



Coalition for Responsible Cannabis Legislation

To: Senator Lesil McGuire

Attn.: Jesse Logan

From: Bruce Schulte, CRCL

Date: March 4, 2015

Re: SB 62 – Draft E

Dear Senator McGuire;

Thank you for the opportunity to comment on this draft of SB62.

Overall, we agree with many components of this bill. However, we also see the opportunity for either immediate refinement or deferment of some issues to a Marijuana Control Board. We feel that these items would benefit from being developed in greater detail and with more cooperative input than can be allowed for at this time.

We wish to offer the following additional suggestions:

- 1) *Sec 3 – 17.38.075 Limitations on Advertising. A person or business may not advertise or market marijuana, a marijuana product, or a marijuana accessory in a manner that is intentionally attractive [ENTICING] to minors [CHILDREN].*

We agree that marijuana products should not be intentionally marketed to minors however, the language in this section is very broad and open to interpretation. This slight variation on language narrows, slightly, the scope of the prohibition while preserving the intent.



- 2) Sec 5 – 17.38.090 (c)(1) – *“Marijuana and marijuana products, including edible marijuana products, may not leave the licensed premises of a marijuana retail store unless contained in **child-resistant** [CHILD-PROOF] containers or packages;”*

We agree with the intent of this section however, the term “child-proof” implies an absolute degree of protection which is virtually impossible to achieve. We recommend changing to “child-resistant” in keeping with similar terminology that one might encounter in the pharmaceutical industry for similar packaging.

- 3) Sec 5 – 17.38.090 (c)(3) – *“The potency and certification of safety”*

We agree that basic labelling is appropriate and desirable however, there is currently no definition for a “Certification of Safety” associated with marijuana nor is there any analogous requirement for alcohol products.

Suggested alternative text: *“the potency [AND CERTIFICATION OF SAFETY] of each retail marijuana product, including **the number of servings for** edible products, are on the container or package.”*

- 4) Sec 5 – 17.38.090 (d) – *“The board shall require...”*

We agree with the intent of this section however, as worded, it seems slightly cumbersome.

Suggested alternative text: *“The board shall establish a serving potency of no more than 10 milligrams of THC per individual serving. The board may allow the sale of edible marijuana products with multiple servings when the division of servings is clear.”*



5) Sec 5 – 17.38.090 (e) – *“The board shall adopt...”*

To include a requirement for “safety” we suggest replacing with the word “purity” as a more appropriate consumer protection.

6) Sec 7 – 17.38.100(c) – *Omission of revenue-sharing*

The voter initiative specifically required that registration fees be capped at \$5,000 with one-half of that fee forwarded to the local government. Removing this revenue-sharing language is a direct violation of the intent of the initiative and will almost certainly result in total fees in excess of the \$5,000 stated in the initiative. This could very well have the unintended consequence of keeping smaller operators out of the legitimate industry and perpetuating the marijuana black-market.

We recommend leaving intact the language that requires 50% of collected fees to be forwarded to the local government.



7) Sec 15 – 17.38.110 (e) – “A municipality shall establish a schedule of ...”

We cannot support the changes proposed to this section for three reasons:

- 1) Some smaller communities may not have the time or resources to establish their own regulations for this new industry and should not be required to. We believe that if the statewide rules are done properly, some of those communities will simply be able to adopt those rules and not have to create any of their own.
- 2) Since a fifty-percent revenue sharing component was specifically defined in the voter initiative (17.38.100(c)), local governments should be able to use that to offset local administrative costs without necessarily adding additional taxes or fees.
- 3) By eliminating the 50-percent revenue-sharing and requiring an additional layer of fees, there is a very real possibility that legitimate businesses will be unable to compete with the black-market. This would violate the intent of the initiative and, even worse, could ensure the long-term viability of black-market operators.

8) Sec 22 – 17.38.200 – “Types of Licenses”

We see tremendous potential in the additional license types defined in this section. However, we respectfully suggest that this level of detail might best be left to a regulatory board. It is worth noting that Article 4 identifies twenty-two different types of liquor license and we would envision some additional categories for marijuana businesses.

Suggested Change: ***“The Board may create new registration-types for regulating the cultivation, processing, testing, transportation, or sale of marijuana.”***



9) Sec 22 – 17.38.230 (a) – “*..holder may sell up to one ounce a day*”

While we understand the intent behind this section, as written, it is impossible to enforce. Under the text of the initiative retail stores may not be required to record an individual’s identity beyond checking for proof of age. Given that one important fact, it becomes virtually impossible to enforce such a requirement

Suggested change: “A Marijuana retailer license authorizes the holder to sell up to one ounce of marijuana **per transaction** [A DAY] to an individual on the licensed premises for consumption off-premises. A marijuana retailer may only purchase marijuana from a registered marijuana producer, marijuana processor, **or marijuana broker.**”

10) Sec 22 – 17.38.230 (c) (1) – “Hours of operation”

We suggest that hours of operation should match those for similar alcohol-establishments or be left to the discretion of the local government or regulatory board.

11) Sec 22 – 17.38.230 (c) (3) – “A marijuana retailer may not ... offer or deliver, as a marketing device to the general public, free marijuana or marijuana products to a patron.”

This seems an unreasonable and unnecessary restriction on legitimate commerce. It is now lawful for an individual to gift up to one ounce of marijuana to an adult 21 or older without remuneration so, to ban such a transaction merely because it is done on the premises of a business is unreasonable.

We recommend that this section be removed or that it be re-phrased to limit such samples to a specific amount (perhaps 1-2 grams of marijuana). Few retailers are likely to offer more because of the associated cost.



12) Sec 22 – 17.38.230 (c) (4) – *“A marijuana retailer may not ...sell marijuana to a person licensed under this chapter”*

We suggest removing this section. We see no particular need for such a restriction and it is quite possible that retailers may choose to sell products amongst themselves when market / supply conditions warrant it.

We suggest that this would best be left to a regulatory board to refine and to local government to determine if there would be any tax implications to such a sale.

13) Sec 22 – 17.38.250 / 260 / 270 – *“Marijuana boutique / home producer / brokers”*

We welcome these additional business categories as a positive addition, and we envision this change will encourage maximum participation in a legitimate industry. However, given that there are currently twenty-two distinct business types defined for alcohol businesses, we expect that this list may grow during the regulatory process. We also think that the specifics of the registrations shouldn't be rushed as these are the foundation of the industry. Therefore, we suggest that articulation of additional business types be delegated to the Marijuana Control Board.

14) Sec 22 – 17.38.280 – *“Integrated licenses”*

We support the concept of integrated licenses however, we suggest that there may be other opportunities to integrate businesses such that this may best be deferred to a regulatory board with a general stipulation as follows:

***“The board may issue integrated licenses to an individual or business entity allowing for multiple business types at a single location. A person issued an integrated license may not conduct business at more than one location without first obtaining a separate license.*”**



15)Sec 22 – 17.38.340 – *“Notice of application”*

While we agree that the public should have input on the review / approval process, we are concerned that these specific requirements could result in excessive cost to potential businesses.

We respectfully suggest that section 17.38.340 be removed entirely and that the specifics of public notification and input be addressed by a regulatory board and the local communities.

- 16)Sec 22 – 17.38.350 - *“Denial of new license”*
 17.38.360 - *“Denial of license renewal”*
 17.38.370 - *“Denial of request for relocation”*
 17.38.380 - *“Denial of transfer of license to another person”*

Each of these sections is similarly problematic in two respects:

- 1) Each section states that the board “Shall deny” an application under the specified circumstances. We believe it would be more appropriate to say the board “**May** deny ...” and leave open the option for other sanctions (ie: fines, or suspensions) to be further articulated by the regulatory board.
- 2) Each one stipulates that the board “Shall deny” an application when issuance of a license “would not be in the best interests of the public”.

The condition “not in the best interests of the public” is overly broad and open to subjective interpretation. We submit that it would be more appropriate to rephrase each section as follows:

“The board may deny an application ... when the applicant is found to be in violation of or in non-compliance with one or more requirements of this section.”



17)Sec 22 – 17.38.440 – *“Prohibited Financial Interest”*

This section is problematic as it could make it difficult to raise investment capital from individuals or groups who are not directly involved with the business. It could be beneficial to have experienced advisors with a financial stake in the business to ensure greatest success in the industry. The biggest problem with this section is that it allows for smaller operations, but it doesn't allow them to raise money. It essentially ensures that only “Big Marijuana” could afford to get into the industry.

While we support, in principal, an Alaska-centric industry it is also important that Alaskan business owners be able to raise capital from individuals and investment groups outside the state.

We respectfully suggest that this section be revised to reflect Alaskan-control but with an option for outside investment.

18)Sec 22 – 17.38.580 – *“Duration of License”*

This section stipulates that a license for a marijuana business is valid only for one year while licenses for alcohol businesses are valid for two years. We suggest that the two should be equivalent and that license duration should be set at two years (except for temporary or seasonal licenses).

19)Sec 22 – 17.38.900(9)(17)(18)(19) – *“Definitions”*

In keeping with previous recommendations that license types be defined by a regulatory board, we suggest that these definitions not be made overly specific as to business types. It should be sufficient to describe general categories of businesses in a manner that covers all license type defined under regulations.



Thank you for considering our input on this draft bill, we appreciate the opportunity to contribute to this effort and look forward to working with you and your committee further.

Regards,

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