

FISCAL NOTE

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Bill Version HB123
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) HB123-DCCED-ABC-03-09-15 Dept. Affected DCCED
Title ESTABLISH MARIJUANA CONTROL BOARD Appropriation Alcoholic Beverage Control Board
Allocation Alcoholic Beverage Control Board
Sponsor Rules By Request of the Governor
Requester (H) Labor and Commerce OMB Component Number 2690

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY16 Appropriation Requested	Included in Governor's FY16 Request	Out-Year Cost Estimates				
			FY17	FY18	FY19	FY20	FY21
OPERATING EXPENDITURES	FY16	FY16	FY17	FY18	FY19	FY20	FY21
Personal Services	610.5		610.5	610.5	610.5	610.5	610.5
Travel	73.0		73.0	73.0	73.0	73.0	73.0
Services	756.4		622.4	622.4	622.4	622.4	622.4
Commodities	134.5		106.1	106.1	106.1	106.1	106.1
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	1,574.4	0.0	1,412.0	1,412.0	1,412.0	1,412.0	1,412.0

FUND SOURCE (Thousands of Dollars)

	FY16	FY16	FY17	FY18	FY19	FY20	FY21
1002 Federal Receipts							
1003 GF Match							
1004 GF	1,574.4		1,412.0	1,412.0	1,412.0	1,412.0	1,412.0
1005 GF/Prgm (DGF)							
1007 I/A Rcpts (Other)							
1156 Rcpt Svcs (DGF)							
TOTAL	1,574.4	0.0	1,412.0	1,412.0	1,412.0	1,412.0	1,412.0

POSITIONS

	FY16	FY16	FY17	FY18	FY19	FY20	FY21
Full-time	4		4	4	4	4	4
Part-time							
Temporary							

CHANGE IN REVENUES

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Estimated **SUPPLEMENTAL (FY15) operating costs** 785.7 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated **CAPITAL (FY16) costs** 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended, or repealed? N/A Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

The costs shown in the FY2016 Appropriation Requested column above are the result of the removal of the funds from the Governor's Operating Budget by the DCCED Finance Subcommittee. Indeterminate revenue included.

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Approved by Catherine Reardon, Director
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Date/Time 3/9/15 9:33 AM
Date 3/9/2015

FISCAL NOTE ANALYSIS

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Analysis

This bill would create a Marijuana Control Board (MCB) housed within the Alcoholic Beverage Control Board agency. Under this structure, the executive director and staff of the Alcoholic Beverage Control Board would serve both boards. The MCB would be appointed by the Governor and have the authority to regulate marijuana cultivation, transportation, production, and sale. If no MCB is created, the Alcoholic Beverage Control Board will have to absorb the regulation of marijuana and the costs reflected in this fiscal note will remain.

Personal Services:

The workload of the agency has the potential to double or triple over time. The agency will immediately require three additional Investigators, two Business Registration Examiners, one Administrative Officer to regulate the marijuana industry, similar to the duties of current staff that regulate the alcohol industry. Two of these positions were added in FY15 to respond to the critical need for support and regulations development: the Administrative Officer and one Business Registration Examiner. The immediate capacity provided by these two positions will allow the agency to add marijuana regulation work to its existing workload. Costs for the six total positions required to regulate marijuana are included in this fiscal note.

Travel:

Travel costs include \$3.0 for staff to hold regional public comment meetings on the proposed marijuana regulations, as well as \$50.0 for board-related travel and \$20.0 for enforcement and compliance travel. If a new MCB is created, this assumes five board members at five trips per year. MCB meetings will be scheduled to immediately follow ABC Board meetings (for example, scheduling one day following the ABC Board meeting) to take advantage of existing planned travel for board support staff. If a MCB is not created and the existing ABC Board is tasked with regulating marijuana, these funds will be used to hold additional board meetings. Both the ABC Board and the proposed Marijuana Control Board are volunteer boards with members from private industry, and board meetings for the current ABC Board are one to two full days in length. Travel is included for five board members, three agency staff, and board legal counsel.

Services:

Services costs include legal services, information technology services, employee support costs, enforcement vehicles, printing, and public notices, among other costs. Legal services are anticipated for advice, regulations review, and representation of the MCB in license denial and enforcement action appeals. Additional vehicles will be needed in the first year for statewide enforcement, with on-going maintenance costs in future years. On-going enforcement materials, public notice and public awareness materials will need to be developed, printed, and distributed. This includes warning signs, test kits, paper products, and postage. A new database must be developed and implemented in FY2016, then maintained and adjusted in future years. This will require analysis and development of business rules, analysis of existing systems for parallel processes or required modifications, new system development, testing, validation, implementation, and documentation. The ABC board is working with other agencies to maximize information technology staff and skills, and is evaluating systems used by other states.

Commodities:

The agency's current location on Viking Drive cannot accommodate the additional staff required to implement the initiative. The agency is relocating to the Atwood Building, where it will co-locate ABC investigative staff with the Department of Revenue's investigative staff to take advantage of physical security requirements already in place in their location. Agency licensing and administrative staff will also relocate to the Atwood Building. Equipment and office space costs include lease costs, furniture, new employee setup, moving expenses, and equipment purchases. One-time set up costs are not included after the first year.

FISCAL NOTE ANALYSIS

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Analysis Continued

Supplemental Costs:

The agency is already incurring costs associated with implementation of Ballot Measure 2 in FY15. Costs include developing expedited regulations to meet the timeline required in the initiative, salary for the Administrative Officer and Business Registration Examiner (both starting April 1), and moving and setup costs. Supplemental funding is needed to ensure that the agency can responsibly implement the ballot measure in the nine months allotted, and ensure that appropriate regulations are developed within that timeframe to ensure that the State is poised to regulate marijuana commerce when it becomes legal.

Revenue:

The agency anticipates collecting revenues in the form of licensing fees, similar to the receipts collected for alcoholic beverage licensing. However, the volume of potential licensees and the amount of fees are not yet known, so it is impossible to estimate revenue that will be received once the program is in place. The division anticipates replacing general funds with licensing fees on a graduated basis as receipts increase.