably does not have that luxury.

All service contractors are not bad. There are some good ones. This bill is designed to make service contractors meet their contractual obligations. It says you cannot ignore those obligations here in Nevada.

If we do not do something to protect the consumer, what you have is the consumer over here—an ant—and the home warranty company over there—an elephant. We cannot expect the ant to win a fight with the elephant.

SENATOR PAZINA:

What is the time frame for the service provider to provide service to fulfill the request?

SENATOR SPEARMAN:

With my policy, it is usually within three days, but I have the Commissioner of Insurance here to help answer those questions.

SCOTT KIPPER (Commissioner of Insurance, Division of Insurance, Nevada Department of Business and Industry):

Senator Spearman is correct. The service contract provider must respond within three days and have service response to the residence within six days.

SENATOR PAZINA:

When the temperature reaches 115 degrees in Las Vegas, three days can seem like an eternity. I imagine six days would be torturous.

SENATOR BUCK:

I really like the bill. I often say it is better to save your money in an account for these repairs, rather than use some of these companies. My husband owns a small AC company. He often ends up going to bat for the homeowner against the home warranty company. Sometimes the policy's fine print requires the homeowner to have an annual AC service. Sometimes it does not cover things, which inevitably leaves people in a bind. Could we address that? I would love to address that issue because it is a huge problem. My husband often gets paid in cookies and beer, instead of cash, because he does the right thing—he cannot leave people without AC.

MR. KIPPER:

The contracts are reviewed and approved to make sure they are compliant with NRS 690C. Certainly, the Division of Insurance would be open to reviewing that

framework of regulation to address some of these issues you mentioned. We have provided the Committee members a proposed amendment (<u>Exhibit D</u>) which includes regulation background and draft reporting language as well.

SENATOR BUCK:

During the really hot times of the year, you do not necessarily have the workforce to get out there. Are there any solutions for that?

MR. KIPPER:

That is one of the provisions in this bill is to create a network of providers. It will be the responsibility of the Division of Insurance (DOI), Nevada Department of Business and Industry, to ensure that those networks are sufficient to provide the number of service providers needed in the event of particularly hot weather in Las Vegas.

As my 95-year-old father has a service contract warranty and lives in Henderson, we worry about this. This is not just a State policy issue; it is also personal. We want to make sure that these things are taken care of as efficiently and quickly as possible.

SENATOR BUCK:

The need for service is not seasonally dependent; it can be any time of year that the system goes out. It may not be as cold as lowa, where you would freeze, but I know that is important too.

SENATOR DALY:

Regarding the "timely and reasonable" manner of response. I know you said that is typically within three to six days, on the outside. So, there is a range. My question is, where is that language? Is it in statute, in regulation or is it language in the contract? Because if people can have a remedy, I was just curious where that language is housed. Then you guys review the contracts?

MR. KIPPER:

I have not looked at this statute closely. We do have a number of experts in the office who could answer that question. I am not certain whether it is in the NRS or in our regulations, but I do know that the three days and six days are correct.

SENATOR DAIY:

But is that language typically in the contract? The contract would need to reflect the requirement. Or do they just rely on the statute or the regulation?

Mr. Kipper:

That is correct. That language would be within the contract.

SENATOR STONE:

I share some of the concerns of my colleague. Many contractors bid on these contracts, then when you run into problems, at least in southern Nevada, it is when we have 110 or 116 degree weather. You call the insurance, and it could be days or weeks before they respond. Sometimes somebody says you have been assigned to this contractor, then you call them, and the contractor says, okay, we will be out there. Then they cancel because they get a private customer who pays more money.

There are not enough HVAC contractors available during the height of the heat in southern Nevada. My wife and I were in our home for three weeks without our master bedroom air conditioner. When they got there, they said the problem was with a piece of equipment that was not covered, even though it was part of the AC infrastructure.

In one of my rentals, there was a six-ton air conditioner that went out. In the fine print, the insurance policy said it will only cover air conditioners up to three tons. Because it was six tons, the insurer refused to cover the replacement cost, which was more than \$10,000. We need to make sure this information is more transparent.

This bill is great, and I am going to support it. I hope your office will not only require these home warranty services to articulate what they do cover, but also what they do not cover. In that case, studious people buying these insurance policies would know what they are getting or not getting.

Would this bill allow an insured person to go to an alternative contractor if they are not getting timely service by their contract with the insurance company? What is the timeline that allows a person to go to a new contractor to get the work done? How would that work? What is the reimbursement process?

MR. KIPPER:

In your situation, a complaint would be filed, because the provider may or may not be part of that network. If the complaint came to the Division of Insurance, we would investigate it. Under the provisions of this statute, we would have the authority over that service contract provider to make good on that claim.

SENATOR STONE:

So if we have a problem, we need to call you first and get your approval that there is a problem, then go ahead with the alternative contractor?

Mr. Kipper:

I would say get the service taken care of first, then send them the bill. If the bill is not paid, contact DOI and allow us to intervene on the consumer's behalf.

SENATOR SPEARMAN:

We met with the Commissioner of Insurance a couple of times. One of the things we did was to make sure the agency can enforce what is in statute right now. With this bill, DOI can enforce the reasonableness and adequacy of the network. Those are things they will put in the regulatory requirements.

SENATOR STONE:

This is a good consumer protection bill, and I strongly support it.

SENATOR SPEARMAN:

We have information that shows the number of claims issued against some of the service contractors. From January 1, 2022, to November 18, 2022, there were 287 complaints related to claims handling. Some larger warranty companies had as many as 88 complaints in one year. The DOI proposed an amendment, Exhibit D, that includes a reporting requirement detailing the status of the service contract provider industry in the State.

BISHOP BONNIE RADDEN:

I live at The Lakes in Las Vegas. I purchased a five-year home warranty program from Amazon Home Warranty for close to \$6,000. I am a breast cancer patient. Last July, my air conditioning was giving me a challenge. I called the Amazon warranty people and they told me to bring someone out. Then they told me to send them a description of what was wrong. I did that. Then they told me to have it fixed, then submit the bill and they would pay for it. That did not happen. I did exactly what they said. I got three bids. I found someone who

could do the work at a reasonable price. They replaced the air conditioner. I sent the bill to Amazon. Then they told me they could pay maybe \$2,500 toward the \$10,000 bill.

I have been unemployed since April 2020 during the COVID-19 pandemic. This was not an easy time for me. The warranty company has never recognized me, nor have I received any reimbursement. I have a premium coverage plan. The contract says they will take care of it. My water heater went out a month later, and it was the same situation. They told me get it replaced, send them the bill and they will pay for it. Again, nothing happened.

I know they have hundreds of claims against them. I had a plumbing issue. The plumbing company that had come out before under the Amazon Home Warranty said they were sorry, but they could not come out. The plumber has a lawsuit against Amazon Home Warranty because they owe thousands of dollars for previous work. I am praying we get this addressed.

I know several other folks who have had this same issue with reimbursement from this same company, Amazon Home Warranty. I have talked with several individuals. It is not the Amazon shipping company. Amazon Home Warranty is the name of the company.

JESSICA FERRATO (National Home Service Contract Association):

I am here on behalf of the National Home Service Contract Association, which has represented the Nation's premier home service contract providers for nearly 20 years.

Our members adhere to a strict code of ethics that promotes sound and ethical business practices. As written, we continue to have concerns about portions of the bill so that industry can comply. In the definitions, we are concerned about "adequate network," which is not defined; "timely and reasonable manner," which is not defined and "reasonable and necessary costs," which is not defined.

I have been working with Senator Spearman and DOI. We believe that DOI has the ability within current statutes to crack down on bad actors within the industry.

I want to give you some perspective on the industry here in Nevada and some background. From its inception, the term "home warranty" has been used to describe, sell and advertise contracts to help homeowners deal with the repair of household property due to normal wear and tear, items like appliances, air conditioning, heating, sewer lines and others.

It is important to note that a home warranty is not insurance. One of the most common sales channels is from realtors to homebuyers at the purchase of the home. For perspective, only 4 percent of the homes in the Country have a home warranty.

In Nevada, there are more than 150,000 covered homes filing more than 230,000 claims, which paid out in excess of \$41 million in benefits. That would have cost homeowners significantly more at the prevailing rate. We want to thank the sponsor and DOI for working with us. We are hoping to work on an amendment with DOI that will clarify some of these definitions and potentially collect State data on the prevalence of bad actors. We want to study what is currently occurring in the marketplace and potentially move forward with policy in the future. We oppose it as written, but we will keep working on the language.

SENATOR SPEARMAN:

We talked about definitions with DOI. If we put them in concrete in statute, then if they need to change, we will have to come back to revise the statute again. Giving DOI the opportunity to put the language in their regulations will allow them to change it as it morphs. The basic concept in this legislation is to hold home warranty service providers accountable.

I personally know someone whose air conditioner went out in August. This person is a dialysis patient and the temperature got up to 118 degrees in the house. Even with the homeowner calling, writing, and submitting a complaint to DOI, which was acted upon, the home warranty company still reneged. The homeowner paid three times to have different technicians come and say what was wrong, send in the information, and each time they were declined. To this date, to my knowledge, the home warranty company still has not paid. This is a problem we need to resolve. We have individuals, and we have a \$3.64 billion industry. The individuals need justice. They do not need to be jerked around by the industry.

VICE CHAIR LANGE:

We will close the hearing on S.B. 436 and open the hearing on S.B. 201.

SENATE BILL 201: Revises provisions governing pharmacists. (BDR 54-582)

SENATOR JEFF STONE (Senatorial District No. 20):

I am honored to present <u>S.B. 201</u>. Here with me today are Dr. Ken Kunke, Liz MacMenamin and Dr. Adam Porath.

For the record, I am a licensed pharmacist in California and not Nevada. I will be officially retiring as a pharmacist on April 30, 2023. This bill does not affect me personally.

What does this bill do? Pharmacists are one of the most educated but underutilized healthcare professionals. This bill, <u>S.B. 201</u>, does not increase the scope of practice of pharmacists. This Legislature has already done that, and I applaud your wisdom in doing so.

Pharmacists working today and especially those in collaborative practices can partner with physicians and nurses to deliver primary care services in multiple settings. For example, pharmacists can order and give immunizations; administer pre-exposure prophylaxis (PrEP) or post-exposure prophylaxis (PEP) for AIDS prevention, conduct qualitative diagnostic tests and treatment protocols, and provide oral contraceptives.

While we have successfully expanded the scope of pharmacists in accordance with their clinical training, they have not been consistently paid for these services. Pharmacists are supposed to get reimbursed for their time to do these things, but it has not come to fruition, which necessitates this bill.

What this bill will do is require Medicaid and private insurers to recognize and pay pharmacists for the services they already render in accordance with existing laws. This will not raise costs for Medicaid or private insurers, as these services are presently being performed by other healthcare professionals. Under this bill, pharmacists can continue to perform these same services and can be paid the same fee that is paid to other healthcare professionals.

This will ease pressure, especially in busy primary care clinics, by allowing pharmacists to provide these services and have their institutions reimbursed

accordingly. The fiscal note has been also appropriately modified to only reflect the cost to put this into statute.

LIZ MACMENAMIN (Retail Association of Nevada):

The pharmacist role has significantly increased to encompass health care and wellness screenings, and many other things. Our patients in Nevada benefit from the expanded access to a wide variety of important and affordable health care services. Pharmacists are ready and able to do just that.

During the last Interim, I had a phone call from a Legislator. The Nevada Legislature passed S.B. No. 190 of the 81st Session. It was a bill requiring the State Board of Pharmacy to establish protocols for pharmacists to dispense self-administered contraceptives to women. Unfortunately, there was no mechanism in that legislation to enable the pharmacies to do that. They would have been giving out the contraceptives for nothing.

The clinical service and the time involved to do the patient evaluation that the State Board of Pharmacy recommended would take time from the pharmacy and the pharmacist, which costs money.

This legislation, <u>S.B. 201</u>, proposes to allow pharmacists to be reimbursed for those services that they provide.

ADAM PORATH, PHARM.D (Nevada Society of Health System Pharmacists):

I have been working in collaborative practice agreements for the last decade, where I comanage patients for diabetes, blood pressure and blood thinner management. I have the pleasure to work in a hospital-based setting, where there is a reimbursement mechanism. Unfortunately, where we really need this service is in the primary care clinic and in the community pharmacy for things like test and treat. The COVID-19 public health emergency really highlighted how we could leverage pharmacist services to not only test for things like strep throat, influenza and other respiratory illnesses, but also to respond to get medication into patients' hands right away.

There are two facets of this bill: the payment piece, then multiple sections that improve aspects of the bill from last Session, S.B. No. 190 of the 81st Session. Those improvements are in sections 1 to 5, 16 and 24.

We have the mechanism to do the point-of-care testing for PrEP and PEP. However, the State requires that we have a Clinical Laboratory Improvement Amendments (CLIA) waiver laboratory director who is somebody other than a pharmacist. So those sections of the bill would allow the pharmacist to be the director of the CLIA waiver laboratory to do those PrEP and PEP services.

KEN KUNKE, PHARM.D (Nevada Pharmacy Alliance):

I have been a practicing pharmacist in Nevada since 2003. We feel <u>S.B. 201</u> is an important step to improving patient care in Nevada. Dr. Porath has gone through the sections of the bill and there are two things that we want to do.

First, we want to be able to test patients for bacterial infections or viruses such as COVID-19 or the flu.

Second is the payment. An example of how this payment would work is that, right now, there are pharmacists in Nevada working inside clinics. They are working with doctors, nurses, physician assistants, and the whole medical team, but there is no way the pharmacists can bill for their counseling services.

If a patient comes in and is diagnosed with diabetes by the doctor and the nurse practitioner, there is a lot of follow-up work that must be done. There are not a lot of primary care physicians and service staff who are able to do that.

If this bill was in effect, a patient could make an appointment with the pharmacist. The pharmacist could go through the guidelines, teach the patient how to eat better, what to do to improve their disease state and go over medications with them. The pharmacist would work as a part of a team to make sure these patients are cared for.

Right now, pharmacists working in those situations are usually working under grants or are paid by a university to do these services. We need a way to actually bill for these services. That is what S.B. 201 would do.

Studies show that having pharmacists do these services on a healthcare team not only improves patient care; it also saves money. One study found that for every \$1 invested in clinical pharmacy services, \$4.81 was saved in overall healthcare costs.

There is strong support for <u>S.B. 201</u>. If you look at the legislative website, 124 people are in support of the bill, 1 is opposed. Many letters of support (Exhibit E) have been submitted to the Committee secretary.

If approved, Nevada would not be the first state to do this. Washington passed a similar bill in 2015. Now they have pharmacists working inside clinics and federally qualified health centers and other places. There is similar legislation pending in California and Maryland. We do not want to leave Nevada behind.

SENATOR PAZINA:

I was looking at section 3, subsection 2, which refers to registered intern pharmacists. It mentions that the State Board of Pharmacy may adopt regulations authorizing the interns to perform other activities. Is there any direct supervision while the interns are performing those activities?

SENATOR STONE:

Yes, they are working directly under the supervision of a licensed pharmacist.

SENATOR DALY:

I have a question about the broad language in the bill. In section 3, subsection 1, paragraph (a), line 18, it says a registered pharmacist may "otherwise facilitate the care of a patient." How broadly can that be interpreted? Are there guidelines on what they can actually do? There are limits, I am sure. I just do not know what they are.

SENATOR STONE:

As you know, pharmacists are covered by the State Board of Pharmacy that enforces the scope of our practice. Any scope enhancements must be passed by the Board. We cannot do anything that is beyond our professional abilities.

Dr. Porath:

That language was included to cover situations where laboratory tests are necessary to monitor dosage of medications. For instance, a patient who had been out of care for a while, could go to a retail pharmacy. It is really important that we know what their kidney function is to make sure that the dose of medication is still correct. To ensure proper care of the patient, we would really need to get that laboratory test to figure out if they are still taking the right dose of medication.

SENATOR DALY:

I would ask you to consider making a small amendment in that section to add "within the scope of their practice." That would clarify that scenario. I would also like a clarification about the gentleman who testified from southern Nevada who was talking about grants. I am not against pharmacists being able to bill for their services; I just want to understand. If a pharmacist is working under a grant and is getting paid by it, would this bill allow them to get paid by the grant and again by the pharmacy? I want clarification on that.

SENATOR STONE:

In terms of a retail setting, there is no double-dipping. The pharmacist cannot be paid by the pharmacy and then provide the counseling and receive additional revenue. Dr. Kunke will explain a bit more.

DR. KUNKE:

I have heard this question in the past: Will pharmacists be able to get paid for dispensing a medication and also for providing counseling? Normally, we do not get paid for that. It is part of the dispensing service. So now they are worried whether pharmacists are going to get paid for more than one thing. I contacted the American Pharmacists Association in the state of Washington. They said that with contracting and auditing by insurance companies, this has not been an issue in the past. I could not see double-dipping within grant work being an issue either.

Ms. MacMenamin:

I would also like to also respond to Senator Daly's question about the scope of practice. The scope of practice is already set in statute by this Body. The Board enforces the set rules and scope of practice that your Legislative Body has designated. I wanted to reinforce that.

SENATOR DALY:

I am more comfortable with the words being there. Then everybody is clear. Adding those words "within the scope of their practice" works perfectly for me.

SENATOR STONE:

We are happy to insert that language to accommodate that clarity.

JOAN HALL (Nevada Rural Hospital Partners):

I am here representing Nevada Rural Hospital Partners and our 17 affiliated rural health clinics. This is a great bill that has real prospects for rural Nevadans. Some people might not be able to get in to see their doctor; they need that test and to get treated. I appreciate your support for S.B. 201.

MENDY ELLIOTT (Nevada Rural Housing Authority):

The previous speaker said it best. We need access to health care in rural Nevada. This is another opportunity, certainly for our tenants who live in rural areas. It allows them healthcare access so they can get help for their families and get back to work.

SUSAN FISHER (Select Health Insurance):

We support this bill as well. This is a cost-saving measure. It helps keep people out of hospitals and clinics. It enables people to go to pharmacies after work to get these important tests done.

SUSAN PROFFITT (Nevada Republican Club):

I am impressed that you are all working so hard together on what seems to be a bipartisan and well-written bill. I understood it without an attorney. In Florida, we had a lot more services at the pharmacy and it worked well. It cut back on the influx of people in the emergency rooms because the pharmacies were open more. We had 24-hour pharmacies in Florida. That is something you may want to consider in Nevada, 24-hour pharmacies.

SUSAN NGUYEN, PHARM.D (Volunteers in Medicine of Southern Nevada; Roseman University College of Pharmacy):

I strongly support <u>S.B. 201</u>. If it passes, it will increase Nevadans' access to pharmacist-provided patient care services. In the year 2000, the pharmacy profession changed a lot. That was when it was mandated that pharmacists get a Doctor of Pharmacy, a Pharm.D degree.

Currently, pharmacists are the only doctorate-level healthcare professionals who are not reimbursed in Nevada for providing services to patients. Where another doctorate-level provider would be reimbursed for the services, a pharmacist is not. As a pharmacist working in the primary care setting, I provide chronic disease education and management to patients who are underserved.

As an educator, I am excited to be able to train the next generation of pharmacists to practice at the top of their license and scope of practice. Pharmacists improve health outcomes and help keep patients out of the hospital.

In Nevada, pharmacists are the third-largest group of healthcare professionals, after nurses and physicians. We have more than 2,500 pharmacists. We could really be a part of the healthcare solution in this State. About 89 percent of Americans live within five miles of a community pharmacy. We have heard some callers talk about rural Nevada, which is a huge area that needs increased access to primary care services. Pharmacists want to be recognized and reimbursed for our work. We can help address many aspects of the healthcare shortage in Nevada.

AMANDA VILLA, PHARM.D:

I am a pharmacist practicing in Henderson. I support S.B. 201.

AMY HALE, PHARM.D, RN:

I am a pharmacist and registered nurse in southern Nevada. I support <u>S.B. 201</u>. Pharmacists learn about drugs from day one of our education. Our entire doctorate-level curriculum focuses on medication therapy. That includes how to treat diseases requiring medications, how to monitor and modify such treatments and how to best craft a treatment plan for a patient with additional concerns, such as drug interactions and lifestyle preferences.

I personally had an active collaborative practice agreement with nine oncologists in an outpatient clinic in Las Vegas. However, due to my inability to bill for my services, I could not fully implement my education and expertise. We made the decision to dissolve the collaborative practice agreement. Although the providers agreed this was a helpful service for them, it was not financially feasible for the company. This bill would have allowed me to continue to support my physician colleagues. Patients could have had sessions with a medication expert for their complicated cancer therapies, significantly reducing the burden on my providers.

Many states allow pharmacists to bill for the care they provide, including this one. In July 2022, pharmacists were recognized as billable providers under Nevada Medicaid. We hope you will support this bill. We want to help patients

access care while continuing to move our profession forward. This will finally allow us to practice at the top of our licenses.

BRIAN UNG:

I am a student pharmacist at Roseman University, and I support <u>S.B. 201</u>. I agree with Dr. Kunke, Dr. Nguyen and Dr. Hale. We should be able to provide more clinical services and bill for them.

MEDID RAJA:

I am a student pharmacist intern at Roseman University. I support <u>S.B. 201</u> because I think pharmacists should be paid for their clinical services. They provide a valuable and essential service to patients and the entire healthcare system.

KAYLYNN BOWMAN, PHARM.D (President, Nevada Pharmacy Alliance):

I am a pharmacist and the president of the Nevada Pharmacy Alliance. I am here today in support of <u>S.B. 201</u>. We provided a letter of support, which is page 10 of <u>Exhibit E</u>. I would like to echo the prior callers.

The work I have done as a pharmacist is grant work. It is limited, and it is not sustainable. With this bill, you will open up opportunities for all pharmacists in the State to offer more access to health care. Currently, we are limited in our space and the places where we provide care. This bill will allow pharmacists to be part of the medical team of care that has been around for years. Our current system is not sustainable.

MICHELE NGUYEN:

Thank you so much. I want to echo the previous callers. I am a student pharmacist at Roseman University. I support <u>S.B. 201</u>. As an intern, I work alongside many pharmacists. It is amazing to see the important impact they have on patients' lives.

KATRIN IVANOFF:

My name is Katrin Ivanoff, also known as "Mrs. Fix it." I am a citizen in Assembly District 42 and Senate District 9. I support this bill.

WISELET ROUZARD (Deputy State Director, Americans for Prosperity): Ditto for support.

At Rojas:

I am from Senate District 12 in Las Vegas. I support this bill.

SENATOR STONE:

Just to respond to a couple of things. I appreciate the caller who said I wrote the verbiage of the bill, but really, I only came up with the idea. The LCB staff wrote the legal language to the bill, and I thank them for that. Also, we do have many 24-hour pharmacies throughout Nevada. That is not something we need to address.

When I was in pharmacy school, we learned that there is a triad of care made up of the providers, the pharmacists and the patients. The more that we can make that triad work closely together, the better it is for the patient.

This bill will provide new access to health care, especially in the rural areas. It will allow pharmacists to use their skill sets and be reimbursed. This is going to give hope to student pharmacists in Nevada. They are in a profession that allows them truly to participate in the health and safety of their patients.

CHAIR SPEARMAN:

I will close the hearing on S.B. 201 and open the work session on S.B. 183.

SENATE BILL 183: Establishes provisions relating to the collection and destruction of unused drugs. (BDR 54-576)

CESAR MELGAREJO (Policy Analyst):

I have a work session document ($\underline{\text{Exhibit } F}$) that describes the bill and its history and explains the amendments.

SENATOR LANGE MOVED TO AMEND AND DO PASS AS AMENDED S.B. 183.

SENATOR HAMMOND SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR SPEARMAN:

I will open the work session on S.B. 310.

SENATE BILL 310: Establishes provisions relating to dentistry. (BDR 54-601)

MR. MELGAREJO:

I have a work session document (<u>Exhibit G</u>) that describes the bill and its history and several amendments from the Nevada Dental Hygienists' Association.

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

SENATOR BUCK SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR SPEARMAN:

I will open the work session on S.B. 328.

SENATE BILL 328: Revises the procedures by which the Cannabis Compliance Board is required to adopt, amend or repeal regulations. (BDR 56-519)

MR. MELGAREJO:

I have a work session document (<u>Exhibit H</u>) that describes the bill and its history and explains the amendment.

SENATOR DALY MOVED TO AMEND AND DO PASS AS AMENDED S.B. 328.

SENATOR STONE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR SPEARMAN:

I will open the work session on S.B. 336.

SENATE BILL 336: Revises provisions relating to the regulation of certain healing arts. (BDR 54-886)

Mr. Melgarejo:

I have a work session document (<u>Exhibit I</u>) that describes the bill and its history and explains the amendment.

SENATOR STONE MOVED TO AMEND AND DO PASS AS AMENDED S.B. 336.

SENATOR PAZINA SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR SPEARMAN:

I will open the work session on S.B. 370.

SENATE BILL 370: Revises provisions relating to consumer health data. (BDR 52-42)

Mr. Melgarejo:

I have a work session document ($\underline{\text{Exhibit J}}$) that describes the bill and its history and explains the amendments.

SENATOR DALY MOVED TO AMEND AND DO PASS AS AMENDED S.B. 370.

SENATOR PAZINA SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR SPEARMAN:

I will open the work session on S.B. 393.

SENATE BILL 393: Revises provisions related to dental insurance. (BDR 57-101)

Mr. Melgarejo:

I have a work session document (<u>Exhibit K</u>) that describes the bill and its history and explains the amendments. The effective date of the bill is January 1, 2024.

SENATOR SCHEIBLE MOVED TO AMEND AND DO PASS AS AMENDED S.B. 393.

SENATOR STONE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR SPEARMAN:

I will open the work session on S.B. 106.

SENATE BILL 106: Revises provisions relating to ophthalmic dispensing. (BDR 54-543)

MR. MELGAREJO:

I have a work session document (<u>Exhibit L</u>) that describes the bill and its history and explains the amendments. The amendment changes the effective date to October 1, 2023.

SENATOR LANGE MOVED TO AMEND AND DO PASS AS AMENDED S.B. 106.

SENATOR SCHEIBLE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR SPEARMAN:

I will open the work session on S.B. 201.

MR. MELGAREJO:

There is no work session document for the next bill, <u>S.B. 201</u>. I want to clarify that any motion on the bill would include Senator Daly's change to amend

section 3, subsection 1, paragraph (a) to add "within the scope of their license" at the end of the paragraph.

SENATOR BUCK MOVED TO AMEND AND DO PASS AS AMENDED S.B. 201.

SENATOR STONE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR SPEARMAN:

We are going to vote on <u>S.B. 436</u>. There is some amendment language that came in. Ms. Ferrato, I will make a commitment to you that we will review and include it if we can.

MR. MELGAREJO:

The amendment proposes to include additional sections to this bill that revise NRS 690C.170, which governs financial security requirements, limitation on the use of money and reserve in the reserve account that affect the failure to maintain.

It also revises NRS 690C.260 that governs service contract contents, false or misleading statements, and prohibits the authority of the Commissioner of Insurance to require amendment of false or misleading statements.

It also adds an amendment to NRS 686A.310 that governs unfair practices and settling claims liability of insurance for damages. Lastly, the conceptual amendment requires the Commissioner of Insurance to submit a report and an initial report to the Joint Interim Standing Committee on Commerce and Labor detailing the status of the service contract provider industry in Nevada by December 31, 2023.

SENATOR STONE MOVED TO AMEND AND DO PASS AS AMENDED S.B. 436.

SENATOR BUCK SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR SPEARMAN:

I will open the work session on S.B. 69, one of the bills we heard this morning.

Mr. Melgarejo:

I have a work session document (<u>Exhibit M</u>) that describes the bill and its history. It has several amendments proposed by the Cannabis Working Group.

The bill, as introduced, revises the disciplinary procedures for cannabis licensees and registrants in this State. It shifts the decision-making responsibilities from the Cannabis Compliance Board to the executive director and assigns hearing officers to carry out certain duties related to disciplinary proceedings.

The bill provides that hearing officer decisions are final unless appealed to the CCB within 30 days. The bill also establishes an alternative disciplinary process for minor violations through citations and redefines the procedures for judicial review of CCB decisions modeled after the Nevada Administrative Procedure Act. In addition, the bill requires the appointment of hearing officers and clarifies the definitions and regulations involved in the disciplinary process.

CHAIR SPEARMAN:

I did not have a chance to review the bill in totality before we heard it because the sponsors never came to talk to me. They showed up at my door on Tuesday evening. There was a lot going on, competing interests, and we did not meet. I did have an opportunity to go through it while we were in recess. But again, not one of the sponsors came to answer or address any of the questions we had this morning.

I know law enforcement was supportive of Concept 10. There may be another concept that a couple of other people support. But for me, I cannot support the bill because there are too many holes. I do not think it is good for the cannabis industry going forward. I will be voting no.

SENATOR LANGE:

I am not going to support the bill. I wish we would have had more time to review it. I think we heard a lot of questions from the Committee this morning. We spent a lot of time on diversity. At this time, I cannot support the bill.

SENATOR STONE:

I share your concern about the lateness of the bill. There are many provisions in the bill that I like. I am concerned about the local public safety issues, especially for the City of Henderson in my District. If we were to move forward with it, I would support it with the right to change my vote on the Floor. I would urge the sponsors to work with local governments.

SENATOR DALY:

I share some of these concerns. I did not hear about the amendment until yesterday. I had a chance to look at it. I know our analysts went over the bill as drafted. I would not have a problem referring it back to the Floor Session with no recommendation, but I will defer to everyone else. However, if they are going to get a chance to work on it, it must be passed today.

SENATOR BUCK:

Like my colleagues, I am concerned about the impact on local jurisdictions, as well as the diversity. I was strongly encouraged that if we brought everyone to the table, we might be able to alleviate some concerns. I will vote yes today, but I will reserve my vote on the Floor.

SENATOR SCHEIBLE MOVED TO INDEFINITELY POSTPONE S.B. 69.

SENATOR LANGE SECONDED THE MOTION.

CHAIR SPEARMAN:

Just to be clear, the motion means that we will not hear this bill in the Floor Session today, and they will have to have a chance to work on it during the Interim.

THE MOTION PASSED. (SENATORS BUCK, HAMMOND AND STONE VOTED NO.)

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CHAIR SPEARMAN: Hearing no public comment, we are adjourned at 12:12 p.m.			
	RESPECTFULLY SUBMITTED:		
	Kelly K. Clark, Committee Secretary		
APPROVED BY:			
Senator Pat Spearman, Chair	_		
DATE:	_		

Senate Committee on Commerce and Labor

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Introduced on Minute Report Page No.	Witness / Entity	Description
	Α	1		Agenda
	В	1		Attendance Roster
S.B. 69	С	3	Brett Scolari / Cannabis Working Group	Proposed Amendment
S.B. 436	D	28	Scott Kipper / Division of Insurance	Proposed Amendment
S.B. 201	Е	36	Ken Kunke / Roseman University	Support Letters
S.B. 183	F	41	Cesar Melgarejo	Work Session document
S.B. 310	G	42	Cesar Melgarejo	Work Session document
S.B. 328	Н	42	Cesar Melgarejo	Work Session document
S.B. 336	I	43	Cesar Melgarejo	Work Session document
S.B. 370	J	43	Cesar Melgarejo	Work Session document
S.B. 393	K	44	Cesar Melgarejo	Work Session document
S.B. 106	L	44	Cesar Melgarejo	Work Session document
S.B. 69	М	46	Cesar Melgarejo	Work Session document