



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Commerce, Community,
and Economic Development**

ALCOHOL & MARIJUANA CONTROL OFFICE

550 West Seventh Avenue, Suite 1600
Anchorage, AK 99501
Main: 907.269.0350

February 13, 2018

Representative Paul Seaton, Co-Chair
Representative Neil Foster, Co-Chair
House Finance Committee
Alaska State House
Juneau, Alaska 99801

Dear Co-Chairmen Seaton and Foster:

During the House Finance Committee's February 6, 2018, hearing on House Bill 273, Extending: Marijuana Control Board, I was asked to provide information regarding prior year appropriations for the Alcohol and Marijuana Control Office (AMCO) and prior year intent language regarding marijuana licensing.

In the FY2017 operating budget bill (Chapter 3 4SSLA 2016), the legislature included two wordage sections for the Alcohol and Marijuana Control Office. One section of wordage indicated the legislature's intent that licensing fees from marijuana regulation be set to recoup the state's general fund investment in the program; the second section of wordage carried forward receipts collected from marijuana licensing activities from FY2016 to FY2017. Taken together, these two statements indicated to the department that the state should begin to recoup the general funds expended once marijuana regulation activities are fully license fee-supported and self-sufficient.

In the FY2019 budget, AMCO is again reducing annual reliance on state general funds, and increasing authority to spend from program receipt collections. AMCO is anticipated to receive no state general funds in FY2020. However, in FY2020 the program may not be fully self-sufficient (each year's collections at least equaling that year's operating costs) from new revenue collections, and may need to rely on some of the carried forward revenue from prior year marijuana licensing activities. At this time there are many unknown aspects of the marijuana industry, including how many businesses the market can support and the ultimate success rate of these new businesses in Alaska.

AMCO uses distinct coding in the state's accounting system to track the revenue and expenses of the two substances. Alcohol receipts are used to fund alcohol regulation, and marijuana receipts are used to fund marijuana regulation. Once the marijuana program is fully self-sufficient and is no longer reliant on general funds, the department will evaluate how best to begin depositing some annual revenue receipts into the General Fund to recoup initial program general fund expenditures.

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The Marijuana Control Board established fees for marijuana businesses in February 2016. Since commercial marijuana operations only began in July 2016, with the first retail store opening October 2016, there is not yet sufficient licensing and revenue data for the board to revisit fees to ensure that they both cover the cost of regulation and recover prior general fund appropriations. AMCO anticipates that the Marijuana Control Board will reexamine the fees charged in FY2019 or FY2020.

Sincerely,

A handwritten signature in black ink that reads "Erika McConnell". The signature is written in a cursive style with a large, stylized "M".

Erika McConnell
Executive Director