

**MINUTES OF THE
SENATE COMMITTEE ON COMMERCE AND LABOR**

**Eighty-second Session
March 8, 2023**

The Senate Committee on Commerce and Labor was called to order by Chair Pat Spearman at 8:03 a.m. on Wednesday, March 8, 2023, in 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

GUEST LEGISLATORS PRESENT:

Senator Fabian Doñate, Senatorial District No. 10
Senator Rochelle T. Nguyen, Senatorial District No. 3

STAFF MEMBERS PRESENT:

Cesar Melgarejo, Policy Analyst
Lynn Hendricks, Committee Secretary

OTHERS PRESENT:

Wyndee Forrest, CraftHaus Brewery; President, Nevada Craft Brewers Association
Jessica Ferrato, Nevada Craft Brewers Association
Kevin Drake, Alibi Ale Works
Wiselet Rouzard, Deputy State Director, Americans for Prosperity Nevada

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Marc Sorini, Brewers Association
Mark Estee, Great Basin Brewing Company
Linda Lovelady, Nevada Craft Brewers Association
Richard Lovelady, Lovelady Brewing Company
Robert Snyder, Chief Financial Officer, Big Dog's Brewing Company
Jason Taylor, Nevada Brew Works
Kyle Dolder, Las Vegas Brewing Company
Amanda Payan, North 5th Brewing Company
Jon Ovando, Concerned Veterans for America
Briana Wagner, Schüssboom Brewing Company
David Stone
Dave Forrest, CraftHaus Brewery
Dale Norfolk, HUDL Brewing Company
Matt Johnson, IMBIB Brewery
Jazz Aldrich, Great Basin Brewing Company
Paul Young, Shoe Tree Brewing Company
Alfredo Alonso, Nevada Beer Wholesalers Association; Southern Glazer's Wine
and Spirits
Leif Reid
Bryan Wachter, Retail Association of Nevada
Brett Scolari, Breakthru Beverage Group
Fred Horvath, Secretary Treasurer, International Brotherhood of Teamsters
Union, Local 14
Jamie Ebster, New West Distributing
Kiet Dao, Director of Operations, Capital Beverages Incorporated
Andrew Boucher
Jennetta Clary
Gabriel Townsend, Nevada Beverage
Alisia Allen, Nevada Beverage
Will Woolsey, Valley Distributors
Jonathan Norman, Nevada Coalition of Legal Service Providers
Drew Wheaton, Northern Nevada Legal Aid
Paul Catha, Culinary Workers Union, Local 226
Susie Martinez, Executive Secretary Treasurer, Nevada State AFL-CIO
John Solomon, John Solomon LLC
Aesha Goins, NAACP
Shane Piccinini, Food Bank of Northern Nevada
Carlos Padilla, Culinary Union
Yorislay Polo, Culinary Union

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Barbara Paulsen, Nevadans for the Common Good
Mendy Elliott, Southern Nevada Regional Housing Authority
Annette Magnus, Executive Director, Battle Born Progress
Dakota Hoskins, Service Employees International Union, Local 1107
Serena Evans, Nevada Coalition to End Domestic and Sexual Violence
Jeremy Arroyo
Quentin Savvoir, NAACP
Bishop Derek Rimson, NAACP
Adrian Lowry, Northern Nevada Democratic Socialists of America
Gerald Mayes, Veterans Affairs Chair, NAACP
Tony Ramirez, Make the Road Nevada
Manuel Ayala
Shanzeh Aslam, Program Manager, Progressive Leadership Alliance of Nevada
Shawn Navarro, Las Vegas Democratic Socialists of America
Chastity Martinez, Faith in Action Network
Tamara Favors
Edward Goodrich, International Alliance of Theatrical Stage Employees,
Local 363
Mary Christ
Roberta Ohlinger Johnson, Creditor's Rights Attorney Association of Nevada
John Sande IV, Nevada State Apartment Association
Matt Schriever
Mackenzie Warren Kay, Ovation Development Corporation; Manufactured Home
Community Owners Association
Warren Williams
Layke Martin, Executive Director, Nevada Cannabis Association
Kouanin Villa, Green Life Productions
Brandon Wiegand, President, Nevada Cannabis Association
Daniel Stewart, Pisos
Ashley Cruz, Chamber of Cannabis
Will Adler, Sierra Cannabis Coalition
Esther Badiata, Planet 13 Holdings; Jardin Premium Cannabis Dispensary
Amanda Connor
John Ackell, Zenway Corp
Salpy Boyajian
Tyler Klimas, Executive Director, Nevada Cannabis Compliance Board
Michael Miles, Deputy Director, Nevada Cannabis Compliance Board
Riana Durrett
Erica Minaberry

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CHAIR SPEARMAN:

I will open the hearing on Senate Bill (S.B.) 108.

SENATE BILL 108: Revises provisions governing brew pubs. (BDR 52-296)

SENATOR ROCHELLE T. NGUYEN (Senatorial District No. 3):

Senate Bill 108 would allow craft brewers to transport and sell their own beer to their own taprooms and to special events. Under current law, craft brewers must use a wholesaler to transport their beer between their own locations and to special events.

I brought this bill forward after hearing from the Nevada craft brewing industry on the challenges they were facing as small businesses in Nevada. As many of you know, I am a small business owner, and I face the unique challenges small businesses face. You are trying to make payroll, you are trying to abide by all the regulations and you are also trying to actually run your business. I am a lawyer and also a business person. Craft brewers are not only creating a product, they are also trying to be successful and get that product to as many people as possible.

Every member of this Committee has come up with bills based on problems brought to them by their constituents. People in our communities come to us and say, "Can you help me solve this problem?" Sometimes it is just a matter of working with our partners in local government to get some action. Other times, the problem is larger than that and needs a change in the *Nevada Revised Statutes* (NRS) to make it better. That is the situation with S.B. 108.

Not only am I a small business owner, I am also a beer lover. I grew up in Washington State, where there is a prolific craft brewing industry. When I moved to Nevada in 1999, I assumed we would have that same kind of growth within the industry. Craft breweries can have a serious impact in the small business community. Nevada has 51 local craft brewers, Nevada-owned breweries that are brewing beer and employing 4,100 people in Nevada.

I am handing out a flyer from the Brewers Association that shows the economic impact of these craft breweries in Nevada. ([Exhibit C](#) contains copyrighted material. Original is available upon request of the Research Library.) Many of these craft breweries are located in the districts of members of this Committee. Bad Beat Brewing is in Henderson, and Able Baker Brewing is my go-to place in

my community. Great Basin Brewing hosts many events. Lovelady Brewing is in Henderson, and North 5th Street Brewing is in North Las Vegas. Here in Carson City, there is Shoe Tree Brewing and Great Basin Brewing. Reno is home to Revision Brewing Company, Pigeon Head Brewery, Lead Dog Brewing and many others.

Nevada's alcohol industry is regulated by a three-tier system, and I am not looking to undo that system. It serves Nevada a great deal to have that system in place. For those of you who are not familiar with the three-tier system, the first tier is the suppliers who manufacture beer. This includes local brew pubs and large manufacturers like Budweiser and Coors. The second tier is importers and wholesalers, sometimes referred to as distributors. They buy the beer from the supplier and move and sell that product to retailers and other wholesalers. The third tier includes retailers, who can only buy from wholesalers and sell to consumers.

A brew pub is defined in NRS 597.230 as an establishment that manufactures and sells malt beverages pursuant to those provisions in Nevada. Each craft brewer is only permitted to manufacture 40,000 barrels of malt liquor every calendar year. They are allowed to manufacture an additional 20,000 barrels that can only be sold to out-of-state wholesalers, and they are limited to selling 5,000 barrels on site. Some of those provisions were made when the industry was getting off the ground in 1995.

I am going to give you a breakdown of S.B. 108. Section 1 changes the definition of special events. Currently, breweries can transport their product to one-day special events, and they are limited to 20 events per year. This bill does not seek to increase that number, but it does seek to increase the number of days of each special event. Right now, special events are limited to events like farmers markets or one-day charitable events, and this bill would expand that to three-day events like the Life Is Beautiful Music and Art Festival. Breweries would still have to go through existing statutes to transport their beer to these events. They would still have to get a notice to transport from the Nevada Department of Taxation and obey all the local and city ordinances.

Section 2 of the bill allows a brew pub to transport beer from its manufacturing site to a location it operates, such as a taproom. We need to look at this because there are a lot of misunderstandings and misrepresentations in this area.

The bill is narrowly tailored to avoid unintended consequences. I am excited to see so many drivers here because I think we all want the same thing. We want these small craft brewers to be so successful that our distributors and wholesalers need to add more routes to get their product out to more people.

This came to me when I was talking to Ms. Forrest about her struggles in opening up her taproom in downtown Las Vegas. After spending millions of dollars to get the brewery and taproom working, she had great difficulty getting her own product to her own taproom so she could actually serve her beer to consumers. That is the problem we are looking to solve. I will let her tell you more about her experiences.

CHAIR SPEARMAN:

We have received 22 letters in support of this bill ([Exhibit D](#)), which will be included in the record.

WYNDEE FORREST (CraftHaus Brewery; President, Nevada Craft Brewers Association):

I am the owner of CraftHaus Brewery in Henderson and an area known as Brewery Row in downtown Las Vegas in the Arts District. I also serve as president for the Nevada Craft Brewers Association. In 2021, Nevada breweries produced just over 78,000 barrels of beer and contributed \$528 million to Nevada's economy. However, only 3 percent of total beer sales in Nevada are Nevada beer. That means that we are flooding our State with beer not made in Nevada by Nevadans, employing Nevadans and contributing to the Nevada tax base.

The Association's members are small businesses that are working to grow our industry and economy by investing in brick-and-mortar establishments. There are many studies proving that when breweries move into economically challenged areas, those areas improve. The Arts District in Las Vegas is a shining example of that, as is the Water Street District.

Craft brewers are taxed on federal, State and local levels, and we are also open to being audited at any time. We pay excise tax on the beer we produce regardless of where it travels, whether it goes to a wholesaler, to our own taprooms or outside of the State for distribution. We also pay property tax, modified business tax and unemployment tax, just as other Nevada businesses

do. We remit our sales and use tax monthly to the Nevada Department of Taxation.

Senate Bill 108 is requesting interfacility transport. We make the beer at a brew pub, and it is redundant to invest another \$2 million to build another brew pub. We would rather put that money back into our community and hire more employees.

We are also asking to have a larger role at special events within our own communities. Currently, we can donate our product to nonprofit events, or we can transport our product to one-day farmers market events where they can sell our product. How this system works from the brewer's perspective is we brew the beer, the distributor picks it up, we submit an order for our beer down at the Las Vegas location and we buy back our beer, only now we pay 38 percent more than the distributor paid for it when it was picked up. This is shocking to me, I confess.

I need to stress that my brewery could not be successful without a successful wholesaler. We value our distributor, who allows us access to accounts on The Strip and larger accounts that we could never reach on our own. I do not want to end my relationship with my distributor. I would just like to control my own product at my own business.

Breweries have challenges stocking their own tasting rooms. Once the product is sold to our wholesaler, it is their product. It does not mean that the product needs to show up on time or the order we placed needs to show up at our tasting rooms. A taproom is a retail establishment, an extension of our brew pub. Under the wholesaler contracts, the wholesalers should be providing services such as cleaning our tap lines, servicing our account with sales representatives, allocating money for marketing and so on. None of those are provided to my taproom.

Special events allow breweries to directly market their products to fans and guests. They increase sales, which means we pay more taxes, potentially increasing our hiring base. We increase sales for our distributors. We are out there marketing our brands so the distributors may sell more for us. We also increase the ability of local breweries to further engage in charity functions, community outreach and community events.

As Senator Nguyen mentioned earlier, Nevada brew pubs have a cap on production. We can only produce 40,000 barrels annually; within that cap, only 5,000 barrels are allowed to be sold within our taprooms at retail. This stopgap has been built into the NRS for eight years now. Many wholesalers have a minimum order, which I understand covers the cost of paying drivers a fair and living wage. If a brew pub needs two kegs for a special beer release, that is not going to meet the minimum order. That means the brew pub cannot have that special release of their own beer in their own pub.

As a point of clarification, our excise taxes are based on the volume we produce, no matter where it is sold. Nevada ranks forty-fourth in the U.S. for the amount of beer produced. However, Clark County ranks in the top three counties in the U.S. for the highest alcohol consumption per capita. That is a glaring disparity between the amount we make and the amount we drink. Nevada is being flooded with products that are not made by Nevadans and that do not create Nevada jobs.

I have submitted two letters of support, which can be found in [Exhibit D](#) on pages D5, D6 and D7.

JESSICA FERRATO (Nevada Craft Brewers Association):

The goal of this bill is to support small local businesses that have invested in brick-and-mortar facilities and are hiring Nevadans. This bill will allow the industry to grow and will allow Nevada businesses to flourish.

SENATOR NGUYEN:

We have all seen how transformative small businesses, particularly breweries, have been in our communities. If you are familiar with downtown Las Vegas, you can see in the Arts District and along Main Street, where Able Baker Brewing has been transformative. As a part of that redevelopment effort, they have worked closely with local city governments, including the cities of Las Vegas, Henderson and North Las Vegas, just to name a few. We have the same kind of partnerships in the northern and rural areas of Nevada as well. You will start to see that same kind of redevelopment with the introduction of North 5th Brewing in North Las Vegas. One of the most exciting things about that process is getting to know these small businesses and their families and seeing the impact they can have in this community.

This bill is narrowly tailored, and the brew pub business is similar to many other small businesses. If you think about local pizza restaurants, I can call in my pizza order, and they can send my order out using their own delivery driver. If pizzerias were legislated like brew pubs, they would be mandated to use a commercial food delivery service and pass those costs on to me. In that case, we would be shaking our heads and saying, "They made the pizza; they should be able to deliver it themselves."

The point of S.B. 108 is not to implode the entire three-tier system. The goal is to allow these small businesses to be successful, develop more routes and sell more of their product to Nevadans. They want to have a bigger impact in Nevada. They do not want outside brewers to have 97 percent of the market in their home State.

SENATOR BUCK:

Why do we put a cap on Nevada brewery production?

Ms. FORREST:

I do not know, honestly. I do not know why we would cap production within our own State, which hampers business and imposes arbitrary limits. Neighboring states do not have limits. Utah has no production limit.

SENATOR BUCK:

Do you or the other breweries ever go over the cap, or do you just stop producing?

Ms. FORREST:

A few sessions ago, when the cap was 15,000 barrels, Great Basin was getting close to that limit. The cap also stops larger breweries from building breweries here.

SENATOR STONE:

I live in Henderson where some of these businesses are located. I frequently go to Water Street and enjoy the redevelopment. When you opened your taproom, I assume you had a business model that included expanding your business, making a profit and creating jobs. How did your business model account for having to buy back your product at a 38 percent increase? Have you still been able to make a profit with the existing system?

Secondly, perhaps you can give us a little bit more detail on how the Department of Taxation collects taxes on brewed product. I believe it is taxed at the point of manufacturing. A lot of people think gambling built all these big hotels in Las Vegas, but alcohol is a big part of that, and wholesalers have a tight grip on ensuring that the State receives the appropriate tax revenue. How would you react to some opponents saying that we are going to be missing some taxes as a result of breaking this tradition of having wholesalers control 100 percent of the alcohol distribution and sales in Nevada?

Ms. FORREST:

Our business model would be similar to the business model of any other bar. Once the wholesaler sells the beer to the retailer, you factor in another margin to cover your expenses. Bars can be very successful. The margin on beer is not as great as the margin on liquor, but we do not produce liquor.

As to how we are taxed, we report the volume produced at our brew pub every month in the form of excise taxes to the Alcohol and Tobacco Tax and Trade Bureau, U.S. Department of the Treasury, and the Nevada Department of Taxation. When we sell at retail, we are responsible for collecting the sales and use tax and remitting that to the State. Wholesalers do not collect any taxes from the breweries or brew pubs; that is the function of the Nevada Department of Taxation. All brew pubs are open and available to be audited just like any other business. When that happens, auditors look at your books and compare your profit and loss against the volume produced.

SENATOR STONE:

Is it uncommon for brew pubs to be randomly audited by the Department of Taxation to make sure the appropriate taxes are paid?

Ms. FORREST:

I am currently undergoing an audit right now.

SENATOR STONE:

Is it your goal to avoid that 38 percent premium so you make more profit, or are you looking for a way to reduce the cost to consumers who come to your establishments to buy your product?

Ms. FORREST:

Our goal is to expand our production and serve more accounts throughout Nevada. We are distributed in Clark County and in the north. Brewers who own brew pubs have the opportunity to sell our products at a discount, but that would be doing a disservice to the craft houses. It does not serve me to undercut my retailers by serving beer at a discount. The percentage of beer I move to our taprooms is less than 10 percent of our total volume. It does not do a brew pub a service to discount its product and potentially lose those retail accounts that are moving the bulk of their products.

SENATOR STONE:

With regard to the cap of 5,000 barrels per taproom, that puts you at a competitive disadvantage against some of these larger breweries from California. I do not know if that was an arbitrary number, and I know this bill is not going to be dealing with that, but I would certainly like to see our local breweries have a higher limit so they can compete with some of the bigger companies. I would like to see the percentage of Nevada-made beer sold in Nevada increase in any way we can.

SENATOR PAZINA:

If I understand section 2, it covers the transport of products made on premises to another facility that your business owns, and wholesalers would be used for all other transport. Is that correct?

Ms. FORREST:

Yes.

SENATOR SCHEIBLE:

This is not the most complicated scheme we have in the NRS, but it is a little bit complicated. We have rules for brew pubs, we have rules for the three-tier system and we have rules for special events. I want to make sure that we are closing all the loopholes.

I do not want to impugn any beer wholesalers or producers, but let us assume I am an evil attorney who wants to make a lot of money. What is to stop me from partnering with a huge beer company, like Coors, Budweiser or Keystone, to operate a plant in Nevada, then operating 17 packaging and transportation companies and thereby skirting the wholesale model to get my Coors to my companies?

Ms. FORREST:

We are limited at 5,000 barrels for retail sales directly within our own tasting rooms. That would stop that tactic.

Ms. FERRATO:

We are also limited in the barrel amount we can produce in the State. If Coors wanted to build a plant in Nevada, they would be limited. Would it make sense for them to do that?

We have not seen this in other states. The amount that craft brewers move to their own taprooms is a very small portion of their production, and we have not seen big parties come into a state to try to do that. If they did, they would still be subject not only to the barrel cap Statewide but also to the barrel cap on site.

SENATOR SCHEIBLE:

I see the change in the definition of special events in this bill, but I could not find the NRS section that says brew pubs are allowed to transport to and sell at special events. If we go from one-day events to three-day events, are they selling their beer at those events, giving it away or something else?

SENATOR NGUYEN:

That is in NRS 597.230, section 3, subsection (b). It allows brew pubs to sell at special events, though only through a third party.

Ms. FORREST:

We are asking to operate as vendors at special events, which are licensed by the local jurisdiction.

KEVIN DRAKE (Alibi Ale Works):

I am in support of S.B. 108. We started over in 2014 in Incline Village, and we have a brew pub in California. As we look to expand our business, we are currently looking at more options on the California side of Lake Tahoe because California makes it quite easy to add additional taprooms, whereas Nevada makes it quite expensive and cumbersome. We are proud to be a Nevada-based business. Right now, our best option is to grow toward the California side, but we would much prefer to grow toward the Nevada side. This bill would help that.

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I have submitted a letter of support, which can be found in [Exhibit D](#) on page D10.

WISELET ROUZARD (Deputy State Director, Americans for Prosperity Nevada):
We support this bill. We support small businesses, and we think removing this ban will empower our local breweries to be more effective and contribute effectively to our community.

MARC SORINI (Brewers Association):
We are in support of S.B. 108. The Brewers Association supports independent craft brewers in America, and we have 33 members in Nevada. I have submitted a letter of support, which can be found in [Exhibit D](#) on pages D19 and D20.

MARK ESTEE (Great Basin Brewing Company):
The Great Basin Brewing Company stands with S.B. 108. As Nevada's oldest brewery, license number 001, we want to continue to have all our boats rise on the same tide. We believe in small businesses, and we love our distributors. We feel this is something that will help all breweries.

LINDA LOVELADY (Nevada Craft Brewers Association):
We are in support of this bill. The three-tier laws were never intended to become an antiquated, restricted, immovable system that suffocates the growth of entrepreneurs. The law should act as a framework that is flexible, one that can be amended to reflect the current business environment and support economic growth. Please keep "Made in Nevada" in Nevada.

I have submitted a letter of support, which can be found in [Exhibit D](#) on pages D2 and D3.

RICHARD LOVELADY (Lovelady Brewing Company):
I have been brewing craft beer in Nevada for 27 years and am in support of S.B. 108. We are not looking for a handout. We own a taproom, and the total volume sold in that taproom is maybe between 100 and 200 barrels per year. The total beer consumed in Nevada is 2.4 million barrels per year. I do not know what percentage that is, but the money from the Nevada-made beer will stay in Nevada to be reinvested in our company.

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ROBERT SNYDER (Chief Financial Officer, Big Dog's Brewing Company):

We are in support of S.B. 108. We have been in business since 1993 and have seen regressive beer-related policies throughout the years, including caps on what can be produced and sold. The three-tier system limits what can be produced and exported to other states and also puts restrictions on promoting our businesses. While we are appreciative of our relationship with our wholesalers and have worked together to expand our brands around Nevada, not everything should have to go through their doors. This bill represents modest reforms that will allow these eligible businesses to better represent their brands directly.

JASON TAYLOR (Nevada Brew Works):

We are in support of S.B. 108. We are a newer brew pub that opened in the new wave in the Arts District.

It is important to note that some 40 other states allow such interfacility transfers, including neighboring states like California, Arizona and Utah. When you look at Nevada's brew pubs and their economic impact of almost \$500 million, it is clear that the brewery landscape in Nevada is poised for a bright future. This bill provides a nice avenue for growth.

I have submitted a letter of support, which can be found in [Exhibit D](#) on page D16.

KYLE DOLDER (Las Vegas Brewing Company):

I am in support of S.B. 108. We are quite new to the Las Vegas market and looking to expand and grow with a brewery that is located in the downtown area. There is an attraction to joining the rest of the successful breweries in that area, and we look forward to continuing to grow and provide locally made products to Nevadans and all those who visit our city.

I have submitted a letter of support, which can be found in [Exhibit D](#) on page D11.

AMANDA PAYAN (North 5th Brewing Company):

We support S.B. 108. North 5th Brewing Company is a little over a year old, and we are excited to be part of the beer community. We are proud to be the first brewery in North Las Vegas, and it is our goal to expand. This bill will help us do that by allowing us to transport our beer to our second location. In

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addition, three-day events will increase our exposure to people who come to these events.

I have submitted a letter of support, which can be found in [Exhibit D](#) on page D22.

JON OVANDO (Concerned Veterans for America):

We are in support of S.B. 108. We believe the current situation with taxes is unfair for local and small businesses, and S.B. 108 will correct it.

I have submitted a letter of support, which can be found in [Exhibit D](#) on page D21.

BRIANA WAGNER (Schüssboom Brewing Company):

We are in support of S.B. 108. We are a fairly new business that opened in 2021, and we are looking to grow, expand and contribute to our State. We pay a lot of money in taxes and create a lot of revenue in other ways, and we are constantly trying to create new jobs. This bill will help us do those things and continue to grow as a small business.

I have submitted a letter of support, which can be found in [Exhibit D](#) on page D17.

DAVID STONE:

I support this bill. My partner and I are planning to open a brewery in Las Vegas. This bill is key to supporting our efforts if it is passed, or potentially dissuading us if not.

DAVE FORREST (CraftHaus Brewery):

We are in support of S.B. 108. We would like to have control over the delivery of our own product to our own location, as well as to participate in special events, gaining exposure of our brand.

DALE NORFOLK (HUDL Brewing Company):

We are in support of S.B. 108.

MATT JOHNSON (IMBĪB Brewery):

We are definitely in support of S.B. 108.

I want the Committee to imagine a situation where I have to explain to somebody putting on a special event that I cannot participate due to a law that prohibits us from participating. Imagine we are having a special event at our own taproom, and the special beer we are releasing does not show up. A customer asks why, and I have to explain that I have to buy my own beer back from the distributor, and it did not show up yet. It is hard to explain because it is illogical to have these prohibitions in place. Please help us take a baby step forward and support craft beer.

JAZZ ALDRICH (Great Basin Brewing Company):

We support S.B. 108. I have submitted a letter of support, which can be found in [Exhibit D](#) on page D9.

PAUL YOUNG (Shoe Tree Brewing Company):

We are Carson City's oldest brewery, and we support this bill. It will allow us to grow our business and take part in community events we have not been able to participate in previously.

ALFREDO ALONSO (Nevada Beer Wholesalers Association; Southern Glazer's Wine and Spirits):

We are in opposition to S.B. 108. I will ask my partner Leif Reid to give you a legal analysis of the situation.

LEIF REID:

I would like to clarify some of the legal issues and lay out the legal and regulatory structure.

Brew pubs are defined in NRS 597.200 as establishments that manufacture malt beverages. A taproom or secondary facility where product is not manufactured is not a brew pub. Brew pubs have enjoyed a special designation under Nevada law since at least 1995. Brew pubs are treated differently than other local businesses that sell alcohol, like bars and restaurants, in that brew pubs can sell beer manufactured on site directly to consumers, either for consumption on site or in bottles, cans, growlers or kegs that are taken off site.

These sales currently occur outside the three-tier system and are not subject to the dual-reporting requirements to the Nevada Department of Taxation required for other liquor sales or imports that occur within Nevada. Brew pubs also pay a lower federal excise tax rate than that of beer, wine or spirits. There is no limit

on how many brew pubs any individual or company can operate, and that is NRS 597.230.

I also want to expand on some of the testimony about the sales limits under Nevada law. The sales limit for any individual brew pub facility is 5,000 barrels. To understand that number, 5,000 barrels is equivalent to 69,000 cases of beer. The sales limit for all the facilities that may be owned by one brew pub owner/operator and sold in the State is 40,000 barrels per year. This is the equivalent of 551,000 cases of beer. That is more beer than a company like Sierra Nevada Brewing imports into the State, almost twice as much. It is a very large number. These caps are not restrictive in any way.

In addition to that 40,000 barrels, brew pubs can also export an additional 20,000 cases per year for sale outside Nevada. That is another 220,000-plus cases. If you include all of those numbers together, it is about 80 percent of what a company like the Boston Beer Company sells in Nevada each year. These caps are not limiting; in fact, they are very expansive.

Brew pubs in Nevada have no limitation on what products they can sell. They can be licensed as bars, liquor stores or restaurants, including those where other brands of liquor or beer can be sold. But unlike other liquor stores, restaurants or bars, existing Nevada law allows brew pubs to transport and sell their products at remote locations for up to 20 special events per year. These offsite sales occur outside of the three-tier system and the mandatory monthly dual reports from suppliers and wholesalers that the Nevada Department of Taxation relies upon. There is no way outside of an audit for the Department to verify that the proper tax has been paid for these special events sales. The Department of Taxation has less than a handful of investigators and even fewer auditors.

The reason we have the three-tier system is to ensure that suppliers and wholesalers are providing duplicative reports to allow the Department to verify that the proper amount of taxes have been paid. That does not happen when one entity is making, transporting and selling the product. A brew pub can sell its own packaged product from the brewery premises directly to the public or for offsite consumption. A brew pub can contract with the Nevada wholesaler of its choice to distribute its products throughout Nevada to any retail location. Brew pubs already operate in a manner that gives them a leg up on competing local bars, restaurants and gaming facilities.

This bill has several unintended consequences. Section 1 of the bill changes the definition of special events to expand them to 60 days per year. That is more than 26 weekends of the year, or every other weekend, when brew pubs would be able to make sales outside of the three-tier system, sales that are not subject to the type of regulation that all other liquor sales are subject to.

Section 2 of the bill would allow brew pubs to transfer their product at any time to any location operated by the brew pub owner, even if that location is not a brew pub. Again, this is all outside of the three-tier system. It begs the question: why do brew pubs need to operate outside of the regular regulatory structure that applies to every other entity selling liquor in the State?

The self-distribution provision is an invitation to every large multinational brewery in the world to open a brew pub in Nevada. It would have the consequence of harming not just the jobs of the wholesalers we represent, but it would also harm the local breweries because of their inability to transport in excess of 700,000 cases of beer per year outside of the three-tier system.

We strongly oppose this bill. We believe it is a bill drafted to cure a problem that does not exist.

MR. ALONSO:

To clarify an earlier point, wholesalers earn a markup of about 25 percent or so on the high end. The 38 percent that was referred to probably included actual hard costs. I do not know where that number came from. I would argue that if the markup is too big and you do not like the way your wholesaler works, you can contract with one of the 86 other wholesalers that exist in Nevada. You are not stuck with one wholesaler. In fact, the Legislature made provisions to allow for brew pubs to go in and out of the system to find the wholesaler that works best for them.

Another issue that was brought up is the business plan. A small business that spends millions of dollars on brewery equipment must understand the rules. Brew pubs are supposed to manufacture on premises; these taprooms by law are not supposed to exist. It gives the brew pub a bar that another section of the statute explicitly says they cannot own.

It is also important to note that the Craft Brewers Association, both at the national level and the local level, has members like Anheuser Busch and other

very large manufacturers. The Nevada Craft Brewers Association website indicates that Gordon Biersch Brewing Company is one of its members. Gordon Biersch is owned by a company that is located in 39 different states. These are not small businesses, and this bill does affect the big guy. The largest of the large brewers would love to come to Nevada. Five thousand barrels at a time in one location is a huge amount of beer.

Regarding Senator Stone's comment about amounts, that cap was a hard-fought compromise a few years ago. The majority of the states have caps much smaller than ours. We are talking about limits of 10,000 or 15,000 barrels for most brew pubs throughout the U.S.

BRYAN WACHTER (Retail Association of Nevada):

We are opposed to S.B. 108. I want to thank the sponsor for talking with us this late in the process.

I want to caution you that some of the testimony you have heard is turning this into a big business versus small business, out-of-state versus in-state argument. That is unfortunate. We have a set of rules, and the Retail Association of Nevada has always been dedicated to making sure the playing field is level. Whether a company is online, brick and mortar, small or big, we want the same level playing field for all.

Over the course of several legislative sessions, we have put a big exemption into this particular part of the law. If we are going to continue to have these discussions and figure out why the laws are not working or why they are an impediment to economic development, we need to have a more comprehensive conversation about the three-tier system. For that reason, we are opposed to this bill.

BRETT SCOLARI (Breakthru Beverage Group):

We are opposed to S.B. 108 as written.

I will not belabor the points made by the three speakers before me. This is a policy decision to give further exemptions to the three-tier system. If this body is going to go down that road, we need to take a look at how narrowly tailored that exemption is for these brew pubs and their satellite locations. The integrity of the three-tier system is important, and you do not want to have those unintended consequences the sponsor spoke about.

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FRED HORVATH (Secretary Treasurer, International Brotherhood of Teamsters Union, Local 14):

We are opposed to this bill. I represent all of the people you see seated behind me. This bill is simple for us. The crack in the three-tier system is jobs, livelihoods for hundreds of working families in Nevada.

JAMIE EBSTER (New West Distributing):

I have been with New West Distributing for ten years, managing the delivery department and fleet for the last seven. I currently manage 28 class A drivers in a fleet of 75 assets.

I ask you to vote no on S.B. 108. The passage of this bill would seriously impact the means used by the Nevada Department of Taxation to audit liquor compliance. The Department currently audits wholesalers to maintain and possibly investigate excise and compliance issues. If passed, the bill would cripple this auditing tool, leaving a monitored and dependable industry wide open for interpretation. Payment of taxes would be left to the honor system if wholesalers are bypassed. Current tax authorities and regulators will be scrambling to track the production, taxation and legality of liquor changing hands.

KIET DAO (Director of Operations, Capital Beverages Incorporated):

We are opposed to this bill. If passed, section 1 of S.B. 108 would allow a licensed brew pub to set up special events without a wholesaler or retailer. Since no wholesalers would be used, there would be no way to confirm how much beer the brew pub is producing, transferring or selling, and in turn ensuring the appropriate amount of tax is being paid. Brew pubs also pay a much lower federal excise tax, giving them an unfair competitive edge on all restaurants, bars and other event vendors. I ask you to vote against S.B. 108.

ANDREW BOUCHER:

I am opposed to this bill. Besides everything else that was said, it will definitely be a loss of jobs for drivers and those of us in warehouse sales.

JENNETTA CLARY:

I am opposed to this bill and agree with the last three speakers.

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GABRIEL TOWNSEND (Nevada Beverage):

I am opposed to this bill. I have been with Nevada Beverage for about 17 years as a delivery driver.

Nevada's independent beer distribution facilities employ thousands of hardworking Nevadans in countless communities across the State, including truck drivers, salespeople, inventory specialists, graphic designers and warehouse workers. These employees help brewers, suppliers and importers build their brands and provide consumers with countless beer and other beverage choices.

Make no mistake, S.B. 108 will be a job killer. Brew pubs will turn corporate as large out-of-state companies will enter Nevada to compete against Nevada businesses. If this bill passes, Nevada will be trading good paying positions with benefits and a future for minimum wage jobs.

ALISIA ALLEN (Nevada Beverage):

I have been with Nevada Beverage for 18 years. I am an on-premise sales representative, and I take care of golf courses, chain restaurants and small businesses too.

While S.B. 108 is well meaning, it will be different for thousands of Nevadans, including employees of brew pubs. This measure will allow out-of-state breweries with brew pub licenses to manufacture in Nevada and operate multiple taprooms without going through a wholesaler. This includes large national breweries. Section 2 of this bill lets brew pubs bypass the third-tier system, allowing them to deliver to any location they own or operate. Not only would this put thousands of local wholesaler employees at risk of losing their jobs, but it could threaten local brew pub employees as well.

WILL WOOLSEY (Valley Distributors):

I am one of the small wholesalers, and I am in opposition to this bill. I agree with the previous speakers. I have driven to Reno to get one keg of beer to bring it to one event in my territory because these little beers matter to me. This is all volume to me. If you do not like your wholesaler, maybe looking at different wholesalers is the answer.

MS. FERRATO:

The statement was made that taprooms do not have a place in the law. From our standpoint, these establishments are part of our business organization, and they have the same manufacturing and selling rules as our brewery sites. We see them as extensions of our brew pubs, which are licensed at the State and local level.

MS. FORREST:

I want to stress that wholesalers are not tax collectors or tax auditors. As I mentioned previously, CraftHaus just went through a tax audit, and our wholesaler was never contacted for any information. The audit was done internally, and we comply with all State and federal regulations for excise taxes.

I also want to point out that we value our distributor, as I said previously, who picks up our product and delivers it every week. This bill is just a matter of the interfacility transport of the product we make to a business that we own.

As a point of reference, Nevada beer makes up 3 percent of total beer sales in Nevada. This bill would allow the industry to expand. We are not taking jobs away from our drivers. We rely on them to deliver product in a professional manner on a weekly basis. We rely on them heavily and actually want to push more beer through the three-tier system.

The statement was made that distributors are protecting us from large brew pubs moving in. They would still need to be under that 5,000 barrels sold at retail. We welcome larger breweries to come in and add to our economy.

SENATOR NGUYEN:

I want to thank all the people who testified in support of S.B. 108. Many of them are small business owners, and some are husband and wife duos.

The statement was made that big industry would come in and take over this business. To put the problem in perspective, CraftHaus transported 280 barrels last year, while MillerCoors transported 85 million barrels. CraftHaus is nowhere near the 5,000 barrel limit. This bill would still require brew pubs to go through distributors for almost all other purposes. If this gave craft brewers any kind of advantage, we would see that already.

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Again, for perspective, we looked up the number of craft brewers in Seattle, Washington. Just in that one city, there are 250 craft brewers, whereas the entire state of Nevada has only 50. That shows that we are clearly struggling to expand the Nevada-made beer market.

I have been talking to representatives of the opposition, and I agree that we need to make sure S.B. 108 is narrowly tailored to solve the exact problem we have.

CHAIR SPEARMAN:

I will close the hearing on S.B. 108 and open the hearing on S.B. 78.

SENATE BILL 78: Makes various changes relating to property. (BDR 10-623)

SENATOR FABIAN DOÑATE (Senatorial District No. 10):

Senate Bill 78 seeks to address tenant protections and ways to improve the landlord-tenant relationship.

As many of you know, last year I had the opportunity to run for my first election, and I got the chance to meet constituents from my district. It was through this experience that I was able to gather an insight on the issues that many of my neighbors face and had experienced through the COVID-19 pandemic. Over and over again, there was a unilateral theme that kept arising: our housing situation is in crisis, and we have a moral obligation to push for solutions that will uplift our residents.

Nearly every door that I knocked on mentioned housing as a top issue, and their stories became part of a narrative that could not be overlooked. The rent is too high. Rental fees are not transparent. There are not enough housing units to support the number of applicants. My landlord evicted me, and I have no place to go. I have to keep spending my money on application fees; I do not know why, and I never get that money back. I am on a fixed income. I do not know if I will survive if I keep going down this path. These are some of the comments that I heard on the campaign trail.

I would be remiss if I failed to mention that I did not just hear about this issue from the experiences of my constituents, but also from a personal perspective. When I applied for housing in Carson City earlier this year, I ran into those same issues. At one apartment I was considering, my roommate and I had to pay

separate application fees of \$50 each for background checks. We also had to pay an additional administrative fee of \$150. I am not entirely sure what that would have been used for because it was never disclosed during the application process. The rent was listed as \$1,850 for a two-bedroom apartment. That is pretty simple, and nothing stands out as a red flag. However, when I mentioned that I was seeking a six-month lease to cover my time in the Legislature, that is where the problems began. Our separate \$50 application fees remained the same, but the administrative fees increased from \$150 to \$700, and the rent was increased an additional \$300 per month to \$2,150. I have not even mentioned the deposit that would have been required.

That is the situation many families find themselves in today, and it is part of the reason why we are here with this bill. Luckily for me, I have the disposable income to meet these demands. But many in Nevada cannot afford these prices, and that is the reality. This is the problem we are trying to solve today.

JONATHAN NORMAN (Nevada Coalition of Legal Service Providers):

I am the policy director for the Nevada Coalition of Legal Service Providers, which includes the Legal Aid Center of Southern Nevada, the Senior Law Program and Northern Nevada Legal Aid. I also represent the State Bar of Nevada and the Volunteer Attorneys for Rural Nevadans.

We have been working with the housing industry to try to hammer out some details. The National Association of Realtors is neutral on this bill. Although the National Apartment Association is going to be in opposition today, I believe we are close to reaching resolution with them as well. We have a draft of a proposed amendment ([Exhibit E](#)) that reflects this work, and I will refer to it as I go through [S.B. 78](#).

In the original bill, sections 1 through 5 create definitions that are used throughout the bill, defining such terms as cleaning deposit, grace period and security deposit. [Exhibit E](#) removes section 3 from the bill, which contained a definition of cleaning deposit.

Section 6 of the bill, which is section 5 in [Exhibit E](#), addresses application fees. Only one prospective tenant can be charged and screened at a time, and the landlord cannot use this as an income stream. This section further defines what can be included in an application fee. This is further amended through a friendly amendment from Ovation Homes ([Exhibit F](#)), who will likely flesh this out when

they speak today. Basically, if three adults are going to cohabitate in a unit, each can be charged an application fee if they have to run a background check for each individual. However, they cannot take the application fee from the second or third family in line and charge all those fees.

Section 7 of the bill covers fees that landlords can charge when filing an eviction. Subsection 2 is removed by [Exhibit E](#).

Section 8 of the bill prohibits selling or transferring the debt to a collection agency or reporting it to a credit reporting agency unless the landlord obtains a judgment. It also sets the statute of limitations for pursuing that claim at eight months. Finally, it requires that if the amount is under the jurisdictional limits of NRS 73, the action must be brought to small claims court.

Section 9 of the bill requires the tenant to be notified in writing within seven business days when the landlord changes the broker or property management company and also highlights what must be in that notice. An amendment to section 9 makes that ten business days.

Section 11 of the bill provides an updated definition to "normal wear and tear." In the amendment, we removed the words "with consent of the tenant" from section 2 of the new section 10.

Section 12 covers what must be in a written agreement for renting a dwelling unit. The agreement must include the duration of the grace period; late fees; other fees, fines and costs to be paid by the tenant; and the purpose for which they are required. [Exhibit E](#) removes a redundant reference to the statute. In subsection 5, paragraph (b), we allow that the fee disclosure can be either on the front of the lease, on the first page or in an addendum signed by both the landlord and the tenant at the signing of the lease.

Section 13, subsection 4, paragraph (c) adds that the late fee must not be charged until the grace period set forth in the rental agreement is expired.

Section 14 prohibits the rental agreement from requiring that the tenant pay the landlord's attorney fees, except that reasonable attorney fees may be awarded to the prevailing party in a court action. Section 14 also limits the fees, fines or cost to those in statute or actual and reasonable.

Section 15 prohibits a cleaning deposit from exceeding 15 percent of the periodic rent and lays out what claims are appropriate to take from the security deposit when the tenancy ends. This section also requires the landlord to return or provide an itemized written notice for the security deposit.

There are significant amendments to section 15. In subsection 1, paragraph (b), we removed language regarding a 15 percent cap on cleaning fees. We also removed language regarding cleaning fees when the government pays for the unit. It returns the disposition of the security deposit to 30 days, which is needed to allow time for utility bills to be received.

Section 15, subsection 4, paragraph (b) returns the additional liability to landlords when they do not return or provide an accounting for the security deposit within the 30 days. It also removes the waiving of all claims when the landlord fails to provide an accounting or return the deposit within 30 days. That was a trade-off we negotiated with the realtors.

CHAIR SPEARMAN:
Can you explain that in plain language?

MR. NORMAN:
Currently, if the landlord does not provide an accounting of the security deposit within 30 days or return the security deposit amount, the landlord has damages that equal the security deposit amount. In the original language of the bill, we waived all claims to the security deposit. We cut out a section of the NRS in our original bill that would have allowed the court to award additional damages. In talking with industry, they were not comfortable with waiving claims, but they were okay with that original additional liability that a court could assign. As a result, we amended out the language about the waiver and added back in the additional liability.

Section 18 had an error in our original bill. It changed the timeframe for notices of change in rent to 45 days if the rental period is 1 month and 15 days if the rental period is less than 1 month. The amendment returns it to the original statutory language, which is 60 days and 30 days, respectively.

Section 20 adds that when a landlord fails to deliver possession of the dwelling unit to the tenant, the landlord must refund other fees, fines and costs that

were paid by the tenant. That is, if they do not give possession at the beginning of the lease period, they have to return any money the tenant has paid.

Section 23 in the original bill extends the no-cause eviction timeline from 30 days to 60 days. However, in an amendment, we removed that extension, so it will be the original 30-day timeline. We are having ongoing discussions with industry about this provision.

Section 25, subsection 7, paragraph (c) clarifies when the agent of an attorney can serve notices.

Section 26 allows the landlord to be represented by the agent in an action in this chapter.

Senator Doñate mentioned that this is what he heard when he knocked on doors in his community. All of the legal service providers, regardless of the issues they specialize in, deal with housing struggles. We have families entering the dependency-abuse-neglect cycle because of issues surrounding homelessness. It seems to be the thread that cuts through all of the cases we handle at Legal Aid, and our practice areas include family law, social security, Children's Attorneys Project and record sealing. All of our clients are being impacted by housing.

This bill is not going to create more affordable housing or lower the cost of housing. What it will do is provide some transparency around fees and create some meaningful tenant protections.

SENATOR DOÑATE:

We refer the Committee members to the amendment in [Exhibit E](#). As you know, this bill is a work in progress, and we are hopeful that we can continue negotiations to reach a full agreement. We want to extend our deep appreciation to Nevada realtors for working alongside us to get this language right, as they are currently neutral on this bill with the conceptual amendment. We believe they are instrumental partners in getting these negotiations done, and we hope that we can continue these good conversations in future years.

SENATOR STONE:

It is my understanding as a landlord, and I would say a compassionate landlord, that the four-day grace period before you can charge a 5 percent late fee is not in statute. Why are we putting it in statute?

You also mention a security deposit from one month's rent to two month's rent. We do background checks, and the security deposit depends on the credit score. Sometimes it is less than a month's rent, and sometimes it is more, but it is never three times the monthly rent. I am concerned that if you put this into statute, you may be making it more expensive for tenants to find housing in Nevada. I think landlords are just going to default to the higher amount.

You have also extended the time a landlord can take to jump through the hoops to evict and then go to small claims court instead of having an attorney take it to a municipal court. In the past five years I have been a landlord, we have never done one eviction. We have always worked with our tenants.

I commend you for the provision on application fees because I have seen a lot of abuse. It is not uncommon for me to have three college students stay in one of my units. We want to make sure that their collective credit scores show they can afford the rent because we do not want to go through the eviction process.

I have more questions I will ask offline, but I would like to know why we are duplicating existing NRS provisions. Are we not going to make it more difficult to get people to move to Nevada?

MR. NORMAN:

Regarding the grace period, we require it to be in the lease. A landlord could potentially have a grace period beyond what is in statute. It is important for that to be in the lease and not just a verbal agreement.

We are trying to thread the needle with these discussions and to improve the situation for renters without harming the business practices of good landlords. I would say the overwhelming majority of landlords and tenants are good people who are trying to do the right thing. If you see language in the security deposit section you think could be harmful, I would love to have that discussion with you to find something better.

SENATOR STONE:

If a landlord does not return a security deposit or provide a disposition of that security deposit within 30 days, the court will usually award the deposit to the tenant without any further arguments, and the judge can also order damages three times the security deposit. Is that correct?

DREW WHEATON (Northern Nevada Legal Aid):

Not quite. The language is a little fussy, but it is the security deposit plus an amount up to the security deposit that was paid. It would be basically double damages at the discretion of the judge.

SENATOR BUCK:

I like portions of the bill, especially the lease agreement disclosing what all the fees are for. It is important to know that when you sign a lease agreement. Why do you put the burden of small claims court litigation on the landlord?

MR. NORMAN:

It is about finding the right forum and limiting the amount of potential attorney fees and other fees that the tenant might be required to pay. Most litigants in small claims court are not going to be represented by an attorney. That is exactly the type of case small claims court is designed to deal with. I am open to discussions around that issue.

MR. WHEATON:

We often advise tenants to check their credit history for two years in case their landlord reports a deficiency that may or may not be correct. It can happen that a tenant wins in court, but a year later a collection agency contacts them because the landlord submitted illegal fees or rent increases to the collection agency. It looks like proof that the fees or increases were agreed upon, whereas a judge would be able to decide what was appropriate.

CHAIR SPEARMAN:

Senator Doñate, you said something about an increase of \$700. Could you expand on that?

SENATOR DOÑATE:

This was an encounter that I had personally when I applied for a rental unit here in Carson City. My roommate and I each paid a \$50 application fee, as well as an administrative fee of \$150, which was not disclosed as part of the rental

listing. Once we notified them that we were looking to rent for only 6 months, we were informed that the administrative fee was now \$700. No justification was given for this. At the same time, the rent was increased by \$300 a month.

CHAIR SPEARMAN:

Mr. Norman said one of the compromises you agreed to is that this disclosure does not necessarily have to be on the front page of the lease. Why not? Most people do not read all the way to the back of the things they sign. I understand it is a case of buyer beware, but if everything required of the tenant is indeed aboveboard, why would you not want that on the front page?

MR. NORMAN:

This came from a friendly amendment from Innovation Homes, and they will be testifying in neutral today. I think the hang-up came with the lease form they use, which would make it difficult to have it on the front page. We made the compromise that it would be acceptable if the disclosure had to be signed by the tenant and the landlord when the lease was signed. Obviously, having it on the front page is better, and that is why it was in the original bill. However, sometimes you have to give away things you like in order to reach a consensus, and that was one of those times.

CHAIR SPEARMAN:

We have received 24 letters in support of S.B. 78 ([Exhibit G](#)), which will be included in the record.

PAUL CATHA (Culinary Workers Union, Local 226):

We are in support of S.B. 78.

The Culinary Union is a member of the Nevada Housing Justice Alliance. Culinary Union members are still suffering from the effects of the pandemic and struggling with housing security. I talk to members who are experiencing issues every single month with fines, fees and rent increases. Senate Bill 78 addresses the predatory behavior that has been on the rise in the rental market in the last few years and which is damaging Nevada. As recently stated by Governor Joe Lombardo's team at the Governor's Office of Economic Development, lack of affordable housing is a significant barrier to economic development in Nevada.

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This bill will protect Nevada's residents and its economy by making our housing market more affordable and predictable. Regulating application fees, connecting other fines and fees to cost and requiring transparency around fees will help keep Culinary Union members in their homes. Landlords should make money from rent, not from unpredictable fees. If landlords are going to charge other fees, tenants deserve transparency about what their cost burden will be.

The Culinary Union believes that every Nevadan deserves to be treated with dignity and respect. Nevadans should not have to decide between putting food on the table or having a roof over their heads.

SUSIE MARTINEZ (Executive Secretary Treasurer, Nevada State AFL-CIO):
On behalf of over 150,000 members and 120 unions, we support S.B. 78.

It is no secret that we have a housing crisis here in Nevada. That is why it is critical that we expand the rights of tenants and protect them from malicious practices by landlords and property management companies. This bill would ensure that landlords are held accountable for exorbitant fees and that tenants are not caught by surprise and put in tough financial spots. We must ensure that we can take this essential step towards making housing more accessible for every Nevadan.

When I was an Assemblywoman, I heard these stories many times, and this is something that affects many of the members of the Nevada State AFL-CIO as well. One of our members is an airline flight attendant who has a home in New Mexico. She also needs to have an apartment in Nevada because she is also stationed here. She had to file 10 applications to find an apartment, which meant an outlay of \$1,000 for application fees. Personally, I do not have \$1,000 just lying around.

That is one of the reasons the Nevada State AFL-CIO urges you to support this bill.

JOHN SOLOMON (John Solomon LLC):
I am a small landlord. I own property in Fallon, Nevada, but I live in Reno.

I am speaking in support of this bill because we need to change our relationship with our tenants from being a commodity to being a customer. I treat my tenants as if they are customers, and it means I do not have to evict people.

I take care of the buildings they live in. The most uncontrollable aspect of my business is the transition from one tenant to another. This is most expensive when an eviction happens.

This bill provides a framework for better communication between tenants and property managers. Having a more well-defined framework for the relationship between tenants and managers would empower tenants to make some of the most important decisions they have to make concerning the quality of life. Due to a Statewide lack of affordable housing, the result of an eviction is often to be unhoused. Unhoused citizens live a brutalized life, and that result is something we need to avoid.

I was a tenant for 30 years before I became a landlord. Not once in all that time did I ever receive a deposit back.

AESHA GOINS (NAACP):
We are in support of S.B. 78.

In his book *Evicted: Poverty and Profit in the American City*, Matthew Desmond writes, "No one thought the poor more undeserving than the poor themselves." It has been disheartening to talk to friends in my community who cannot afford housing and cannot even afford to look for housing. The fees are not transparent, and they are not receiving their fees back. I do not know why tenants' rights is something we have to talk about every session.

Tenants have rights, and everyone needs housing. If people cannot afford to even look for housing, how do we expect them to be housed? I urge you to support this bill.

SHANE PICCININI (Food Bank of Northern Nevada):
As we all know, access to affordable housing is critical to helping people maintain their food security. We ask you to vote yes on S.B. 78.

CARLOS PADILLA (Culinary Union):
I am a pastry baker at Treasure Island and have been a Culinary Union member for 29 years. I moved here over 30 years ago for the Las Vegas dream. I have seen Las Vegas grow to what it is today. I met my wife, and we raised our daughter and son here.

I have been a long-term renter in the Henderson-Las Vegas area. My rent was \$1,200 for a three-bedroom house just a couple of years ago. I was paying \$1,675 just a few months ago, but I recently renewed my lease and am now paying \$1,800 a month for rent. I asked my landlord why my rent has been going up so much lately, and I was told there is no law in Nevada that says the landlord cannot raise the rent any amount they want every six months.

The landlord does an inspection, which is legal, but I feel like it is an invasion of my privacy. During one of these inspections, they charged us \$150 because my cat scratched the trimming on the baseboard. When they were doing the inspection before I renewed my lease, I pointed out that I had paid the \$150 and it still had not been fixed. This is the fourth lease I have signed where I live now, but this time, I had to reapply as if I was a new tenant. They made everyone over the age of 18 fill out an application and pay a \$50 fee per person. Adding insult to injury, my water and trash fees went up at the same time. This, along with the rent increase, the added fees and having to add to my security deposit, has had a tremendous financial impact on me. I would love to own a home one day, but the way things are going, I do not know if I can survive another lease renewal.

YORISLAY POLO (Culinary Union):
I am in support of S.B. 78.

I have been living in the Las Vegas Valley for 20 years and am a single mom of a 16-year-old daughter and a 12-year-old son. I have been renting for the past two years because I had to sell my house as part of my divorce. Recently my sister and niece immigrated from Cuba, and they are living with me while they wait for their immigration paperwork to be complete. I currently rent a 3-bedroom apartment, and the landlord raised the rent by \$150 a month this year. With the addition of two people, I feel like I am paying too much for a small space. My niece does not have any privacy and is becoming cramped and a little agitated.

I want to stay in the same area because I do not want to stress my kids. I was looking for a new place, but the rent has doubled in price. Not only has the rent gone up, but the add-on fees that are tacked on are ridiculous. One place I looked at asked me for six months rent up front, as well as fees and a security deposit. My daughter has type 1 diabetes. I need to buy her medicine and some special food. I do not see how I am supposed to save the money to improve the

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lives of my children when the rent keeps going up. It is not fair that the landlord can raise the rent with no restrictions and without making improvements in the apartment to justify the increase.

I am proud to be a Culinary Union member because my union is fighting for me and my working family. We fought to elect leaders, and we will fight for this.

BARBARA PAULSEN (Nevadans for the Common Good):

I am a member of Boulder City United Methodist Church, which is a proud member of Nevadans for the Common Good. I have submitted a letter of support, which can be found in [Exhibit G](#) on page G20.

MENDY ELLIOTT (Southern Nevada Regional Housing Authority):

We support S.B. 78.

We want to thank Messrs. Norman and Wheaton for working with the various stakeholders so we can come to a good bill that will help our tenants and landlords. We are going to be having a lot of discussions related to housing. Southern Nevada Regional Housing Authority wants to be at the table and is available to provide any type of support needed.

ANNETTE MAGNUS (Executive Director, Battle Born Progress):

We are here today in strong support of S.B. 78. I have submitted a letter of support, which can be found in [Exhibit G](#) on page G4.

DAKOTA HOSKINS (Service Employees International Union, Local 1107):

We are urging your support for S.B. 78.

Our members work hard every day to put food on their tables and roofs over the heads of their families. At the Service Employees International Union, we want justice for all, and that includes housing justice. When a family is asked to pay hundreds of dollars in application fees, often for a house that already has a qualified applicant, or to pay thousands in security deposits that they know will be reduced or completely taken away just for normal usage of their home, we feel that we are lacking justice. Nevadans are being taken advantage of, and S.B. 78 serves as a first step in addressing that injustice.

Senate Bill 78 will combat surprise fees and rising application costs by requiring fees to be clearly listed in the agreement and limiting application costs to the

actual cost of the service. It will ensure tenants are not penalized just for living in their houses by preventing security deposits from being held for normal wear and tear. It will allow potential tenants to know if the house is actually available by allowing only one application per unit.

Right now, nearly half of Americans have less than \$500 in their savings, but many Nevada families are spending more than that in application fees and losing more than that from security deposits being withheld. If we want to address the housing crisis and make it more affordable for Nevadans to live here, we need to take the steps laid out in [S.B. 78](#). We urge your support.

SERENA EVANS (Nevada Coalition to End Domestic and Sexual Violence):
We support [S.B. 78](#). I have submitted written testimony, which can be found in [Exhibit G](#) on page G23. I want to remind you all that housing access and justice is violence prevention. This bill is a necessary tool in keeping our community safe.

JEREMY ARROYO:
I support this bill. I have submitted a letter of support, which can be found in [Exhibit G](#) on page G15.

QUENTIN SAVVOIR (NAACP):
I am coming to you today in my capacity as the president of the Las Vegas NAACP.

As a previous member of the Nevada Housing Justice Alliance, we know that these issues of tenants rights have been consistent in Nevada since well before the pandemic. I am grateful we are able to have this discussion about how we can protect more Nevadans.

The Universal Declaration of Human Rights states that housing is a fundamental human right. It is lost on me how we as humans have failed to make this the one thing that is accessible to all of us. No matter what your political affiliations or loyalties, we can all agree that we want our families to grow up in a home, and we want them to live whole, full, thriving lives. Yet in Nevada, we have cruel and punitive measures in place that keep the most vulnerable among us from accessing housing. There are many studies from the most illustrious institutions and foundations proving that high rental costs and punitive and excessive fees impact communities of color, mostly black women.

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What we are asking for in S.B. 78 is just one piece of a broader puzzle because it impacts someone's ability to find a home. But when you reduce the barriers around fees, you actually increase tenants' rights. What we are asking for is not hard: it is fee transparency. That is democracy. Notice of increased fees is democracy.

I always hear folks on the other side saying they do not want to harm folks. If that is the case, why are they hiding basic information that would allow families to make more informed decisions? Expediting deposit returns is necessary when families get put out of their homes. Creating parameters around application fees just makes sense. We are not talking about hampering business. We are talking about seeing the humanness of our neighbors.

We strongly urge support for this legislation and thank you for your time.

BISHOP DEREK RIMSON (NAACP):

I represent the NAACP as the chair of the Political Action and Social Justice Committee.

This essential bill concerning housing is much needed because Nevadans are rebounding from a tumultuous pandemic. Housing is more than important, it is necessary, and people should not have to worry about whether they are going to have a roof over their head due to surprise fees and added costs. That is making housing unaffordable, especially for the Black community.

We stand behind this bill. We need this bill to become law.

ADRIAN LOWRY (Northern Nevada Democratic Socialists of America):

We are members of the Nevada Housing Justice Alliance. I live in Senatorial District No. 13, and I support this bill.

My housing is secure at this time, but most of my family members have tenuous housing situations. Either my mother or my sisters have to move. In northern Nevada, we have to move often. Every year the rent increases are more than is sustainable, and the cheaper apartments turn out to be dangerous slums. We have uncovered dangerous mold at apartments, and we have seen unmaintained electric wires set fire to bushes right outside the window.

My family should not have to pay exorbitant application fees and security deposits as they move from apartment to apartment looking for a home that is not a danger to their wellbeing. Limiting these extra fees will make it easier to find safe housing and disincentivize exploitive housing practices. I know we are not the only people who have had this experience. That is why I support this bill.

GERALD MAYES (Veterans Affairs Chair, NAACP):

I am a 100 percent disabled combat veteran of the U.S. Marine Corps, and I serve my community as the Veterans Affairs Chair for the NAACP in Las Vegas. I served a 12-month tour in Iraq with the Marine Corps. Many of those same veterans I served with are active participants in our community today, serving as government employees, community service leaders, financial professionals and elected officials.

The NAACP supports S.B. 78. This bill will keep many of the fixed income, disabled combat veterans in Nevada from being blindsided by fees and charges left to the discretion of the landlord. As things are today, a landlord is allowed to charge fines and fees and withhold deposits of any amount without a real cause or reason. This bill will provide the basic living protections we owe the veteran servicemen and women who represent 10 percent of our population.

TONY RAMIREZ (Make the Road Nevada):

I am the Government Affairs Manager for Make The Road Nevada. We are a Nevada-based organization that focuses on elevating the power of working class immigrant communities in every community around Nevada.

I am here in support of S.B. 78. Our members, along with many other Nevadans, have been victims of the predatory practices of some landlords and the lack of regulation of the rental market. This bill would rein in those who seek to profit off application fees, address transparency on costs and ensure tenants are receiving their deposits in a timely manner. As Governor Joe Lombardo said, right now, home does not mean Nevada to as many people as it could or should. This bill would help fix that.

MANUEL AYALA:

I am a community organizer here in Las Vegas. I am speaking today on behalf of Humberto Sandoval, who could not be here. He wrote a letter of support, which can be found in [Exhibit G](#) on page G18.

SHANZEH ASLAM (Program Manager, Progressive Leadership Alliance of Nevada):
I am here in support of S.B. 78. The Progressive Leadership Alliance of Nevada is a founding member of the Nevada Housing Justice Alliance and is the only coalition to represent tenant voices at the Nevada Legislature. I have submitted a letter of support, which can be found in [Exhibit G](#) on page G10.

SHAWN NAVARRO (Las Vegas Democratic Socialists of America):
Thank you for bringing this bill forward. We have done some tenant organizing and canvassing, and there was a real sense of folks feeling beaten down. They feel they have no recourse against their landlords, and to be honest, that is true. They do not know what to do if their landlord is abusive or charging exorbitant fees. It is a common story. People will say, "My rent went up \$250, the front gate is broken and we have bugs, but what can I do? If I go somewhere else, they'll charge me just as much." Folks are losing faith in the system. They are losing faith not only that they will be able to find affordable apartments, but also that someday they will be able to afford a house. They are losing faith in a better future.

Housing is more than just where you live; it is about your home. It is what brings people security. This bill brings about necessary changes and gives tenants a sense of protection. It gives them some recourse against abusive landlords.

CHASTITY MARTINEZ (Faith in Action Nevada):
I am an organizer with Faith in Action Nevada, which is a member of the Nevada Housing Justice Alliance. I am also a Christian and proud of my faith. I believe in the dignity of all people, and I believe that housing should be a human right. I am a renter who is very fortunate with my current renting situation, but I know that if I were to move elsewhere in the community, that might not be the case. Without some of these basic protections, I can only imagine the lack of security I would feel.

I also volunteer with various churches and charities that provide direct services to a lot of unhoused populations and those at risk of becoming unhoused without these protections. Folks are forced to pay thousands of dollars just to move into a place. This bill is a proactive approach to prevent more of our neighbors from falling through the cracks and becoming unhoused. While more protections are definitely needed beyond this bill, it is a good first step to get people housed and keep them housed.

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TAMARA FAVORS:

I am speaking for a community member named Diana Diaz who is a resident of Las Vegas. She has written a letter of support, which can be found in [Exhibit G](#) on page G13.

EDWARD GOODRICH (International Alliance of Theatrical Stage Employees, Local 363):

We are in full support of S.B. 78 and ask the Committee to support it as well. I have submitted a letter of support, which can be found in [Exhibit G](#) on page G9.

MARY CHRIST:

I am a single mother of two school-age children. I have submitted a letter of support, which can be found in [Exhibit G](#) on page G11.

ROBERTA OHLINGER JOHNSON (Creditor's Rights Attorney Association of Nevada):
We rise in opposition to sections 7 and 8 of S.B. 78.

I do have personal connections to this bill. In December, a family member of mine was sheltering from a domestic violence incident, and we were not able to find her substitute housing. In addition, I am currently looking for housing for my elderly father, and I am not really sure this market is going to make it.

I understand the pressures on tenants, but I do not believe that sections 7 and 8 of this bill get us there. I understand that section 7, subsection 2 has already been removed, so I am not going to address that. However, we are directly opposed to section 8 of the bill. We believe that consumer protection is best served when you have licensed, regulated and insured individuals doing the tough jobs, and evictions and collections are tough jobs. That is why we use constables for evictions and process servers for service of process. We know that being financially stressed and owing or being owed a lot of money can be volatile situations. That is why we, as third parties, are in the best position to do this.

We are licensed and insured. Professional collectors and attorneys both have liability under the Fair Debt Collection Practices Act and regulatory complaints, both with the Nevada State Bar and with the Division of Financial Institutions. They are background checked and insured. Landlords, on the other hand, are

not required to have background checks or insurance to do their own collections.

Many times I have heard the words cruel, punitive, predatory, deliberate abuse, retaliation, malicious and unscrupulous used in this context. You need us in the mix because we bring down the temperature in the room. We do things like accept payment arrangements and work out settlements.

We believe that section 8, subsection 1, which prohibits the ability to credit report, damages everyone except the nonpaying tenant. In my family's situation, the person experiencing a domestic violence situation would have her payment history devalued as against nonpaying tenants. We also oppose shortening the statute of limitations. It prevents workouts and rushes evictions.

JOHN SANDE IV (Nevada State Apartment Association):
We are opposed to this bill as written.

Housing is critical in Nevada, and these issues are of utmost importance. The Nevada State Apartment Association is dedicated to participating in good faith in these important discussions throughout the Session. We have engaged in robust conversations with the proponents, and I am excited about the progress that has been made. I agree with the statements that the proponents have made that we are all working towards protecting good tenants and protecting good landlords in an effort to create good policy. I am encouraged that we can continue these discussions and come up with a workable bill we would be happy to support.

With that said, we have a few issues we would like to continue working on with the proponents. They have expressed a willingness to continue that dialogue, and we are happy to engage in that. I appreciate the comments regarding the disclosures of fees. A lot of the supporters have said that that is an important issue, and we agree wholeheartedly that tenants should know what fees they might be responsible for. Disclosing those fees on a single page makes a lot of sense. This is something we agree with and think is a good component of the bill. We also agree that application fees should be limited. People should not be paying for background checks if those checks are not run. We absolutely agree that landlords should not make profit centers out of these application fees.

We are here in opposition to the bill, but it is part of the process. We are hopeful that together, we will craft something great for this Committee to consider.

MR. ROUZARD:

I urge you to oppose S.B. 78. I have submitted a letter of opposition ([Exhibit H](#)).

MATT SCHRIEVER:

As a small business owner, I oppose S.B. 78 for reasons that those in support of the bill have not addressed today.

Section 8 of this bill would disproportionately affect small businesses that are already struggling to find resources, finances, employees, and most importantly, good tenants. This bill prevents landlords from assigning delinquent rent accounts to collection agencies or reporting it to credit until after the landlord obtains a judgment. Small landlords do not have the resources to invest in skip tracing to locate tenants who skipped out on rent. It is more practical to assign these accounts to collection agencies that have already invested in the expensive framework of skip-tracing tools.

This bill also lowers the statute of limitations to file a lawsuit from six years to eight months. Again, your typical landlord does not have the ability to find tenants who have skipped out on rent within eight months. This would have the negative consequence of overburdening the courts with a flood of extra lawsuits rather than giving the parties time to try to resolve the matter informally without the need for expensive litigation. In the months after a tenant skips out on the rent, the landlord's focus should be on mitigating damages by rehabilitating the property damage to the unit and finding a new qualified tenant to lease the unit to. The focus should not be on spending money to find, serve and file a lawsuit simply to meet an eight-month deadline to file that lawsuit.

Finally, if the landlord does file a lawsuit to recover unpaid rent and deliberate damage to the property, S.B. 78 requires that the overwhelming majority of these lawsuits would be filed in small claims court. Small claims court does not allow for an award of attorney's fees, so the landlord will once again get the short end of the stick by having to pay for an attorney out of pocket and then not have those fees awarded, even though the rental contract says they are recoverable to the winning side.

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While there might be other good aspects of S.B. 78, the problems with the provisions I have outlined overshadow those good aspects.

MACKENZIE WARREN KAY (Ovation Development Corporation; Manufactured Home Community Owners Association):

We have submitted two friendly amendments, one from Ovation Development Corporation and one from the Manufactured Home Community Owners Association (MHCOA).

I will start with the amendment from Ovation, which is [Exhibit F](#). We believe transparency from the outset in the landlord-resident relationship sets it up for success. The two amendments that were accepted touch on sections 6 and 12 in the original bill, which are now the new sections 5 and 11. In the new section 5, [Exhibit F](#) adds the mechanics of how it works. Once an application is accepted on a unit, that unit is taken off the market and put in a pre-leasehold. The amendment reflects the practice that once an application is submitted, a landlord cannot then accept multiple applications from hypothetical tenants standing in line. This stops the predatory practice of turning the application process into a profit center.

[Exhibit F](#) adds language to the new section 11 to allow clear and conspicuous fees to be listed in an addendum. We felt it would be difficult to add one more item to the information already required to be included on the first page of the lease. This can be a problem particularly if the tenant wants to customize their living situation. If a resident has a pet or wants to rent a garage or a storage unit, those agreements would exist in addendums that contain all the details and require landlord and tenant signatures. That assures that the landlord and the tenant both see and agree to those items.

The second friendly amendment I have is from the MHCOA ([Exhibit I](#)), which represents more than half of all manufactured home parks in Nevada. For manufactured homes, the landlord-tenant relationship of manufactured homes is regulated by NRS 118B. Given that the goal of S.B. 78 is to reach multi-family apartments, Senator Doñate was amenable to allowing this amendment to specify the bill does not apply to manufactured homes.

WARREN WILLIAMS:

I am neutral on S.B. 78. I have written testimony explaining my reactions to the bill ([Exhibit J](#)).

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CHAIR SPEARMAN:

We have also received a letter in the neutral position from Michael Matuska ([Exhibit K](#)).

Just by way of commentary, there are a lot of good, honest and deserving people who are landlords. The unfortunate thing is that the few bad actors taint the many good ones. I have had conversations with the apartment association and suggested they do whatever they can to clean that up and make sure the folks representing them are people they want to represent them. Those who are doing these sorts of things need to stop it. They need to quit.

I had someone call me in 2021 about their uncle, who is a 72-year-old disabled veteran. The landlord was going to evict him and only gave him two weeks notice. He also held onto the deposit, and the family had to take up an offering to try to get him into another place. I do not understand how anyone could do that to someone who is disabled. I do not understand how someone could do something like that to a veteran, especially, but it did happen. As I said, there are many good and honest landlords, but there are a few who are making a horrible impression for the many.

SENATOR DOÑATE:

You mentioned good landlords. As it happens, my parents are landlords. For them, purchasing a second home was an achievement that had not happened in our family before them. For us, it was a moment of reaching part of the American dream. We can reflect back and look at the wealth that we have built together.

Today's bill is an opportunity to level the playing field and better enhance the tenant-landlord relationship. Like many of those who are testifying, I too hope that one day I can purchase a home of my own. We believe that Nevadans have been hurting. They deserve safe and attainable housing, and we hope that through this bill, we can come closer to attaining this goal.

CHAIR SPEARMAN:

I will close the hearing on [S.B. 78](#) and open the hearing on [S.B. 195](#).

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

SENATOR ROCHELLE T. NGUYEN (Senatorial District No. 3):

In 2019, the Legislature created the Cannabis Compliance Board (CCB) with the passage of A.B. No. 533 of the 80th Session. The CCB began regulating the cannabis industry on July 1, 2020. Since that time, there have been many successes and many growing pains, and I expect we will probably be back here session after session making adjustments to this Board. Earlier this year, the Cannabis Advisory Commission reached out to me seeking to address some of those growing pains, and that is how S.B. 195 came to be.

As with S.B. 108, the need for S.B. 195 was brought home to me by people in my neighborhood. I was talking to someone within the cannabis industry who lives on the same road as me and heard about some of the struggles they were dealing with in trying to not only survive within the cannabis industry but also to thrive.

The goal of S.B. 195 is to support the growth and stability of this new industry while ensuring public safety. The cannabis industry employs 18,000 Nevadans, and last year it sent \$147 million to the Education Fund in Nevada. We submitted a report ([Exhibit L](#) contains copyrighted material. Original is available upon request of the Research Library.) that estimates the licensed cannabis industry's economic impact in Nevada at about \$2 billion annually. While the industry has grown steadily since 2017, we are now seeing a decline in sales. For example, in fiscal year (FY) 2021-2022, sales were down 4 percent from FY 2020-2021. This year, licensed cannabis sales are down by as much as 20 percent month over month in comparison to last year.

This bill encourages cooperation between regulators and the industry, like we see in gaming. When we created the CCB in 2019, the intent was to emulate that relationship. Unfortunately, we are just not seeing that, which I think has nothing to do with the people on the CCB. As legislators, we have a responsibility to keep coming back and reviewing what is working and what is not working.

This bill encourages cooperation between regulators and the industry. It does that by incentivizing and rewarding compliance, adding transparency and consistency to the disciplinary process for licensees, and reducing excessive fees that are threatening the sustainability of licensed cannabis businesses. Not only are these fines and fees a threat to the existing industry, but they create

significant challenges for any new entrepreneurs trying to open up a licensed cannabis business in Nevada.

This industry is unique in that it is not just competing within the regulated market but with the unregulated market as well. I have heard estimates that more than 50 percent to 60 percent of their competition comes from the black and gray markets. Those people are obviously not paying taxes, and they are not regulating or testing the products they sell. They are not subject to audits, fines, fees or taxes, but the licensed and legal industry is forced to compete with them. When we have an overregulated industry that does not allow people to efficiently, effectively and safely expand, you will see the black market expanding even faster.

LAYKE MARTIN (Executive Director, Nevada Cannabis Association):

The Nevada Cannabis Association is the trade association for licensed cannabis businesses in Nevada. This bill has broad support from the industry and is directly targeted to address some of the challenges licensed cannabis businesses are facing.

I will now walk through the sections of the bill. Section 2 authorizes the CCB to resolve disciplinary complaints through a settlement agreement, which codifies existing practice. Subsection 2 of section 2 states that in reviewing settlements, the CCB shall consider certain mitigating factors. Subsection 3 of section 2 spells out those mitigating factors and requires the Board to state on the record which mitigating factors are present and the weight the CCB will give those factors. One of the policy goals of this bill is to encourage self-reporting. Self-reporting is where a licensee discovers a violation and reports it to the CCB. Encouraging self-reporting is a key part of oversight of other regulated industries. It relieves public safety concerns, maximizes State resources and incentivizes compliance.

Section 3 of S.B. 195 establishes other mitigating factors, such as when the licensee has submitted a plan of correction and taken action to correct the violation; when the licensee has made a good faith effort to prevent violations from occurring; when the licensee cooperates in the investigation; and any other mitigating factors established by the CCB and regulation. Section 3, subsection 2 of the bill requires the CCB to take action to approve or reject licensees' proposed plans of correction within 30 days or else the plan is automatically approved. Plans of correction are existing tools used for

compliance and correcting issues. This provision ensures that licensees receive a response to their proposed plan so they can move forward.

Section 4 of the bill authorizes the CCB to settle disciplinary complaints. It also requires the CCB to consider mitigating factors when making a determination of a civil penalty outside of a settlement agreement. In other words, if the complaint goes to a hearing and the CCB hearing officer recommends a civil penalty, the CCB shall still consider mitigating factors when imposing any fine.

Section 5 of the bill addresses the practice of violation stacking. Nevada Cannabis Compliance regulation 4 sets out a system of progressive discipline. With the exception of the most serious violations involving public safety, the system is set up so that the first violation gives rise to a warning. If that matter has not been corrected or occurs again, the licensee would incur fines at increasing amounts, as well as possible suspension or revocation of the license.

Violation stacking is charging multiple violations arising from the same occurrence. For example, once the cannabis plant cultivation reaches eight inches tall, it must be tagged with a metric label for seed-to-sale tracking. If a CCB inspector enters the building and finds 100 plants that are 9 inches tall and not properly tagged, the licensee is often charged with 100 violations. This is contrary to the intent of the progressive discipline system, which is designed to give a warning or smaller fine to educate the licensee that the practice is noncompliant and give them the opportunity to correct it. The stacking of violations increases the amount of fines and could lead to suspension or revocation of the license.

Section 6 of S.B. 195 reiterates the language of section 4 and states the CCB must consider mitigating factors as part of determining civil penalties.

Section 7 of the bill sets the maximum civil penalty for a single violation at \$20,000. Nevada currently has one of the highest maximum penalties per violation in the U.S. Most states have a cap of \$50,000 or less per violation. This section also clarifies existing language regarding what the CCB can do in response to a violation, including issuing a penalty, suspending or revoking a license or issuing a warning if no penalty is warranted under the circumstances.

Sections 8 and 9 of the bill incorporate sections 2 and 3 regarding consideration of mitigating circumstances into the statutory provision for allowing judicial review of the final order of the CCB.

Section 10 of the bill describes the current practice of transferring ownership interests and allows the CCB to adopt regulations regarding the transfer of ownership interests.

Section 11 allows the CCB to collect from licensees the actual cost paid to third parties for any background checks performed in connection with initial applications. The actual cost of transfers of ownership has not been previously defined in statute. That term was interpreted broadly to encompass all staff time spent on background investigations.

Section 11, subsection 6 of the bill would prohibit the current practice of time-and-effort billing. Time-and-effort billing refers to the CCB's practice of charging licensees at an hourly rate for CCB staff time. It is not currently authorized by statute and is essentially double billing licensees for the CCB's overhead costs. The CCB is already fully funded by the wholesale excise tax. The CCB bills licensees for inspections, audits, travel time, reviewing security footage and even communicating with licensees to resolve a compliance issue. If you are a licensee and you have a meeting with the CCB about an issue, you will get a bill from the CCB for their staff time at the hourly rate of \$111 per hour. It does not matter if the staff person is a new hire, the licensee is still billed at the rate of \$111 per hour. If there are three CCB staff at the meeting, you will get a bill for \$333 per hour for their time.

It is impossible for licensees to budget for these expenses, and it is challenging for them to control costs. There is no cap, fee schedule or appeal process on these bills; you have to pay, or your license will not be renewed. At least one licensee is on a payment plan because they cannot keep up with these bills from the CCB.

What is unique about the CCB is that, unlike other regulatory agencies, the CCB's entire operating budget is covered by the wholesale excise tax. The CCB does not get its funding from the General Fund. It is fully funded by that 15 percent wholesale excise tax on cannabis products and the \$63 million that is brought in annually. That is more than six times the CCB's operating budget. The CCB does not need to generate revenue through additional fees.

This practice has a direct negative impact on every current and future licensed cannabis business's ability to succeed. Licensees are sending tens of thousands of dollars to the CCB every month instead of putting those funds towards growing their businesses and hiring employees. This bill would put an end to that practice.

SENATOR STONE:

This time-and-effort billing has been a concern of mine. I have an example of a bill a vendor got that was thousands of dollars above and beyond their license fees. Can you talk about how this originated? Are those fees going into the CCB fund or the General Fund?

MS. MARTIN:

These fees have an interesting history. Oversight billing of medical marijuana establishments was added to the *Nevada Administrative Code* (NAC) when the Division of Public and Behavioral Health (DPBH) oversaw the medical marijuana industry. At that time, there was not a dedicated funding source for the DPBH to oversee medical marijuana. The DPBH is authorized by statute to bill for inspections, so they would bill medical licensees for inspections.

However, in 2017, the oversight of the cannabis industry was transferred to the Department of Taxation, which does not have a statutory right to bill for inspections. However, the practice continued. Because the amounts were minimal and licensees were receiving hourly bills for inspections, there was not much pushback at that time, and the NAC regulations carried over as well. When it transferred over to the CCB, they also do not have clear statutory authority to bill for inspections or any other oversight. Additionally, they do not have general authority to collect fees for the administration of NRS Title 56. They have specific fees that are enumerated in statute, and the statute clearly says they are limited to those fees. This was an NAC holdover that was not corrected.

In 2017, the funding mechanism was changed because the regulators previously had not been fully funded. The Legislature decided we needed to fully fund the regulators and created the statutory mechanism of the wholesale excise tax to do so. Under NRS 372A.290, the operation of the regulators is fully funded first. After that, \$5 million is sent to local law enforcement, and the remainder goes to the State Education Fund. There is still a dedicated stream to the State

Education Fund through the retail excise tax. Last year, we sent \$87 million directly to education.

SENATOR STONE:

I appreciate the provisions in the bill regarding violation stacking. Regulatory boards should exist to help people comply with the complexities of the law and make recommendations on how to better comply with the law. I like the fact that they give a warning: "Listen, we found 100 plants that are over 8 inches tall. You need to get those tagged; otherwise, next time we are going to unfortunately have to give you a fine." In the spirit of being more business friendly, this is the attitude our boards and commissions need to have.

SENATOR BUCK:

You mentioned \$145 million that goes into the Education Fund. Was that just taxes, or was that also the fees and billable hours?

MS. MARTIN:

It is a combination of everything. It comes from the wholesale excise tax, the retail excise tax and any fees, fines and time-and-effort billing.

SENATOR BUCK:

I am in full support of this bill.

SENATOR NGUYEN:

Some of the suggestions that came to me for this bill seemed like common sense. I have learned enough from working with the Regional Justice Center on criminal traffic tickets to know that we should not be funding agencies based on fines and fees. This is a terrible policy that does not encourage people to work within the industry to promote business-friendly policies. In this case, we are in a unique situation where we fully fund this agency, and they can work together with the industry to make it efficient, safe and more able to grow.

Self-reporting is encouraged in almost every industry, and there needs to be a distinction between getting caught doing the wrong thing and self-reporting. If, for example, you had 100 plants that were an inch higher than they were supposed to be, you should be able to contact the CCB and say, "Hey, look, we messed up; we have 100 plants without tags," and not get the same \$100,000 fine you would get if you were trying to get away with something and they caught you.

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CHAIR SPEARMAN:

The CCB covers all facets of the cannabis process, from production to processing to transport to the dispensary. Is that right?

MS. MARTIN:

Yes, that is correct. The CCB oversees the entire supply chain and all licensees.

CHAIR SPEARMAN:

What is the annual budget for the CCB, and where does the money go?

MS. MARTIN:

The operating budget of the CCB is about \$10 million. Last year, the CCB generated another \$8 million in fines and fees. Whatever it collects goes to fund the CCB first, then \$5 million goes to the counties for local enforcement, and the rest goes to the State Education Fund.

KOUANIN VILLA (Green Life Productions):

I am here to testify in support of S.B. 195. I have submitted a letter of support ([Exhibit M](#)).

BRANDON WIEGAND (President, Nevada Cannabis Association):

I am in support of S.B. 195. I have submitted written testimony ([Exhibit N](#)).

DANIEL STEWART (Pisos):

We are here in support of S.B. 195.

I echo much of what has been said, but I want to offer two additional points building on some of the things the sponsor said. We have an emerging legal cannabis industry, but the illicit cannabis industry has been around forever, and it is going to keep being around. Law enforcement is not involved much in cannabis prosecution, and rightfully so. However, it does mean that it is easy to operate in the illicit market and incredibly difficult to operate in the legal and licensed market.

I would also like to say that this is the right place to work out these policies. I have worked closely with the CCB in different capacities, and they are under tremendous pressure to create policy on a case-by-case basis based upon what comes up. The best place to work out these policies is here at the Legislature.

ASHLEY CRUZ (Chamber of Cannabis):

The Chamber of Cannabis is in support of S.B. 195. We are Nevada's largest and most diverse 501(c)(6) business trade organization comprised of 62 businesses and 400 industry professionals.

WILL ADLER (Sierra Cannabis Coalition):

We are in support of this bill. The cannabis industry is legal in Nevada, and we would like to be treated like legal businesses and not overruled by the CCB in all ways. The focus of this bill is restructuring how we are treated as an industry.

With regard to the time-and-effort bills, it has already been said that the license fees we pay cover the entire cost of future license transfers. Yet one of my clients paid \$67,000 for time-and-effort bills last year, as well as license fees of \$280,000. You might hear that time-and-effort bills are nothing new. That is true, but at that time, it was done under the Department of Taxation, and we were billed for the time the auditors and other staff were physically in our building. We could count the people and the time they spent and anticipate the bill we would get. Today, the CCB charges for digital audits and other mechanisms. We might get a bill for one month with several thousand dollars of time-and-effort bills, and we must pay or not get our licenses renewed.

In addition, the harm done by stacking charges is severely underrated. Yes, you operate as best you can, but there are always going to be errors. The CCB does not just charge you once for a number of untagged plants. Instead, they add up the number of untagged plants and add it to the lack of a mop bucket and the number of places without paper towels, then put it all in one charge for a single inspection. This can result in over \$500,000 in charges against one licensee for one inspection. It is also true that if you lose one license, you can no longer operate any of your licenses. You cannot say, "This one facility has a charge of \$500,000, so I will give up that one license and work on the others." If you lose one license, you lose them all.

Ms. GOINS:

I am here on behalf of myself and the organization that I founded: Cannabis Equity and Inclusion Community. My organization has been around for five years. We are focused on disenfranchised people and those persons most impacted by the war on drugs, and this bill will help assist those new social equity licensees.

I am extremely concerned about how fees are allocated. I do not know if these new licensees will have the funding necessary to sustain their business models. That is a real concern for me.

The second reason I am in support of S.B. 195 is because currently, the CCB can fine employees along with business owners when a business is out of compliance. In the past, licensees have fired employees, then fined them and held their agent cards, which means they cannot work. These people have risked a lot to work in this industry, and then they are being fined for noncompliance. My organization has reached out to a few of the young people that have been fined, and I do not understand how the fines work. Fines of \$2,500 or \$3,000 are too expensive, especially for people who will then not be allowed to work in the industry. How are they going to pay those fines?

ESTHER BADIATA (Planet 13 Holdings; Jardin Premium Cannabis Dispensary):

We are proud to support S.B. 195. This bill will make critical reforms to the regulation of cannabis licenses that will help stabilize the legal industry and promote its continued growth. I have no doubt that these key changes will have a constructive effect, enabling licensees to continue expanding our tax base, contributing to education in Nevada and adding to living wages in Nevada. This legislation makes important changes to ease the unanticipated burdens experienced by those operating in the legal cannabis industry. The industry has faced a crippling decline in sales this past year, but we believe these enhancements will facilitate greater compliance as well as foster new investment in Nevada by refining statutes in pursuit of a more equitable regulatory structure. We look forward to helping pass this bill, and we urge the Committee to join us in supporting it.

AMANDA CONNOR:

I am a cannabis attorney who has been representing clients for licensing and regulatory compliance issues related to Nevada cannabis licenses since 2013. Currently, my firm represents over 200 Nevada cannabis licensees, or approximately one-third of Nevada's legal cannabis industry.

I am here to testify in support of S.B. 195. As a cannabis attorney, I strongly encourage adoption of the mitigation factors for discipline, including self-reporting, to foster a collaborative culture that places an emphasis on compliance without fearmongering. The importance of self-reporting and having the ability to reach out to the regulator to ask questions cannot be overstated.

When the industry feels comfortable to seek guidance from the regulator and/or to self-report, without fear of retribution or excessive discipline, everyone benefits.

In contrast, under the current *modus operandi*, regulators fine companies thousands of dollars, if not hundreds of thousands of dollars, for asking compliance questions or for self-reporting violations while identifying corrective actions. As a result, an aura of fear surrounds the industry, and a culture of silence and suppression has been created.

The consumer is best served when there is an emphasis on involving systems and processes through constructive oversight. I would like to suggest that the goal should be to foster a culture of public safety while allowing the industry to flourish.

MR. SCOLARI:

I am here in support of S.B. 195 on behalf of numerous cannabis clients—big, small, multistate, public and private. I would like to echo all the comments that have been made. This bill is a good start to foster some discussions about what has worked and what has not worked. I hope this will spur the CCB to have real policy discussions on issues that have come up. We support this bill and other measures that will help foster a constructive relationship based upon mutual respect and not fear.

MR. ROUZARD:

We are in support of this bill. We look to make Nevada a model state for economic opportunity with emerging markets like this. When we talk about licensing reform, this is a prime example of why free markets are restrained. We never want to put people in a position where other market forces are winning. In other words, we do not also want to create pervasive incentives. We should not be incentivizing these types of practices.

JOHN ACKELL (Zenway Corp):

I am the general manager of Zenway Corp, which is a Nevada licensed indoor cannabis cultivation facility located in North Las Vegas. Zenway Corp supports S.B. 195 and would welcome important and necessary changes to the laws and regulations affecting cannabis cultivation facilities. Thank you for addressing these important issues.

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SALPY BOYAJIAN:

I am the president and founder of Flower One, one of Nevada's largest cannabis cultivation and production facilities. I am in full support of S.B. 195. I moved here from Los Angeles, California, because I felt we could make the most impact here and truly be the gold standard for the industry. This bill speaks for licensees in requesting that transparency truly be at the core of what we are looking for here. Thank you for your time.

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

I am here today in a neutral position regarding S.B. 195. I am also hoping to add a little clarity to the record, given today's presentation.

In 2019, the Legislature determined that it was in the best interest of the State to move away from regulating cannabis like alcohol and to model it after Nevada's gaming regulation, which is the gold standard. The statute required the CCB to establish strict regulation of all persons, locations, practices, associations and activities related to the operation of a cannabis establishment. Prior to the creation of the CCB on July 1, 2020, the residents and lawmakers of Nevada had lost confidence and trust in a well-regulated cannabis industry as evidenced by massive litigation against the State, which is still ongoing. Allegations ranged from favoritism to under-the-table dealings to corruption. We had FBI investigations into cannabis dealings. We had indicted foreign nationals trying to buy influence into the cannabis industry through political donations. This was three years ago.

In the past three years, the CCB has fulfilled the legislators' request for a strict regulatory regime. We addressed in totality the concerns about impropriety and brought public confidence and trust that the product is safe, licenses are in compliance and individuals who would reflect poorly on Nevada's reputation and our communities have been prevented from accessing this industry. The CCB has also successfully addressed additional issues, including backlogs, processing times, flexibility, reaction to COVID-19 restrictions and a new licensing round free from litigation.

If the regime feels like it is tough, that is because the Legislature provided such direction in our enabling legislation. Some of the provisions in this bill would change that direction. That does not mean the CCB does not acknowledge market dynamics or does not want a successful industry. We do. However, there is risk in reducing flexibility for the CCB to regulate the industry at a time

when we are still seeing significant issues within the cannabis industry. The industry is young; this regulatory body is still young.

I am testifying in neutral because I believe there is opportunity to find common ground and to bring clarity where it is needed. However, I have concerns about moving too far outside of the policy, thus fracturing policy that was put in place only a few years ago, at a time when the problems of the past have only just been resolved.

Regarding plants over eight inches, the regulator would usually tell that licensee to tag them next time. Let me give some context. Last year, we issued 240 statements of deficiencies. Out of those 240 statements of deficiencies, the CCB authorized just 23 complaints in total.

Senator Nguyen mentioned self-reporting, and we encourage that. We have had over 1,000 self-reported incidents in the last 2.5 years, which is about 365 a year. Some are big, some are small. Out of this 1,000, only 5 have resulted in disciplinary action.

Regarding the CCB's budget, Ms. Martin mentioned an operating budget of \$10 million plus \$8 million in generated revenue. That is incorrect. We generate \$8 million in revenue, including time-and-effort fees, and our operating budget is \$10 million, so we do not cover our operating budget. Some of the wholesale tax collection is used for that, and the rest is deposited in the State Education Fund.

Regarding the time-and-effort fees, I certainly understand the concerns out there. For context, the 240-plus cannabis entities in Nevada averaged \$50,615 per year in time-and-effort fees.

You have heard many people talk about higher bills. Yes, there are higher bills, but that is because there were significant compliance issues. There are folks below 71 percent or below \$5,600 in time-and-effort billings a year.

SENATOR SCHEIBLE:

Is it necessary to go to a disciplinary complaint before a fee or fine is assessed?

MR. KLIMAS:

Yes, that is correct.

CHAIR SPEARMAN:

How much were the fines or fees for the deficiencies, on average? I have seen a couple of fines that were more than my house payment.

MR. KLIMAS:

Let me note that the CCB does not have the resources to go to a complaint for every violation. The violations that do result in complaints are egregious and often work out to multiple infractions, which is why those fine amounts are so high.

Regarding the five self-reported infractions that resulted in fines, I have to give a little context. There are pillars for protecting a state-run marketplace from federal intervention. The U.S. Department of Justice sent out a memo on what states should concentrate on to protect state-based marketplaces given the federal designation of cannabis. They included preventing cannabis from getting into the hands of minors, preventing cartels and criminal elements from gaining ownership, and keeping the product out of states that do not have a legal cannabis market. Our five self-reported violations included selling to minors, hidden ownership, diversion, and selling more product in a single sale than is allowed. I can provide you with details if desired; all of this material is publicly posted.

CHAIR SPEARMAN:

Let me go back to my question. How much was the average fine?

MR. KLIMAS:

Let me describe some of them in detail. The self-reported case of diversion, which is taking product outside of the CCB tracking system, was given a civil penalty of \$52,000. We had four cases of sales to minors, one of which was self-reported, and that had a civil penalty of \$115,000. The case of selling cannabis in excess of transaction limits could have been a penalty of \$100,000 and a 15-day suspension; we made it a \$25,000 civil penalty with no suspension. We look at compliance history to make these choices. Another case of selling in excess of transaction limits could have been \$75,000 with a 30-day suspension; it was settled at \$45,000 with no suspension and no complaint filed. Finally, an unapproved transfer of interest could have been a \$25,000 fine or a 20-day suspension. It ended up being \$18,000 for an unapproved transfer and \$45,000 for a false statement, with no suspension and no complaint filed.

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CHAIR SPEARMAN:
Could you give that to us in writing?

MR. KLIMAS:
I will.

SENATOR SCHEIBLE:
I do not practice law in this area, so I need some clarification about your process. If I am a dispensary operator and there is a violation in my dispensary, is the first step a notice or an investigation? Is there a period of time in which that violation might be resolved or settled? I have a feeling some are using the word "violation" to mean two different things.

MR. KLIMAS:
I will run through the process. We have teams of auditors and inspectors who go to the facilities routinely. At the end of a routine audit or inspection, a facility like a dispensary will get a statement of deficiency if we have identified deficiencies or if they are out of compliance. If there are no violations or deficiencies, they have a clean audit or inspection. That is currently about 50 percent of all audits and inspections; half are clean, and the other half have deficiencies. That information is all included in the biennial report we submit.

SENATOR SCHEIBLE:
This is the first time I am learning of a statement of deficiency. A self-reported incident is not the result of a routine audit or inspection. Is it possible that out of those 1,000 self-reported incidents, some of them resulted in statements of deficiency?

MR. KLIMAS:
A deficiency letter comes after we have visited the facility on a routine audit or inspection, something we do on a continual basis. When we do a routine inspection and find deficiencies, things out of compliance, we give them a statement of deficiency. At that point, the licensee is required to address those issues and send us a plan of correction, which we must approve.

At this point, two things can happen. If that violation rises to the level that a complaint should be filed, we will review it and send it to the Office of the Attorney General (AGO). The AGO reviews it, and if they recommend we move to a complaint, we ask them to authorize us to file a complaint. That starts the

disciplinary process. The facility can work out a settlement with us, or they can choose to have a hearing and dispute the facts. We have an administrative law judge (ALJ) on staff, and that option is always open to them. The result of the hearing is a recommendation that comes back to the CCB. The CCB has the final say; it can reject the settlement, lower the settlement amount, agree with the ALJ's recommendations or make its own recommendations. It can also issue a letter of concern, which is a middle ground.

Let us say we have noted a deficiency. It could rise to a complaint, but we look at their compliance history and find this is the first time they have committed that violation and they have a good compliance history. We will issue a letter of concern, which allows us to educate rather than go straight to a complaint. That letter of concern says, "We found a problem, but we looked at your history, and we're not going to file a complaint; we're just going to put a letter in your file. We want you to fix this, but we are going to move forward." That has been very helpful from our perspective.

SENATOR DALY:

Your process sounds a lot like the process used by the Occupational Safety and Health Administration (OSHA). They go out, they find a problem, and they give the contractor a chance to fix the problem. You can also ask them to come inspect your facility: "Tell us where we are deficient to make sure we are in compliance." I believe that with OSHA, if you call them in to inspect you, they will tell you if they find a deficiency, but they cannot cite you for it. You might want to talk to OSHA and see if something like that will work for you.

SENATOR STONE:

How did you come up with your fee schedule? Also, how much of your time is dedicated to overseeing licensed cannabis industries versus unlicensed? How many unlicensed facilities have you uncovered, and what kind of fees are generated from them?

MR. KLIMAS:

You asked about a fee schedule. There are civil penalties and time-and-effort billings, and they are totally separate things. Civil penalties in regulation are in five different categories, each of which carries a maximum amount. They are progressive.

Regarding time-and-effort fees, we bill \$111 an hour. That number has been unchanged since the Nevada Department of Health and Human Services days. Whether it is right or wrong, time-and-effort fees have been billed since the beginning of the legal cannabis industry in 2014. I think it is going to be up to the Legislature to change this. It does help justify new staff positions, though, because time-and-effort fees pay for new auditors and inspectors.

When we took over this body from the Department of Taxation, there were unpaid bills. There was no real rhyme or reason on how companies billed, who tracked billing or what they billed for. As with many things, we said, "Well, this is the policy. I have a line item in my budget that says a time-and-effort assessment has been approved biennium after biennium, so I guess we're going to do it." If the CCB decided to suddenly stop collecting time-and-effort fees, I would be here explaining to you why I suddenly have a big hole in my revenue. It was not an option, and it should have been an option. But again, that direction needs to come from the Legislature.

Regarding unlicensed versus licensed, the majority of our time is spent on the licensed market. That is not to discount the incredible problem that we have with the unlicensed market. The illicit market, the gray market, the black market exists, and it makes up somewhere between 40 percent and 80 percent of all sales. We do not even know how much. The CCB has eight POST-certified officers, so our enforcement division is quite small. They work with State and local law enforcement on illicit market activities and have participated on illegal grows with Douglas County recently. They do have an impact, but it is minimal simply because of the number of officers.

SENATOR STONE:

In meeting with the industry, it is the exorbitant fees they have to pass on to the customer that makes their product less competitive with the black/gray market. I see that as an inequity.

CHAIR SPEARMAN:

Do you have what the military calls standard operating procedures (SOP)? That allows anyone to pick up a case and say, "This is what we do in this instance, and this is what the fine is, and this is the action we recommend."

MR. KLIMAS:

We do have categories of violations in regulations that list the fines for each violation. That might serve as the type of blueprint you are referring to. Licensees use SOPs as part of their businesses, and we review those when we do audits and inspections. Those SOPs are basically checklists that we review, and those checklists come straight from our regulations. Is that what you were talking about?

CHAIR SPEARMAN:

That is not what I meant, so let me try to make it more clear. When you do an inspection, do you have something you give to the licensee that spells out what you are looking for and what statutes they are based on? These are the tasks we perform, and these are the costs for these tasks. Or is it all just arbitrary?

MR. KLIMAS:

Yes, we do have checklists that include what we are looking for, and the fines and fees are there. The actual amount of fines and fees depends on the severity of the situation.

CHAIR SPEARMAN:

I understand that. But even if it is gradient, you should have something in writing that sets out the ranges for minimal, moderate and egregious levels. After talking to owners, I have heard that they do not know how much the fines and fees are going to be and cannot budget for it. People should have an idea of how much they might get hit for. If you run a stop sign, there is something in the law that tells you how much it will cost you. That should be in writing somewhere. Do you have anything like that?

MICHAEL MILES (Deputy Director, Nevada Cannabis Compliance Board):

Yes, we do have that in writing. Our regulation 4 includes the five categories of violation and the amount you can be charged for that violation. In addition, regulation 6 lists specifically what we charge for the time-and-effort fees.

CHAIR SPEARMAN:

That answers my question, and I would like to see those regulations, if you can please send them to me.

Regarding the time-and-effort fees, is that standard practice? How many other agencies charge for the time and effort of their investigators? You have a

budget for the operation of the CCB. Where does time-and-effort billing come in?

MR. KLIMAS:

The time-and-effort billing was modeled after the Gaming Control Board, which charges \$158 an hour. If you apply for a new gaming license, you put up a retainer of \$60,000, and then the Gaming Control Board investigates you and draws from that account for the time and effort required to review your compliance plan. I am not an expert on their practices, but this is where the model came from.

RIANA DURRETT:

I serve as a member of the CCB, but I am here in my personal capacity. I do not speak for the other CCB members. I was appointed to the CCB in the role of somebody who has industry experience. I had worked for the Nevada Dispensary Association, now known as the Nevada Cannabis Association, for five years. I am familiar with the industry and have worked with or around them for the last nine years.

In general, I would say the CCB is reasonable. The things it requests are usually things that contribute to the industry's stability and survival. It does not tend to reach for the moon and say, "Okay, we'll settle from there." I am available for questions now or offline.

SENATOR NGUYEN:

As you can see, a broad cross-section of the industry has gotten behind this bill: large companies, small companies, social equity licensees and licensees all across the supply chain. We are asking for help. There is a lot of work to do, and we are trying to be compliant and trying to go towards a model that increases transparency, consistency and incentivizing compliance.

To the comment that there are thousands of self-reports, many of those are things like a malfunctioning security camera, which is required to be reported. We are looking for the big stuff, the type of problems where you are making a decision that could be a business-ending move. We need to adopt policy that encourages licensees to report anyway, policy that rewards compliant behavior. It is less about how they handle some of the cases. It is more about making sure licensees are making the right decision to self-report violations.

On the issue of time-and-effort billing, there is no statutory charge to ramp up time-and-effort billing on inspections or audits or anything like that. That is not something the Legislature has given the CCB the charge to do. It has increased time-and-effort billing by 500 percent in the last 2 years. It has gone from \$300,000 to almost \$2 million, and they project another \$4 million over the biennium in time-and-effort billing again. These are charges licensees cannot budget for, cannot predict and cannot appeal.

I encourage you to look at some of those categories. We heard testimony regarding a category 3 stacking violation that ended up being \$40,000, and another where no paper towels in one of the bathrooms and a broken security camera led to a \$40,000 fine.

I do not blame the CCB. I think we need to give them direction, and that direction needs to come from this legislative body just like the creation of the body itself. We give directions; we do not always get it right. That is why it is incumbent on us to come back every two years and make changes. I would argue that the direction we should go in is moving towards that gold standard, because in all honesty, we have not yet reached that point.

CHAIR SPEARMAN:

We have received nine letters of support for S.B. 195 ([Exhibit O](#)).

I will close the hearing on S.B. 195. Is there any public comment?

ERICA MINABERRY:

I took time off work today to be able to testify for the earlier bill and was not able to because of the limited time allowed for testimony, which I feel is really undemocratic and insulting to people who take time out of their day to have their voices be heard. It is different to testify with my voice than it is to write things down. I am somebody who is impacted by the housing crisis. I do not get to move on to the next line item because it is something that impacts me every day. For people like me who are working too much and are too frugal, the only hope to get some relief with this housing crisis is that our elected representatives will listen to us. That was completely shut down today, and it is really insulting to your constituents.

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CHAIR SPEARMAN:

Is there any further public comment? Hearing none, we are adjourned at
12:24 p.m.

RESPECTFULLY SUBMITTED:

Lynn Hendricks,
Committee Secretary

APPROVED BY:

Senator Pat Spearman, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Introduced on Minute Report Page No.	Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Roster
S.B. 108	C	4	Senator Rochelle Nguyen / Brewers Association	Economic Impact of Craft Breweries (copyright)
S.B. 108	D	6	Senator Pat Spearman	22 Support Letters
S.B. 78	E	24	Jonathan Norman / Senator Fabian Doñate	Proposed Amendment
S.B. 78	F	24	Jonathan Norman / Ovation Homes	Proposed Amendment
S.B. 78	G	30	Senator Pat Spearman	24 Support Letters
S.B. 78	H	41	Wiselet Rouzard	Opposition Letter
S.B. 78	I	42	Mackenzie Warren Kay / Manufactured Home Community Owners Association	Proposed Amendment
S.B. 78	J	43	Warren Williams	Written Testimony
S.B. 78	K	43	Senator Pat Spearman	Neutral Letter from Michael Matuska
S.B. 195	L	44	Senator Rochelle Nguyen / Nevada Cannabis Association	Economic Impact Analysis (copyright)
S.B. 195	M	50	Kouanin Villa / Green Life Productions	Testimony in support

S.B. 195	N	50	Brandon Wiegand / Nevada Cannabis Association	Testimony in support
S.B. 195	O	62	Senator Pat Spearman	9 Support Letters