

Alaska Built a Responsible Cannabis System. Now It's at Risk.

By the Alaska Marijuana Industry Association (AMIA)

03/17/2026

State marijuana revenue is declining in Alaska.

Businesses are closing. Licenses are going unrenewed. Wholesale prices have collapsed. Nearly a decade after voters replaced an illicit market with a regulated one, the system they created is now under real economic pressure.

In 2014, Alaskans voted to replace an illicit marijuana market with a tightly regulated system. The state built one of the most structured regulatory systems in the country. Cannabis businesses operate under strict licensing, seed-to-sale tracking, laboratory testing, and age-restricted retail sales.

All cannabis businesses in Alaska are locally owned small businesses. These entrepreneurs invested in a system designed to bring cannabis commerce into the light and replace illicit markets with regulated businesses operating under state oversight.

That system has worked.

Legalization has largely replaced unregulated commerce with a transparent market built on accountability and consumer safety. It created jobs across cultivation, manufacturing, retail, and laboratory testing, while also supporting a wide range of ancillary Alaska businesses including construction, transportation, and utilities. It also generated meaningful public revenue supporting education, treatment programs, and Alaska's general fund.

State forecasts already show marijuana tax revenue declining from roughly \$26 million in fiscal year 2025 to about \$24 million by fiscal year 2027. Industry projections suggest the drop could be even steeper as licenses disappear and operators exit the market.

A shrinking legal market does not reduce cannabis consumption. It simply pushes more activity back into unregulated channels.

The cause is not declining demand. Alaskans are still buying cannabis.

The problem is that the economic structure supporting the legal market no longer reflects current market conditions.

When Alaska designed its marijuana tax system, wholesale cannabis prices were far higher than they are today. The state adopted a cultivation-based tax structure that made sense early in legalization. But prices have since fallen dramatically as the market matured.

The result is a system that increasingly burdens licensed producers while illicit sellers operate entirely outside Alaska's regulatory framework. In practice, much of that tax burden is ultimately borne by consumers through higher retail prices, making regulated products less competitive with unregulated alternatives.

At the same time, marijuana businesses face licensing fees that exceed the cost of regulating the industry. A recent legislative audit of the Alcohol and Marijuana Control Office found marijuana licensing fees generate more revenue than required to operate the program. In effect, licensed cannabis businesses are paying more than the cost of their own regulation.

These pressures are compounded by competition from intoxicating products that exist outside Alaska's regulated cannabis system.

Congress recently moved to close a loophole in the 2018 Farm Bill that allowed intoxicating hemp-derived products to be sold nationwide. Alaska had already addressed this issue in 2023 by prohibiting chemically converted THC products under state regulation. Yet intoxicating hemp-derived products continue to circulate in Alaska's marketplace, competing against licensed cannabis businesses that must comply with testing, tracking, and age restrictions.

Federal reforms may eventually bring greater clarity, but Alaska cannot rely on Washington to stabilize its regulated market.

The tools to address these issues already exist at the state level.

The Alaska Legislature has the authority to modernize the state's cannabis tax structure so it reflects current market realities and allows licensed businesses to compete with illicit sellers. Lawmakers can also ensure that licensing fees align with the actual cost of regulation, rather than exceeding it. Maintaining a stable legal market also protects a predictable revenue stream for the state at a time when Alaska's fiscal outlook remains uncertain.

These changes are not about expanding cannabis. They are about protecting the regulated system voters already approved.

Alaska demonstrated that a tightly regulated cannabis market can operate responsibly. But regulation only works if the legal market itself survives. When licensed businesses disappear, the rules designed to protect consumers and communities lose their force.

Alaska built a responsible cannabis system. Without policy adjustments, the regulated system Alaskans voted for will continue to shrink while unregulated markets grow.

From: Ryan Tunseth <ryan@east-rip.com>
Sent: Tuesday, March 17, 2026 11:22 AM
To: House Finance
Subject: Reject HB 91

Alaska House Finance Committee
Alaska State Legislature
Co Chairs Foster, Josephson, Schrage

Re: Concerns Regarding HB 91

Dear Members of the House Finance Committee,

I am writing to share my concerns regarding HB 91 and its potential impact on Alaska's regulated cannabis industry. As a long-time operator in this space, I want to be clear that the industry is already under significant financial pressure. While I understand and respect the Legislature's interest in creating a more sustainable and equitable tax structure, I do not believe that the approach outlined in HB 91 will achieve that goal. In its current form, the bill effectively increases the overall tax burden on cannabis businesses at a time when many are struggling to remain viable.

I am particularly concerned with the proposed 6% retail sales tax. Retailers operate at the narrowest margins in the supply chain while absorbing the cumulative impact of upstream taxes and regulatory costs. For my own business, an additional 6% tax at the point of sale would not be sustainable—I believe it would ultimately lead to failure. I do not think my situation is unique, and I worry that many small, locally owned businesses across Alaska would face similar outcomes.

I would also note that there appears to be a disconnect between this proposal and prior recommendations that came out of earlier policy discussions and task force work, which emphasized reducing the existing excise tax before considering a modest retail tax. HB 91 seems to move in a different direction, without first addressing the underlying cost structure and regulation that is putting pressure on the legal market. These suggestions were made not to be taken piece by piece but rather as a broader total package of reforms. That was the intention of the Task Force. Years ago.

It is particularly concerning that Representative Carrick has repeatedly characterized this legislation as aligned with industry and Marijuana Control Board (MCB) support. That characterization is inaccurate. This bill does not reflect the priorities or recommendations of the regulated cannabis industry. Rather than addressing structural challenges, it appears primarily focused on increasing state revenue from a sector that is already under significant financial pressure.

Additionally, the bill does not appear to address one of the most immediate and destabilizing challenges facing our industry today: the rapid growth of illicit intoxicating hemp products. These products are competing directly with regulated cannabis without being subject to the same taxes, testing, or compliance requirements. Without action in this area, increasing taxes on compliant operators only widens that gap.

There are also practical concerns with implementation. Introducing a statewide sales tax layered on top of Alaska's existing local tax structures may create complexity and uneven impacts across different communities, potentially disadvantaging certain businesses depending on where they operate.

I respectfully suggest that, if the Legislature's goal is to support a stable and compliant cannabis market, a more effective path forward would be to consider meaningful reductions, or even a temporary suspension of the current excise tax. This would provide immediate relief, help stabilize existing businesses, and better position the legal market to compete with unregulated alternatives.

Thank you for your consideration.

Sincerely,

Ryan Tunseth
Owner, East Rip