



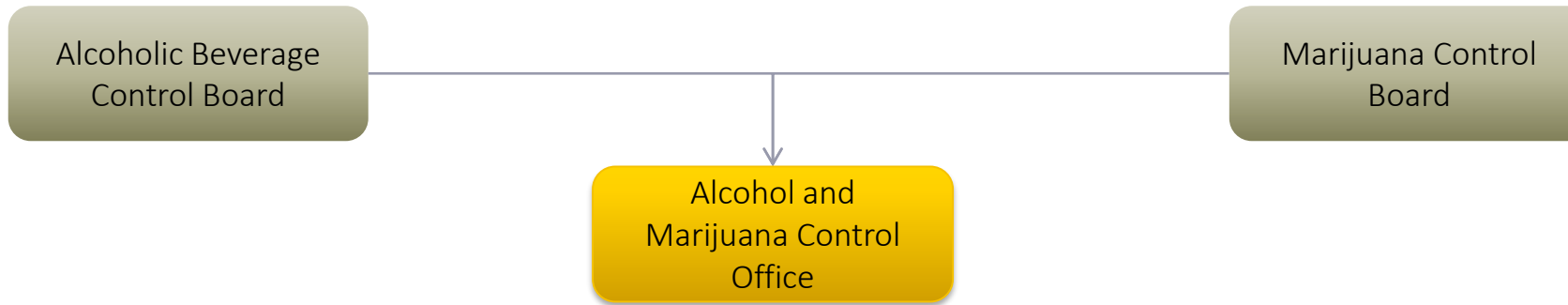
THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Alcohol and Marijuana Control Office

Presentation to House Finance
February 20, 2018



Agency and Board Structure



The Alcohol and Marijuana Control Office serves both the Alcoholic Beverage Control Board and the Marijuana Control Board.



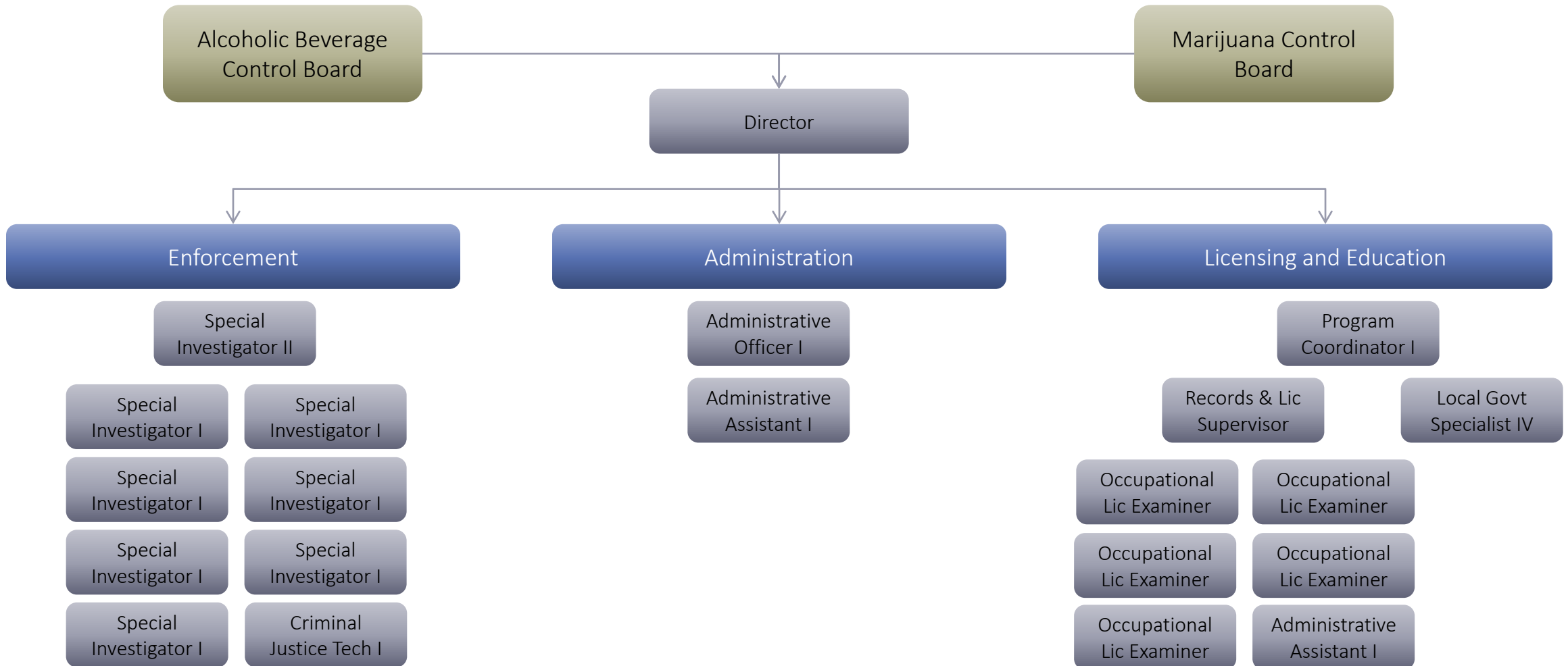
Marijuana Control Board Accomplishments

- In nine months, developed and adopted the regulatory structure for marijuana licensure through a robust public process
- Between being constituted in July 2015 and present, met over 24 times, including in each judicial district each year as required by statute
- Between June 2016 and present, approved 278 license applications, denied 8 applications, and revoked 2 licenses
- Opened 45 regulations projects, of which 8 are in effect, and an additional 11 are adopted



Alcohol and Marijuana Control Office

Current Organization





Marijuana Regulation History

- November 2014:** Voter initiative to regulate marijuana like alcohol passes
- April 2015:** HB123 establishes the Marijuana Control Board (Sec. 2 Ch. 4 SLA 2015, primarily changes AS 17.38)
- February 2016:** Marijuana Control Board establishes regulations, including fees for marijuana businesses (enacted as 3 AAC 306)
- February 2016:** Marijuana licensing begins (applications are accepted)
- July 2016:** Commercial marijuana operations begin
- October 2016:** First retail marijuana store opens
- June 2017:** First renewal period for all marijuana licenses



Marijuana Budget History

- November 2014:** Voter initiative to regulate marijuana like alcohol passes
- Spring 2015:** UGF funding appropriated for FY2015 and FY2016 for program implementation (\$2,360.1 UGF, supplemental multi-year appropriation for FY2015-FY2016)
- Spring 2016:** UGF and GFPR funding appropriated for FY2017 for continued program operations (\$1,470.7 UGF, \$100.0 GFPR)
Component retitled from Alcoholic Beverage Control Board (ABCB) to Alcohol and Marijuana Control Office (AMCO)
- Spring 2017:** UGF and GFPR funding appropriated for FY2018 (\$1,052.5 UGF, \$756.6 GFPR)
Intent language in the budget regarding marijuana fees
- Spring 2018:** UGF and GFPR funding requested for FY2019 (\$532.8 UGF, \$1,282.6 GFPR)
HB273 introduced to extend the Marijuana Control Board
HB299 introduced to extend the Alcoholic Beverage Control Board



Marijuana Fees

- License and application fees are set by the Marijuana Control Board in regulation (3 AAC 320)
- Fees were last set in February 2016
- Annual fees for marijuana licenses are \$1,000 for limited cultivation, concentrate manufacturing, or testing licenses, and \$5,000 for retail, unlimited cultivation, and product manufacturing licenses
- Application fees are \$1,000 for new and transfer applications and \$600 for renewal applications
- Half of each application fee is transferred from AMCO to the appropriate local government
 - This is different than alcohol licensing revenue transfers, which are transferred from the Department of Revenue's tax collections to the appropriate local government
- Intent language in the FY2017 budget
- The board will likely revisit fees in FY2019 or FY2020



Alcohol Fees

- License fees are set by statute for all license types in statute; licenses created by regulation have license fees set by regulation
- Application fees are set by regulation
- Application fees were raised for the first time in at least 20 years, to take effect 7/1/18
- Biennial fees for alcohol licenses range from \$400 (golf course license; wholesale-malt beverage and wine license) to \$2,500 (beverage dispensary license)
- Application fees are \$100 for new and transfer applications and \$200 for renewal applications; these are increased to \$500 for new and transfer applications and \$300 for renewal applications, beginning 7/1/18
- License fees are transferred to the appropriate local government from the Department of Revenue's tax collections upon showing of local enforcement of applicable laws



2017 Legislative Intent Language

Alcohol and Marijuana Control Office

Operating Budget (CCS HB 256)

6. It is the intent of the legislature that the Department of Commerce, Community and Economic Development, Alcohol and Marijuana Control Office, set marijuana application and licensing fees to cover the cost of regulation and recover unrestricted general fund appropriations made in prior fiscal years while the program was being established.

The Marijuana Control Board initially set license fees for commercial marijuana establishments with three goals in mind. The first goal expressed by the board was to charge adequate fees for the work of application and license issuance as well as enforcement tasks the marijuana industry, given that regulation of the new industry is more complex than liquor license regulation. The second goal of the board was to set the fees at such a level that the costs of regulating the industry could be offset by fee receipts as early as possible. Finally, the board considered other states' fees for similar licenses in setting the fee structure because Alaska was one of only four states that issue such licenses at the time.

After the board set the fees, the legislature communicated its intent that unrestricted general funds that were used to begin regulatory efforts be repaid when the regulation of commercial marijuana is fully receipt supported. The staff has communicated the legislative intent to the Marijuana Control Board.

Legislative Fiscal Analyst Comment: FY15 through FY17 appropriations to the Alcohol and Marijuana Control Office (AMCO) totaled \$3,830.8 UGF for implementation of the Marijuana Control Office. During FY16 and FY17 (through October 31, 2016), the department collected a total of \$817.9 in application and license fees.

In FY17, AMCO has authority to expend \$100.0 of the revenue collected for operating expenditures. In addition, AS 17.38.200(c) requires half of the application fee received by AMCO be refunded to the local government for examination of marijuana establishment application. Approximately \$45.0 has been returned to local governments.

It is unknown when AMCO will collect enough revenue to recover unrestricted general funds due to the uncertainty of future revenue collections.



AMCO Budget History and Projection

	FY2016		FY2017		FY2018		FY2019		FY2020	
Budget Expenditure Authority	Alcohol	Marijuana	Alcohol	Marijuana	Alcohol	Marijuana	Alcohol	Marijuana	Alcohol	Marijuana
License Fees	1,747.2	-	1,917.5	100.0	1,975.5	756.6	1,978.0	1,282.6	1,978.0	1,815.4
Unrestricted General Funds	-	2,360.1	-	1,470.7	-	1,052.5	-	532.8	-	-
Total	1,747.2	2,360.1	1,917.5	1,570.7	1,975.5	1,809.1	1,978.0	1,815.4	1,978.0	1,815.4
Division Total	4,107.3		3,488.2		3,784.6		3,793.4		3,793.4	

Positions	17		18		21		21		21	
Receipt Revenue (annual, projected)	1,662.9	341.5	1,898.9	1,346.0	1,925.5	1,346.0	1,978.0	Unknown	1,978.0	Unknown

Actual Expenditures	Alcohol	Marijuana	Alcohol	Marijuana
License Fees	1,651.3	-	1,623.2	-
Unrestricted General Funds	-	1,812.5	-	1,248.3
Total	1,651.3	1,812.5	1,623.2	1,248.3
Division Total	3,463.8		2,871.5	

Receipt Revenue	1,662.9	341.5	1,898.9	1,346.0
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Division Total excludes \$23.7 inter-agency receipts that have not been used in recent years.

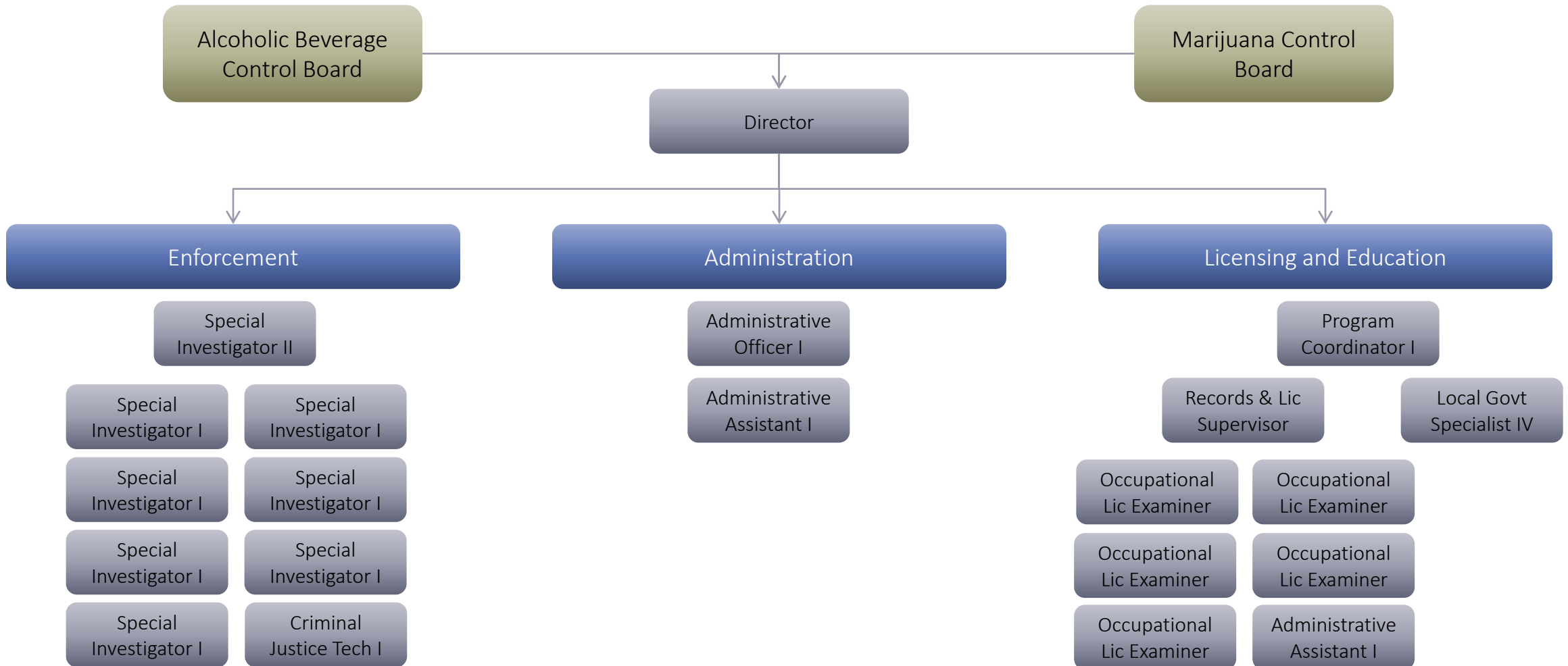
FY2016 Unrestricted General Fund appropriation was a two-year appropriation for FY2015 and FY2016.

Unknown factors related to revenue prevent accurate projections at this time. Multiple aspects of the marijuana industry are still unknown, including the universe of businesses, whether license applications swing seasonally, and how many businesses the market can support.



Alcohol and Marijuana Control Office

Current Organization





Alcohol and Marijuana Control Office

Organization to Support One Regulated Substance

