

SUBSTANCE ABUSE WORKING GROUP

NOTICE OF PUBLIC MEETING

DATE: Wednesday, August 2, 2017

TIME: 10:00 A.M.

LOCATIONS: Office of the Attorney General
Mock Courtroom
100 N. Carson Street
Carson City, Nevada 89701

VIDEOCONFERENCE TO:

Office of the Attorney General
Conference Room #4500
555 East Washington Avenue
Las Vegas, Nevada 89101

AGENDA

Please note: The Substance Abuse Working Group may 1) take agenda items out of order; 2) combine two or more items for consideration; or 3) remove an item from the agenda or delay discussion related to an item at any time. Reasonable efforts will be made to assist and accommodate individuals with disabilities who wish to attend the meeting. Please contact Jan Riherd at (775) 684-1195 (jriherd@ag.nv.gov), in advance, so that arrangements can be made.

1. **Call to order and roll call of working group members.**
2. **Public comment.** Action may not be taken on any matter brought up under public comment until scheduled on an agenda for action at a later meeting. **(Discussion only.)**
3. **Approval of June 21, 2017, meeting minutes.** Attachment One (1). (Discussion and possible action.)
4. **Explanation of key activities, including the hub and spoke model funded with the Opioid STR Grant.** Dr. Stephanie Woodard, DHH Behavioral and Public Health. **(Presentation and Discussion Only.)**
5. **Post-Legislative Update on Nevada's Prescription Monitoring Program.** Larry L. Pinson, Executive Secretary, Nevada State Board of Pharmacy and Yen-h Long, PMP Administrator. **(Presentation and Discussion Only.)**

6. **Update on the Opioid Work Program.** Wesley Duncan, First Assistant Attorney General. **(Presentation and Discussion Only.)**
7. **Update on the Recovery High School.** David Marlon, CEO Solutions Recovery and Resolutions Las Vegas. **(Presentation and Discussion Only.)**
8. **Opioid State Treatment Response (Opioid STR) project needs assessment overview.** Dr. Joyce Hartje, Ph.D and Carina Rivera, MPH, Center for the Application of Substance Abuse Technologies (CASAT). **(Presentation and Discussion Only.)**
9. **2017 Nevada High Intensity Drug Trafficking Area Program (HIDTA) Threat Assessment presentation.** Keith Carter, Director Nevada HIDTA. Attachment Two (2) – Nevada HIDTA 2017 Threat Assessment Report.
10. **Mandatory Quarterly Meetings (NRS 228.810). Remaining 2017 meetings:**

October 11th – 10:00 am
11. **Public comment.** Action may not be taken on any matter brought up under public comment until scheduled on an agenda for action at a later meeting. **(Discussion only.)**
12. **Adjournment.**

Supporting material for this meeting may be requested from Janice Riherd at (775) 684.1195 (jriherd@ag.nv.gov), and is available at the Office of the Attorney General, 100 N. Carson Street, Carson City, Nevada 89701.

In accordance with NRS 241.020, this public notice and agenda was posted on or before June 27, 2017 on the Office of the Attorney Website, <http://ag.nv.gov/>, the State of Nevada's Public Notice Website, <https://notice.nv.gov>, and in the following locations:

Office of the Attorney General 100 N. Carson Street Carson City, Nevada 89701-4717	Nevada State Library 100 N. Stewart Street Carson City, Nevada 89701
Office of the Attorney General Grant Sawyer Office Building 555 E. Washington Avenue, #3900 Las Vegas, Nevada 89101	Nevada State Capitol 101 N. Carson Street Carson City, Nevada 89701
Office of the Attorney General 5420 Kietzke Lane, #202 Reno, Nevada 89511	Legislative Counsel Bureau Nevada Legislature Building 401 S. Carson Street Carson City, Nevada 89701

Attachment One (1)

to

Substance Abuse Working Group Agenda

August 2, 2017

Contents: Minutes of June 21, 2017 Meeting

STATE OF NEVADA SUBSTANCE ABUSE WORKING GROUP

MINUTES OF MEETING

June 21, 2017 – 10:00 AM

Location of Meeting

(Videoconferenced)

Office of the Attorney General
Mock Courtroom
100 N. Carson Street
Carson City, NV 89701

Office of the Attorney General
Grant Sawyer Building
Room 4500
555 E. Washington Ave.
Las Vegas, NV 89101

Members present:

Adam P. Laxalt, Attorney General – Chair
Wesley Duncan, First Assistant Attorney General – Vice Chair
Chuck Callaway, Police Director, Las Vegas Metro Police Department
Pat Hickey, Executive Director, Charter School Association of Nevada
Linda Lang, Executive Director, Nevada Statewide Coalition Partnership
David Marlon, President, Solutions Recovery, Inc.
Dr. Larry Pinson, Executive Secretary, Nevada State Board of Pharmacy
Dr. Stephanie Woodard, Licensed Psychologist, Department of Health & Human Services
Asheesh Bhalla, Board Counsel

Members Absent:

Dr. Miriam Adelson, Adelson Clinic
Mark Jackson, Douglas County District Attorney
Richard Whitley, Director, Department of Health and Human Services

Others Present:

Patricia Cafferata
Elyse Monroy
Stacy Ward
Jennifer DeLett-Snyder, Executive Director, Join Together Northern Nevada
John DiMuro, CMO
Carol Del Carlo
Marissa Kuckhoff
Jamie Ross
Jessica Johnson
Brandi Planet

1. Call to order and roll call of working group members.

Attorney General (AG) Adam Paul Laxalt called meeting to order. Secretary Marissa Kuckhoff called roll.

2. Public Comment.

No public comment.

3. Discussion and possible action on approval of March 29, 2017, meeting minutes (Attachment "A").

Linda Lang moved to approve the minutes as written. Wes Duncan seconded the motion. The motion passed unanimously.

4. Update on Substance Abuse Working Group Opioid Initiative including a discussion on incinerators, opioid blockers, and statewide messaging.

Duncan gave an update as to the initiatives of the Substance Abuse Working Group (Group). The State was awarded a \$5.6 million dollar grant called the State Targeted Response to the Opioid Crisis Grant. Dr. Stephanie Woodard and the Department of Health and Human Services are working with the Attorney General's Office (Office) on this grant. The State will have to show through benchmarks that it is meeting the requirements of the grant in order to be funded for the next consecutive year. Efforts will be coordinated with incinerators, opioid blockers and the Statewide Messaging Campaign. Counties have been contacted individually regarding incinerators. Nevada Division of Environmental Protection will be involved in the process to ensure the incinerator will meet compliance standards for air quality. An analysis of opioid blockers is ongoing and information is being gathered to determine gaps in availability and access to Naloxone and other opioid blockers. The Statewide Messaging Campaign is the educational component of the grant focusing on expanding awareness. The Office met with EVERFI, a group that goes into 9th and 10th grade health classrooms to provide a virtual program educating students on opioid addiction prevention. The Office is in the process of putting together an Opioid Work Program (Program). The Program goes to the finance committee around October 2017, with a plan due at the end of August 2017.

5. Legislative Update.

Duncan updated the Group on the passage of Senate Bill (SB) 59. Duncan extended his gratitude to Chuck Calloway for his work and contributions to the bill. This bill requires reporting by law enforcement to the Prescription Drug Monitoring Program (PMP) but allows a delay in reporting when it would affect an ongoing investigation. Further, it allows access to qualified coroners to the PMP when investigating a death and requires they report deaths related to prescription medications. Additionally, SB 59 allows for Schedule "5" substances to be tracked through the PMP. Calloway thanked Brett Kandt and Duncan for their assistance with the language of SB 59, specifically, allowing access to clerical staff supporting detectives. A meeting is scheduled with Calloway, narcotics detectives and their records department to begin implementing SB 59.

Dr. Larry Pinson reported that he attended a national conference on controlled substances. SB 13-27 aims to create a Schedule "A" to address synthetic analogs. These substances would be placed in this schedule if they have a substantially similar chemical structure to an existing controlled substance in schedules 1-5 and an actual or predicted psychological effect on the psyche

or the body. SB 13-27 would include 13 synthetic types of Fentanyl in scheduling. The goal is to give law enforcement more tools to counter drug trafficking.

David Marlon reported on the passage of SB 252. This requires Nevada insurers to pay providers of services directly rather than sending payment to the patient.

6. Update on the opening of the Las Vegas Recovery High School.

Marlon reported that Clark County School District approved to fund a recovery high school, the first in the state of Nevada, with a target opening date of September 2017. This would allow Clark County students that are in a program of recovery an alternative option to their previous high school to attend a recovery high school with support services. City of Las Vegas and Southern Nevada Mental Health have approved additional funding to the recovery high school.

AG Laxalt requested Duncan look into integrating the opioid messaging campaign, specifically the program offered by EVERFI, into the 9th and 10th grade health classes of the recovery high school. Duncan will look into the integration and funding. Marlon suggested contacting Jeff Horne, Assistant Superintendent of Clark County School District, to address any questions.

7. Update on Law Enforcement/ DHHS Grant.

Dr. Woodard reported that an application was submitted for the Bureau of Justice Assistance Grant. This is a two year grant that would allow the Group and other agency partners to evaluate the existing information and data sharing processes in the State and work to improve the systems among public health, law enforcement and emergency response teams. The second year of the grant would focus on implementing the plan through fusion centers where information is collected and distributed. The goal is to have a coordinated and strategic response to opioid overdoses tailored to each geographic area. The State is still under consideration for the grant and Dr. Woodard expects notice in August with an approximate start date of October, 2017. The second grant Dr. Woodard updated the Group on was the Opioid STR Grant. This grant would fund a law enforcement coordinator directly associated with the Attorney General's Office who would facilitate the coordination of law enforcement and public health information sharing. Funding from this grant is allocated toward education of law enforcement on the Good Samaritan Law. Dr. Woodard updated the Group as to the passage of Assembly Bill (AB) 474, which adds requirements to prescribers of opioids. An evaluation of existing treatment and prevention activities is ongoing. AG Laxalt asked Dr. Woodard to prepare a general overview of each grant for the Group.

8. Join Together Northern Nevada – “Media, Marketing, and Education.”

Jennifer Delett-Snyder, Executive Director of Join Together Northern Nevada (JTNN), gave a presentation to the Group about the organization's initiatives. The coalition is part of the Nevada Statewide Coalition Partnership and includes individuals and groups throughout the community including law enforcement, educators, government agencies, youth-serving organizations and media with the common goal of creating healthy, drug-free communities. A

primary focus of their work is through educational outreach. JTNN and its partners created a public services announcement (PSA) focusing on the Good Samaritan Law and was shown to the Group. The PSA is running in Washoe County on television and social media. Additionally, seven billboards focusing on Naloxone will be in Washoe County in upcoming months. Further, JTNN worked with the Board of Pharmacy to create a handout with information on opioid overdoses and safe use of Naloxone. The handout was reviewed by Dr. John DiMuro prior to completion and is now being disseminated. JTNN provided a program in May 2017, with 203 participants focusing on prescribing guidelines. Delett-Snyder reported that 70% of the attendees reported that they would change the way they prescribe in the future based on the information they learned at the program. The Partnership for Success Grant along with federal grants fund the initiatives of JTNN. Linda Lang reported that funding is being dramatically cut at the federal level. Pat Hickey and Dr. Pinson expressed their support for JTNN and their initiatives. Patty Cafferata reported that she attended the education program in May and it was one of the best that she has been to.

9. Attorney General's Statewide Messaging Campaign update.

Linda Lang, Executive Director, Nevada Statewide Coalition Partnership, reported that the Statewide Messaging Campaign is progressing forward, but little has changed since her last report as they are waiting for funding.

10. Mandatory Quarterly Meetings (NRS 228.810). Adding August meeting to comply with statute. Remaining 2017 meetings:

August 2nd – 10:00 a.m.

October 11th – 10:00 a.m.

AG Laxalt noted the dates for the remaining meetings of 2017.

11. Public comment.

No public comment from Las Vegas or Carson City.

12. Adjournment.

Dr. Pinson moved to adjourn the meeting. Dr. Woodard seconded the motion. The meeting was adjourned at approximately 10:43 a.m.

Attachment Two (2)

to

Substance Abuse Working Group Agenda

August 2, 2017

Contents: Nevada HIDTA 2017 Threat Assessment
Report

NEVADA HIDTA

High Intensity Drug Trafficking Areas



2017 Threat Assessment

**Nevada HIDTA Board Chairman
Joseph Lombardo - Sheriff
Las Vegas Metropolitan Police Department, Las Vegas, Nevada**

**Director Keith Carter
Nevada HIDTA**

**This document was prepared for the ONDCP High Intensity Drug Trafficking Program
June 15, 2017**

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II. Executive Summary

The intent of the Nevada High Intensity Drug Trafficking Area (HIDTA) Threat Assessment, which is produced by the Nevada HIDTA DEA Investigative Support Center (ISC) is to identify current and emerging drug-related trends within the Nevada HIDTA regions. This report identifies the most significant trends identified in Nevada. The report complements the Annual Report and provides a basis for the Nevada HIDTA Strategy for the coming year. The report is produced in accordance with the Nevada HIDTA Executive Board management and the Office of National Drug Control Policy (ONDCP).

Mexico is the primary source country for methamphetamine, heroin, cocaine and marijuana imported into the United States via the Southwest border and then into Nevada. Consistent with national trends, Mexican National DTOs represent the greatest drug trafficking threat to Nevada. These organizations control the transportation and distribution of much of the illicit drug supply including Nevada's primary drug threats from methamphetamine and heroin.

Mexican DTOs use the interstate system to move large quantities of methamphetamine, heroin, cocaine and marijuana into and through the state north/south via I-15 and US-95 and east/west via I-80. The drug shipments originate in Mexico and enter the Nevada HIDTA primarily through Southern California and Arizona into Clark County and Central/Northern California into Washoe County.

The threat order by major drug type is very similar between the two Nevada HIDTA counties even though the trafficking routes are usually different. The size of individual drug seizures is typically higher in Clark County as well as the scope of some of the trafficking and distribution networks. Both Nevada HIDTA counties report that most Mexican DTOs that import methamphetamine, heroin, cocaine and marijuana, distribute the drugs locally and move them to other cities and states across the country.



Large shard of Crystal Methamphetamine

Methamphetamine is the most significant drug threat facing the Nevada HIDTA, and the threat is characterized by some of the following market factors: high availability, low price and higher purities of "ICE". Law enforcement and medical reporting support the conclusion that methamphetamine continues to be Nevada's number one drug threat even after several years as the primary threat.

The heroin threat to the Nevada HIDTA has risen over the past two years and is

considered by many in law enforcement as the primary drug threat they face today. Over 80% of responders to the Nevada HIDTA Threat Survey described the availability of heroin as "high", and 50% said the availability of heroin increased during 2016. Several Nevada HIDTA investigations produced pound/kilogram quantity heroin seizures from Mexican DTO's that most often supply other drug types as well.

Nevada continues to be among the top prescribers for the most widely abused prescription drugs such as oxycodone and hydrocodone, and Clark County in particular is a source area for diverted pharmaceuticals to other cities and states. Some doctors continue to overprescribe or are willing to prescribe to patients without a legitimate medical condition. Statewide treatment admissions remain low, but overdose deaths related to prescription drugs are high.

Mexican DTOs supply the majority of available cocaine to the Nevada HIDTA by way of Colombia, Mexico and primarily Southern California. For the past two years, investigations have rarely featured cocaine trafficking as a primary drug, and most often show the larger, kilogram quantities of cocaine to be destined for other areas of the country. African Americans remain as the primary distributors of crack cocaine. In Northern Nevada, African American street gang members travel to Reno from Northern California to distribute cocaine out of low end hotels.

The demand for MDMA and Molly is largely confined to the Las Vegas area within the Nevada HIDTA. Some Las Vegas night clubs and adult entertainment clubs are popular locations for MDMA and other drug distributors to meet and network. Nevada has become the annual host for two events: the Electric Daisy Carnival and Burning Man Festival. Both events draw large crowds and an increase in MDMA trafficking, sales and abuse.

Synthetic drugs such as fentanyl and fentanyl analogues have become a top concern for the Nevada HIDTA followed by synthetic marijuana (Spice). During 2016, the Nevada HIDTA initiated 5 investigations where subsequent enforcement operations led to the seizure of fentanyl and/or fentanyl analogues. Additionally, at least two pharmaceutical investigations involved the suspected over-prescription or prescription without a medical reason of fentanyl in pill form. Synthetic marijuana or 'Spice' is manufactured and sold in Southern Nevada, which is still considered to be a domestic source area for other cities and states across the country.

Marijuana is the most available drug in Nevada, and the illicit market has remained mostly stable over the past 3 years. The Nevada HIDTA marijuana market is comprised of local production and importation from California and Mexico. Nevada has been a part of the national movement toward marijuana legalization for well over a decade. During 2001, Nevada became the ninth state to enact a medical marijuana law, and in 2016 Nevada became one of six states to legalize marijuana for recreational use.

Violent crime, often related to drug distribution, is considered to be an emerging threat in Southern Nevada. The Las Vegas Review Journal reports that the Las Vegas

Metropolitan Police Department (LVMPD) investigated 168 homicides in 2016, the highest number over the last 20 years. Furthermore, LVMPD reporting shows approximately 50% of that total is associated with either street gang or drug activity. Much of the violent crime is also associated with the use of firearms. During 2016, Nevada HIDTA firearm seizures reached their highest level in 3 years.

Many of the DTO's identified in Nevada HIDTA sponsored investigations are involved with money facilitation or money laundering on a smaller scale, but the identification of organizations whose primary function is money laundering remains infrequent. Current investigations of DTOs with a money laundering component show funnel account activity, where deposits are made from other locations into bank accounts in Las Vegas. Additionally, Mexican DTOs are known to collect large amounts of drug proceeds for delivery to Los Angeles and money laundering through trade based businesses.

The gaming industry's cash intensive environment makes it a natural allure for many criminals but specifically for those intent on providing cover for illicit proceeds. While misperceptions exist about the magnitude and ease for criminals to establish and maintain money laundering operations through gaming, it is also clearly evident that criminals can and do exploit the industry for money laundering purposes. Some of the money laundering schemes encountered at Nevada casinos during 2016 include: bookmakers using online gaming accounts, cash to chips and then back to cash and credit card fraud.

III. Description of the Threat

The two Nevada HIDTA counties include the state's largest cities, Las Vegas and Reno, whose economies and populations are significantly influenced by California and other states along the Southwest border. Likewise, drug and other criminal threats that are present in those areas also appear in the Nevada HIDTA. Add a somewhat unpredictable component that exists in a state largely characterized by tourism and gaming, and you have a HIDTA that faces threats that are both similar and unique to other HIDTAs across the country.

Tourism, entertainment, gaming, construction, mining and ranching are the main industries in Nevada, but other industries like technology are also present. These diverse industries, including many entertainment businesses that are always open, create a very unique policing environment. Some of these industries also attract international tourists and undocumented workers, who add to a diverse and dynamic population that is in a continuous state of influx.

In reference to demographics, whites are the majority ethnic group followed by Hispanics who comprise 28% of the total population, making Nevada 5th nationwide for share of Hispanic population¹. Nevada also is home to a significant percentage of illegal immigrants. According to the latest data available from the Pew Research Center, the

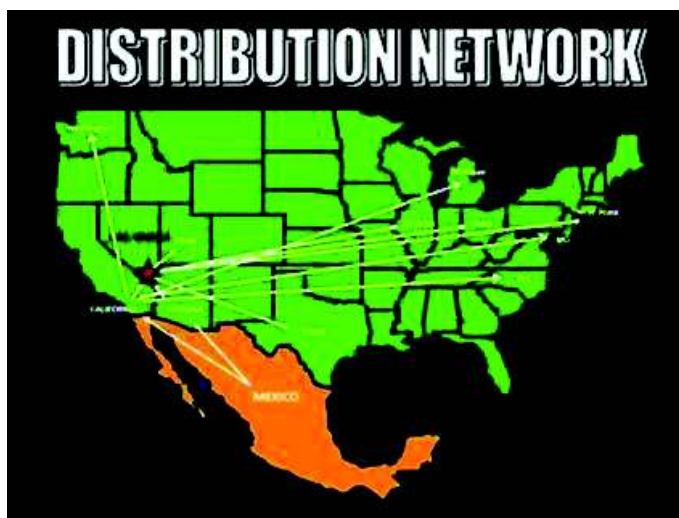
¹ Pew Research Center

number of illegal immigrants in Nevada fell by approximately 20,000 over a three year period from 2009-2012, bringing the total number down to about 210,000; however, Nevada had the highest proportion of illegal immigrants of any state at 7.6% of its population. In addition to the highest per capita rate, Nevada also had the largest share of illegal immigrants in the workforce.

Nevada has a population of approximately 2.94 million residents. This is an increase of 56,300 residents from the previous year. The state's current growth spurt is still largely driven by economic activity in Clark County. Nevada is the 35th largest state and ranks fifth in the nation for population growth. The Clark County cities of Henderson and Las Vegas are considered some of the fastest-growing cities of over 100,000. Clark County has an estimated 2.3 million residents, while Washoe County has an estimated 448,316 residents, and both counties hold just under 90 percent of the state's total population.²

Mexico is a primary source country for methamphetamine, heroin, and marijuana imported across the Mexico, California and other Southwest Border States into Nevada. Mexico is also considered to be a source country for cocaine produced in Colombia, sold to Mexican DTOs, and imported into Nevada via the same U.S./Mexico border routes. Consistent with national trends, Mexican National DTOs represent the greatest drug trafficking threat to Nevada. These organizations control the transportation and distribution of much of the illicit drug supply including Nevada's primary drug threats from methamphetamine and heroin.

Last year, the Nevada HIDTA reported that many Southern Nevada investigations were indirectly linked to the Sinaloa Cartel along with remnants of former cartels. The same can be said for both Northern and Southern Nevada in 2016; however, formal cartel structure continues to splinter making the determination of clear associations even more difficult. The threat rankings for methamphetamine, heroin, cocaine and marijuana, are very similar between the Nevada HIDTA counties, even though the trafficking and distribution routes tend to be different. The quantities of individual seizures are typically higher in the south as well as the scope of some of the trafficking and distribution networks.



When it comes to drug trafficking, the two Nevada HIDTA counties face some of the same issues that other Western and Southwest border cities and states face but on a different scale. The Las Vegas area has a significant migrant community that includes drug

² State of Nevada, State Demographer, Department of Taxation

traffickers who coordinate large shipments of drugs from Mexico. Information obtained from current investigations shows these DTOs most often use vehicles to import multi-pound quantities of drugs but have also used tractor-trailers and RV's in years past. Both Nevada HIDTA counties report Mexican DTOs that import methamphetamine, heroin, cocaine and marijuana may split some of the drug shipments for local distribution and transportation to other cities and states.

Other drugs that comprise the Nevada threat, such as prescription drugs, MDMA, synthetic drugs, and some locally produced marijuana, may not be affiliated with Mexican DTOs but instead are associated with individuals or groups that may not qualify as HIDTA defined DTOs. Prescription drugs continue to be problematic in Clark County, where Las Vegas encounters significant trafficking and abuse. Some reporting in Northern Nevada also suggests the problem may be extensive there as well. MDMA and/or "Molly" are popular within the night club scene in Las Vegas as well as a certain sub-culture that includes worldwide attendees at the annual Burning Man Festival in Northern Nevada and Electric Daisy Carnival in Las Vegas. Synthetic marijuana and marijuana indoor grow operations were less encountered by Southern Nevada law enforcement in 2016, but this is believed to be due in large part to changing law enforcement priorities. Nevadans voted for marijuana legalization in November of 2016, which undoubtedly will impact the illicit market as well moving forward.

Several Nevada HIDTA task force officers report that violent crime associated with drug activity is an emerging threat. The drug trade by nature is often violent and drug traffickers at all levels have historically shown a willingness to use firearms against competitors and sometimes law enforcement. Mexico, identified by national and Nevada HIDTA reporting as a major source country for drugs entering the region, continues to battle high levels of violence directed by the cartels. Likewise, several cities and states along the Southwest Border and across the country have also seen a rise in drug related violence and violent crime in general. The Las Vegas Review Journal reports that the LVMPD investigated 168 homicides in 2016, the highest number over the last 20 years. The LVMPD further reports that all categories of violent crime to include homicide, sexual assault, robbery and assault and battery with a deadly weapon rose during 2016. While some of these crimes are documented as drug related, other reporting on drug related violent crime continues to be anecdotal.

a. Drugs Trafficked

Over the past several years, methamphetamine has been Nevada's number one drug threat, and this trend has continued in 2016. Similar to national reporting, the market for methamphetamine in Nevada continues to be characterized by some of the following: high availability, high purity and low price. These market factors are further supported by Nevada HIDTA investigations that show methamphetamine DTOs consistently traffic large quantities of methamphetamine into and through Nevada plus treatment and overdose information that indicate Nevada faces a serious and sustained problem from methamphetamine abuse.



Liquid Methamphetamine

Mexico is the source country for Nevada's methamphetamine, and some investigations produced intelligence showing direct links to Mexican DTO's operating in Mexico. While these organizations also have ties to several cities and states across the country, the frequency of contact and direct access between Nevada based traffickers and their counterparts in Mexico appears to be increasing. Investigations that show this type of nexus can also reflect Las Vegas as a domestic source area for several cities and states in the continental U.S. and Hawaii.

These DTO's typically transport methamphetamine into the Nevada HIDTA across major interstates but not before crossing the US/Mexico border into primarily California and Arizona. Nevada's methamphetamine transportation pattern

makes sense given its proximity to California, Arizona and Mexico and is consistent with national DEA reporting that shows the bulk of methamphetamine US/Mexico border seizures occur with California and Arizona.

Additionally, most of the Mexican DTOs that import other drug types into the Nevada HIDTA also traffic methamphetamine. At the retail level, methamphetamine is sold primarily by Hispanic and white dealers and to a much lesser extent black street gang members to an indiscriminate customer base that is dominated by whites. According to Las Vegas Metropolitan Police Department (Agency responsible for the County Jail in Clark County) arrest data, white males and females account for over 60% of methamphetamine possession arrests followed by Hispanics and African-Americans, which the latter accounted for 27% of possession arrests in 2016 versus 19% in 2015.³ This appears to suggest that the market for methamphetamine continues to expand and into communities where the drug has not been prevalent or abused in the past.

The National Emerging Threats Initiative (NETI) reports that Southwest Border methamphetamine seizures for 2016 continued to rise. According to data provided by the El Paso Intelligence Center (EPIC), Southwest Border methamphetamine seizures have risen by a whopping 535% over the last 10 years, continuing a steady increase over the last 5 years and reaching record levels in 2016.⁴

³ LVMPD

⁴ Source: EPIC/National Seizure System

Nevada HIDTA seizure data also shows an increase over the last 4 years but not as drastic as Southwest border data. Methamphetamine seizures have consistently surpassed 200 kilograms since 2010, further reflecting one component of the long, relentless threat this drug has been to the state. Beginning in 2013, methamphetamine prices in Southern Nevada began to decline significantly until reaching a low mark at the end of 2016.

Methamphetamine ICE Pricing (Wholesale)

2013	2014	2015	2016
\$4,400 - \$6,200	\$3,600 - \$6,000	\$3,500 - \$4,800	\$3,000 - \$3,700

While Nevada HIDTA seizure and pricing data reflect a significant part of the methamphetamine problem, additional factors such as treatment admissions and overdose related deaths show why methamphetamine is Nevada’s primary threat. Statewide treatment admissions for methamphetamine have outpaced all other drug types for the last 5 years, and overdose deaths in Clark County have risen every year since 2010 to their highest levels in 2016. ⁵

The heroin threat to the Nevada HIDTA has risen over the past two years and is considered by many in law enforcement as the primary drug threat they face today. Heroin trafficking and distribution has been encountered by the majority of Nevada HIDTA task forces, and the quantities of this narcotic traversing the region and available for sale continue to be significant. Over 80% of responders to the Nevada HIDTA Threat Survey described the availability of heroin as ‘high’, and 50% said the availability of heroin increased during 2016. The largest drop in market price for heroin occurred in 2014, where the average price for a kilogram of black tar heroin decreased by nearly \$8,000 in Clark County. At the end of 2016, that same kilogram of black tar heroin sold for almost \$7,000 more against 2014 price data, while increasing by a modest 12% from 2015 price data.⁶

Several Nevada HIDTA investigations produced pound/kilogram quantity heroin seizures from Mexican DTO’s that often maintain family and organizational ties to the Mexican state of Nayarit. Some investigations also show heroin trafficking DTO’s, based in Las Vegas, supplying associated distribution cells in other cities and states across the country as well as Northern Nevada. Nevada HIDTA-sponsored investigations linking Northern and Southern Nevada remain scarce; however, heroin investigations have historically been the exception for unknown reasons.

⁵ TEDS & Clark County Coroner’s Office

⁶ Nevada HIDTA Drug Price List

Mexican DTO's that supply heroin to the Nevada HIDTA most often supply other drug types as well. These DTOs are often described as poly-drug, and this has been reported by the Nevada HIDTA consistently for several years. Over the last 2-3 years, however, Nevada HIDTA sponsored investigations have encountered heroin as the primary drug marketed by Mexican DTOs with greater frequency. Additionally,



1.7 lbs of Heroin

law enforcement reporting indicates this has also extended to street level distribution resulting in higher availability. From 2013 through 2015, the Washoe County Sheriff's Office (WCSO) reported an overall increase of heroin related arrests in excess of 99%.⁷ Statewide treatment admissions have risen slightly from 2012-2015, and heroin overdose related death totals in Clark County considerably higher over the past two years.⁸

Heroin seizures at the Southwest Border are at record levels. According to the DEA National Drug Threat Assessment for 2016, Southwest Border heroin seizures have steadily increased since 2009 and reached over 2,500kgs in 2015.⁹ Over the last 3 years, Nevada HIDTA heroin seizures have risen in a like fashion and are at record levels as well for 2016. While interdiction stops accounted for approximately 52% of heroin seizures in 2015, that total dropped to 39% in 2016. Like methamphetamine, heroin is primarily imported into Nevada in automobiles that cross the Mexican border into either California or Arizona, and several heroin seizures included automobiles with hidden compartments.

Since April of 2016, the Nevada HIDTA began to report on larger drug seizures at the McCarran Airport in Las Vegas, Nevada. The reporting involved couriers, who travel to Las Vegas from outside the area, attempting to smuggle kilogram quantities of either heroin or cocaine to destinations on the east coast. From October through December of 2016, the Southern Nevada Interdiction Task Force (SNITF) seized approximately 16 kilograms of heroin from 3 separate events. In each case, the heroin was concealed in checked luggage.

Prescription drug trafficking and abuse have been one of the primary threats to the Nevada HIDTA for the past several years. Nevada continues to be among the top prescribers for the most widely abused prescription drugs such as oxycodone and hydrocodone, and Clark County in particular continues to be a source area for diverted

⁷ Nevada MAT-PDOA

⁸ TEDS & Clark County Coroner's Office

⁹ Source: EPIC National Seizure System



Xanax pills

pharmaceuticals to other cities and states. At least one investigation in Northern Nevada also reported a strong, illicit market for narcotic pain medication such as oxycodone.

Similar to national reporting, the Nevada HIDTA has been reporting a trend of pharmaceutical drug abusers transitioning from prescription narcotics to heroin for several years. Though the transition for some abusers has continued to occur in 2016, the illicit market for prescription drugs appears stable. Drug pricing for Oxycodone is roughly the same over the past two

years, but prescription drug related overdose deaths in Clark County have increased consecutively since 2014 and recorded their highest totals since 2011.¹⁰ For additional details on diverted pharmaceuticals, please see section f “Prescription Drug Diversion” of this report.

For the past two years, Nevada HIDTA sponsored investigations have rarely featured cocaine trafficking as a primary drug, and most often show the larger, kilogram quantities of cocaine to be destined for other areas of the country. At least two investigations during 2016 showed the Las Vegas area as a conduit for multi-kilogram quantities of cocaine transported by tractor-trailer for delivery to states in the northeast.

Mexican DTOs supply the majority of available cocaine to the Nevada HIDTA by way of Colombia, Mexico and primarily Southern California. Mexican DTOs are known to supply cocaine to African-Americans who may also be street gang members. This interaction occurs in Northern and Southern Nevada, where African-Americans remain as the primary distributors of crack cocaine. In Northern Nevada, African-American street gang members have historically traveled to the Reno area from Central and Northern California to distribute cocaine out of low end motel/hotels.

While national reporting indicates cocaine availability and use have increased in several parts of the country over the past two years, multi-source information continues to show Nevada HIDTA cocaine markets remain soft. Over 65% of Nevada Drug Threat Survey respondents reported that cocaine availability has remained the same during 2016. This is further supported by other market indicators such as seizure data, pricing, overdose and treatment information.

¹⁰ Clark County Coroner’s Office

Panamanian authorities report cocaine seizures have risen by 60% since 2014, and rising cocaine production in Colombia is believed to be the cause.¹¹ DEA reporting from the 2016 National Drug Threat Assessment shows nationwide cocaine seizures increased



Brick of Cocaine with an anchor emblem

during 2015 to their highest levels since 2010. In contrast, Nevada HIDTA cocaine seizure totals for 2016 are at their lowest level in many years, while the cost for a kilogram of cocaine in Southern Nevada has increased to a 4 year high.¹²

Statewide treatment admissions for cocaine have remained at low levels for the past several years in comparison to other drug types such as methamphetamine, heroin, marijuana and other opiates; however, cocaine related overdose deaths began to increase in 2015 and remained higher in 2016 than the previous 3 year totals from 2012-2014.¹³

A recent national assessment conducted by scientists at the National Institute on Drug Abuse (NIDA), the National Center for Injury Prevention and Control (CDC) and the U.S. Department of Health and Human Services, found an increase in cocaine related overdose deaths after 2010, despite decreased cocaine use. The scientists further report this increase was due to these same deaths also involving opioids, primarily heroin or synthetic opioids.¹⁴

This study also supports DEA concerns regarding the emergence of cocaine mixed with fentanyl in some areas as a potential trend of concern.¹⁵ According to Nevada HIDTA reporting during 2016, a Mexican DTO operating in the Las Vegas area was responsible for supplying cocaine and Fentanyl to the Southeastern United States. The DTO was known to use various mail services to send pound and kilogram quantities of methamphetamine and cocaine, and some of these same shipments included large amounts of Fentanyl.

¹¹ Panama Public Securities Ministry

¹² Nevada HIDTA Drug Price List

¹³ TEDS & Clark County Coroner

¹⁴ NIDTA February 2017

¹⁵ National Drug Threat Assessment 2016

Marijuana is the most available drug in Nevada, and the illicit market has remained mostly stable over the past 3 years. While over 50% of NHTS respondents believe that marijuana availability has increased during 2016, indicators such as seizure data, investigations, pricing and treatment admissions show high availability but do not indicate much change from 2015. A significant amount of available marijuana is destined for Nevada markets, but an even greater amount passes through and is exported to other cities and states.

The Nevada HIDTA marijuana market is comprised of local production and importation from California and Mexico. Historically, Mexico and California have supplied Nevada with marijuana primarily cultivated in outdoor grows. After Colorado voted for legalization, Nevada law enforcement began to report more marijuana transportation through the state from California to Colorado by auto or parcel, and even some export from Nevada to Colorado. With recent marijuana legalization in California and Nevada, the Nevada marijuana illicit market is expected to change and possibly expand yet again. Additionally, over 85% of NHTS respondents believe legalization will have a negative impact on local crime.

One example of the criminal element attempting to exploit the public attitude regarding marijuana legalization is through the establishment of illegal marijuana delivery services. Southern Nevada law enforcement began to report these operations in 2015, and they continued to be popular through 2016. Over the last two years, 48 investigations were opened against these illegal businesses, with a slight increase in 2016. These businesses often include some of the following similarities:

- Internet advertising
- Ties to illegal marijuana indoor grow operations or THC extraction labs

For several years, the Nevada HIDTA has reported on the nexus between indoor marijuana grow operations and weapons seizures, as well as the indoor grow impact on the marijuana threat. In previous years, the Nevada HIDTA had an entire task force focused on disrupting/dismantling DTOs engaged in marijuana production, trafficking and distribution. Each year, the SCORE task force recorded the highest number of weapons seizures, often in conjunction with indoor grow seizures.

During 2015, the mission of the SCORE task force began to change, and in 2016 the task force was renamed to the Las Vegas Community Impact Task Force to more accurately reflect some of its new responsibilities. This mission change was prompted by marijuana prosecution requirements described in the 2016 Nevada HIDTA Annual Report and has impacted Nevada HIDTA's capacity to gauge the marijuana threat in the same comprehensive way it has in years passed. For example, indoor marijuana grow seizures as well as marijuana seizures in general have declined at the same time that marijuana availability has remained at high levels.

Nevada has been a part of the national movement toward marijuana legalization for well over a decade. During 2001, Nevada became the ninth state to enact a medical marijuana law in the United States. The law allowed patients suffering from AIDS, cancer, glaucoma and other illnesses to use marijuana as long as they receive written permission from a doctor. The patients were permitted to grow as many as seven marijuana plants if they meet state requirements. As of April 1, 2014, Nevada began issuing a limited amount of licenses to open dispensaries for the purpose of selling medical marijuana to registered medical marijuana cardholders. By the end of 2016, Northern Nevada had 9 certified medical marijuana dispensaries while Southern Nevada had a total of 40.

During November of 2016, Nevada voters legalized the use of recreational marijuana. Some of the major points of the new law are as follows for persons 21 and over:

- It is lawful to possess 1 ounce or less of marijuana
- Or 1/8 ounce concentrated marijuana, such as oils, edibles or drinks
- It is lawful to possess marijuana paraphernalia
- It is illegal to smoke or consume marijuana in a public place or moving vehicle

Currently, there are no licensed retail facilities available for individuals to purchase recreational marijuana; however, that process is underway. Once those facilities are in place, private cultivation (possession of up to 12 plants) will be limited to authorized medical marijuana card holders with no distance restrictions, or beyond 25 miles of a licensed facility for recreational users without a medical marijuana card.¹⁶

Asian DTO's with links to San Francisco and Canada have historically supplied MDMA to the Las Vegas area. The principle players in these organizations are typically ethnic Chinese followed by Vietnamese. During 2016, suppliers out of the Netherlands began to surface as players in sending MDMA via postal service to Las Vegas.

The majority of respondents to the NHTS describe the MDMA threat as moderate and largely unchanged. Pricing has remained mostly stable over the past 2 years, while seizures during 2016 rose sharply. MDMA is sold for approximately \$15 per pill or \$5,000-\$6,000 per 1,000 pills (boat), while Molly ranges from \$15-\$30 per tablet at the retail level. In 2015, the Nevada HIDTA seized approximately 53.38kg of MDMA vs. 124.86 kg in 2016. In 2015, the NV HIDTA seized approximately 1,918 dosage units MDMA vs. 9,051 dosage units in 2016.

Presently, MDMA is available at both the wholesale and street level, in "boat" quantities (1,000 pills) and by the pill depending on the nature of the drug transaction. Some task forces have also encountered MDMA being distributed in other forms such as powder and in chunks.

¹⁶ Henderson PD

Over the previous two years, law enforcement in Southern Nevada have encountered increasing amounts of “Molly”, a form of MDMA, available in both pill and powder form. Investigations have revealed that purchasing Molly in powder is cheaper than pill form. Some distributors will encapsulate the Molly themselves prior to selling it. During 2016, Pink Molly was in demand in the Las Vegas. Pink Molly is packaged in smaller capsules and is considered to be very strong by users of the drug.

During 2015, the Nevada HIDTA reported that Molly was being marketed as “Moonrock”. DEA laboratory testing of some of the seizures revealed the chemical component to be Methydone, which was imported from China for further distribution in Nevada, California and New York. The Methydone obtained from China was ordered on the internet and shipped to the Las Vegas area using various postal avenues.

The demand for MDMA and Molly is largely confined to the Las Vegas area within the Nevada HIDTA. Some Las Vegas night clubs and adult entertainment clubs are popular locations for MDMA and other drug distributors to meet and network. MDMA and Molly are considered to be readily available in this environment. Some local suppliers are believed to bring in MDMA and Molly from other cities such as Los Angeles. Limited reporting suggests that Las Vegas suppliers travel to Southern California to obtain Molly, and very few actually produce the Molly in Las Vegas.



MDMA Pills

Nevada is the host state for two annual events that draw large crowds and an increase in MDMA sales and abuse. The Las Vegas Motor Speedway is home to the annual musical festival known as the Electric Daisy Carnival (EDC). The EDC is usually a 3 day event and typically draws well over 100,000 people per day. The psychedelic drug culture is prevalent at the EDC, and MDMA is a popular drug for some attendees. According to open source reporting, the Clark County Coroner’s Office declared that one female attendee died as a result of ecstasy and cocaine intoxication and high heat during the 2016 festival. Additionally, the CCCO determined that a man, who attended the EDC in 2015, died as a result of an Ecstasy overdose. As reported in the Nevada HIDTA Threat Assessment in 2015, MDMA suppliers view the EDC as an opportunity to increase drug sales. (In 2017, the EDC will be held in Las Vegas twice at the same location.)

The Black Rock Desert, located approximately 90 miles northeast of Reno, Nevada, is the home for the annual Burning Man Festival. In 2016, Burning Man was a weeklong event that drew in excess of 60,000 people from across the country and beyond. Burning Man appeals to many cross segments of society that also include a counter-culture who may

consider psychedelic drug use a part of the allure. As a result, law enforcement in Northern Nevada typically see an increase in MDMA trafficking into the area preceding the event. Outside of the Burning Man Festival, which is held in late August, MDMA is not prevalent in Northern Nevada.

Regarding synthetic drugs, fentanyl and fentanyl analogues have become a top concern for the Nevada HIDTA. Fentanyl is a schedule II synthetic opioid originally developed for the pain management treatment of cancer patients.¹⁷ Over the past 2 years, the trafficking and distribution of fentanyl has soared in certain parts of the country, leading to a spike in overdose deaths often by unsuspecting drug abusers.

During 2016, the Nevada HIDTA initiated investigations into 3 separate organizations, 2 in the South and 1 in the North, where subsequent enforcement activity led to the seizure of fentanyl and/or fentanyl analogues. Additionally, at least two pharmaceutical investigations involved the suspected over prescription or prescription without a medical reason of fentanyl in pill form.

The two investigations in Southern Nevada were characterized by Mexican DTOs, who were known to traffic large quantities of primarily methamphetamine followed by cocaine and heroin. Each investigation led to the seizure of kilogram quantities of fentanyl, with some of the fentanyl from one investigation believed to be intended for the Las Vegas area.

The Northern Nevada investigation included information on a DTO distributing a street drug known as “China White”, believed by investigators to include the combination of heroin and fentanyl. The drug cocktail was suspected to be the cause for a spike in overdose deaths in Washoe County during January of 2017; however, lab analysis from a sample exhibit of “China White” tested positive for Fentanyl/U-47700 after field tests were negative. In November of 2016, the DEA placed the synthetic opioid U-47700 onto Schedule I of the Controlled Substances Act. DEA received reports indicating at least 46 confirmed fatalities nationwide associated with U-47700 during fiscal year 2016. Over the same period, DEA received over 85 reports from state and local forensic laboratories of U-47700 submissions.¹⁸

Over the past 2 years, the investigation cited in the preceding paragraph is the only one known instance of source reporting that indicates heroin dealers are selling heroin and fentanyl together. Additionally, drug related overdose deaths that record the presence of fentanyl do not show much disparity with law enforcement reporting. For 2015-2016, there were 7 overdose deaths in Clark County where the decedent had heroin and fentanyl in their system. Other drug related overdoses with fentanyl included cocaine and methamphetamine.¹⁹

¹⁷ Wall Street Journal “Potent Synthetic Drug Exacerbates Heroin Epidemic in New York City”

¹⁸ DEA Bulletin January 2017

¹⁹ Clark County Coroner’s Office

In previous years, the Nevada HIDTA has encountered fentanyl in conjunction with the fraudulent manufacture of Xanax pills. Intelligence shows that at least one DTO was involved with the local manufacture of Xanax pills via the use of a pill press shipped from China. Some of the finished product, however, contained fentanyl. A separate investigation produced a seizure of fentanyl in excess of 2 pounds at the Greyhound Bus Station. Post seizure information showed the fentanyl originated in Mexico and was destined for New York City.

Synthetic marijuana or 'Spice' is sold and abused in Southern Nevada, which is still considered to be a domestic source area for Spice to other nationwide locations. Local availability and demand for Spice are still present, but Nevada HIDTA sponsored investigations of 'Spice' laboratories have declined over time but still exist.

In 2015, a Southern Nevada HIDTA task force received information from the medical community regarding a spike in emergency room admissions from Spice abusers. Subsequent investigations revealed that 'Spice' was being sold by several smoke shops in the Las Vegas area. A coordinated law enforcement and city effort disrupted and somewhat contained the rise in Spice availability by the end of 2015; however, Spice has remained available throughout 2016 even with continued enforcement and licensing efforts some Smoke shops continue supplying the product. Although investigators state it is often not displayed in the open and more difficult to purchase believing it has gone "underground."

Spice production occurs but laboratory seizures are low. Last year, a Southern Nevada investigation led to the discovery of a Spice laboratory. Upon the execution of search warrants, officers discovered a Spice laboratory, several pounds of finished product and approximately 200 pounds of leaf. The lab operator was supplying Spice to local smoke shops as well as locations across the country by way of the internet.

Between 2011 and 2013, local law enforcement in conjunction with the DEA in Southern Nevada, seized several high capacity Spice laboratories along with finished product ranging from 150-500 pounds located inside warehouses in the Las Vegas area. Post seizure intelligence determined that China was the origin for some of the chemicals used in the manufacturing process and showed Las Vegas as a source city to other parts of the country.

b. Drug Trafficking and Money Laundering Organizations

Mexican DTOs have been the predominant source of supply for some of the major drug types threatening Nevada for many years. These organizations are active in both Nevada HIDTA counties and appear to maintain a steady supply of drugs to the region even after specific organizations have been either disrupted or dismantled at the local level. Moreover, the methamphetamine market is as threatening to Nevada as ever, and the rise of the heroin market over the past two years reflects the resiliency of the Mexican drug trade despite significant disruption to DTOs in Nevada and cartels in Mexico.

In Southern Nevada, Mexican DTOs supplying methamphetamine to the area sometimes import the product directly from Mexico for distribution locally as well as further transshipment to other cities and states across the country.

Most of these DTOs are also capable of supplying other drug types such as heroin, cocaine, marijuana, and some supply fentanyl as well. Mexican DTOs operate in a similar fashion in Northern Nevada, with some direct links to Mexico but single drug seizures are comparatively lower than in the South. Additionally, most of Northern Nevada DTOs operate separate and distinct from their rivals to the south. Mexican DTOs use Interstate 80 to transport marijuana in an eastern direction across Northern Nevada; however, most of the product is believed to be cultivated from outdoor grows in Northern California.

African-American, Hispanic and some Asian street gangs are also active in the distribution of drugs in the Nevada HIDTA. Street gang members are often involved at the retail level of distribution, and there has been some nexus between street gang members and Mexican drug traffickers at the wholesale level. The Nevada HIDTA reported on one example last year where a known member of a local Hispanic street gang in Las Vegas was identified as the driver of a vehicle used to transport multiple pounds of methamphetamine.

For years, Mexican traffickers have utilized street gang members to distribute methamphetamine, heroin, cocaine and marijuana on a wider scale. Separate and apart from their connection with Mexican DTOs, some street gang members also engage in pharmaceutical and MDMA distribution.

Several respondents to the NHDTs report a nexus between street gang activity and the emergence of violent crime, and a significant portion of the connection appears to be drug related in Southern Nevada. In 2015, the FBI reported that street gang violence was on the rise in Clark County. Additionally, the Nevada HIDTA reported that a Hispanic street gang member was supplying black street gang members with cocaine and methamphetamine for further distribution in other parts of the country. The business relationship turned violent over an alleged drug debt, resulting in the deaths of the Hispanic drug trafficker plus one family member and severe injuries to another family member and a close associate.

According to the LVMPD, there are just under 11,000 black and Hispanic street gang members in Clark County, with black street gang members comprising over 70% of the total number. Based on associated events in 2016, the LVMPD considers the following street gangs to be among the most violent in the area: Donna Street Crips, Gerson Park Kingsmen, Rollin 60's Crips, 18th St., 28th St., and Hustlers Taking Over. As previously reported in the Description of the Threat, the LVMPD reports that all categories of violent crime to include homicide, sexual assault, robbery and assault and battery with a deadly weapon rose during 2016. Some of these crimes are documented drug related and additional reporting exists from professional opinion.

Further examination of the rise in violent crime in Southern Nevada also reflects the consistent use of firearms. How DTO members and other violent criminals obtain and use firearms in the commission of violent acts has become a focal point for the Nevada HIDTA. During 2016, Nevada HIDTA firearms seizures reached a 3 year high even with a decline in marijuana indoor grow seizures where firearm seizures have been abundant. The illegal purchase of firearms and stolen firearms are used extensively in local, violent crime but can also be used to facilitate violent crime and drug related violent crime in other areas.

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) reports that over 70% of 17,704 firearms recovered in Mexico and submitted to ATF for tracing in 2015 were sourced from the United States.²⁰ According to the ATF in Las Vegas, illegal gun purchases often include straw purchasers who are acting on behalf of criminals located in California



Currency seizure

and sometimes drug traffickers in Mexico. The straw purchases may take place at gun shows or from legal firearms dealers.

Mexican DTOs transport illicit proceeds in bulk south of the border often in the same vehicles used to import drugs. Businesses such as auto shops, restaurants and store fronts have also been linked to Mexican DTOs, and money remitters are also used by some Mexican drug traffickers to send proceeds back to Mexico. Additionally, large amounts of U.S. currency continue to make their way through the McCarran Airport in Las Vegas, Nevada. According to

airport authorities, over \$30 million in U.S.C. moved through McCarran Airport during 2016.

Many of the DTO's identified in Nevada HIDTA sponsored investigations engage in some type of money facilitation or basic laundering of illicit proceeds, but the identification of organizations whose primary function is money laundering remains infrequent. Historically, Nevada HIDTA task forces have been a part of several investigations of money laundering organizations (MLOs) that have yielded millions of dollars in currency and assets. These investigations have often centered on organizations exploiting Nevada

²⁰ EPIC: Southwest Border Firearms Trafficking..."

gaming by co-mingling legitimate funds with illicit proceeds or using the gaming system and financial sector together to facilitate large quantities of illicit proceeds to both domestic and foreign destinations. The most prominent money laundering methods as they relate to gaming are further detailed in the Illicit Finance section of this report.

Current investigations of DTOs with a money laundering component show funnel account activity, where deposits are made from other locations into bank accounts in Las Vegas. Additionally, Mexican DTOs are known to collect large amounts of drug proceeds for delivery to Los Angeles and money laundering through trade based businesses. In 2015, the Nevada HIDTA reported that some small businesses, such as restaurants, may "hire" employees to launder drug proceeds. The employees, who exist on paper only, bring drug proceeds into the business, and then receive a "pay check" that goes back to the DTO.

One investigation in 2016 reported that members of an MLO were engaged in laundering millions of dollars on behalf of Mexican cartels. The MLO had established a front business that marketed the sale of electronics as a cover to move drug proceeds through the business. Members of the MLO used an encrypted messaging service as a vehicle to protect their communications. The MLO also used "drafting", a method where several people share the password to an email account. MLO members would arrange money pick-ups and relay bank account information using these methods of communication.

For many reasons, these types of investigations remain in the minority in comparison to the investigation of DTOs. These DTOs may not necessarily engage in money laundering in the conventional sense, but rather acquire assets with illicit proceeds or move large sums of currency to DTO leadership who are often located in Mexico.

c. Drug Transportation Methods

Many of the same transportation methods used to import drugs into the country are also used to transport money out of the country. Nevada HIDTA sponsored investigations from 2016 continue to reflect Mexican DTOs using the interstate system to move large quantities of methamphetamine, heroin, cocaine and marijuana into and through the state via I-15 and US-95 in the south and I-80 in the north. The drug shipments originate in Mexico and primarily enter the Nevada HIDTA through Southern California and Arizona in Clark County versus Central and Northern California in Washoe County. At times, these organizations will employ couriers, who may have little knowledge of the larger operation, to transport drugs from a pre-determined location in a vehicle furnished to them by a member of the DTO. A wide range of concealment methods are used including: electronically controlled compartments, gas tanks, drive shafts, natural voids, spare tires and sometimes nothing at all.

Investigations in 2016 have also encountered tractor-trailers transporting cocaine to other cities and states. In previous years, one investigation included the use of RV's equipped with led-lined compartments that were allegedly capable of making it through x-ray machines at border check points. While RV's were not encountered during 2016,

the drug and money load capacity as well as sophisticated concealment methods make this method of transportation likely.

The larger drug shipments enter Nevada most often by vehicle, but vehicles account for only one of many transportation methods used by DTOs in 2016. Alternate methods include: postal, rail, bus and commercial air. The quantities of individual drug seizures, where DTOs attempted to use the alternate transportation methods of postal and commercial air from Las Vegas, were trending higher during 2016. One DTO shipped kilogram quantities of fentanyl together with cocaine from Las Vegas to Miami using various postal services. Additionally, traffickers used commercial air in Las Vegas to move larger quantities of drugs, particularly heroin.

d. Marijuana Production

Marijuana production in the Nevada HIDTA is driven by indoor grows, THC extraction labs and outdoor cultivation. A significant portion of the marijuana threat in Southern Nevada exists from marijuana indoor grow operations despite declining seizure numbers. Often located in residential areas, these operations pose serious threats to neighborhoods due to some of the following:

- increased potential for violence
- Property damage & environmental impact

Drug stash houses are targeted by other drug traffickers for home invasions, and this may account for one of the reasons these locations have a higher tendency to maintain firearms. In previous years, a marijuana designated task force produced higher numbers of indoor grow seizures and consistently led Nevada HIDTA task force in firearms seizures as well. While investigations targeting indoor grows are down along with seizures, the demand for marijuana, particularly product with higher purity levels, remains and may be on the rise. Marijuana cultivated from indoor grow operations usually has a higher potency than domestic outdoor plants or product imported from Mexico. Some marijuana investigations involving internet driven delivery operations continue show a nexus to indoor grows and THC extraction labs.

Apartments and houses that maintain marijuana indoor grow operations may incur extensive mold damage as a result of the moisture required to maintain healthy marijuana plants. Indoor marijuana grow operators often remove carpet, fixtures and electrical wiring in order to maximize space for the cultivation of marijuana, thereby leaving the property owner with extensive repair bills or with a property that is no longer inhabitable due to the combination of damage and health risks. As reported last year, a recent study conducted in Denver, Colorado, shows highly-elevated airborne levels of mold spores within these structures subject occupants, emergency personnel and other individuals to significant potential health hazards. Potential health effects include hypersensitivity pneumonitis, allergic rhinitis, asthma and other respiratory diseases. Another concern is elevated carbon dioxide levels which, if generated using fossil fuel

combustion, can result in the production of carbon monoxide resulting in significant health effects, or death, to exposed individuals.²¹

In conjunction with more legalization, product variety and availability, there has been increasing demand for marijuana with higher potency. National reporting shows the average THC content in seized marijuana has risen from under 4% in 1995 to over 12% in 2014, but this is dwarfed by the average potency level of marijuana concentrates – rising from approximately 13% to over 50% over the same time period.²²

The second component to production is clandestine manufacturing, and one of the most popular methods used to extract high THC concentrates involves using Butane gas and is commonly referred to as Butane Honey Oil (BHO) clandestine manufacturing. The process is extremely dangerous and can lead to explosions and/or fires. Within the Nevada HIDTA, agents and officers have encountered BHO labs through investigations of marijuana indoor grow operations and delivery services. For 2015-2016, Nevada HIDTA task forces have seized 22 THC extraction laboratories.

Outdoor marijuana cultivation is the third component to Nevada HIDTA marijuana production. Outdoor marijuana grows are also encountered by Nevada law enforcement and are sometimes located in very secluded, mountainous areas of the state that are only accessible by foot. Aerial surveillance has been successful in locating some of these remote grow sites; however, grow site laborers become aware of the law enforcement presence as a result. Consequently, most grow sites net few arrests, because the element of surprise has since been removed.

California is ranked near the top for marijuana outdoor cultivation, with some estimates that as much as 60-70% of marijuana available nationwide comes from California.²³ This is significant to Nevada for several reasons including some previously reported, but specifically in relationship to outdoor cultivation within Nevada. We know that Nevada outdoor grow operations are controlled by Mexican DTOs, but investigations also show that many of the grows have had links to previous California grow operations, and some DTOs are associated through family ties. DTOs that manage Nevada sites usually pay Mexican Nationals to establish and maintain the grow site. The abandoned locations often reflect camp sites with living essentials, a water source for the marijuana plants and pesticides from Mexico that are very hazardous to the surrounding environment.

e. Methamphetamine Production

There is very little evidence of actual start to finish methamphetamine production labs in Nevada. Mexican DTO's continue to transport methamphetamine in solution into the Nevada HIDTA, and at least one investigation reported on the discovery of a methamphetamine conversion site along with several pounds of methamphetamine

²¹ National Jewish Health “Health Effects Associated with Indoor Marijuana Grow Operations”

²² DEA National Drug Threat Assessment 2016

²³ California HIDTA Report 2016 “Marijuana’s Impact on California”

solution. The location included containers of methamphetamine in solution, drying pans, and other paraphernalia consistent with a large scale operation.

f. Prescription Drug Diversion

Illegal prescription drug sales and abuse are a significant threat to the Nevada HIDTA, particularly in Clark County. While certain market indicators such as price and availability indicate that the pharmaceutical black market has leveled off, it is still significant and very threatening to the region. Nevada continues to be afflicted by substantial pharmaceutical abuse, and investigations also show Las Vegas as a source of supply to many other cities and states across the country. Nevada has some of the highest rates of prescription painkillers sold in the nation based on units prescribed per 100,000 patients. Nevada ranks:

- 2nd highest for oxycodone and hydrocodone²⁴
- 4th highest for methadone
- 7th highest for codeine

Over the past 2 years, multiple investigations in Las Vegas show DTOs using Medicaid patients to obtain legal prescriptions. This diversion scheme involves the following: Medicaid patients sell their pills to a drug trafficker, who is part of a DTO. The trafficker supplies local distributors, who then resell the narcotic pain medication to out of state customers.

The Nevada HIDTA has previously reported that the local black market for prescription drugs in conjunction with tourism has brought abusers and distributors into the area and sometimes together to forge drug trafficking organizations with associated cells in other parts of the country. While the low end street price for individual oxycodone pills is around \$13 in the Las Vegas area, the same pill can be sold for 3 to 10 times that amount in other parts of the country.

Nevada HIDTA sponsored investigations over the past two years continue to show that some doctors overprescribe or are willing to prescribe to patients without a legitimate medical condition. One example includes a Reno based physician who was arrested in April of 2016 for over prescribing opiate drugs to many of his patients. The physician was also part of a larger DTO that operated out of a Reno car dealership, where the owner's grandson and several salesmen were arrested for selling prescription drugs to hundreds of people.

While the doctor in the Reno investigation is considered to be at the top of this kind of unconventional drug trafficking organization, unscrupulous pharmacies must also play an important role in the distribution chain. Some investigations have shown that doctors may recommend certain pharmacies, while others show that distribution groups may

²⁴ Nevada MAT-PDOA

engage in pharmacy shopping to fill prescriptions. Both methods illustrate that pharmacies play a vital role in the black market of pharmaceutical diversion.

g. Drug Consumption

Marijuana is the drug of choice in Nevada and is available in many different forms including leaf, oil and edibles. Reporting over the last 2 years reflects some marijuana users are concealing and smoking the 'hash oil' extracted from the marijuana plant within E-cigarettes.

Marijuana is sold at the wholesale and retail level, shows no discrimination by age, race or gender, and its usage is publicly accepted on a wider scale than any other drug type with the exception of prescription drugs. Recreational marijuana legislation was passed in November of 2016, making Nevada one of 6 states with legalized marijuana for recreational use. Many in law enforcement anticipate a negative impact on the illicit marijuana market as well as other related criminal offenses such as driving under the influence. This would follow a similar pattern in Colorado, where marijuana related traffic deaths increased 48% in the three year average since recreational marijuana use became legal.²⁵

Some advocates for marijuana legalization make the case for little to no health risk fallout from increased availability or usage as a result of legalization. Reference the Marijuana Production section of this report that shows recent data on the rise of marijuana potency. Common sense suggests that more users who use a drug with an increasing potency will increase health risks, among them emergency room visits and treatment admissions. An examination of the available data from Colorado and Nevada statewide treatment admissions should raise concerns. The Rocky Mountain HIDTA reports some of the following for marijuana use since legalization from 2013-2014:

- Colorado adults ranked #1 in the nation for past month use
- Colorado college age adults ranked #1 in the nation for past month use
- Hospital rates likely related to marijuana increased 32% vs (2011-2012)
- Marijuana related exposures increased by 100% (compared with 2010-2012)
- Marijuana treatment admissions in Colorado are #2 behind alcohol

Colorado treatment admissions for marijuana remain high but do not demonstrate a major change since legalization. In Nevada, marijuana treatment admissions are significant but have been on the decline since 2011.²⁶

The primary drug threat to the Nevada HIDTA is methamphetamine, and widespread abuse is one of the many factors used to make this determination. As the following chart on page __ shows, treatment admissions for methamphetamine abuse have steadily

²⁵ Rocky Mountain HIDTA: "The Legalization of Marijuana.."

²⁶ TEDS

increased since 2011 and outpace all other drug types. This together with a significant rise in methamphetamine overdose deaths since 2011 in Clark County illustrates the severity of methamphetamine availability, abuse and product purity within the Nevada HIDTA.

The relationship between pharmaceutical and heroin abuse is significant, with one leading to the other often as the desire for greater potency and affordability increase. As reported previously within this report, the availability for prescription drugs on the black market and heroin remain high. LVMPD reports increases for individuals arrested with pharmaceuticals and heroin during 2016, while Washoe County reports roughly the same pharmaceutical related arrest numbers for the last two years but increases in calls for service and significant increases in opiate related reporting. Heroin numbers were up in Washoe County for all three categories.²⁷

In 2015, the Nevada HIDTA reported that treatment admissions for heroin/opioid abuse and dependency in Nevada were somewhat inconsistent with their designated threat level. TEDS does not address pharmaceutical abuse directly (other opiates), and the percentage of admissions for this drug category remains lower and unchanged from 2013-2015.

NV Treatment Admissions

Substance	2013	2014	2015
Meth	26%	27%	30%
Marijuana	18%	14%	12%
Heroin	11%	12%	14%
Opiates	6%	6%	6%
Cocaine	3%	3%	3%

Treatment admissions for heroin reflect a slightly different trend for 2016. Heroin admissions remain well below methamphetamine but show a slight increase over the past 3 years (2013-2015). Drug related deaths in Clark County for both prescription drugs and heroin are high, with prescription drugs continuing to be the highest and heroin slightly decreasing in 2016 but remaining higher than annual totals from 2010-2014.²⁸

²⁷ Washoe County Sheriff's Office

²⁸ Clark County Coroner's Office

Cocaine availability appears unchanged over the last two years, and abuse indicators such as treatment admissions and overdose numbers are mostly the same. As reported, cocaine production has increased in South America, and Mexican DTOs are importing more cocaine into the United States across the Southwest border. While more cocaine has hit the streets in other parts of the country, Nevada has encountered little change. Statewide treatment admissions have not changed for the last 3 years and remain low. Cocaine related overdose deaths in Clark County have fluctuated over the past three 3 years with no emerging pattern; however, individual numbers from 2015/2016 surpassed each of the previous 3 years. As reported in the “Drugs Trafficked” section of this report, this could be in part due to a rising number of drug mixtures with heroin and/or fentanyl. Over the last two years, there were 2 cocaine related overdose deaths where the decedents also had fentanyl in their system.²⁹

Synthetic drug abuse poses a serious health threat to consumers as well as first responders. The side effects from synthetic drugs can often be unpredictable, sometimes leading the abuser to hallucinate or become violent. While treatment data for synthetic drug abuse is unknown to the author, anecdotal information from law enforcement personnel in Southern Nevada reflects that at least one emergency room expressed concern with the level of patients admitted for Spice abuse in 2015. Other synthetic drug abuse information is unknown.

As noted in other sections of this report, Nevada HIDTA sponsored law enforcement investigations report Mexican DTO’s importing kilogram quantities of fentanyl into the region, with some allegedly destined for Nevada HIDTA counties. Separately, at least one Northern Nevada DTO was distributing fentanyl with U47700 during the early months of 2017. Until Washoe County began to report an increase in overdose deaths in January of 2017 from this same investigation, no significant reporting existed in either county to suggest increase levels of abuse for fentanyl or fentanyl analogues. During 2016, there were 5 drug caused deaths in Clark County where fentanyl was present and a contributing factor toward death, and 3 of the 5 decedents had heroin in their system.³⁰

h. Illicit Finance

Some criminals engage the gaming industry for illicit purposes by attempting to exploit perceived areas of vulnerability within various gaming operations. In specific reference to the money laundering, casinos often encounter suspects who use methods that may be somewhat unique to the gaming industry.

While the following methods are not used exclusively by DTOs or their members to launder or move illicit proceeds through the gaming industry, they represent some of the most frequently encountered schemes to exploit gaming.

The introduction of counterfeit money at the dealer tables has been prevalent in recent years. The gambler has the ability to go directly to the gaming table and provide cash to

²⁹ Clark County Coroner’s Office

³⁰ Clark County Coroner’s Office

the dealer, who converts the cash to chips. The gambler then plays at his or her discretion, and then cashes the chips out at the money cage. To a lesser degree, counterfeit money is also introduced at the slot machines. However, this requires a higher quality of counterfeit bill in order for the machine to accept the fake cash. Investigative information indicates that at least some of the counterfeit money has been produced locally, but the level of organization and scope of criminal activity are mostly undefined.

The use of wire transfers to legitimize illicit proceeds is another money laundering method encountered at Nevada casinos. This method may be used by both domestic and foreign-based patrons. For example, an individual may wire money to the casino, gamble a portion of this transfer, 'cash out' the remaining amount and convert it to United States Currency (U.S.C.).

Perhaps the most notorious example of this type of money laundering involved a Chinese national with dual citizenship in Mexico. In March of 2007, Mexican authorities seized over \$200 million dollars in U.S. currency from a house in Mexico City. The owner of this residence, identified as Zhen Li Ye Gon, was also the owner of a chemical company in Mexico believed to be responsible for supplying methamphetamine precursor chemicals to Mexican drug cartels. Subsequent investigation showed Ye Gon frequented Las Vegas casinos, where he became a prolific gambler. Over a four year period of time, Ye Gon wagered over \$100 million in Las Vegas casinos, largely through money wire transfers, without alerting casinos or authorities to his suspicious financial activity. A federal investigation led to a settlement in 2013 between the Department of Justice and the Las Vegas Sands Corporation for over \$47 million. Ye Gon's accounts at HSBC were also the subject of a broader U.S. federal money laundering investigation of the bank. In 2012, HSBC agreed to a \$1.9 billion settlement with U.S. authorities after admitting that its poor controls had allowed drug cartels to launder at least \$881 million.³¹

Foreign nationals, often from China, use "hosts" to establish credit at the casinos for potentially anonymous players, who often bring large sums of money into the casinos. The money can be wired into the casinos from foreign accounts, and the players have the ability to cash out and leave with the money.

Various betting schemes are also established by individuals and groups within casino sports books, because they create the potential for suspects to launder significant amounts of money while incurring relatively small losses in the process. This operation often involves some type of loss, but the loss is marginalized by the prospect of a second winning bet and the recovery of the majority of illegitimate funds – a potentially small loss for criminals and groups to conceal illicit proceeds.

³¹ Reuters August 2016: "Chinese-Mexican Man at Center..."

Other potential money laundering schemes encountered during 2015-2016 include:

- Bookmakers using online gaming accounts
- Cash to chips and then back to cash
- Credit card fraud

Bookmakers use online gaming accounts to move money from offshore bank accounts to other bookmakers in order to pay off a 'gambling' debt. The origin of the funds is unknown, and the transaction has little to no oversight. The use of funneling money through gaming by purchasing chips and then cashing out continues. Gamblers who are considered to be 'known' gamblers can even purchase chips at one casino and cash them at another. The purchaser of the chips and the 'known' player may not be one in the same. Lastly, there have been some instances of credit card fraud, where an individual will use a stolen credit card at a global ATM machine to purchase a ticket, then exchange the ticket for cash at the cash cage.

The gaming industry's cash intensive environment makes it a natural allure for many criminals but specifically for those intent on providing cover for illicit proceeds. While misperceptions exist about the magnitude and ease for criminals to establish and maintain money laundering operations through gaming, it is also clearly evident that criminals can and do exploit the industry for money laundering purposes. The scope and frequency are difficult to determine primarily due to the vastness of the industry in comparison with available law enforcement personnel to investigate potential crimes. Consequently, effective regulations, laws and cooperation from within the casino industry are critical components toward managing potential threats from domestic and international criminal exploitation.

i. Emerging or Other Drug Threats

Some of the existing threats to the Nevada HIDTA can also be considered emerging threats as well. This can be attributed to some of the following factors: the volatile nature of certain illicit drug markets, limited reporting, unknown impact of law enforcement counter measures and new laws. At least one of these factors applies to the following drug and other criminal threats discussed in this report: heroin, prescription drugs, fentanyl and fentanyl analogues, drug related violent crime and marijuana.

Regarding heroin in the Nevada HIDTA, the increase in heroin trafficking and distribution is still recent enough that some reporting may need to catch up to completely surmise the overall threat to the area. While several law



Heroin concealed in a car trap

enforcement personnel have reported that heroin constitutes the number one threat over the last two years, methamphetamine continues to hold the number one threat level because of its dominance in virtually every threat category for several years. The reporting data for heroin is still relatively new considering its overall threat significance to the Nevada HIDTA; however, the data is beginning to substantiate much of that reporting.

The illicit market for prescription drugs has kept this drug threat near the top for several years. While this is certainly true in Southern Nevada, limited but significant law enforcement reporting has occurred in the north over the past two years. Will this continue, even with less law enforcement assets available for prescription drug investigations than in the south? Furthermore, the Nevada HIDTA can easily report on trafficking, distribution, seizures, pricing and abuse from law enforcement and public information sources related to Clark County. Until more information is available, the limited law enforcement reporting accounts for prescription drugs as an emerging threat in Northern Nevada.

Fentanyl and fentanyl analogues can also be considered both an existing and emerging threat. As reported, these synthetic drugs have shown up in Nevada HIDTA sponsored investigations and some coroner's office reporting but certainly not to the levels that some states in the northeast and southern parts of the country have encountered. These synthetic drugs have been around for years but are still relatively new to the national, illicit drug market, particularly in reference to scope. China is a well-documented source country for fentanyl and some of its analogues, so recent Chinese regulatory and legal steps to ban the sale of these chemicals may have a significant impact on the overall market. Nevada reporting is still relatively low, but the health and safety concerns generated by the availability of these synthetic drugs in conjunction with market uncertainty continue to place this into the emerging threat category.

Nevada HIDTA reporting, in conjunction with information provided by the LVMPD, place drug related violent crime as an emerging threat. One can argue that drug trafficking is a violent crime, but this category specifically relates to rising violent crime data and its relationship with drug trafficking. According to the LVMPD for 2016, 62 of the 168 homicides had gang member involvement and 22 had a documented drug nexus. Furthermore, homicides have increased for the last 4 years in a row.³² While comparative data showing the drug nexus to the rise in violence is needed, some respondents to the NHTS report that numerous violent crimes were associated with illegal drug sales. The relationship has always been clear, but the rise in violent crime makes their association an emerging threat.

Marijuana has been reported as the number one drug of choice for many years, but the threat has been considered a secondary one. Marijuana trafficking, distribution and abuse have many components; however, the move toward legalization in many states, including Nevada, throws several intangibles into determining the illicit threat level. Will

³² LVMPD

availability, potency, addiction and collateral crime rise as a result? These questions will require years of attention, but in the short term, the legalization of marijuana for recreational use in California and Nevada this past year will likely de-stabilize the illicit market in Nevada.

IV. Outlook

Mexico will continue to be the primary source for methamphetamine, heroin, cocaine, and marijuana imported into the United States and then into Nevada. Consistent with national trends, Mexican National DTOs represent the greatest drug trafficking threat to Nevada. Most of these DTOs have either direct or indirect ties with the Cartels in Mexico and maintain affiliations with other DTOs in California and Mexico.

The scourge of methamphetamine trafficking and abuse is likely to remain at high levels throughout the Nevada HIDTA. Availability, price, and purity levels reflect a dominant presence and suggest that methamphetamine production and trafficking from Mexico have not slowed down. The majority of all the methamphetamine sold in the Nevada HIDTA region will continue to be supplied by Mexican DTOs, who routinely import multi-pound quantities of methamphetamine into Clark and Washoe counties. Clark County in Southern Nevada serves as both a destination and staging area for large methamphetamine shipments from Mexico, California and Arizona. To a lesser degree, Mexican DTOs also import methamphetamine into Northern Nevada, primarily from Central and Northern California but also Mexico.

The threat from heroin trafficking, distribution, abuse and overdose is ongoing and showing no signs of relief. Several investigators reported heroin as the number one threat to the area, and market data indicates the heroin problem is serious and may be worsening. As reported, Nevada HIDTA heroin seizures are at record levels, but the market price shows no pattern of decline. Arrests for possession, statewide treatment admissions and deaths related to heroin indicate higher availability, abuse and potency. Based on the two year trend in Nevada as well as national reporting, heroin will continue to be a primary threat next year but will not surpass methamphetamine.

The illicit market for prescription drugs continues to be problematic with no signs of decline for the immediate future. Nevada continues to be among the top prescribers for the most widely abused prescription drugs such as oxycodone and hydrocodone, and Clark County in particular is a source area for other cities and states. Limited but significant reporting in Northern Nevada indicates a sustained, illicit market there as well.

Statewide treatment admissions for 'opiates' have flat lined at lower levels, but prescription drug related overdose deaths in Clark County have increased over the last two years after declining in 2014. The demand for diverted pharmaceuticals has remained, even with widespread reporting of addicts transitioning to heroin for stronger narcotic effects at a lower cost.

Unlike methamphetamine and heroin, the Nevada HIDTA market for cocaine is running contrary to national reporting and showing no signs of significant change for next year. This is a piece of positive news for Nevada’s future considering the history of cocaine trafficking and abuse across the country and within the state. One possible explanation for the continued regional decline is the abundance of methamphetamine at such a low price, considering methamphetamine is a competitor for the illicit market of stimulants. African-Americans continue to prefer crack cocaine over methamphetamine, but some reporting suggests that methamphetamine is increasingly popular within the black population as well.

Table 5. Drug-Related Deaths, Clark County, by Drug, 2010–2016							
Drug	Year						
	2010	2011	2012	2013	2014	2015	2016
Prescription Drugs	290	364	331	309	230	309	337
Cocaine	29	68	52	52	40	67	58
Methamphetamine	56	107	111	130	159	221	252
Heroin	5	33	29	33	31	80	69

Source: Clark County Coroner’s Office.

Marijuana will continue to be the drug of choice in Nevada, and availability will increase as a result of legalization. California voted for legalization as well, so there is a strong possibility for increasing flow of marijuana from California into Nevada, where domestic production is already significant. Just how significant for 2017 may have to be determined largely by fact gathering outside of the law enforcement arena, as changing priorities will likely result in lower marijuana investigations, seizures and intelligence gathering.

The market demand to obtain higher levels of THC concentrates is on the rise nationwide and appears to be in Nevada as well. This coincides with higher demand, availability and diversity of product plus more states moving toward some type of legalization. By the end of 2016, there were 40 medical marijuana dispensaries in the Las Vegas area, just about double the number from 2015.

MDMA and Molly will continue to be in demand but largely limited to the Las Vegas area. It will be interesting to see what if any effects the changing laws and regulations in China will have on this market. Nevada HIDTA reporting has shown some traffickers selling Molly, marketed as “Moonrock”, have purchased supplies online from China in the past.

The annual events known as the EDC and Burning Man will also produce spikes in the MDMA market as they have in the past.

Nevada HIDTA sponsored investigations and intelligence supporting efforts will likely target drug related violent crime on an increasing basis. As recent data shows, violent and drug related violent crime has increased in Clark County and has resulted in changing law enforcement priorities that have impacted the Nevada HIDTA. Drug related violence will always be a part of the drug trafficking landscape, but whether this emerging trend can be contained or disrupted is currently an unknown.

The availability and threat from synthetic drugs such as fentanyl and fentanyl analogues should stabilize as recent changes to regulations and laws in China begin to take effect. This will be welcome news to Nevada and many other states. What is largely unknown is whether or not Mexican DTOs will be able to fill some of the void left by China. Nevada HIDTA reporting shows that Mexican DTOs are trafficking other drugs in conjunction with kilogram quantities of fentanyl, and some national reporting supports our reporting as well. The lethality of fentanyl and analogues of fentanyl have not dissuaded Mexican DTOs from acquiring the product. On the contrary, their acquisition and use appears to have increased.

Mexican DTOs will continue to use a variety of transportation methods in Nevada to facilitate drugs proceeds to cartels in Mexico. Nevada's proximity to the Southwest border makes it a prime state for drug proceeds traveling in bulk by vehicle to cross the Southwest border. As reported for 2016, vehicles were not the only means of transport nor will they be for 2017. Large amounts of currency move unobstructed through the McCarran Airport and most likely Reno's airport as well. Legalized gambling in Nevada makes for a plausible explanation for traveling with large amounts of currency.

The gaming industry will continue to be the driving economic force within the Nevada HIDTA, and tourists from across the globe travel to Las Vegas and Reno throughout the year. The concern for the Nevada HIDTA and drug law enforcement in general is that Nevada's gaming industry will be exploited by DTOs and MLOs to facilitate and launder their illicit proceeds. The scope and frequency of criminal abuse will remain difficult to determine for law enforcement, but some significant investigations have led to increasing self-regulatory efforts with the gaming industry that will only enhance future law enforcement efforts.

V. Methodology

The Nevada HIDTA 2016 Drug Threat Assessment consisted of an annual Drug Market Analysis survey conducted by the Nevada HIDTA Management Initiative and the Investigative Support Center to solicit information from a significant number of law enforcement representatives from federal, state, and local agencies. Nevada HIDTA uses this information along with the past Performance Management Program data to produce estimates of various aspects of drug trafficking activities to aid in the development of the Drug Threat Assessment and subsequent development of the Nevada HIDTA Strategy.

Several other tools are employed to collect the Drug Threat Assessment Survey developed by the personnel in the Nevada HIDTA ISC. First, a survey tool creates data and reflects perceptions and facts from agents, detectives, supervisors and analysts surveyed regarding actual criminal activities investigated within their jurisdictions during the past year. The ISC also collects data from investigations and open source. All of this information is then comingled with a mandatory participative survey from each Nevada HIDTA member. The results of these surveys are then compiled into documents to help establish trends. This comprehensive research and analysis combined with the National HIDTA Performance Management Program (PMP) data provide the Nevada HIDTA Executive Board and the Management Initiative a guide to explain the existing and emerging drug threats in Nevada.

VI. Designated Areas

The Nevada HIDTA Executive Board has reviewed the status of each designated area and concluded each continue to meet the statutory criteria for designation as a HIDTA county.

Nevada HIDTA counties are Clark and Washoe.

VII. Appendices

Agencies participating in the Nevada HIDTA:

<p><u>Local, State, and Regional</u> Boulder City Police Department Clark County District Attorney's Office Henderson Police Department Las Vegas Metropolitan Police Department Mesquite Police Department Nevada Department of Public Safety/Nevada Highway Patrol Nevada National Guard/Counter Drug Task Force North Las Vegas Police Department Reno Police Department Reno-Tahoe Airport Authority Police Sparks Police Department Washoe County Sheriff's Office</p>	<p><u>Federal</u> Amtrak Bureau of Alcohol, Tobacco, Firearms, and Explosives Drug Enforcement Administration-Las Vegas District Office Federal Bureau of Investigation Homeland Security Investigations-Las Vegas Division U.S. Attorneys Offices-District of Nevada U.S. Department of the Treasury-Internal Revenue Service United States Forest Service United States Marshals Service</p>
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VIII. End Notes

¹ Pew Research Center – 2015 Report available on the internet

² State of Nevada, State Demographer, Department of Taxation report completed 2016 available through the State of Nevada

³ Las Vegas Metropolitan Police Department Crime Analyst Reporting 2016

- ⁴ Source: 2016 EPIC/National Seizure System
- ⁵ 2016 Nevada Treatment and Admission systems – Drug Treatment & Clark County Coroner’s Office reporting
- ⁶ 2016 Nevada HIDTA Drug Price List
- ⁷ Washoe County Nevada Incarceration statistical system - MAT-PDOA
- ⁸ 2016 Nevada Treatment and Admission systems – Drug Treatment & Clark County
- ⁹ Source: 2016 EPIC National Seizure System
- ¹⁰ Coroner’s Office reporting Coroner’s Office
- ¹¹ Panama Public Securities Ministry – Available through DEA
- ¹² 2016 Nevada HIDTA Drug Price List
- ¹³ 2016 Nevada Treatment and Admission systems – Drug Treatment & Clark County
- ¹⁴ National Institute on Drug Abuse (NIDA) - February 2017
- ¹⁵ National Drug Threat Assessment – 2016
- ¹⁶ Henderson Police Department 2016 Marijuana research
- ¹⁷ Wall Street Journal “Potent Synthetic Drug Exacerbates Heroin Epidemic in New York City” March 2016
- ¹⁸ DEA Bulletin January - 2017
- ¹⁹ Clark County Coroner’s Office 2016 reporting
- ²⁰ EPIC: Southwest Border Firearms Trafficking...”
- ²¹ National Jewish Health “Health Effects Associated with Indoor Marijuana Grow Operations” Division of Environmental and Occupational Health Sciences Department of Medicine, National Jewish Health; Denver, CO; John W. Martyny, PhD
- ²² DEA National Drug Threat Assessment 2016
- ²³ California HIDTA Report 2016 “Marijuana’s Impact on California”
- ²⁴ Washoe County Nevada Incarceration statistical system - MAT-PDOA
- ²⁵ Rocky Mountain HIDTA: “The Legalization of Marijuana” - 2016
- ²⁶ 2016 Nevada Treatment and Admission systems – Drug Treatment – TEDS Washoe County Sheriff’s Office – Jail Booking Records
- ²⁸⁻³⁰ Clark County Coroner’s Office 2016 reporting
- ³¹ Reuters August 2016: “Chinese-Mexican Man at Center of \$205 Million seizure...”
- ³² Las Vegas Metropolitan Police Department Crime Analyst Reporting 2016 Homicide reporting