

**City of Carson City
Agenda Report**

Date Submitted: September 9, 2014

Agenda Date Requested: September 18, 2014

Time Requested: One Hour

To: Mayor and Board of Supervisors

From: Community Development – Planning Division

Subject Title: For Possible Action: To consider a Business Impact Statement and determine whether or not Business License fees proposed for Medical Marijuana Establishment impose a direct and significant economic burden on Medical Marijuana Establishments but and directly restrict formation, operations or expansion of a Medical Marijuana Establishment, and find that a Business Impact Statement has been prepared in compliance with NRS 237, accepted, and is on file with the Board of Supervisors. (Lee Plemel and Susan Dorr Pansky)

Summary: Per NRS 237, when considering the adoption of fees that may have an impact on business, government entities must prepare a Business Impact Statement that considers whether the proposed fees will impose a direct and significant economic burden or will directly restrict formation, operations or expansion of a business. In accordance with the requirements, staff has prepared a Business Impact Statement that has determined that the proposed Business License fees for Medical Marijuana Establishments will impose a direct and significant economic burden on Medical Marijuana Establishment operators but will not directly restrict formation, operations or expansion of such establishments. This action does not adopt the proposed fees.

Type of Action Requested:

Resolution

Formal Action/Motion

Ordinance

Other (No Action)

Does This Action Require a Business Impact Statement: Yes, Completed No

Recommended Board Action: I move to find that the proposed Business License fees for Medical Marijuana Establishments do impose a direct and significant economic burden on Medical Marijuana Establishments but do not directly restrict formation, operation, or expansion of a Medical Marijuana Establishment, that a Business Impact Statement has been prepared in compliance with NRS 237, accepted, and is on file with the Board of Supervisors.

Explanation for Recommended Board Action: The proposed Business License fees for Medical Marijuana Establishments have been presented to the Carson City Area Chamber of Commerce and all known parties that have an interest in Medical Marijuana Establishments in Carson City. To date one letter of objection has been received and is attached to this report. The recommended Board action will accept that the Business Impact Statement has demonstrated that the proposed fees will impose a direct and significant economic burden in Medical Marijuana Establishments but that the fees will not directly restriction the formation, operation, or expansion of a Medical Marijuana Establishment. The recommended action does not accept adopt the proposed fees. The proposed fees will be adopted with ordinance that will be presented to the Board for first and second reading in October. The agenda item following this item is a workshop to discuss the ordinance and to obtain direction from the Board on proposed fees and other provisions to be included in the ordinance.

Applicable Statute, Code, Policy, Rule or Regulation: NRS Chapter 237 Business Impact Statements

Fiscal Impact: None for this action

Explanation of Impact: The proposed fees will not be adopted with an action to accept that the Business Impact Statement will impose a direct and significant economic burden. The fiscal impact will occur with the adoption of the amended ordinance that actually implements the proposed fees.

Funding Source: N/A


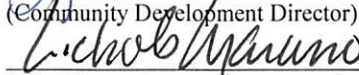


Alternatives:

- 1) Make the finding that the proposed fees **do** impose a direct and significant economic burden upon a business and **do** directly restrict the formation, operation or expansion of a business.
- 2) Make the finding that the proposed fees **do not** impose a direct and significant economic burden upon a business and **do not** directly restrict the formation, operation or expansion of a business.

Supporting Material:

- 1) Letter to Potentially Impacted Businesses requesting comment on Business Impact Statement
- 2) Business Impact Statement
- 3) Public Comments Received
- 4) List of Business License Fees for Medical Marijuana Establishments in other NV jurisdictions

Prepared By: Susan Dorr Pansky, Planning Manager

Reviewed By:  Date: 9-9-14
(Community Development Director)
 Date: 9/9/14
(City Manager)
 Date: 9/9/14
(District Attorney's Office)
 Date: 9/9/14
(Finance Director)

Board Action Taken:

Motion: _____ 1) _____ Aye/Nay
2) _____

_____ (Vote Recorded By)



Carson City Business License Division

108 E. Proctor Street
Carson City, Nevada 89701
(775) 887-2105 – Hearing Impaired: 711
buslic@carson.org
www.carson.org/businesslicense

August 15, 2014

Subject: Ordinance amending Carson City Municipal Code, Title 4, Licenses and Business Regulations for Medical Marijuana Establishment Business License Fees

To Whom It May Concern:

Please be advised that the Carson City Business License Division intends to propose amending Carson City Municipal Code, Title 4 (Licenses and Business Regulations) to include annual business license fees for Medical Marijuana Establishments. In accordance with NRS 237.080 and 237.090, Carson City has prepared a draft Business Impact Statement that outlines the proposed fees, and invites you to review and comment as it may have future impact on you, your members or associates.

The business license fees proposed are for those desiring to obtain a business license for a Medical Marijuana Establishment including a dispensary, cultivation facility or production facility.

Staff is currently working to finalize the proposed Ordinance that would establish business license fees and regulations for Medical Marijuana Establishments, but does not anticipate significant amendments to Title 4 beyond the proposed annual license fees. A copy of the draft Business Impact Statement is attached for your review.

In accordance with NRS 237,080, interested parties may provide feedback as to whether any of the proposed fee structures will:

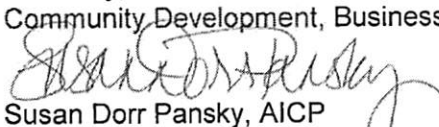
1. Impose a direct and significant economic burden upon a business; or
2. Directly restrict the formation, operation or expansion of a business.

Please submit any comments, data or arguments in writing **no later than 5:00pm on Monday, September 8, 2014** to the following:

Carson City Community Development, Business License Division
Attn. Susan Dorr Pansky
108 E. Proctor Street
Carson City, NV 89701
spansky@carson.org

The Business Impact Statement will be presented to the Board of Supervisors at their regular meeting on Thursday, September 18, 2014. If you have any questions, please contact me at (775) 283-7076 or via email at spansky@carson.org.

Sincerely,
Community Development, Business License Division


Susan Dorr Pansky, AICP
Planning Manager

attachment

Carson City
Business Impact Statement

The following business impact statement was prepared pursuant to NRS 237.080 and .090, as amended by Assembly Bill 408 (2013), to address the proposed impact of:

- a) AN ORDINANCE AMENDING THE CARSON CITY MUNICIPAL CODE TITLE 4, LICENSES AND BUSINESS REGULATIONS, CHAPTER 4.04, BUSINESS LICENSE, SECTION 4.04.005, DEFINITIONS, BY ADDING DEFINITIONS FOR MEDICAL MARIJUANA ESTABLISHMENTS; AND SECTIONS 4.04.020, 4.04.031, AND 4.04.040 BY ADDING FEES FOR MEDICAL MARIJUANA ESTABLISHMENTS AND EXEMPTING MEDICAL MARIJUANA ESTABLISHMENTS FROM CERTAIN FEES, AND OTHER MATTERS PROPERLY RELATED THERETO.

- 1) **NOTICE AND COMMENTS:** The following describes the manner in which comment was solicited from affected trade associations and businesses, and a summary of their comments:

- a) **Notice**

Letters and/or emails were sent to representatives of the Carson City Chamber of Commerce and persons who had contacted Carson City expressing an interest in Medical Marijuana Establishments notifying interested persons that they could submit written arguments and data concerning impacts of the proposed Ordinance on or before September 8, 2014 to Susan Dorr Pansky, Planning Manager, Carson City Community Development, Business License Division, 108 E. Proctor Street, Carson City, Nevada 89701, (775) 283-7076 or via email at spansky@carson.org.

The proposed Business Impact Statement was available for viewing at the Carson City Community Development Department, Planning Division at 108 E. Proctor Street, Carson City, Nevada 89701.

- b) **Summary of Comments**

A total of eight letters in response to the proposed fees were received as of the finalizing of this statement. All eight letters expressed concerns about how high the proposed fees are and all are opposed to the fees as currently presented. The comment letters are provided as attachments to this statement.

- 2) **ECONOMIC IMPACT**

The estimated economic effect of the proposed rules on the businesses, including, without limitation, both adverse and beneficial effects, and both direct and indirect effects:

The proposed Ordinance will set fees for Medical Marijuana Establishments as follows:

<i>Medical Marijuana Dispensary</i>	<i>0 – 2,499 sq. ft.</i>	<i>\$75,000 per year</i>
	<i>2,500 sf – 4,999 sq. ft.</i>	<i>\$100,000 per year</i>
	<i>5,000 or more sq. ft.</i>	<i>\$125,000 per year</i>
<i>Medical Marijuana Cultivation Facility</i>	<i>0 – 5,999 sq. ft.</i>	<i>\$75,000 per year</i>
	<i>6,000 – 14,000 sq. ft.</i>	<i>\$100,000 per year</i>
	<i>15,000 or more sq. ft.</i>	<i>\$125,000 per year</i>
<i>Medical Marijuana Production Facility</i>		<i>\$100,000 per year</i>

Carson City is not proposing new business license fees for Medical Marijuana Independent Testing Laboratories. These facilities would be subject to the standard business license fees currently in effect.

a) Adverse Effects

Direct and indirect adverse effects of the introduction of Medical Marijuana Establishments to Carson City are difficult to quantify, as are potential direct and indirect impacts on Medical Marijuana Establishments proposing to do business in Carson City.

Potential impacts on future Medical Marijuana Establishments will include the imposition of an annual business license fee to operate in Carson City. The proposed Ordinance is not expected to have a negative impact on existing businesses that may seek licensure as these are new business license categories that are specific to Medical Marijuana Establishments only.

Potential impacts to the community of Carson City as a result of the allowance of Medical Marijuana Establishments are outlined below:

- *Despite Nevada's decriminalization pertinent to medical marijuana pursuant to Senate Bill 374 of the 77th Regular Session 2013 (SB 374), marijuana remains a Schedule I controlled substance under the federal Controlled Substances Act (CSA) (Pub.L. 91-513, 84 Stat. 1236, enacted October 27, 1970, codified at 21 U.S.C. § 801 et. seq.).*
 - *A Schedule I controlled substance under the CSA is defined as a drug that has a high potential for abuse (21 U.S.C. § 812).*
 - *Regardless of such recognized danger, proponents of medical marijuana argue it is a safe and effective treatment for the symptoms of cancer, AIDS, multiple sclerosis, pain, glaucoma, epilepsy, and other conditions.*
-
- *Opponents of medical marijuana argue it lacks FDA-approval, is addictive, may lead to harder drug use, interferes with fertility, impairs driving ability, may injure the lungs, immune system, and/or brain, increases heart rate and anxiety, is considered to be a front for drug legalization and recreational use, and is unnecessary given the availability of other medication including Marinol (synthetic form of THC).*
 - *Of paramount importance to Carson City is the protection of its citizens' health and, thus, to keep its citizens from being exposed to the risks associated with easier access to marijuana.*
 - *Medical marijuana, despite purported benefits to legitimate patients, may rob its users of free will and interfere with users' abilities to make informed and rational decisions.*
 - *Despite purported medicinal benefits, marijuana has adverse affects in the form of increased health care costs, increased violence associated with drug usage, neglect of children, and other third party effects.*

- *Decriminalizing medical marijuana may send the message to children that usage of medical marijuana is no different than the usage of any other prescribed medication they may find in the home.*
 - *The ease of access to marijuana, medical or otherwise, will also mean children will have easier access to this drug.*
 - *Despite the restrictions and regulations of Medical Marijuana Establishments in Nevada, there will be abuse causing interference with other aspects of life, just like with any prescription drug, necessitating addiction treatment in some cases.*
 - *Despite arguments that decriminalizing medical marijuana will raise tax revenue, the adverse affects to health, safety and welfare of citizens cannot be ignored and any revenue gained must be offset by resultant social costs.*
 - *For example, for every \$1 in alcohol and tobacco taxes raised there are \$10 paid out on the resulting social costs (see Sabet, Baker Institute Blog, Rice University, [Marijuana: A case against legalization](#) (September 25, 2012).*
 - *Upon utilizing an equitable standard, section 2.260 of the Carson City Charter gives Carson City the power to fix, impose and collect a license tax for revenue or for regulation, or both, upon Medical Marijuana Establishments doing business in Carson City.*
 - *Sections 10 at subsections 3(a)(5) and section 11.5 of SB 374 acknowledges Carson City's right to issue business licenses to such Medical Marijuana Establishments.*
 - *When a power to license is given the intendment must be that regulation is the object and, indisputably, Carson City may regulate its licensees.*
-
- *The fees for the issuance of a business license to be exacted from Medical Marijuana Establishments doing business in Carson City has been arrived at using an equitable standard in light of the potential costs associated with such businesses, including an increase in criminal justice and social costs.*

b) Beneficial Effects

It is anticipated that the amendments to Carson City Municipal Code, Title 4 will provide rules and regulations for the licensing and operation of Medical Marijuana Establishments to provide for, among other things, the authorization of appropriate methods to supply marijuana to patients authorized to use it for medical purposes. The use, cultivation, distribution, production, possession and transportation of marijuana remains illegal under federal law, and the Department of Justice has given guidance to enact strict regulatory structures to ensure federal priorities are upheld. By enacting these amendments to Carson City Municipal Code, Title 4, Carson City is providing a framework under which Medical Marijuana Establishments may operate with Carson City as well as appropriate fees to offset potential costs, including an increase in criminal justice and social costs.

b) Direct Effects

The proposed business license regulations for Medical Marijuana Establishments do impose a direct economic impact upon a potential Medical Marijuana Establishment proposing to do business in Carson City, but do not restrict the formation or expansion of a business to comply with the proposed regulations. The proposed business license categories may encourage businesses to apply for a Medical Marijuana Establishment license in Carson City; the proposed fee amounts are anticipated to limit the ability of some businesses to apply for the proposed licenses.

c) Indirect Effects

The passing of this measure may have indirect effects; however, because this is a new industry in the State of Nevada, those effects cannot be quantified at this time.

3) METHOD TO REDUCE IMPACTS

The following constitutes a description of the methods that the governing body of the local government considered to reduce the impact of the proposed rules on businesses and a statement regarding whether and, and if so which, of these methods were used:

Carson City considered lower fees for Medical Marijuana Establishments but determined that lower fees would not offset the cost of potential negative impacts.

4) ENFORCEMENT COST

The governing body estimates the annual cost to the local government for enforcement of the proposed rules is:

Carson City is unable to determine the estimated cost of enforcement for Medical Marijuana Establishments at this time, but anticipates that the costs associated with processing of business license applications, oversight of the industry, law enforcement and social programs will be offset by the proposed business license fees.

5) FEE INCREASE

The total amount the local government expects to collect and the manner in which the money will be used, if the proposed ordinance creates a new fee or increases an existing fee.

The proposed ordinance changes will create business license fees for Medical Marijuana Establishments. Staff estimates revenue generated by these new fees will initially be anywhere from \$150,000 to \$500,000 in the first year. This revenue will be used to offset costs associated with the regulation and oversight of this new industry, including law enforcement and drug abuse awareness and rehabilitation programs that Carson City has determined are integral to balance the potential negative effects of introducing a legalized method to obtain a Schedule I Controlled Substance into the community.

6) DUPLICATE PROVISIONS

During the 2013 Nevada Legislative Session, the Nevada Legislature passed SB 374, which establishes a procedure for a person to obtain a registration certificate from the State of

Nevada to operate Medical Marijuana Establishments. Some of the requirements in the proposed ordinance are also located in State law. Because Carson City has an interest in providing for the licensing and regulation of Medical Marijuana Establishments to protect the public health, safety and general welfare of the citizens of the City and to regulate the use of buildings, structures, land use, business and other purposes, any duplicate provisions are necessary to ensure that Carson City can exercise its regulatory powers.

7) REASON FOR CONCLUSION

The new license categories present opportunities created by changes in State law. Carson City's decision to allow Medical Marijuana Establishment licenses, and impose the fees associated with them, is seen as a responsible effort to balance the various interests involved with or affected by resulting business activities.

CERTIFICATION REQUIRED PER NRS 237.090(2)

I, Nick Marano, as City Manager for Carson City, hereby certify that, to the best of my knowledge or belief, the information contained in this Business Impact Statement was prepared properly and is accurate.

Dated this 9th day of Sept., 2014.



Nick Marano, City Manager
Carson City

Attachments:

Letter from Andie Wilson – Received 8/29/14

Letter from WSCC, Inc. – Received 9/8/14

Letter from HW Wellness – Received 9/8/14

Letter from Vicente Sederberg, LLC – Received 9/8/14

Letter from Pistil and Stigma – Received 9/8/14

Letter from Nevada Medical Marijuana Association – Received 9/8/14

Letter from Michael Phillips Communications on behalf of BioNeva Innovations – Received 9/8/14

Letter from Watson Rounds on behalf of BioNeva Innovations – Received 9/8/14

August 29, 2014

Re: Carson City proposed fees for medical marijuana dispensaries, cultivation & production facilities, and labs

Carson City Leadership:

As a business owner, I was disappointed to see the proposed exorbitant fees for medical marijuana operators. The proposed fees not only exceed the proposed fees of any other Nevada municipality, they are grossly out of line with the expected revenues our rural population is expected to provide these new businesses. For example, the estimated revenues for a Clark County operation is in the \$10 mil range, while the estimated revenues for a rural county operation like Carson City is in the \$4 mil range. Yet, the proposed fees for Carson City are significantly higher than Clark County. This gives the impression that Carson City does not want these establishments at the same time the City states that they wish to follow the constitutional mandate. If the City does not want this type of business to be successful, better to just say so and retract the MME ordinance then to proceed under false pretenses.

There will be increased expenses to the city as a result of the legalization of medical marijuana, so higher than normal business licensing and/or SUP fees are expected. However, I am opposed to grossly inflated fees for a number of reasons:

1.) Higher fees, like any taxes or fees, will be ultimately be paid by the end user in the form of a higher product cost. In this case, the end user is a patient with an ailment of some kind that medical marijuana has been prescribed to relieve.

2.) If the cost of legally sold medical marijuana exceeds the cost of marijuana sold on the black market, illegal sales will not only continue but accelerate. This helps no one and ultimately puts our community at greater risk.

3.) This new business will provide an opportunity for the creation of likely 100 - 200 new jobs in Carson City. If the fees are too high, many of the business owners who had previously pursued opening a business in Carson City will abandon this endeavor, thereby missing out on a job creation opportunity.

4.) There are no grounds for punitive business licensing fees for a legally operated business.

Carson City, bordered by less enlightened counties to the east and south, has a unique opportunity to take the medical marijuana business model and do it right. I implore Carson City leadership to explore other options, such as a one-time licensing fee, or a licensing fee that is appropriate to our population base.

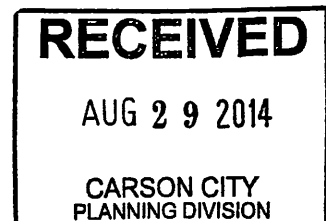
Please do NOT reply all. Note I have sent this to the entire Board of Supervisors as well the our Sheriff, D.A., and city planning staff. I have additionally bcc'ed several hopeful operators, long-time local residents and citizens, who have applied for licenses.

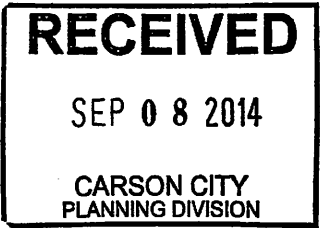
Thank you for your consideration,

Andie

**Andie Wilson, CCIM, Broker, Owner
NAI Alliance Carson City**

**504 E. Musser #202, Carson City, Nevada 89703
Andie: (775) 721-2980**





September 5, 2014

Carson City Community Development, Business License Division
Attn: Susan Dorr Pansky
108 E. Proctor Street
Carson City, NV 89701

Re: Ordinance amending Carson City Municipal Code, Title 4, Licenses and Business Regulations for Medical Marijuana Establishment Business License Fees

Dear Ms. Pansky,

Our firm, WSCC, Inc., is an applicant for four medical marijuana establishment licenses in Northern Nevada. Two of the licenses we seek are for Medical Marijuana Establishments ("MMEs") located in Carson City – one for a medical marijuana dispensary and one for a cultivation center. We are also in the process of completing our Special Use Permit applications in Carson City for these facilities.

This letter is being written to the Carson City Community Development, Business License Division (the "Division") to express our concern regarding the proposed Business License fees for medical marijuana dispensaries and cultivation centers (as well as testing laboratories and marijuana production facilities) in Carson City. Our concerns reside in three areas:

- A. The economic burden placed on businesses.

- B. The economic burden placed on patients.
- C. The inaccuracies and unsupported generalities set forth in the Business Impact Statement regarding the purported adverse effects of introducing MME's into Carson City.

A. The Economic Burden Placed on Businesses

As of month-end July 2014, there were 1,040 patients holding medical marijuana cards residing in counties other than Clark and Washoe. Carson City, with approximately 16.2% of the state's population (not counting Clark and Washoe Counties) might be expected to have approximately 170 of those card holders and as the following Table indicates the two authorized dispensaries for Carson City might be expected to treat about 85 patients each, assuming no growth in the patient base. As the Table indicates, under assumptions about revenues and

earnings generated by our MME, the fees proposed for our dispensary (which is greater than 2,500 square feet) would represent:

- *Almost 16% of our projected Gross Revenues*
- *Almost 75% of our projected Profits*

Analysis of Carson City Medical Marijuana Facility Business License Fees

As of July, 2014

Nevada Medical Marijuana Card Holders	6,531
Card Holders Residing in Clark and Washoe Counties	5,491
Card Holders Residing in the Remaining 15 Counties	1,040
Carson City Percentage of Population in those 15 Counties	16.23%
Est. # of Patients of Medical Marijuana Patients in Carson City	169
Projected Medical Marijuana Dispensaries in Carson City	2
Patients per Dispensary	85
Monthly Consumption per Patient	1.5 ounces
Monthly Revenue per Dispensary (@ \$400/oz)	\$51,000
Annual Revenues	\$612,000
Carson City Medical Marijuana Dispensary Business	16.34%
<hr/>	
License Fees as a percentage of Gross Revenues	
Carson City Medical Marijuana Dispensary Business	75.76%
License Fee as a percentage of Profits (assuming \$40K per month in Operating Costs)	

We believe that the proposed schedule of Business License Fees for Medical Marijuana Establishments, even with reasonable growth factored in, is still unjustifiably high and likely to be a major inhibiting factor in getting our business and others established. Our overall response to these fees, if they are upheld and we are able to obtain a license, will be to:

- *Cut back on our hiring and operating hours*
- *Be forced to charge higher prices just to stay in business.*

Neither of these responses would be in the best interest of patients desperately needing this medicine or the city or the state.

B. The Economic Burden Placed On Patients.

As with any business, it will be critical for our medical marijuana dispensary to show a profit to be able to continue to provide the needed medical products and services to our patients. As noted above an increase in costs means we must cut services and/or increase revenues. Under either or both scenarios the patient suffers. This shouldn't be the outcome of the County's licensing process.

C. The Purported Adverse Effects Of Introducing MME's Into Carson City.

In its rationale behind the amounts proposed for Business License fees the County identified 16 points intended to support its case. We would like to address each one in order:

- 1) Despite Nevada's decriminalization pertinent to medical marijuana pursuant to Senate Bill 374 of the 7th Regular Session 2013 (SB 374), marijuana remains a Schedule I controlled substance under the federal Controlled Substances Act (CSA) (Pub.L. 91-513. 84 Stat. 1236. enacted October 27, 1970, codified at 21 U.S.C. §. 801 et. seq.).**

The Division needs to be mindful of the fact that while marijuana is still classified as a Schedule I controlled substance as far as the DEA is concerned, there is a significant amount of disagreement among law enforcement, medical and political leaders as to whether this designation still has any validity at all. The three main criteria for classifying a drug as Schedule I substance start to breakdown for marijuana when the data is carefully analyzed:

- I. High potential for abuse – marijuana is far less addictive than tobacco or heroin and is equivalent to caffeine in its dependency rate¹.*
- II. No medical uses – Nevada, along with 22 other states, has refuted this claim based on the list of conditions that are currently authorized for treatment with marijuana.²*

¹ Source: Jack E. Henningfield, PhD for NIDA, Reported by Philip J. Hilts, New York Times, Aug. 2, 1994 "Is Nicotine Addictive? It Depends on Whose Criteria You Use." <http://www.nytimes.com/1994/08/02/science/is-nicotine-addictive-it-depen...>
http://www.erowid.org/psychoactives/addiction/addiction_media1.shtml - See more at:
http://www.drugwarfacts.org/cms/Addictive_Properties#sthash.Q6Ypu8d0.dpuf

² Nevada revised Statutes CHAPTER 453A - MEDICAL USE OF MARIJUANA
NRS453A.050 "Chronic or debilitating medical condition" defined. "Chronic or debilitating medical condition" means: 1.Acquired immune deficiency syndrome; 2.Cancer; 3.Glaucoma; 4. A medical condition or treatment for a medical condition that produces, for a specific patient, one or more of the following: (a) Cachexia; (b)Persistent muscle spasms, including, without limitation, spasms caused by multiple sclerosis; (c)Seizures, including, without limitation, seizures caused by epilepsy; (d)Severe nausea; or (e)Severe pain; or 5. Any other medical condition or treatment for a medical condition that is: (a) Classified as a chronic or debilitating medical

III. Lack of acceptable safety for recreational use. - No deaths have ever been directly attributed to marijuana usage.³

2) A Schedule I controlled substance under the CSA is defined as a drug that has a high potential for abuse (21 U.S.C. § 812).

We have attached a Table comprising the addictiveness rankings of 6 commonly used drugs that is instructive as to the relative potential for abuse by marijuana users – marijuana is last on the list.

I. Addictiveness of Marijuana vs. Five Commonly Used Drugs

I. HIGHLIGHTS:
Three Doctors Rate the Addictivity of Six Substances
(1.=Most Addictive³)

J. Henningfield, Ph.D.	N. Benowitz, M.D.	D. Perrine, Ph.D.
1. Heroin	1. Heroin	1. Nicotine
2. Alcohol	2. Cocaine	2. Alcohol
3. Cocaine	3. Alcohol	3. Heroin
4. Nicotine	4. Nicotine	4. Cocaine (Nasal)
5. Marijuana & Caffeine	5. Caffeine	5. Caffeine
	6. Marijuana	6. Marijuana

*The ordinal rating of addictiveness presented in this table is based on the criteria in Table IIA (below). To go directly to the table, click here.

Compiled & Published

by

Steven C. Markoff

Source Data:

- August 2, 1994 edition of N.Y. Times, article "Is Nicotine Addictive? It Depends on Whose Criteria You Use," by Philip J. Hitt, section C, page 3.
- *The Chemistry of Mind-Altering Drugs: History, Pharmacology, and Cultural Context*, by Daniel M. Perrine, Ph.D., Associate Professor of Chemistry, Loyola College of Baltimore.

condition by regulation of the Division; or (b) Approved as a chronic or debilitating medical condition pursuant to a petition submitted in accordance with NRS 453A.710. (Added to NRS by 2001, 3054)

³ Denis Petro, MD, Founding Director of Patients Out of Time, stated in his 1997 paper "Pharmacology and Toxicity of Cannabis", published in *Cannabis in Medical Practice - A Legal, Historical and Pharmacological Overview of the Therapeutic Use of Marijuana* "The estimated lethal human dose of intravenous Marinol is 30 mg/kg (2100 mg/70 kg) Using this estimation of lethal dose, the equivalent inhaled THC would represent the smoking of 240 cannabis cigarettes with total systemic absorption of the average 8.8 mg of THC in each cigarette.

Since absorption is much less than 100 percent, the amount of smoked marijuana required to reach lethality is on the order of one to two thousand cigarettes.

The physical impossibility of a fatal overdose using smoked cannabis is obvious "

- 3) **Regardless of such recognized danger, proponents of medical marijuana argue it is a safe and effective treatment for the symptoms of cancer, AIDS, multiple sclerosis, pain, glaucoma, epilepsy, and other conditions.**

We do not believe the medical profession, law enforcement, political entities or the general public accepts the proposition that medical marijuana administered under a carefully monitored and controlled program can truly be classified as a "recognized danger".

- 4) **Opponents of medical marijuana argue it lacks FDA-approval, is addictive, may lead to harder drug use, interferes with fertility, impairs driving ability, may injure the lungs, immune system, and/or brain, increases heart rate and anxiety, is considered to be a front for drug legalization and recreational use, and is unnecessary given the availability of other medication including Marinol (synthetic form of THC).**

The focus of our argument is that the risks listed here that may be associated with medical marijuana are far less than for many other licensed drugs or substances, notably alcohol and tobacco. The licensing requirements and fees for establishments selling these products are far less than those proposed here.

Marinol, is an FDA approved drug that has limited applicability and is used mainly to treat anorexia and nausea from chemotherapy. It is not prescribed typically for pain or other the conditions authorized under Nevada's medical marijuana statute. And even for the symptoms for which it is approved it is less efficacious than cannabis in its natural state.⁴

⁴ Institute of Medicine published in its Mar. 1999 report titled "Marijuana and Medicine: Assessing the Science Base".

"Marinol (dronabinol) is the only cannabinoid with approval for marketing in the United States.

Marinol is manufactured as a capsule containing THC in sesame oil, it is taken orally. It was approved by the FDA in 1985 for the treatment of nausea and vomiting associated with cancer chemotherapy. In 1992, the FDA approved marketing of dronabinol for the treatment of anorexia associated with weight loss in patients with AIDS. The preclinical and clinical research on THC that culminated in the FDA's 1985 approval was supported primarily from the National Cancer Institute (NCI), whose research support goes back to the 1970s.

Marinol is synthesized in the laboratory rather than extracted from the plant. Its manufacture is complex and expensive because of the numerous steps needed for purification. The poor solubility of Marinol in aqueous solutions and its high first-pass metabolism in the liver account for its poor bioavailability, only 10-20% of an oral dose reaches the systemic circulation.

The onset of action is slow, peak plasma concentrations are not attained until two to four hours after dosing. In contrast, inhaled marijuana is rapidly absorbed. Marinol's most common adverse events are associated with the central nervous system (CNS): anxiety, confusion, depersonalization, dizziness, euphoria, dysphoria, somnolence, and thinking abnormality."

- 5) Of paramount importance to Carson City is the protection of its citizens' health and, thus, to keep its citizens from being exposed to the risks associated with easier access to marijuana.

If the focus is on patient health, then the option of providing medical marijuana has to be one that Carson City makes available to its residents. And if the issue is easier access to marijuana, then Carson City ought to be overwhelmingly in favor of the regulations put in place under Nevada's statute to control that access and drive out "black market" transactions. Our dispensary will insure that the medical marijuana we sell is of the highest purity and is only available under the strictest conditions to patients to whom licensed MD's have recommended it.

- 6) Medical marijuana, despite purported benefits to legitimate patients, may rob its users of free will and interfere with users' abilities to make informed and rational decisions.

The logic of this argument is hard to sustain given that the whole point of the new laws and regulations is to make marijuana safely available to patients who need it as determined by licensed MD's. The premise Carson City seems to be operating under is that the current regulations authorize recreational use and they clearly do not.

- 7) Despite purported medicinal benefits, marijuana has adverse affects in the form of increased health care costs, increased violence associated with drug usage, neglect of children, and other third party effects.

In fact the incidence of violent crime has decreased in Colorado and other locales following the legalization of marijuana in the state.⁵ If Carson City has evidence that health care costs increase as a result of the legalization of medical marijuana then it should make this information available to all applicants. Then at least a rational discussion about the adverse effects of the product can be held. If not then it does not belong in this presentation of medical marijuana risks. In either case the increase in medical costs is probably not an item that has bearing on business license fees.

⁵ http://www.utdallas.edu/news/2014/3/27-29241_Study-Medical-Marijuana-Legalization-Doesnt-Lead-t_story-wide.html. Study: Medical Marijuana Legalization Doesn't Lead to More Crime
Researchers Say Decriminalizing Medicinal Use May Reduce Homicide, Assault Rates

- 8) **Decriminalizing medical marijuana may send the message to children that usage of medical marijuana is no different than the usage of any other prescribed medication they may find in the home.**

Medical marijuana has already been decriminalized by the state. The new laws make it clear that it is a substance to be used for approved medical conditions only. So the opposite effect is likely to occur with children. The issue raised here is probably outside the boundaries of the business licensing process.

- 9) **The ease of access to marijuana, medical or otherwise, will also mean children will have easier access to this drug.**

The law has been written and we believe will be enforced to ensure this is not the case. The regulations we have to live by as a dispensary operator make this one of the most critical matters we must watch for. The ease of access to medical marijuana will probably be more difficult given that its distribution is now much more tightly controlled.

- 10) **Despite the restrictions and regulations of Medical Marijuana Establishments in Nevada, there will be abuse causing interference with other aspects of life, just like with any prescription drug, necessitating addiction treatment in some cases.**

We are sure that Carson City clearly understands that the fees we pay the state for the right to operate a dispensary will be used in part in addiction management programs and for education. If Carson City is intending to use the fees it imposes as well for these types of programs, we would like to know what they are and how we might participate directly as opposed to paying a license fee that may or may not be used to that purpose. What we are saying is that we are totally transparent in how we will operate our dispensaries and Carson City should be the same with how they intend to use the fees they raise from our business. That way we might work together to come up with a better, more economical solution.

- 11) **Despite arguments that decriminalizing medical marijuana will raise tax revenue, the adverse affects to health, safety and welfare of citizens cannot be ignored and any revenue gained must be offset by resultant social costs.**

This is at the heart of our argument – we would like Carson City to demonstrate using its economic analysis and social cost/benefit analysis how these fees match the costs Carson City will incur, particularly in view

of all the programs the state itself intends to fund to deal with these very issues.

- 12) For example, for every \$1 in alcohol and tobacco taxes raised there are \$10 paid out on the resulting social costs (see Sabet, Baker Institute Blog, Rice University, Marijuana: A case against legalization (September 25, 2012).**

The reference cited here – Baker Institute Blog - does provide any backup for this claim about social costs deriving from tobacco and alcohol usage so it is hard to refute a generalized claim like this. Other data suggest that the social costs for marijuana are far less than those of tobacco and alcohol - up to 8 x less for alcohol and 40x less compared to tobacco.⁶

- 13) Upon utilizing an equitable standard, section 2.260 of the Carson City Charter gives Carson City the power to fix, impose and collect a license tax for revenue or for regulation, or both, upon Medical Marijuana Establishments doing business in Carson City,**

We have no comment here other than to note that the Charter requires use of an 'equitable standard.' We as an MME applicant and potential business owner in Carson City would like to know what that standard is in this instance.

- 14) Sections 10 at subsections 3(a)(5) and section 11.5 of SB 374 acknowledges Carson City's right to issue business licenses to such Medical Marijuana Establishments.**

No comment

- 15) When a power to license is given the intent must be that regulation is the object and, indisputably, Carson City may regulate its licensees.**

No comment

- 16) The fees for the issuance of a business license to be exacted from Medical Marijuana Establishments doing business in Carson City**

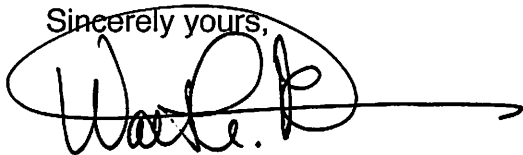
⁶ According to a 2009 white paper by the Canadian Center on Substance Abuse, health-related costs per user are eight times higher for drinkers than they are for those who use cannabis, and are more than 40 times higher for tobacco smokers. It states: "In terms of (health-related) costs per user: tobacco-related health costs are over \$800 per user, alcohol-related health costs are much lower at \$165 per user, and cannabis-related health costs are the lowest at \$20 per user."

has been arrived at using an equitable standard in light of the potential costs associated with such businesses, including an increase in criminal justice and social costs.

WSCC respectfully requests that Carson City make transparent the equitable standard used in arriving at the proposed Business License fees for MMEs and in particular that it set forth the increases in criminal justice and social costs that it anticipates as a result of introducing medical marijuana dispensaries to Carson City

We would be pleased to discuss these points at greater length with Carson City and would welcome the chance to participate in a round -table discussion on the relationship between the incremental costs resulting from licensing new MME's and the fees charged to cover those costs.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Walter A. Marting', enclosed in a large, loopy oval. A long horizontal line extends to the right from the end of the signature.

Walter A. Marting
Vice President
WSCC, Inc

Susan Dorr Pansky

From: Dorea Shoemaker <dorea@hwwellness.com>
Sent: Monday, September 08, 2014 9:55 AM
To: Susan Dorr Pansky
Subject: Business Impact Questionnaire
Attachments: Carson City Business Impact Questionnairev5.saj.docx; PLOS The Effect of MML on Crime full version.pdf

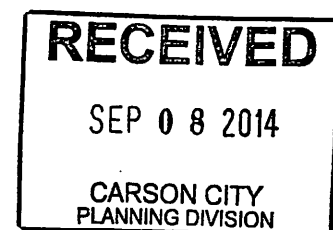
Good Morning Susan,

I am attaching our Business Impact Questionnaire along with a reference. I am also mailing you a hard copy to 108 E. Proctor Street, Carson City, NV 89701.

Best Regards,
Dorea Shoemaker

Dorea Shoemaker
(775) 830-0880
930 Tahoe Blvd, Ste 802-433
Incline Village, NV 89451
<https://hwwellness.com/>

HW Wellness is dedicated to becoming Nevada's premier legal source of medical marijuana and services to patients in need.



Carson City Business Impact Questionnaire

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1. **Impose a direct and significant economic burden upon a business.**

The proposed business license fee for Carson City medical marijuana establishments imposes a direct and significant economic burden upon this nascent industry, and the associated entrepreneurs. Without the benefit of actual operational experience, versus projected operational costs and revenue, this flat fee represents an indeterminate percentage of gross revenue. This uncertainty, based upon the reality that together we embark upon a course never traveled before in Nevada, impacts our willingness to make business commitments around property improvements, employee numbers and community outreach programs. Ultimately, this fee detrimentally impacts the very constituents we all hope to serve: Nevada's patients.

A specific adverse and direct ramification is that, inevitably, the increased cost of business operations will be transferred to the patient. Who are those patients? Carson City is the smallest of the United States' 366 Metropolitan Statistical Areas. Further detail, referencing the 2012 Census Estimates (<http://quickfacts.census.gov/qfd/states/32/32510.html>), finds that there are approximately 21,122 households. The median income for a household in the city is \$49,672. These potential patients already operate under significant budgetary constraints. Medical Marijuana works, and is legal for patients in Nevada. Unfortunately, for those on such tightly fixed budgets, Medical Marijuana is not covered by insurance and is a purely "out of pocket" expense. Thus, adding a significant "fixed" fee to operational expenses may financially preclude the very patients we plan to serve.

The currently proposed fee is excessive and overly burdensome. This is not alcohol or tobacco that has a proven record to create health problems and increase in social costs. Yet, Carson City only collects a nominal liquor license fee. In addition, studies conducted in Colorado suggest that crime rates, across the board, actually drop in communities licensing Medical Marijuana Establishments. (Reference Attached).

A reasonable solution would be to compare what Carson City's neighbors are doing for business license fees.

City of Reno - The first quarter fee is \$45,000, then \$5,000 per quarter thereafter into perpetuity.

City of Sparks –

A. For medical marijuana cultivation, a base fee of \$3,000.00 per year plus, for each quarter based on the establishment's gross receipts for the previous quarter, an additional \$1.00 for each \$1,000.00 in gross receipts (or portion thereof) in excess of \$10,000.00 dollars.

B. For a medical marijuana facility for the production of edible marijuana products or marijuana-infused products, a base fee of \$3,000.00 per year plus, for each quarter based on the establishment's gross receipts for the previous quarter, an additional \$1.00 for each \$1,000.00 in gross receipts (or portion thereof) in excess shall be \$10,000.00 dollars.

C. For a medical marijuana dispensary, a base fee of \$5,000.00 per year plus, for each quarter based on the establishment's gross receipts for the previous quarter, an additional \$5.00 for each \$1,000.00 in gross receipts (or portion thereof) in excess of \$10,000.00 dollars.

D. For self-cultivation, self-growing or self-production of medical marijuana, the person must register annually with the City of Sparks. There is no fee associated with the required registration.

Washoe County - Variable based on annual gross receipts, with total fees not to exceed \$655 per year.

2. Directly restrict the formation, operation or expansion of a business.

Yes, the proposed business license fee is detrimental to the strength, flexibility and viability of a business. Businesses need to be strong in order to hire additional personnel, beautify the neighborhood and give back to the community. The associated pre-license and pre-startup fees required to secure property, develop detailed plans and leverage Industry Consultants are significant. Beginning operations with \$75,000 in added fees will significantly impact the number of ancillary and value-add services we will be able to implement within Carson City.

When Carson City is proposing fees that are up to ~100 times greater than some other local jurisdictions, how can Carson City Medical Marijuana Establishments expect to compete with the black market and similar businesses in neighboring jurisdictions such as the Washoe Valley that will have lower prices? If Carson City truly wants to reduce the black market, help those in need and make sure the medicine is affordable and convenient, then Carson City needs to come up with a business fee that is in-line with their neighbors.

One of the arguments for a higher business fee is the potential for this medicine being more accessible to children. However, the reality is that the black market is already supplying this drug to our children. What Carson City should be aware of, is by providing a dispensary as a safe location for patients to get their medicine at a comparable price compared to the black market, Carson City in essence will lower the demand in the black market and help to shrink its size. Dispensaries will also play a role in socializing safe medical storage practices for the home, as well as educating patients on the potential for abuse.

However, if the price is extremely high (due to a high business license fee), Carson City is pushing patients in the direction of the black market so they can get affordable medicine. This would enhance the black market, which is accessible to children and those without a card. This needs to be avoided. When patients go to an established dispensary, they are taking business away from the black market, which will eventually see a decrease because demand will be down. Essentially, by allowing dispensaries to operate with lower overhead costs, Carson City would be shrinking the black market, and decreasing the opportunities for children to buy this product.

Please consider all the negative side effects of having your Business License fees drastically higher than Reno, Sparks and Washoe County. For simplicity of accounting, planning, and budgeting, we would encourage you to consider fixed fees more in line with unincorporated Washoe County and the City of Reno.

The medical marijuana industry will prove to be good business neighbors and model environmental stewards. A more reasonable Carson City Business License fee would enable and encourage a safe and successful business environment.

The Effect of Medical Marijuana Laws on Crime: Evidence from State Panel Data, 1990-2006

Robert G. Morris*, Michael TenEyck, J. C. Barnes, Tomislav V. Kovandzic

Program in Criminology, University of Texas at Dallas, Richardson, Texas, United States of America

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Abstract

Background: Debate has surrounded the legalization of marijuana for medical purposes for decades. Some have argued medical marijuana legalization (MML) poses a threat to public health and safety, perhaps also affecting crime rates. In recent years, some U.S. states have legalized marijuana for medical purposes, reigniting political and public interest in the impact of marijuana legalization on a range of outcomes.

Methods: Relying on U.S. state panel data, we analyzed the association between state MML and state crime rates for all Part I offenses collected by the FBI.

Findings: Results did not indicate a crime exacerbating effect of MML on any of the Part I offenses. Alternatively, state MML may be correlated with a reduction in homicide and assault rates, net of other covariates.

Conclusions: These findings run counter to arguments suggesting the legalization of marijuana for medical purposes poses a danger to public health in terms of exposure to violent crime and property crimes.

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* E-mail: morris@utdallas.edu

Introduction

The social ramifications of marijuana legalization have been hotly debated for at least four decades [1]. Despite a long history of marijuana use for medical purposes, policymakers and in some instances, the scientific community, have been quick to note the potential problematic social outcomes of marijuana legalization [2]. In spite of these political discussions, medical marijuana legalization (MML) has occurred in 20 states and the District of Columbia (between 1996 and the writing of this paper) and its recreational use has now been legalized in Colorado and Washington [3]. An interest in the ramifications of these laws has led to an increase in scholarly activity on the topic [4], [5]. The issue addressed in this article is whether MML has the effect of increasing crime. While there are many mechanisms by which MML might affect crime rates, the most obvious is by increasing the number of marijuana users, which may lead to a broader social acceptance of drug using behaviors and drug users [6]. To the extent that marijuana use serves as a “gateway” to harder drugs such as cocaine and heroin, MML could lead to long-term increases in crime as an ever-growing number of illicit drug users engage in serious predatory crimes to support their habits (but see [7]). But even if MML does not lead to a rise in marijuana use (especially among youth), the laws could still stimulate crime as newly opened medical marijuana dispensaries provide criminals with a highly attractive target with their repository of high quality marijuana and customers carrying large amounts of cash (but see [8]). As a member of the California Chiefs of Police Association

stated, “A disturbing and continuing trend is the increasing number of home invasion robberies and associated violence resulting in the victimization of those cultivating and possessing marijuana ... [D]ispensaries also continue to be targeted based upon the availability of larger quantities of drugs and cash” (see http://californiapolicechiefs.org/wp-content/uploads/2012/02/July_September_2010_Final.pdf). Though anecdotal evidence abounds to support both theses, and a few single-jurisdiction and cross-sectional studies have examined the MML-crime link (e.g., [9]), no single analysis has assessed the overall consequences of medical marijuana laws on crime rates across the United States. This study seeks to inform the debate by providing a comprehensive evaluation of the effects of state MML on state crime rates.

The Positive Correlation between Marijuana Use and Criminal Behavior

Though the gateway hypothesis applies to the progression of drug-using behaviors, there remains the possibility that marijuana use leads to delinquent or criminal behavior via a similar mechanism. A number of studies have specifically examined the relationship between marijuana use and crime [10], [11], [12], [13], [14]. Early studies compared the amount of crimes committed by juveniles whose urine tested positive for marijuana upon entering a detention center and those committed by individuals who tested negative for marijuana. Dembo and associates [15], [16], for instance, found that youths who tested positive for marijuana had a significantly higher number of

referrals to juvenile court for nondrug felonies than those testing negative for marijuana use.

Arseneault and colleagues [17] examined the relationship between marijuana dependence and the risk for violence in a sample of New Zealand adolescents. The authors controlled for gender, socioeconomic status, and many other concurrent disorders and concluded that marijuana dependence was related to a 280 percent increase in the odds of violence. This association was stronger than the individual effects of manic disorder, alcohol dependence, and schizophrenia. In a study using data collected from school-age adolescents in the Netherlands, those who reported marijuana use tended to report more delinquent and aggressive behaviors [18]. This relationship was significant after controlling for variables such as alcohol and tobacco use and the strength of the relationship increased with higher frequency of marijuana use. This study is noteworthy because marijuana use is decriminalized in the Netherlands, thus the relationship is unlikely to be based on the fact that marijuana users have to participate in the illegal market and are therefore at an increased risk for violence. While these studies were cross-sectional and show a correlation between current marijuana use and criminality or violent behaviors, other scholars have examined the link with longitudinal data.

Using multi-wave data, research has shown adolescents who reported marijuana use at age 15 were more likely to report violent involvement at age 19, indicating that marijuana use, particularly during adolescence may impact violent behavior in young adulthood [19]. Similarly, research has shown that frequent marijuana use during adolescence was a strong predictor of being involved in intimate partner violence [5]. Results revealed that consistent marijuana use during adolescence was related to a 108 percent increase in the likelihood of being involved in intimate partner violence in young adulthood and consistent marijuana use was associated with an 85 percent increase in the odds of being the perpetrator of intimate partner violence, independent of alcohol use.

These studies provide evidence to the notion that marijuana use is at a minimum correlated with an increase in violent or aggressive behaviors. What remains unclear is whether these findings imply a causal link between marijuana use and violence or whether the relationship is driven by an uncontrolled variable(s) (i.e., a spurious correlation). Along these lines, it could be argued that the relationship between violence and marijuana use is primarily due to its illegality and thus would not exist in an environment in which marijuana use, at least medicinally, is legalized.

The Negative or Null Correlation between Marijuana Use and Criminal Behavior

Most researchers who have examined the relationship between marijuana use and crime report that these laws do not have an effect on violent crime [20], [21]. Green and associates [20], for instance, concluded that while marijuana use was related to an increase in drug and property crime, it was not related to an increase in violent crime. Pedersen and Skardhamar [21] also found a relationship between marijuana use and subsequent arrest, although once the authors removed all types of drug charges from the models, the relationship was no longer significant. Results revealed no evidence that marijuana use was related to an increase in later non-drug arrest, such as arrests for violent crimes. The authors argued that the association between marijuana use and crime appears to exist because of its illegality. Thus, if the possession and sale of marijuana was legal the relationship between marijuana and crime might disappear.

It has been argued that medicinal marijuana laws may increase crime because the dispensaries and grow houses provide an opportunity for property crime and violent crime to occur, such as burglary and robbery. Kepple and Freisthler [9] examined the relationship between medical marijuana dispensaries and crime and their results suggested that after controlling for a host of ecological variables, no relationship existed between medicinal marijuana dispensaries and property or violent crime. Additional research has shown that medical marijuana dispensaries may actually reduce crime within the immediate vicinity of the dispensaries [8]. This may be due to the security measures implemented by dispensary owners (i.e., having security cameras, having a doorman, and having signs requiring identification). Importantly, medical marijuana dispensaries do not appear to increase crime in their surrounding areas.

In sum, research on the relationship between medicinal marijuana and crime is mixed. Studies have shown that states allowing the use of medical marijuana have higher prevalence rates of marijuana use [13], [14], yet other studies have found that legalized medicinal marijuana does not lead to an increase in its overall use [21], [22]. Research has also suggested that marijuana use is associated with an increase in illicit drug use [23], [19] and an increase in crime [17], [19], [16]. Others, however, have revealed that marijuana is not related to additional illicit drug use [22], [7], [17] or crime [8], [20], [9], [21]. Thus, the available evidence is equivocal and in need of a rigorous evaluation of the MML-crime relationship.

Methods

Data & Measures

Dependent Variables. Data on all seven Part I offenses—homicide, rape, robbery, assault, burglary, larceny, and auto theft—for each state between 1990 and 2006 were obtained from the Federal Bureau of Investigation's Uniform Crime Reporting (UCR) Program, published as *Crime in the United States*. The data were obtained using the "data for analysis" tool on the Bureau of Justice Statistics Web site (<http://www.ojp.usdoj.gov/bjs/dtd.htm>). All data were gathered for each of the 50 U.S. states across the 17 year time span for a total $N=850$. Values reflect the rate of each crime per 100,000 residents.

Medical Marijuana Legalization (MML). To determine if and when MML occurred within a state, we searched the official legislative website of each US state. Between 1990 and 2006, the following 11 states legalized marijuana for medical use, with the year the law was passed in parentheses: Alaska (1998), California (1996), Colorado (2000), Hawaii (2000), Maine (1999), Montana (2004), Nevada (2000), Oregon (1998), Rhode Island (2006), Vermont (2004), and Washington (1998). We also ran models based on MML "legislation-effective year" rather than "legislation-passed year" and found no substantive differences in the results. The MML effective dates were also gathered from each State's official legislative website. Only 2 states (Connecticut and Colorado) had an MML effective year different than "passed" year, both being only a 1-year difference. While there are many options in modeling the effects of MML adoption on crime, we opted to use a post-law trend variable. The trend variable represents the number of years the law has been in effect with a value of zero for all years before the law was passed, a value of 1 for the year the law was passed, and a value of $1+k$, where k = number of years after the initial passage of the law, for all subsequent years. Unlike the traditional "dummy variable" approach (i.e., 0 = no MML law, 1 = MML law), which posits a once-and-for-all impact on crime, the post-law trend variable

captures any changes in the linear trend of crime that may be observed over time. If opponents of MML are correct that the laws lead to increased marijuana use by teenagers, many of whom are likely to continue illicit hard drug use throughout their adulthood, one might expect a gradual increase in crime over time. Such an effect would be best captured by the post-law trend variable.

Sociodemographic Control Variables. Sociodemographic variables were included in the analysis to aid in controlling for a vast array of other time-varying influences that might be potential confounding factors over the study period. These variables, and their sources, have been described previously [24]. Specifically, they include each state's percent of the civilian labor force unemployed; the total employment rate; percent of the population living below the poverty line; real per-capita income (divided by the Consumer Price Index); the proportion of residents aged 15–24; the proportion of residents aged 25–34, the proportion of residents aged 35–44 years; the per-capita rate of beer consumption [25]; the proportion of residents with at least a bachelor's degree; and the percent of the state's population that lived in a metropolitan area. State-level unemployment data were obtained from the Bureau of Labor Statistics website (www.bls.gov/sae/home). Data on poverty were acquired via the Bureau of the Census website (www.census.gov/hhes/www/poverty). Personal income and real welfare payments data were taken from the Bureau of Economic Analysis website (www.bea.doc.gov/bea/regional/reis). The age variables were obtained directly from the U.S. Bureau of the Census. Data on beer consumption were taken from the Beer Institute website (www.beerinstitute.org). The percent of the population with college degrees or higher and the percent of the population living in a metropolitan area are linear interpolations of decennial census data, as reported in various editions of the *Statistical Abstracts of the United States*.

Additional measures included the number of prison inmates per 100,000 residents and the number of police officers per 100,000 residents. The number of prisoners was measured as the number of prisoners sentenced to more than a year in custody as of December 31 per 100,000 residents and was obtained from the Bureau of Justice Statistic's website (www.ojp.usdoj.gov/bjs). Data on the total number of police, including civilians, were taken from the Public Employment series prepared by the Bureau of the Census. Louisiana and Mississippi were missing information on this variable for the year 2006, therefore reducing the usable case count by two units. Substantive results were identical when values for this year were imputed with values from the previous year. Summary statistics for these explanatory variables are presented in Table 1.

Analysis Plan

To identify the effect of MML on crime, we use a fixed-effects panel design, exploiting the within state variation introduced by the passage of MML in 11 states over the 17 year observation period. The design allows for the assessment of whether states adopting MML experienced changes in the trend of crime by analyzing within state changes in crime rates over time and comparing those changes to the crime rate trends among states that did not pass an MML law. To carry out this analysis, we estimate fixed-effects ordinary least squares regression models, where the natural log of each crime rate variable (i.e., homicide, rape, robbery, assault, burglary, larceny, and auto theft) is the dependent variable. This model directly accounts for dynamic factors that cause crime to vary from state to state, as well as those stable unmeasured factors that differ between states [26], [27]. In addition, we also include "year fixed-effects," which capture any national influences on crime that are not captured in any of the

Table 1. Summary Statistics.

	Mean	SD
<i>Dependent Variables (prior to log transformation)</i>		
Homicide Rate	5.778	3.347
Rape Rate	36.774	13.212
Robbery Rate	130.346	91.687
Assault Rate	303.573	161.996
Burglary Rate	845.706	304.654
Larceny Rate	2,727.552	687.953
Auto Theft Rate	406.504	208.103
<i>Independent Variable</i>		
Medical Marijuana Law (Post-law Trend)	.393	1.489
<i>Sociodemographic control variables</i>		
Unemployment rate	5.162	1.393
Employment rate	58,568.89	5,043.444
Poverty rate	12.442	3.638
Real per-capita income	5.193	.844
Proportion persons ages 15 to 24	.142	.011
Proportion persons ages 25 to 34	.145	.017
Proportion persons ages 35 to 44	.156	.011
Beer shipments (31-gallon barrels) per 100k	73,670.89	12,003.72
Percent persons with college degree	23.897	4.903
Percent persons residing in metropolitan area	67.654	20.636
Prisoners per 100k	343.072	144.897
Police officers per 100k	278.473	48.917

Note: Descriptive statistics are for the 1990–2006 period. The data sources are noted in the text.
doi:10.1371/journal.pone.0092816.t001

time-varying explanatory variables. Robust standard errors are clustered at the state level to avoid biased standard errors due to the non-independence of data points over time [28]. Thus, the fixed effects models can be expressed algebraically following the convention set forth by Wooldridge [27] as:

$$\log(\hat{y}_{ijt}) = bi0 + bi1M\check{M}Ljt + \dots + bik\check{x}jt + \check{e}it$$

where:

- the subscripts *i*, *j*, and *t* are used to identify the crime rate variable being used as the dependent variable, the 50 states, and time (1990–2006), respectively;
- $\log(\hat{y}_{ijt})$ = the time-demeaned (see [27]) logged crime rate outcome variable;
- *bi0* = the crime-specific constant term;
- $bi1M\check{M}Ljt$ = the time-demeaned crime-specific average impact of MML on crime rates;
- $+\dots + bik\check{x}jt$ = the time-demeaned crime-specific effect of the various control variables, including year dummies, a linear trend variable, and state fixed effects;
- and, $\check{e}it$ = the time-demeaned crime-specific error term.

It is important to note that fixed-effects models are not without limitations. While they are well suited to address the issue at hand and account for unobserved time-invariant factors, they are always

vulnerable to time-varying factors that are not accounted for that differ between states with MML and those without. However, we have accounted for the bulk of factors that have been shown associated with state crime rates and our models explain a considerable amount of variation in each outcome. It is also important to acknowledge that fixed-effects models do not account for temporal ordering for time-varying predictors within a given observation period. For example, it is unknown whether states adopted MML after experiencing lower crime rates in a given year(s), however, this is unlikely to be an issue here since policy response to crime rates tend to take time and we account for this via operationalization of MML as an additive effect.

Results

Primary Findings

Before consulting the results from the fixed effects regression models, a series of unconditioned crime rates for each offense type were generated and are presented in Figure 1. Note that two crime rate trends are presented in each panel. One trend—the solid line—shows the crime rate, by year, for states that had *not* passed an MML law. Thus, states that eventually did pass an MML law contribute to the solid line up until the year that they passed the MML law. As expected from the overall crime trend during this time period, the solid line reveals that all states experienced a reduction in each of the seven crimes from 1990 to 2006. Important to note is the trend revealed by the dashed line, which shows the crime rate trends for states *after* passing an MML law. With one exception—forcible rape—states passing MML laws experienced reductions in crime and the rate of reduction appears to be steeper for states passing MML laws as compared to others for several crimes such as homicide, robbery, and aggravated assault. The raw number of homicides, robberies, and aggravated assaults also appear to be lower for states passing MML as compared to other states, especially from 1998–2006. These preliminary results suggest MML may have a crime-reducing effect, but recall that these are unconditional averages, meaning that the impact of the covariates and other factors related to time series trends have not been accounted for in these figures.

The results of the fixed effects analyses are presented in Table 2. It is important to note that a Hausman test was carried out to determine whether the fixed effects model was preferable over the random effects model; the latter model is more parsimonious and, thus, should be preferred when results do not systematically differ across the two approaches. The results of the Hausman tests (with year fixed effects omitted for both equations because they are inestimable in the random effects model) suggested that the fixed effects model was preferred in each of the seven analyses. For reference, the Hausman χ^2 values were 302.61, 23.64, 102.50, 414.94, 58.87, 34.18, and 31.28 for homicide, rape, robbery, assault, burglary, larceny, and auto theft, respectively.

The key results gleaned from the fixed effects analyses are presented in row 1 of Table 2, which reveals the impact of the MML trend variable on crime rates, while controlling for the other time-varying explanatory variables. Two findings worth noting emerged from the different fixed effects regression analyses. First, the impact of MML on crime was negative or not statistically significant in all but one of the models, suggesting the passage of MML *may* have a dampening effect on certain crimes. The second key finding was that the coefficients capturing the impact of MML on homicide and assault were the only two that emerged as statistically significant. Specifically, the results indicate approximately a 2.4 percent reduction in homicide and assault, respectively, for each additional year the law is in effect. Because

log-linear models were estimated, the coefficient must be transformed according to the following formula to generate percentage changes in crime for a one-unit increase in MML: $e^{(b-1)*100}$ [27]. However, it is important to note that the finding for homicide was less variable (i.e., a lower standard error) as compared to assault. One might argue a Bonferroni correction is necessary given the exploratory nature of the study and the multiple models that were analyzed. Once a Bonferroni correction was carried out (i.e., $\alpha/7$), only the effect of MML on homicide remained statistically significant ($.05/7 = .007$). Perhaps the most important finding in Table 2 is the lack of evidence of any increase in robbery or burglary, which are the type of crimes one might expect to gradually increase over time if the MML-crime thesis was correct. Thus, in the end, MML was not found to have a crime enhancing effect for any of the crime types analyzed.

Sensitivity Analyses

The fixed effects models presented above were subjected to a range of sensitivity tests to determine whether the findings were robust to alternative model specifications. First, and as previously noted, data for the two missing cases were imputed using matched case replacement for Louisiana and Mississippi. Importantly, substantive results were identical when this strategy was carried out. A second sensitivity analysis explored the possibility that the effect of MML on crime rates was non-linear. No evidence emerged to support the hypothesis that MML has a non-linear effect on crime rate trends. Third, a related issue concerns whether the MML effect has *both* a trend effect (shown above) *and* a one-time shock effect. We considered this issue by including the MML trend variable (discussed above) along with a dummy variable coded 0 for years when no MML law was present (by state) and coded 1 in years when an MML law had been passed. The findings were practically identical to those shown above: the MML trend variable was negatively related to homicide ($b = -.02$, $p < .10$) and assault ($b = -.02$, $p < .10$). A fourth sensitivity analysis re-estimated the original models (shown above), by weighting each state proportional to its population size. When these weighted fixed effects models were estimated, the substantive findings were somewhat different than those presented above. Specifically, the effect of MML on homicide rates was no longer statistically significant ($b = -.01$, $p = .30$), MML negatively predicted robbery rates ($b = -.02$, $p < .10$), MML negatively predicted assault rates ($b = -.03$, $p < .01$), and MML *positively* predicted auto theft rates ($b = .03$, $p < .05$). While it is common in the crime policy literature to weight observations by resident population to correct for possible heteroskedasticity, this will be the efficient feasible GLS (generalized least squares) procedure only if the heteroskedasticity takes a particular form, i.e. variance proportional to the square of the population. In the present study, the unweighted results produce findings that are substantively consistent with the weighted results, although they differ slightly quantitatively. The most likely explanation for this discrepancy is that the weighted results are driven by a few large population states. For this reason, we present the unweighted results as the main results and the weighted results as part of our numerous robustness checks.

Discussion and Conclusion

The effects of legalized medical marijuana have been passionately debated in recent years. Empirical research on the direct relationship between medical marijuana laws and crime, however, is scant and the consequences of marijuana use on crime remain unknown. Studies have shown that marijuana use was associated with higher prevalence of subsequent illicit drug use [19] and an

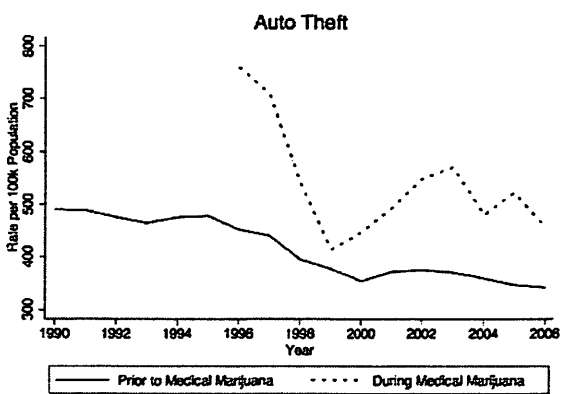
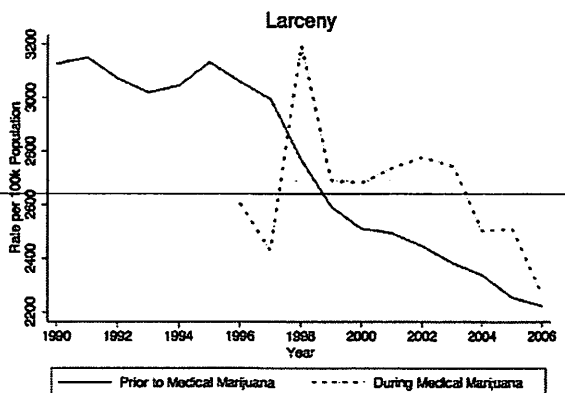
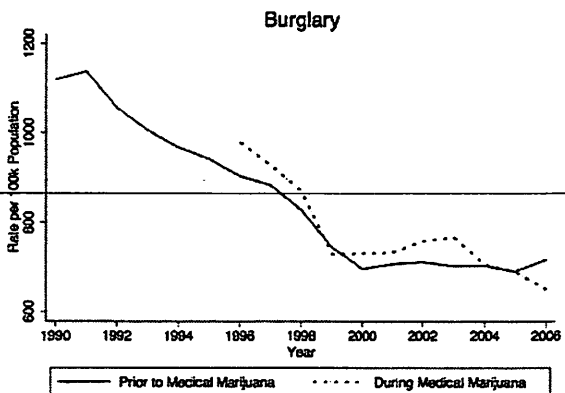
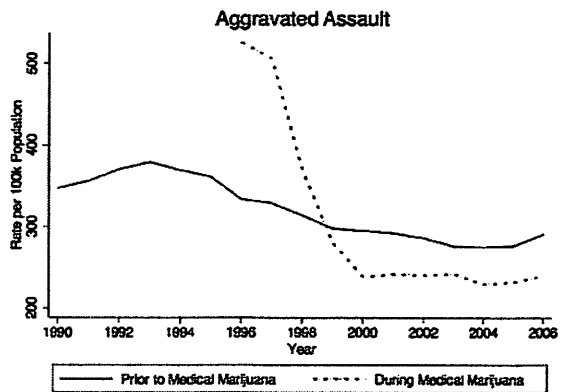
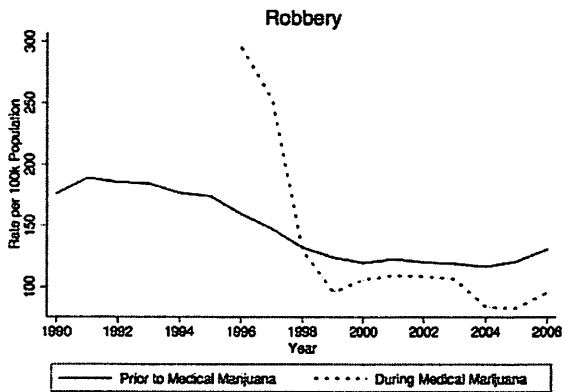
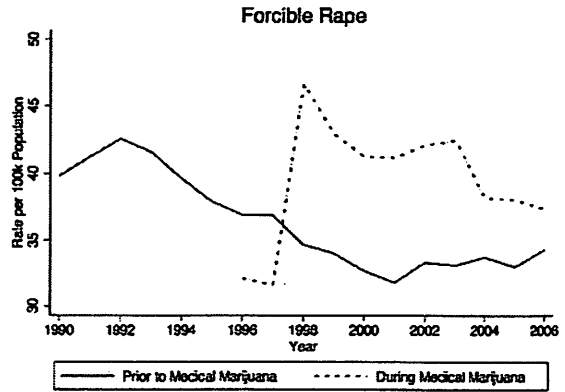
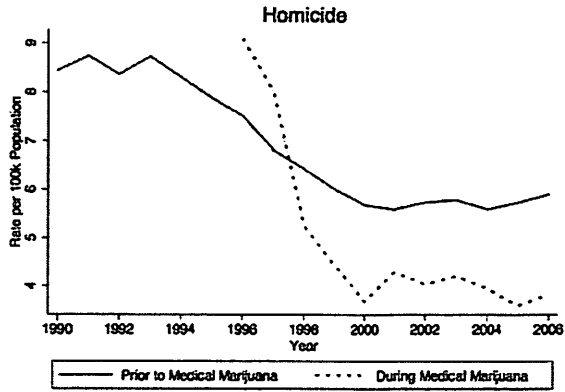


Figure 1. Mean State Crime Rates as a Function of Year, by Medical Marijuana Law (MML). NOTE: Crime rates for states mandating MML after 1996 remained in the "Prior to Medical Marijuana" line until transition to MML.
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increased risk of violence [17]. Yet, other studies have found that once additional factors were controlled for, there was no relationship between marijuana use and later serious drug use [7]. Research has also shown that marijuana use is not related to violent crime when measured at the individual-level [20]. Once drug charges are controlled for, Pedersen and Skardhamar [21] reported that the relationship between marijuana and crime was not significantly different from zero. Unfortunately, no study has examined the effect of legalized medicinal marijuana on state crime rates across the United States. The current study sought to fill this gap by assessing the effect of legalized medicinal marijuana on the seven Part I UCR offenses. The analysis was the first to look at multiple offenses across multiple states and time periods to explore whether MML impacts state crime rates.

The central finding gleaned from the present study was that MML is not predictive of higher crime rates and may be related to reductions in rates of homicide and assault. Interestingly, robbery

and burglary rates were unaffected by medicinal marijuana legislation, which runs counter to the claim that dispensaries and grow houses lead to an increase in victimization due to the opportunity structures linked to the amount of drugs and cash that are present. Although, this is in line with prior research suggesting that medical marijuana dispensaries may actually reduce crime in the immediate vicinity [8].

In sum, these findings run counter to arguments suggesting the legalization of marijuana for medical purposes poses a danger to public health in terms of exposure to violent crime and property crimes. To be sure, medical marijuana laws were *not* found to have a crime exacerbating effect on any of the seven crime types. On the contrary, our findings indicated that MML precedes a reduction in homicide and assault. While it is important to remain cautious when interpreting these findings as evidence that MML *reduces* crime, these results do fall in line with recent evidence [29] and they conform to the longstanding notion that marijuana

Table 2. The Impact of Medical Marijuana Laws on Crime Rates.

Variable	Homicide	Rape	Robbery	Assault	Burglary	Larceny	Auto Theft
Medical Marijuana Law (MML)	-0.024*** (0.007)	-0.005 (0.009)	-0.016 (0.010)	-0.024* (0.013)	-0.004 (0.007)	-0.002 (0.004)	0.026 (0.016)
Unemployment rate	0.031** (0.012)	-0.001 (0.014)	0.039** (0.015)	-0.021 (0.022)	0.022** (0.011)	0.005 (0.009)	0.036** (0.017)
Employment rate	1.325 (1.277)	3.672*** (1.156)	3.637** (1.536)	4.249*** (1.383)	0.420 (0.943)	-0.584 (0.747)	-0.069 (1.715)
Poverty rate	-0.008** (0.003)	0.006 (0.004)	0.001 (0.005)	0.001 (0.005)	-0.004 (0.003)	-0.002 (0.002)	-0.007* (0.004)
Per-capita income	-0.013 (0.057)	-0.226*** (0.067)	-0.148** (0.072)	-0.173* (0.100)	-0.194*** (0.048)	-0.099*** (0.036)	-0.137 (0.102)
Proportion aged 15 to 24	3.528 (2.447)	-0.279 (1.681)	-3.591 (3.371)	-3.245 (2.961)	0.676 (1.696)	-0.266 (1.422)	5.279 (3.509)
Proportion aged 25 to 34	-4.250** (1.884)	-0.202 (2.038)	-3.478 (2.920)	-7.492** (3.112)	5.150*** (1.904)	2.729 (1.712)	11.352*** (2.609)
Proportion aged 35 to 44	-1.393 (2.041)	-3.083 (2.319)	-4.008 (3.366)	-13.777*** (4.654)	-1.940 (1.928)	0.193 (1.489)	-3.558 (4.075)
Beer consumption	0.903** (0.399)	0.504* (0.283)	1.261*** (0.442)	0.436 (0.576)	0.857*** (0.291)	0.762*** (0.280)	1.376** (0.580)
Percent college degree	-0.004 (0.011)	0.016 (0.010)	-0.032** (0.012)	-0.012 (0.017)	-0.001 (0.007)	0.005 (0.007)	-0.018 (0.013)
Percent metropolitan	0.015** (0.007)	0.022** (0.008)	0.004 (0.009)	0.004 (0.015)	-0.006 (0.008)	-0.005 (0.006)	-0.009 (0.014)
Prisoners per 100k	-45.675 (33.964)	-20.410 (22.442)	-33.918 (35.013)	41.979 (30.046)	-7.186 (26.127)	9.724 (18.575)	-56.412 (48.726)
Police officers per 100k	-0.001 (0.001)	0.000 (0.001)	-0.002 (0.001)	-0.001* (0.001)	-0.000 (0.001)	0.001 (0.001)	-0.001 (0.002)
R ²	.50	.46	.58	.44	.83	.75	.44

Robust standard errors in parentheses.

*** p<0.01, ** p<0.05, * p<0.1

Note: State fixed-effects and year fixed-effects are included in all estimates but are not shown in the table. The following variables were divided by 100000 in order to produce coefficients that did not require scientific notation to interpret: Employment rate, Beer consumption, and Prisoners per 100k.

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legalization may lead to a reduction in alcohol use due to individuals substituting marijuana for alcohol [see generally 29, 30]. Given the relationship between alcohol and violent crime [31], it may turn out that substituting marijuana for alcohol leads to minor reductions in violent crimes that can be detected at the state level. That said, it also remains possible that these associations are statistical artifacts (recall that only the homicide effect holds up when a Bonferroni correction is made).

Given that the current results failed to uncover a crime exacerbating effect attributable to MML, it is important to examine the findings with a critical eye. While we report no positive association between MML and any crime type, this does not *prove* MML has no effect on crime (or even that it reduces crime). It may be the case that an omitted variable, or set of variables, has confounded the associations and masked the true positive effect of MML on crime. If this were the case, such a variable would need to be something that was restricted to the states that have passed MML, it would need to have emerged in close temporal proximity to the passage of MML in all of those states (all of which had different dates of passage for the marijuana law), and it would need to be something that decreased crime to such an extent that it “masked” the true positive effect of MML (i.e., it must be something that has an opposite sign effect between MML [e.g., a positive correlation] and crime [e.g., a negative correlation]). Perhaps the more likely explanation of the current

findings is that MML laws reflect behaviors and attitudes that have been established in the local communities. If these attitudes and behaviors reflect a more tolerant approach to one another’s personal rights, we are unlikely to expect an increase in crime and might even anticipate a slight reduction in personal crimes.

Moreover, the present findings should also be taken in context with the nature of the data at hand. They are based on official arrest records (UCR), which do not account for crimes not reported to the police and do not account for all charges that may underlie an arrest. In any case, this longitudinal assessment of medical marijuana laws on state crime rates suggests that these laws do not appear to have any negative (i.e., crime exacerbating) impact on officially reported criminality during the years in which the laws are in effect, at least when it comes to the types of offending explored here. It is also important to keep in mind that the UCR data used here did not account for juvenile offending, which may or may not be empirically tethered to MML in some form or another; an assessment of which is beyond the scope of this study.

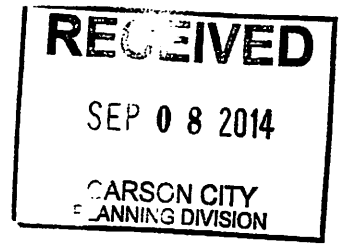
Author Contributions

Analyzed the data: RM JCB. Contributed reagents/materials/analysis tools: TK. Wrote the paper: RM MT JCB TK.

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VICENTE SEDERBERG LLC



BRIAN VICENTE, ESQ.
CHRISTIAN E. SEDERBERG, ESQ.
JOSHUA KAPPEL, ESQ.
PHILIP A. CHERNER, ESQ.
ANDREW TELSEY, ESQ.
STEVE FOX, ESQ. (MA ONLY)

OFFICES IN DENVER, THE DENVER TECH CENTER
AND BOSTON, MA

1244 GRANT STREET, DENVER, CO 80203
(T) 303-860-4501 | (F) 303-860-4505

ADAM FINE, ESQ. (MA, PA, NJ ONLY)
SHAWN HAUSER, ESQ.
JORDAN WELLINGTON, ESQ. (NJ)
SALLY KENT, ESQ. (FL)
ALEXA TETZLAFF, ESQ. (IL, D.C.)

September 4, 2014

Carson City Community Development, Business License Division
Attn: Susan Dorr Pansky
108 E. Proctor Street
Carson City, NV 89701

Re: Ordinance amending Carson City Municipal Code, Title 4, Licenses and Business Regulations for Medical Marijuana Establishment Business License Fees

Dear Ms. Pansky,

Our law firm, Vicente Sederberg, LLC, is writing on behalf of medical marijuana patients and business owners in Carson City. In addition to representing patients and business owners in Nevada, our firm represents hundreds of businesses in Colorado, Massachusetts, and other states. Members of our firm co-authored Amendment 64, which established the legal marijuana market in Colorado, and served on the governor's task force to establish regulations. We also represent one of the most populous counties in Colorado, where we crafted the marijuana business regulations, including licensing fees. We hope our experience in marijuana regulation and implementation can be a resource for Carson City.

Carson City's proposed licensing fees for medical marijuana establishments far exceed any licensing fees we have seen in any locality nationwide, which generally range from \$2,000.00-\$30,000.00 annually and are tied to actual costs of implementation and enforcement. Denver, Colorado, for example, which licenses hundreds of marijuana businesses, charges an annual fee of \$5,000.00 for medical marijuana establishments. Reno, Nevada, charges \$20,000.00 per establishment, and Boulder, Colorado charges around \$6,575.00 per marijuana establishment license. It is our view that Carson City's proposed fees are burdensomely high and will impose a direct and significant economic hardship upon businesses seeking marijuana licenses, directly restricting these businesses from forming and operating and will also significantly burden patients, limiting their ability to obtain medicine. For the reasons set forth herein, Carson City should significantly lower the proposed licensing fees to allow businesses to survive, to allow patients access to medicine, and to reflect actual costs of implementation and enforcement.

First, licensing fees should be tied to actual costs of implementation and enforcement. These costs can be estimated by looking at other jurisdictions that have regulated medical marijuana and by looking to similar licenses issued by Carson City, like liquor licenses. With 23 states and the District of Columbia allowing medical marijuana, we are equipped with data which we can look to in quantifying the direct and indirect effects of implementation to develop fees that are appropriate for Carson City and fair to businesses and patients.

In localities that have regulated marijuana businesses for the past several years, fees ranging from \$2,000.00-\$20,000.00 have been sufficient to cover the costs of implementation and regulation. These costs generally include administrative licensing fees and enforcement, often with funds dedicated to education. Denver has effectively regulated hundreds of medical marijuana businesses since 2012 with a \$5,000.00 fee per marijuana establishment. With only four establishments, the proposed fees for Carson City far exceed any potential costs. Carson City effectively regulates and controls alcohol licensing with a \$500.00 application fee for beer and wine, and \$1,000.00 fee for any other type of liquor. Alcohol licensing fees range from \$600.00 to \$900.00 per year, compared to the proposed medical marijuana fees that range from \$75,000.00 to \$125,000.00. To assume regulating and controlling marijuana, a substance that is scientifically safer than alcohol, will result in 100 times the cost, is outrageous, arbitrary, and has no relation to quantifiable expenses. Carson City's fees are three times higher than those of the state, and could amount to over \$200,000.00 for just one business, which would certainly be more than sufficient to pay for the costs of enforcement and regulatory oversight.

When looking at these models, the City can quantify costs, and will find that costs such as law enforcement have been actually shown to decrease as a result of medical marijuana regulation. In Colorado, various sources estimate law enforcement savings to be somewhere between \$12 million and \$60 million a year due to having regulated marijuana sales, instead of the unregulated—and often dangerous – black market¹. Accordingly, the City should consider fees that are consistent with those of other jurisdictions and of its other similarly regulated businesses. If the City should find the need to raise its fees, it has the right to do so at any time. However, to initially impose fees that are massively higher than any other local jurisdiction in the nation, and are also higher than most *state* licensing fees, is arbitrary and will impose a direct and significant economic burden on marijuana businesses, effectively restricting their formation and compliant operation.

Second, the heavy fees will be a direct and significant economic burden on businesses and will most certainly have a direct impact on businesses' ability to apply for the licenses. These businesses not only already have to pay approximately \$33,000.00 in state licensing fees, but they are already at a severe economic disadvantage because they are not able to obtain traditional business loans and start-up capital. The proposed licensing fees add another level of hardship to an already disadvantaged business, imposing a direct and significant economic burden that will prevent a number of businesses from even getting off the ground, thus limiting industry-specific job growth and patient access to medicine in their community.

Most importantly, with so much capital directed toward fees, businesses will have difficulty serving patients in the capacity intended by Nevada law. Businesses will be forced to pass along the high

¹ Miron, J, and Waldock, K. (2010). *The Budgetary Impact of Ending Drug Prohibition*. Washington D.C., Cato Institute, <http://ssrn.com/abstract=1710812> or [http://dx.doi.org/10.2139/ssrn.1710812!](http://dx.doi.org/10.2139/ssrn.1710812)

licensing costs to patients, significantly increasing the cost of medicine for these sick individuals. The burden ultimately falls on the sickest of patients, many of who are on low and fixed incomes. High medicine prices may force patients to travel to purchase the medicine they need which can be a major burden on sick and disabled individuals and will not allow Carson City to capture tax revenue on these sales. Businesses will be restricted in compliant operation and formation, and patients will ultimately suffer when their local businesses become restricted in inventory, staff, or operating hours as a result of the high costs of operating in Carson City. The intent of both the Nevada and Carson City laws is to provide patients with debilitating medical conditions access to medicine. Carson City's proposed fees effectively defeat Nevada and Carson City's intent to provide patients access and may drive patients to the black market or other jurisdictions where businesses are able to fully develop.

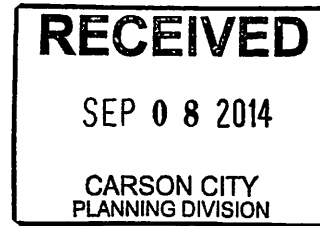
Businesses will be directly and significantly burdened because they will be placed at a competitive disadvantage from other neighboring businesses in jurisdictions like Reno and Sparks, where the fees are a fraction of Carson City's proposed fees. (Reno's annual fees are set at \$20,000.00, and Sparks' annual fees range from \$3,000-\$5,000.00). While businesses in neighboring jurisdictions will have the resources to grow and expand, Carson City's businesses will be burdened by licensing costs and will be starting out a severe competitive disadvantage. Businesses may simply choose not to locate in Carson City because of the economic restrictions, and patients may not shop there because of the high prices. Ultimately, sick community members in Carson City may be forced to "get on the bus" to other towns to access their doctor-recommended medicine.

We respectfully urge the council to consider the impact of these fees not only on its local businesses, but also on the patients who need truly need access to this medicine. The City should establish fees consistent with nationwide standards, with the knowledge that it can raise its fees if necessary. Please feel free to contact our offices any time if there is any other information that would be helpful.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Vicente", with a long horizontal flourish extending to the right.

Brian Vicente, Esq.



To: Carson City Business License Division
From: Rebecca Gasca, CEO
Date: September 8, 2014
Re: Proposed MME Business Licensing Fees

In accordance with NRS 237.080, the Carson City Business License Division has requested feedback regarding proposed business licensing fees for medical marijuana establishments (MMEs) and whether the proposed structure will:

1. Impose a direct and significant economic burden upon a business; or
2. Directly restrict the formation, operation or expansion of a business.

1. Whether the proposed business licensing fee structure for Carson City medical marijuana establishments imposes a direct and significant economic burden upon a business.

The proposed business licensing fee structure for Carson City medical marijuana establishments imposes an economic burden upon medical marijuana establishment certificate applicants that is both direct and significant. The burden is direct because it is carried solely by medical marijuana establishment operators and paid directly to the jurisdiction, and it is significant because it requires payment that is out of line with industry business licensing fees in other jurisdictions and falls on operators who may be entering the industry with less than profit-neutral models.

a. The proposed business licensing fee structure imposes a direct burden upon medical marijuana establishment operators.

The purpose of assessing a business licensing fee is, per the Carson City Business License Division's draft business impact statement, to cover "costs associated with such businesses[] includ[ing] an increase in criminal justice and social costs." While NRS 453A was meant to serve all Nevadans indirectly and all qualifying patients directly, the "criminal justice and social costs" associated with the program are being billed only to medical marijuana establishment operators. Without passing judgment on the level of such fees, any preventative fee designed to cover broad social costs created by legislation that is assessed to specific business owners is direct. If Carson City had decided to pass these costs on to constituents through taxation or other means, they might be felt as an indirect burden, but the Business License Division has chosen to place the total economic burden on medical marijuana providers that are licensed by the state Department of Health and Human Services.

Not only is the created economic burden direct, but it may ultimately be considered a bill of attainder due to its limited application. The proposed fee structure may, in theory, apply to as few as one person in Carson City. While Carson City has been allocated two dispensary certificates and may allocate cultivation, production and testing certificates as it sees fit, the submission of applications does not guarantee that a minimum number of certificates will be awarded. Even if the city were to award special use permits to both dispensary certificate holders and cultivation, production and dispensary certificates to all applicants for other qualifying medical marijuana establishment certificates, the number of businesses subject to MME business licensing fees will still be disproportionately small relative to the total number of all business operators doing business in the jurisdiction.

The Business License Division may not create regulations that are designed to apply punitively to an individual or small group. Since the proposed fees may have the effect of constructive prohibition if their high level prevents certificate grantees from beginning operations, they may be construed as punitive and found to be wrongfully targeting of a small group, in this case, MME operators.

b. The proposed business licensing fee structure imposes a significant burden upon medical marijuana establishment operators.

The proposed business licensing fee structure imposes a significant burden upon MME operators that is out of line with industry business licensing fee structures in similar jurisdictions and fee structures associated with similar business types within Carson City.

For a dispensary generating gross receipts of \$100,000, annual business licensing fees in Carson City and similar jurisdictions are as follows:

Jurisdiction	Annual Fee
Carson City	\$75,000.00 - \$125,000.00
Unincorporated Washoe County	\$115.00
City of Reno	\$5,500.00
City of Sparks	\$20,130.00
Nye County	\$2,500.00 plus 2% tax on all sales
Nevada (Generally)	\$5,000.00
City of Colorado Springs, CO	\$1,800.00
Colorado (Generally)	\$3,300 - \$11,300
City of Sacramento, CA	4% gross revenue
New Mexico (Generally)	\$5,000.00
City of Eugene, OR	\$0
Oregon (Generally)	\$4,000.00

Arizona (Generally)	\$1,000.00
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Jurisdictions with fees closer to Carson City’s proposed fees are generally much larger in terms of overall population and patient cardholder population. Because these jurisdictions have issued more patient cards and will award more MME certificates, the expected administrative burden on the jurisdictions is reasonably viewed as proportionally larger. As such, business licensing fees in these jurisdictions should also be proportionally larger. If the proposed Carson City fees are approved, this will not be the case. It should be noted that not all large jurisdictions have approved high business licensing fees.

For a dispensary generating gross receipts of \$100,000, annual business licensing fees in Las Vegas and similar jurisdictions are as follows:

Jurisdiction	Annual Fee
City of Las Vegas	\$75,000.00 plus 5-7% of some gross sales
City of Henderson	\$66,000.00 - \$106,000.00
City of North Las Vegas	\$65,000.00
City of Mesquite	\$74,500.00
Clark County	\$1,000.00
City and County of Denver, CO	\$3,000.00
County of Boulder, CO	\$3,000.00
City of Oakland, CA	\$10,000.00 - \$30,000.00
City of San Francisco, CA	\$4,019.00
City of Berkeley, CA	\$2,500.00

MME business licensing fees must also be compared to general business licensing fees in Carson City. In Carson City, a business with a commercial location must pay an annual fee of \$63.85 plus up to \$259.20 in fees based on square footage and a fee of \$6.15 per employee for the first 100 employees. A business of roughly the same size as a dispensary (2,500 square feet and ten employees) operating in Carson City will be assessed an annual business licensing fee of \$157.60. If that business is a dispensary, it will be assessed an annual business licensing fee of \$100,000.00, a difference of \$99,842.40. For dispensaries with first year operating budgets of less than \$1,000,000.00, annual business licensing fees become 10% of total operational costs, a *significantly* higher percentage than any other type of entity doing business in Carson City.

- c. **The proposed business licensing fee structure imposes a significant and direct burden upon medical marijuana establishment operators to cover**

unknown “increase(s) in criminal justice and social costs” without a means of redress.

Where do the added costs built into the proposed MME business licensing fee structure come from? According to the Carson City Business Licensing Division’s draft business impact statement, these costs are derived from “an increase in criminal justice and social costs.” The draft business impact statement refers to a blog claiming that “for every \$1 in alcohol and tobacco taxes raised there are \$10 paid out in the resulting social costs.” Fees assessed to cover these social costs, whether real or imagined, are generally known as “sin taxes” and apply to goods and services that are socially proscribed, such as alcohol and tobacco.

Medical marijuana is not socially proscribed, but rather requires patients to receive a doctor’s recommendation and a state-issued patient card. While a dispensary is not a pharmacy per state regulations, it is neither a bar nor a tobacco shop. Sin taxes are to be paid by the consumer choosing to participate in the sin so that the burden is not carried by those who do not contribute to the prevalence of the sin; acquiring medicine to alleviate a state-recognized ailment per a doctor’s recommendation is not a sin. Rather, acquiring medicine contributes to a social good: community health. Community health, according to the draft business impact statement, is “of paramount importance to Carson City.” As such, the burden of promoting and maintaining community health should be spread throughout the jurisdiction and not solely placed on the shoulders of the healthcare provider, in this case, MMEs.

Even if MMEs were by definition subject to a sin tax, the proposed business licensing fees are still wildly disproportionate to similar fees within Carson City. Annual liquor licensing fees are under \$1,000.00, and annual gaming licensing fees are under \$200.00 per table. If the Carson City Business License Division anticipates associated increased criminal justice and social costs at \$99,842.40 *per* MME, the Division must supply a reasonable schedule of costs to justify their findings that an MME creates over 99 times the quantity of criminal justice and social costs that a business with a liquor license creates. This schedule has, as of the submission of this statement, not been released.

If the proposed fee structure is adopted and criminal justice and social costs do not meet the anticipated threshold, the Business License Division should adopt a means for operators to seek redress including, but not limited to, reclamation of partial or full fees paid.

- 2. Whether the proposed business licensing fee structure for Carson City medical marijuana establishments directly restricts the formation, operation or expansion of a business.**

The proposed business licensing fee structure for Carson City MMEs directly restricts the formation, operation and expansion of MMEs because the fees are cost prohibitive. At least some MME applicants have submitted first year operating expense forecasts, required by the state's application process, that total less than \$1,000,000.00. With such a forecast, a \$100,000.00 (or even \$125,000.00) annual business licensing fee would increase cost projections by over 10%. To operate with an additional 10% in unforeseen costs will require potentially drastic measures ranging from reducing workforce size to increasing prices on medicine, two options that will both negatively impact the local community and the business itself.

Other operators may simply be forced to withdraw their MME certificate application from the jurisdiction. Some applicants are currently operating outside of Nevada as non-profit medical marijuana providers focused on patient care rather than the bottom line. These patient-focused providers do not enter Nevada with massive bankrolls due to their non-profit nature. Regardless of their profit focus, Carson City may be forced to turn away applicants better prepared to serve the local patient population because their budgets have not anticipated a 10%+ expense increase due to disproportionately high Carson City business licensing fees. In this case, the proposed fee structure may directly restrict the formation or operation of an MME that is ultimately approved to operate by the state through its merit based process.

Cost-prohibitive fees such as the proposed Carson City business licensing fees may act as constructive prohibition within the jurisdiction. If no applicants are able to operate due to the economic burden, state regulations intending to make legal medical marijuana accessible to registered patients and caregiver cardholders will have failed within the jurisdiction. State regulations do not require a jurisdiction to provide for MMEs, but the Carson City Business License Division has already stated its commitment to protecting the health of its constituents, including medical marijuana registered cardholders.

Conversely, the Division has included a number of "adverse effects" in its draft business impact statement that bare the hallmark of prohibition forces. Many of the following arguments were made throughout the state over the previous year during the opting-out process and are suspect due to the fact that they do not address the economic burden or restriction of business operations created by the proposed fee structure that NRS 237.080 requests:

- "Medical marijuana, despite purported benefits to legitimate patients, may rob its users of free will and interfere with users' abilities to make informed and rational decisions."

- “Despite purported medicinal benefits, marijuana has adverse [e]ffects in the form of increased health care costs, increased violence associated with drug usage, neglect of children, and other third party effects.”
- “Decriminalizing Medical Marijuana may send the message to children that usage of medical marijuana is no different than the usage of any other prescribed medication they find in the home.”
- “The ease of access to marijuana, medical or otherwise, will also mean children will have easier access to this drug.”

None of the above statements refer to the administrative burden faced by the local jurisdiction and all of them have been put to rest during previous debate on decriminalization and medicinal use in 2000-01 and 2013-14. The inclusion of such statements in the draft business impact statement presumes that opting-out of state regulations allowing for MMEs is still an option in Carson City. While it technically is, the Board of Supervisors has already debated opting-out and voted against it. Due to the significant cost of applying for an MME certificate (up to \$1,000,000.00), it is antithetical and unfair to applicants to either constructively prohibit MMEs after the application window has closed or to assess a significant and direct fee with notice only given after receipt of some applications. The Business Licensing Division did not release its proposed fee structure until August 15, 2014, eleven days into the state’s application window and only three days before it closed. The timing may have been coincidental, but it appears dubious at best and undoubtedly unfortunate.

The express purpose of Carson City’s proposed business licensing fees is to cover the costs of doing business within the jurisdiction, including potential increased criminal justice and social costs; the purpose is not to constructively prohibit MMEs. However, the draft business impact statement goes so far as to admit that “the proposed fee amounts are anticipated to limit the ability of some businesses to apply for the proposed licenses.” The Division claims the fees are to cover increased criminal justice and social costs, but then contradicts itself by acknowledging the fees’ constructive prohibition. If the fees are anticipated to limit some businesses from applying, then there is no question as to whether the proposed fee structure directly restricts the formation, operation or expansion of a business. The Division itself acknowledges that it does.

3. Additional considerations.

a. Dispensary fees should not be tied to square footage.

The proposed fee structure ties cultivation facility and dispensary business license fees to the size of the facility in use, while production facility fees are flat. Numerous

jurisdictions have linked their fees to gross receipts, which may be directly related to output capacity in the case of cultivation and production facilities, but is not derived from square footage in the case of dispensaries. While the number of plants a cultivation facility may grow is directly dependent on the square footage available to house such plants, dispensaries may keep as little or as much product on hand as they wish. Some dispensary models may not keep any product on hand and may operate as delivery-only services, thus removing the factor of square footage for product storage from the equation entirely.

Because business models may differ, the size of a waiting room or office should not dictate the business licensing fee assessed to an individual dispensary. Dispensary sales are based on patient demand, and the same business may serve the same patient population with the same effectiveness whether it is 2,000 square feet or 10,000 square feet. An extra square foot of office space, under the proposed structure, may cost an MME \$25,000 a year in additional business licensing fees. Under the stated purpose of the fees, a dispensary with 2,500 square feet is anticipated to create \$25,000 more in criminal justice and social costs than one with 2,499 square feet. Regardless of the level of these costs, they are derived from output, and output via a dispensary is not directly related to square footage. Thus it is illogical to tie a dispensary licensing fee schedule to square footage. A more appropriate indicator, as used by other jurisdictions, is gross receipts, which may indicate how much medical marijuana is entering the market, rather than the means by which it enters (pick-up vs. delivery).

b. Patient impact may defeat the purpose of the state’s regulatory scheme by driving consumers to the black and gray markets.

In order to operate under the proposed business licensing fee schedule, MMEs may choose to pass increased costs onto patients. With such a small patient base in northern Nevada, a \$100,000.00 increase in annual costs may significantly raise the price of medicine per patient. Many patients, due to the nature of the ailment they are attempting to treat, are already on fixed incomes. If prices become cost-prohibitive, these patients will re-enter the black and gray markets to seek less safe, untested, but more cost-effective treatment. If patients are unable to access their medication through a dispensary due to fee-derived increased costs passed on to consumers, the purpose of the state’s regulatory scheme, which is intended to make access safe, may be entirely defeated.

NEVADA MEDICAL MARIJUANA ASSOCIATION

401 Ryland Street, Suite 105

Reno, NV 89502

775-622-9205 Ph

775-398-4804 Fx

info@nvmma.org



TO: Carson City Community Development
Business License Division
Atten: Susan D. Pansky
108 E. Proctor Street
Carson City, Nevada 89702
Email: spansky@carson.org

Via Email

FROM: Peter D. Krueger, Executive Director
Nevada Medical Marijuana Association

A handwritten signature in black ink, appearing to read "Peter D. Krueger".

SUBJ: Business Impact Statement

DATE: September 8, 2014

On Behalf of the members of the Nevada Medical Marijuana Association (NVMMMA), a statewide trade association representing owners of dispensaries, cultivation, production and testing laboratories (MMEs), we are pleased to provide our initial reaction to Carson City's proposed amendments to CCMC, Title 4.

Our member's concerns are two fold; first the apparent negative and emotional characterization of medical marijuana as a recreational drug not a medicine pursuant to 2013 Nevada Senate Bill 374 and the proposed fee structure for MME's operating in Carson City.

Many of the characterizations of medical marijuana contained in Section 2a are unfounded and not supported by current medical and scientific study and research.

The proposed fee structure looks more like a de facto prohibition to MMEs in rather that a true reflection of city costs associated with administration and enforcement of effective and fair regulations to govern the MMEs that might choose to do business in Carson City.

The proposed MME fees based on a business's square footage are among the highest on the state, if not the highest. The fees as proposed could cost a fully integrated seed to sale MME annual fees in excess of Three Hundred Thousand Dollars (\$300,000).

It appears that the proposed Carson City fee structure is designed to discourage MMEs in the city. The result could likely be to continue and possibly expand the illegal cultivation and sales of marijuana and at the same time deny patients their medicine.

Therefore, the Nevada Medical Marijuana Association is opposed to the proposed fee structure and encourages staff and elected officials to reconsider it's unreasonable and anti-business MME fees.



September 8, 2014

Carson City Community Development, Business License Division
Attn. Susan Dorr Pansky
108 E. Proctor Street
Carson City, Nevada 89701

Re: Ordinance Amending Carson City Municipal Code, Title 4, Licenses and Business Regulations for Medical Marijuana Establishment Business License Fees

Dear Ms. Pansky,

My name is Michael Phillips and I am a 5th generation Nevadan and Owner and President of MP Communications, a Henderson company focused on strategic communications, public and government relations. Over the past 15 years I have assisted hundreds of Nevada businesses reach their communications, regulatory, and legislative goals. I am a consultant BioNevada Innovations, LLC who have pending applications in Carson City and am writing about my concerns with the proposed fee structure.

I understand that the city has the right to control the types of businesses they choose to grant business licenses. While it is true that marijuana is still illegal federally, the city has chosen to allow medical marijuana establishments to serve patients who are aided by this medicine. Additionally, the city will have a limited number of businesses with these licenses and it should be in the city's best interest to foster the success of these businesses.

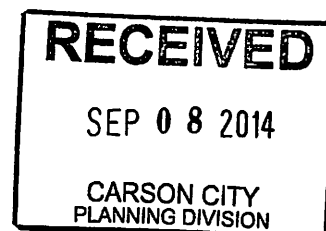
Like any product in a market, medical marijuana's price will vary based on the cost of doing business including fees and taxes. Exorbitant fees and taxes will only drive patients elsewhere or even worse make it cost prohibitive for them. In other jurisdictions the fees are much lower comparably.

I have known the Larkin Family, owners of Capitol Glass, for 20 years. Brothers, Dan and Greg Larkin are two of the owners and executives of BioNeva Innovations, LLC along with their partner Mark Turner. They have demonstrated longtime leadership in the Carson City and throughout Nevada with their very successful business endeavors, as well as generous philanthropic efforts. They are heavily invested in this endeavor in both their time and talent.

In conclusion, I ask the city to make reevaluate their fee structure to make it more consistent with other jurisdictions.

Sincerely,

Michael H. Phillips
President



MP Communications
(702) 591-6272
33 Quail Run Road
Henderson, NV 89014
mike@mpcommunications.org

MICHAEL D. ROUNDS ¹
MATTHEW D. FRANCIS ²

September 8, 2014



ARTHUR A. ZORIO ¹
MELISSA P. BARNARD
RYAN E. JOHNSON
TARA A. SHIROFF
MATTHEW G. HOLLAND
ADAM P. McMILLEN ²
ADAM YOWELL
VINH PHAM ³

Carson City Community Development
Business License Division
Attn: Susan Dorr Pansky
108 E. Proctor Street
Carson City, NV 89701

OF COUNSEL-
MARC D. FOODMAN ^{1,3}
STEVEN T. POLIKALAS ^{1,4}

RE: BIONEVA INNOVATIONS OF CARSON CITY, LLC -
PROPOSED AMENDMENT RE CARSON CITY MUNICIPAL CODE,
TITLE 4, LICENSES AND BUSINESS REGULATIONS FOR MME
BUSINESS LICENSE FEES

¹ Also licensed in California
² Also licensed in Utah
³ Also licensed in Massachusetts
⁴ Also licensed in Tennessee
⁵ Licensed only in California

5371 Kietzke Lane
Reno, Nevada 89511
(775) 324-4100
Fax (775) 333-8171
renoinfo@watsonrounds.com

777 North Rainbow Boulevard
Suite 350
Las Vegas, Nevada 89107
(702) 636-4902
Fax (702) 636-4904
vegasinfo@watsonrounds.com

One Market-Stewart Tower
Suite 1600
San Francisco, CA 94105
(415)243-4090
Fax (415)243-0226
sfinfo@watsonrounds.com

www.watsonrounds.com

Reply to: Reno

I write on behalf of BioNeva Innovations of Carson City, LLC, a Nevada limited liability company ("BCC"), in response to the proposed amendment regarding the Carson City Municipal Code, Title 4, Licenses and Business Regulations for MME business license fees. As a business affected by the proposed rule, BCC greatly appreciates the opportunity to provide input regarding the proposed rule. BCC encourages Carson City (the "City") to find a different solution than that proposed to addressing the manner in which it will receive revenue from MMEs in Carson City. The flat fee schedule proposed will impose a direct and significant economic burden upon MME business in Carson City and directly restrict the formation, operation and expansion of MME business in Carson City.

BCC's owners include long-time Carson City residents with decades of multi-faceted Carson City business experience, including real estate development, and Carson City community involvement between them. BCC has engaged pre-eminent experts experienced in the cultivation, production and dispensation of medical marijuana in jurisdictions that have previously enabled patients to receive such medicine through compassionate care programs, providers and facilities. The combination of the BCC team members' business and development experience in Carson City with its team members' experience in the highest caliber of the planning and executing integrated cultivation, production, care, quality and safekeeping medical marijuana from seed to sale, makes for compelling potential MME operations in Carson City pursuant to Nevada Revised Statutes and adopted regulations providing for and regulating MMEs in Nevada.

In August, prior to the City's proposing this new schedule, BCC submitted application to the State of Nevada for dispensary, cultivation and

production medical marijuana establishment (“MME”) facilities in Carson City. BCC’s plans in Carson City entail a vertically integrated business model that include a dispensary facility at one location and co-located cultivation and production facilities at another location. Each facility will be refined to the best use of space for each MME facility, ensuring all necessary segregation of uses for the highest security, quality and safety of each facility.

However, the fees now proposed by City can unduly impact and restrict MME business in the City by driving MME business, businesses and patients to jurisdictions outside of the City (such as Washoe County, Sparks and Reno), or worse yet, back to the black market.

As was noted by *Time Magazine*’s Christopher Mathews in February of 2013:

“The black market generally imposes its own costs — purveyors can charge a premium because of the risks they incur. But the regulatory burden for legal marijuana cultivation is high as well. In Colorado, for instance, where medical marijuana has been legal for more than a decade, growers are required to keep their operations under 24-7 video surveillance, procure criminal background checks for workers, and keep regulators alerted each and every time they move product. These are just a few of the regulations that can help to drive up the price of legal cannabis cultivation and encourage illicit markets to develop.”

Likewise, Jacob Sullum commented in *Forbes* earlier this year:

“Black-market dealers do not collect any of those taxes, of course. Nor are they burdened by Colorado’s regulations or cultivation limits. The upshot is that prices for legal marijuana are, counterintuitively, higher than prices for black-market marijuana—a situation that critics of the hefty taxes imposed by Colorado and Washington have been predicting for months.”

BCC suggests that the City look to other means of generating fees it needs from MMEs, such as a business revenue-based model. Once size rarely fits all and does not here. Businesses should be enabled to be profitable and job creating, such as BCC’s business model provides. By way if example, production of non-psychoactive CBD based medicine from MME’s for anti-seizure uses is more costly to produce than many other medicinal forms. However, the proposed fee for a production facility is the same as for all but

the largest cultivation facility.

As a new commercial medicinal industry to Nevada, MMEs should not be treated so vastly different from other business. This is not a recreational industry, such as alcohol or tobacco, but one with demonstrated medicinal applications. Pharmacies are the closest business animal to a dispensary.

We trust the City will recognize that the point of MMEs is to provide medicine for those individuals whose physicians have recommended such medicine. True compassionate care will require that low income patients and others less fortunate have access to medicine. Strong, sustainable MME business in Carson City should be encouraged, so that revenues do not leak to other jurisdictions or the black market.

BCC looks forward to working with the City on these important matters.

My best regards.

Very truly yours,

/STEVE/

STEVEN T. POLIKALAS

MEDICAL MARIJUANA BUSINESS LICENSE FEES

Section I below provides fee estimates for Medical Marijuana Establishments throughout the state of Nevada based on **\$1 million dollars** of first year revenue. The specific fees and percentages that these estimates are based on are outlined in Section II.

SECTION I

CARSON CITY – PROPOSED

	Dispensary	Cultivation	Production	Laboratory
Origination Fee	\$25	\$25	\$25	\$25
Annual Flat Fee			\$100,000	
0-2,499 sq. ft.	\$75,000	\$75,000	N/A	N/A
2,500-4,999 sq. ft.	\$100,000	\$100,000	N/A	N/A
5,000 sq. ft or more	\$125,000	\$125,000	N/A	N/A
Annual Adjustable Fee*	\$0	\$0	\$0	\$120.70**
Total First Year			\$100,025	
0-2,499 sq. ft.	\$75,025	\$75,025	N/A	
2,500-4,999 sq. ft.	\$100,025	\$100,025	N/A	
5,000 sq. ft or more	\$125,025	\$125,025	N/A	\$145.70

* Adjustable depending on square footage and number of employees

** Estimate based on 2,500 sq. ft. facility and four employees

CITY OF LAS VEGAS

	Dispensary	Cultivation	Production	Laboratory
Origination Fee	\$5,000	\$5,000	\$5,000	\$5,000
Annual Flat Fee	\$75,000	\$20,000*	\$25,000	\$10,000
Total First Year	\$80,000	\$25,000	\$30,000	\$15,000

*Initial 5,000 sq. ft. = \$20,000, plus an additional \$10,000 for each 5,000 sq. ft. or portion thereof

CITY OF HENDERSON

	Class I*	Class II**	Class III***	Laboratory
Origination Fee	\$10,000	\$10,000	\$10,000	\$10,000
Indemnification Fee	\$25,000	\$25,000	\$25,000	\$25,000
Annual Flat Fee	\$60,000	\$80,000	\$100,000	\$15,000
Annual Gross Revenue Fee	\$60,000	\$60,000	\$60,000	\$1,140
Total First Year	\$155,000	\$175,000	\$195,000	\$51,140

*Class I = Cultivation and Dispensary in same location

*Class II = Cultivation, Production and Dispensary in same location

*Class III = Cultivation, Production and Dispensary at one or more locations but not more than one at each location

CITY OF NORTH LAS VEGAS

INSIDE APEX OVERLAY DISTRICT*

	Dispensary	Cultivation	Production	Laboratory
Origination Fee	N/A	\$30,000	\$25,000	N/A
Annual Flat Fee	N/A	\$0	\$0	N/A
Annual Gross Revenue Fee	N/A	\$20,000	\$20,000	N/A
Total First Year	N/A	\$50,000	\$45,000	N/A

*Apex Overlay District is an Industrial Park District in North Las Vegas

OUTSIDE APEX OVERLAY DISTRICT*

	Dispensary	Cultivation	Production	Laboratory
Origination Fee	\$0	\$0	\$0	\$10,000
Annual Flat Fee	\$60,000	\$30,000	\$25,000	\$0
Annual Gross Revenue Fee	\$50,000	\$30,000	\$40,000	\$1,140
Total First Year	\$110,000	\$60,000	\$65,000	\$11,140

*Apex Overlay District is an Industrial Park District in North Las Vegas

CLARK COUNTY

	Dispensary	Cultivation	Production	Laboratory
Origination Fee*	\$1,500	\$1,500	\$1,500	\$1,500
Annual Gross Revenue Fee	\$30,000	\$30,000	\$30,000	\$1,140
Annual Delivery Fee**	\$1,000	\$1,000	\$1,000	N/A
Total First Year	\$32,500	\$32,500	\$32,500	\$2,640

*\$1,500 for first application fee, \$500 for each additional application if more than one application for same location and ownership entity

**Applies if product is delivered between facilities with common ownership where not sales transaction takes place

NYE COUNTY

	Dispensary	Cultivation	Production	Laboratory
First Year Flat Fee*	\$15,000	\$5,000	\$5,000	\$2,500
Total First Year	\$15,000	\$5,000	\$5,000	\$2,500

*Annual renewal is half of first year flat fee

WASHOE COUNTY

	Dispensary	Cultivation	Production	Laboratory
Origination Fee	\$75.00	\$75.00	\$75.00	\$75.00
Annual Gross Revenue Fee	\$345.00	\$345.00	\$345.00	\$345.00
Total First Year	\$420.00	\$420.00	\$420.00	\$420.00

CITY OF RENO

	Dispensary	Cultivation	Production	Laboratory
Origination Fee	\$40,000	\$40,000	\$40,000	\$40,000
Annual Flat Fee	\$20,000	\$20,000	\$20,000	\$20,000
Total First Year	\$60,000	\$60,000	\$70,000	\$60,000

CITY OF SPARKS

	Dispensary	Cultivation	Production	Laboratory
Origination Fee	\$0	\$0	\$0	\$0
Annual Flat Fee	\$5,000	\$3,000	\$3,000	Unknown
Annual Gross Revenue Fee	\$495	\$99	\$99	Unknown
Total First Year	\$5,495	\$3,099	\$3,099	Unknown

SECTION II

CARSON CITY - PROPOSED

Origination Fee: \$25.00

Annual Flat Fee

Dispensary:

0-2,499 sq. ft: \$75,000

2,500-4,999 sq. ft.: \$100,000

5,000 sq. ft. or more: \$125,000

Cultivation:

0-2,499 sq. ft: \$75,000

2,500-4,999 sq. ft.: \$100,000

5,000 sq. ft. or more: \$125,000

Production: \$100,000

Laboratory: Standard Business License Fees

CITY OF LAS VEGAS

Origination Fee: \$5,000

Annual Fee

Dispensary: \$75,000

Cultivation: \$20,000 for first 5,000sf, \$10,000 for each additional 5,000sf or portion thereof

Production: \$25,000

Laboratory: \$10,000

Semi-Annual Gross Revenue Fee

5% - Cultivation

7% - Production

CITY OF HENDERSON

Origination Fee: \$10,000

Indemnification Fee: \$25,000

Annual Flat Fee

Class I (Cultivation & Dispensary in same location): \$60,000

Class II (Cultivation, Production & Dispensary in same location): \$80,000

Class III (Cultivation, Production, Dispensary at one or more locations but not more than one at each location): \$100,000

Laboratory: \$15,000

Monthly Gross Revenue Fee

Class I: 6% gross revenue

Class II: 6% gross revenue

Class III: 6% gross revenue

Laboratory: Standard business license gross revenue fee

CITY OF NORTH LAS VEGAS

Origination Fee

Cultivation Facility (Apex Overlay District): \$30,000
Production Facility (Apex Overlay District): \$25,000
Laboratory: \$10,000

Annual Flat Fee

Dispensary: \$60,000
Cultivation Facility: \$30,000
Production Facility: \$25,000

Annual Gross Revenue Fee

Dispensary: 5% gross revenue
Cultivation Facility (Apex Overlay District): 2% gross revenue, no annual fee*
Cultivation Facility: 3% gross revenue with 1% increase every other year (cap 6%)*
Production Facility (Apex Overlay District): 2% gross revenue, no annual fee
Production Facility: 4% gross revenue with 1% increase every other year (cap 6%)
Laboratory: Standard business license gross revenue fee

*For vertically integrated operations, cultivation gross revenue percentage will be based on 50% of retail sales

CLARK COUNTY

Origination Fee: \$1,500 per application plus \$500 for each additional application if more than one application for same location and ownership entity

Quarterly Gross Revenue Fee

Dispensary, Cultivation or Production: 1% gross revenue for operations with revenue up to \$150,000 per year
Dispensary, Cultivation or Production: 2% gross revenue for operations with revenue between \$150,000 and \$400,000 per year
Dispensary, Cultivation or Production: 3% gross revenue for operations with revenue over \$400,000 per year
Laboratory: Standard business license gross revenue fee

Quarterly Delivery Fee

\$250.00 per establishment if they delivery product between facilities with common ownership where no sales transaction takes place

NYE COUNTY

Dispensary:

\$15,000 initial fee
\$7,500 annual renewal

Cultivation:

\$5,000 initial fee
\$2,500 annual renewal

Production:

\$5,000 initial fee

\$2,500 annual renewal

Laboratory:

\$2,500 initial fee

\$1,250 annual renewal

WASHOE COUNTY

Origination Fee: \$75.00

Annual Gross Revenue Fee: Standard business license gross revenue fee

CITY OF RENO

Origination Fee: \$40,000

Quarterly Flat Fee: \$5,000

CITY OF SPARKS

Annual Flat Fee

Dispensary: \$5,000

Cultivation: \$3,000

Production: \$3,000

Quarterly Gross Revenue Fee

Dispensary: \$5 for every \$1,000 in gross revenue over \$10,000

Cultivation: \$1 for every \$1,000 in gross revenue over \$10,000

Production: \$1 for every \$1,000 in gross revenue over \$10,000
