

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

April 7, 2015

9:02 a.m.

**MEMBERS PRESENT**

Senator Bill Stoltze, Chair  
Senator John Coghill, Vice Chair  
Senator Charlie Huggins  
Senator Bill Wielechowski

**MEMBERS ABSENT**

Senator Lesil McGuire

**COMMITTEE CALENDAR**

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 93(STA)

"An Act relating to the duties of probation officers; and relating to conditions of parole."

- MOVED CSHB 93(STA) OUT OF COMMITTEE

SENATE BILL NO. 62

"An Act relating to the regulation of marijuana, marijuana testing, marijuana products, and marijuana accessories; relating to the licensing of marijuana retailers, producers, processors, boutique producers, brokers, and home growers; relating to taxation of marijuana; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 93

SHORT TITLE: PROBATION AND PAROLE: WORK, TRAVEL ACCOM.

SPONSOR(S): REPRESENTATIVE(S) TILTON

01/30/15	(H)	READ THE FIRST TIME - REFERRALS
01/30/15	(H)	STA
02/17/15	(H)	STA AT 8:00 AM CAPITOL 106
02/17/15	(H)	Moved CSHB 93(STA) Out of Committee
02/17/15	(H)	MINUTE(STA)
02/19/15	(H)	STA AT 8:00 AM CAPITOL 106
02/19/15	(H)	Moved CSHB 93(STA) Out of Committee
02/19/15	(H)	MINUTE(STA)

02/20/15 (H) STA RPT CS(STA) 5DP  
 02/20/15 (H) DP: TALERICO, STUTES, KELLER, KREISS-  
 TOMKINS, LYNN  
 02/27/15 (H) TRANSMITTED TO (S)  
 02/27/15 (H) VERSION: CSHB 93(STA)  
 03/02/15 (S) READ THE FIRST TIME - REFERRALS  
 03/02/15 (S) STA, JUD  
 03/26/15 (S) STA AT 9:00 AM BUTROVICH 205  
 03/26/15 (S) Heard & Held  
 03/26/15 (S) MINUTE(STA)

BILL: SB 62

SHORT TITLE: REGULATION OF MARIJUANA BUSINESSES; BOARD  
 SPONSOR(s): JUDICIARY

02/25/15 (S) READ THE FIRST TIME - REFERRALS  
 02/25/15 (S) STA, L&C, FIN  
 03/05/15 (S) STA AT 9:00 AM BUTROVICH 205  
 03/05/15 (S) Heard & Held  
 03/05/15 (S) MINUTE(STA)  
 03/10/15 (S) STA AT 8:30 AM BUTROVICH 205  
 03/10/15 (S) Heard & Held  
 03/10/15 (S) MINUTE(STA)  
 03/12/15 (S) STA AT 8:00 AM BUTROVICH 205  
 03/12/15 (S) Scheduled but Not Heard

**WITNESS REGISTER**

REPRESENTATIVE CATHY TILTON  
 Alaska State Legislature  
 Juneau, Alaska  
**POSITION STATEMENT:** HB 93 sponsor.

COMMISSIONER RONALD TAYLOR  
 Alaska Department of Corrections  
 Anchorage, Alaska  
**POSITION STATEMENT:** Explained probation and parole guidelines.

CHAD HUTCHINSON, Staff  
 Senator John Coghill  
 Alaska State Legislature  
 Juneau, Alaska  
**POSITION STATEMENT:** Provided an overview of SB 62.

JESSE LOGAN, Staff  
 Senator McGuire  
 Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Provided an overview of SB 62.

KEN ALPER, Director  
Tax Division  
Alaska Department of Revenue  
Juneau, Alaska

**POSITION STATEMENT:** Commented on marijuana tax regulations and projected revenues.

CHRIS HLADICK, Commissioner  
Department of Commerce, Community, and Economic Development  
Juneau, Alaska

**POSITION STATEMENT:** Addressed questions regarding SB 62 and marijuana regulations.

CYNTHIA FRANKLIN, Director  
Alcoholic Beverage Control Board  
Department of Commerce, Community, and Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Addressed marijuana licensing procedures for public notice.

#### **ACTION NARRATIVE**

[9:02:53 AM](#)

**CHAIR BILL STOLTZE** called the Senate State Affairs Standing Committee meeting to order at 9:02 a.m. Present at the call to order were Senators Coghill, Huggins, and Chair Stoltze.

#### **HB 93-PROBATION AND PAROLE: WORK, TRAVEL ACCOM.**

[9:03:08 AM](#)

**CHAIR STOLTZE** announced the consideration of HB 93. [CSHB 93(STA) was before the committee.]

[9:03:42 AM](#)

**REPRESENTATIVE CATHY TILTON**, Alaska State Legislature, Juneau, Alaska, explained that HB 93 is a piece of ongoing legislation on the reforms on the criminal justice system. She specified that the legislation tells the parole officer to look at the employment of a probationer when considering making their probation appointments. She noted that employment is one of the major things that keeps probationers from recidivating. She added that employment allows probationers to pay restitution to their victims and back to the state.

REPRESENTATIVE TILTON said Chairman Stoltze asked her at the previous meeting if parole was a qualified privilege or right. She asserted that in no way does she believe parole is a right and insisted that parole is a qualified privilege.

She noted that Senator Coghill had questioned the word "diligent," which is used throughout the bill. She noted that she had looked up the word "diligent" in Black's Law Dictionary and it is defined as, "Careful and attentive, being persistent in doing something industrious and assiduous carried out with care and constant effort." She noted that "diligent" is used 29 times in statute. She said the word "active" is used 209 times in statute, but the word is not defined in Black's Law Dictionary. She surmised that "diligent" presumes "active," but "active" does not presume "diligent."

9:06:29 AM

SENATOR WIELECHOWSKI joined the committee meeting.

REPRESENTATIVE TILTON noted that a question was asked in the previous meeting regarding the use of the word "shall" when used in context with requiring a parole officer to grant a travel pass for a probationer. She revealed that Chairman Stoltze's office received a legal memo from Legal Services; subject: Granting of a Travel Pass, date: April 6, 2015. She summarized that Legal Services was asked whether Section 1 of CSHB 93(STA) on page 2, lines 12-14, could create a situation where the probation officer may be compelled to grant a person on probation a travel pass. She explained Legal Service's "brief answer" as follows:

Only if the travel is not inconsistent with other terms of probation set by the court, a probation officer likely maintains the discretion to decline travel in most circumstances, and can always seek the court's guidance to resolve close questions.

CHAIR STOLTZE noted that there is a place for tribal entities in the state's justice system, at least on a limited level. He asked how a request is weighed when a village asks that an individual not be allowed to return.

9:08:02 AM

COMMISSIONER RONALD TAYLOR, Alaska Department of Corrections, Anchorage, Alaska, replied that the Department of Corrections (DOC) currently weighs all of the factors by looking at the

conditions of probation and parole to decide if a person could travel. He said HB 93 will allow the probation officer to give a more careful look at ensuring that an individual's work is not interfering with their duties to fulfill their requirements for probation or parole. He said DOC's goal is to make sure that the person is working, but in those cases where the community has said, "We don't want them to come back to our community," that certainly is going to be taken into account and restrictions will be invoked. He added that the court or the parole boards themselves will add restrictions as part of the travel requirement where the individual will be refrained from going into a community, unless their required treatment has been completed.

CHAIR STOLTZE asked if DOC's relationship and procedures with a probationer or parolee is formalized in manuals regarding the discussion and negotiation with where an individual is from.

COMMISSIONER TAYLOR answered that the conditions themselves are the formal thing that dictate DOC's authority on whether or not a person will be allowed back into their community. He specified that there are issues when a probation officer has to make a judgement call and the decision has to be articulated. He noted that a probationer or parolee can go to the court or parole board and request that their case be reviewed.

CHAIR STOLTZE noted that a group in the Mat-Su Borough called "Stop Valley Thieves" has a website with over 9,000 members. He noted that the group is very active in the pursuit and administration of justice. He added that the group has very active leaders who are very well versed in Article 1, Section 24 on victim's rights. He asked Representative Tilton if she had any interaction with the Stop Valley Thieves group on the issue of probation and restorative justice.

[9:10:57 AM](#)

REPRESENTATIVE TILTON answered that she has had some discussion with Ms. Wallner, the person that started the group, in regards to HB 93.

She reiterated Chair Stoltze's question if parole and probation was a qualified privilege or a right. She asserted that parole and probation are a qualified privilege. She specified that under conditions of probation that are warranted, the intent is to keep probationers employed, have an individual go back into society, and to pay restitution to maybe help victims heal.

CHAIR STOLTZE noted that Representative Tilton addressed, "allowing restitution." He asked if restitution should be required.

REPRESENTATIVE TILTON replied that "required" would be a better word.

[9:12:33 AM](#)

At ease.

[9:12:53 AM](#)

CHAIR STOLTZE called the committee back to order.

[9:13:05 AM](#)

SENATOR HUGGINS moved to report CSHB 93(STA), from committee with individual recommendations and attached fiscal note(s).

SENATOR WIELECHOWSKI stated that he wanted to put on the record that the court may look someday for what the Legislature's intent in passing the bill was and noted that his intent is that he is relying on the Legal Service's opinion, dated April 6, 2015, where it says, "A probation officer likely maintains the discretion to decline travel in most circumstances and can always seek the court's guidance to resolve close questions." He specified that his intent in passing HB 93 is that the discretion remains with the probation officer and in close cases there should be due discretion given to the probation officer in determining whether or not he or she thinks the specified case may not necessarily be a good idea to have the probationer travel.

[9:14:07 AM](#)

CHAIR STOLTZE concurred with Senator Wielechowski that the opinion from Legal Services becomes part of the legislative record for the State Affairs Committee. He announced that seeing no objection, CSHB 93(STA) moves from Senate State Affairs Standing Committee.

[9:14:34 AM](#)

At ease.

**SB 62-REGULATION OF MARIJUANA BUSINESSES; BOARD**

[9:16:22 AM](#)

CHAIR STOLTZE called the committee back to order and announced the consideration of SB 62.

[9:16:40 AM](#)

CHAD HUTCHINSON, Staff, Senator John Coghill, Alaska State Legislature, Juneau, Alaska, introduced himself.

JESSE LOGAN, Staff, Senator Lesil McGuire, Alaska State Legislature, Juneau, Alaska, introduced himself.

MR. HUTCHINSON said SB 62 is the regulatory bill for marijuana businesses. He noted that Senator McGuire has a heightened interest in some of the provisions and discussions as it relates to advertising, labeling, serving size, and packaging. He remarked that the issues previously noted have been mentioned constantly in other bills.

MR. LOGAN explained that based on various discussions and floor debate on SB 30, major areas of interest were identified and addressed. He specified that marketing and advertising, packaging of products, labeling, and serving size of edible marijuana were looked at. He detailed that brief excerpts were taken from the issues that SB 62 addressed and compared against recommendations made from the Alaska State Medical Association (ASMA) and the Colorado Task Force Report on the Implementation of Amendment 64. He specified that Amendment 64 is the constitutional amendment that legalized marijuana in Colorado. He added that the some of the recommendations made by the Colorado Task Force (CTF) were not fully implemented and some of the state's actual laws will differ from the recommendations.

[9:18:36 AM](#)

He addressed "Marketing and Advertising of Marijuana, Marijuana Products, and Marijuana Accessories." He said in SB 62, Section 17.38.075 states that marijuana may not be advertised or marketed in a manner enticing to minors. He stated that the section relating to minors was the most important provision of the marijuana advertising allowables. He said ASMA similarly recommended that products are ensured to not be advertised or marketed directly to those under 21 years of age. He specified that ASMA recommended allowances for in-store advertising, publically visible advertising, web-based advertising, etc. He revealed that the bill's sponsors are awaiting legal opinion on the extent to restrictions that can be placed on advertising and marketing relating to the First Amendment.

MR. LOGAN revealed that CTF recommended that the legislature should provide certain guidelines on a state level, but allow for further limitations at a local level. He detailed additional CTF marketing recommendations as follows:

- Prohibit mass marketing campaigns that have a high likelihood of reaching children: television, radio, and direct mail.
- Prohibit health or physical benefit claims.
- Allow for "opt in" marketing programs such as e-mail clubs.
- Allow marijuana to be offered in retail stores only and not allow for regular non-marijuana products to be sold as well; example, a soda could not be purchased at a marijuana retail store.
- Allow for "opt in" based location services; example, text messaging on mobile devices.
- Prohibit unsolicited pop-up ads on the internet and only allow advertising banners on adult orientated websites. Advertising on websites such as Facebook where minors use would not be allowed.
- Allow marijuana retailers to host their own websites.

[9:21:07 AM](#)

He addressed "Packaging Requirements for Marijuana and Marijuana Products." He noted that Colorado and Washington vary in their approaches to packaging. He explained that SB 62 allows the control board to adopt regulations regarding packaging and labeling, which was in Ballot Measure 2. He noted that SB 62 specifies that marijuana products can only exit the retail establishments in a child-proof container. He added that a wording change to the bill was advised where child-proof should be changed to child-resistant.

He revealed that ASMA had similar recommendations that products are ensured to not be packaged or marketed to entice or attract children. He pointed out that ASMA vacillated between identifying people under 21 or children. He added that there was confusion on the difference between marketing to someone who is age 20 versus age 21, so SB 62 stuck with the definition of "minor." He said ASMA also recommended that marijuana should be prohibited from packaging that appears familiar, e.g. anything that looks like a normal product like a candy bar or a soda.

He explained that CTF recommended that packaging in Colorado be addressed in three ways: packaging by the manufacturer that meets certain standards set by the control board, packaging by the retail establishment's operator prior to the point of sale, or the use of an exit shopping bag or container with a child-resistant lock. He revealed that Colorado decided to go with the child-resistant shopping bag or container. He added that an

opaque rather than a clear child-resistant bag was recommended. He noted that the intent was to add language pertaining to an opaque child-resistant bag in the drafting of Section C-1 of AS 17.38.090, but the drafting created some confusing language. He said a variety of different languages were considered as to how to implement an exit-bag in statute. He set forth that an overall definition for an exit-bag would be:

A child-resistant package which meets all of the requirements and definition of child-resistance in the American Society for Testing and Materials (ASTM) standards. If the package is not for one-use, then the package should be re-closable and when closed should meet the same ASTM standards.

MR. LOGAN summarized that an exit-bag would provide a concealable way to exit and transport marijuana so that children are not enticed or cannot view the marijuana.

[9:24:01 AM](#)

He addressed labeling for marijuana and said there are a variety of safety factors to consider. He referenced image examples of labeling used in Colorado and Washington. He said SB 62 states the following:

A container must be packaged and clearly labeled with the contents, it may not have pictures or other representations that would be enticing to minors, and it should be labeled for potency and a certification of safety. The certification of safety would be done by a testing lab certified by the Alaska Department of Environment Conservation (DEC).

He said ASMA recommended that labeling should show the following:

- Tetrahydrocannabinol (THC) content.
- Number of servings contained in edible products.
- Warnings that the product contains marijuana.
- Marijuana potency.
- Warning similar to tobacco for use while pregnant.

MR. LOGAN said CTF recommended labeling should show the following:

- Total content of THC by weight or a milligram dose of active THC in the total THC for edibles.
- Listing of pesticides, herbicides, fungicides, and solvents that were used in the cultivation of processing.

He added that all testing for labeling requirements is assumed to be done by a laboratory certified by DEC.

He addressed "Serving Size and Packaging of Edible Marijuana Products." He said there was recent debate on edible serving sizes. He said SB 62 specifies that individual THC doses cannot be more than 10 milligrams. He pointed out that some people are interested in lowering the individual dose threshold. He added that SB 62 recommends that each edible dose be wrapped individually, but marijuana packages could be sold with multiple doses inside. He noted that ASMA recommended the following for serving size and packaging for edible marijuana products:

- Require edible products to be stamped or shaped into distinct and easily recognizable ways.
- Labeled for THC content, number of servings, and a warning that the product contains marijuana.

He said CTF had a variety of serving size and packaging recommendations that are very similar to the recommendations made in SB 62. He specified CTF's recommendations as follows:

- Appropriate limitations on THC.
- Amount of servings in a dose should be set at 10 milligrams.
- Serving size clearly labeled on the package.

He explained that the intent for smaller serving sizes, labeling, and packaging requirements is to get at the possibility for over consuming THC.

[9:27:16 AM](#)

CHAIR STOLTZE noted that ASMA had some things that were even more important that were not mentioned. He pointed out that ASMA made recommendations for strict testing requirements, strict liability in identifying responsibility, and requirements for insurance and bonding. He asked if the three important items dismissed in the presentation will be addressed by the Senate Judiciary Committee.

MR. LOGAN answered that the Senate Judiciary Committee will be happy to address the items noted by Chair Stoltze.

CHAIR STOLTZE remarked that the three ASMA recommendations that were not mentioned in Mr. Logan's presentation are three of the most important features for the public's protection. He asserted that there must be an assurance that dosages are accurate, the product is safe when compared to other regulated drugs, and liability must be addressed for litigious reasons. He remarked that he questioned the public's protection without a bonding or insurance requirement.

[9:28:56 AM](#)

MR. HUTCHINSON replied that SB 62 does touch on the testing and certification process for the marijuana testing facilities. He said the bill's sponsors are open to suggestions to better articulate the language.

CHAIR STOLTZE asked that bonding and insurance be addressed.

MR. LOGAN answered that bonding and insurance were not addressed in the bill.

SENATOR WIELECHOWSKI recommended that Legal Services be contacted to address the possible interplay of marijuana labeling regarding pesticides, herbicides, and fungicides. He noted that the U.S. Supreme Court ruled in a case that the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) preempts inconsistent rules on labeling.

[9:30:05 AM](#)

SENATOR COGHILL asked to confirm that the state would have to initially use out-of-state testing.

MR. HUTCHINSON answered yes.

SENATOR COGHILL remarked that certification is going to be at least problematic due to a lag in time and expense. He asked if the logistics with out-of-state testing has been looked at.

MR. LOGAN answered that his understanding is the Interstate Commerce Clause would be violated if recreational marijuana is sent out-of-state. He revealed that a few private companies are interested in establishing testing facilities in Alaska.

SENATOR COGHILL remarked that out-of-state testing would be one of the industry barriers where the state makes requirements that the industry will have to figure out how to comply.

CHAIR STOLTZE opined that testing is a barrier that DEC has pretty much been hands-off on. He remarked that DEC testified that they are not going to receive any assistance from federal agencies on how to regulate an illegal substance. He said DEC will have to clarify what their statutory testing involvement will be and set up testing requirements to bring in an out-of-state entity. He pointed out that the initiative's sponsors have testified that they want to self-regulate and test in-house with their own testing companies. He asserted that addressing testing regulations has been all over the map. He remarked that he does not know if a product can be guaranteed as safe, but informing the public what is in a product can be guaranteed.

MR. LOGAN explained that testing facilities were addressed in SB 62 and certification for facilities would be done by DEC. He said the testing facilities can test for a wide variety of things, but safety is probably the most important one.

CHAIR STOLTZE commented that the Department of Labor should be involved due to possible workers' compensation issues. He remarked that he does not know how dangerous testing marijuana is.

[9:32:50 AM](#)

SENATOR HUGGINS asked what will be used for marijuana to keep kids from being able to have access marijuana when they are unsupervised at home.

MR. LOGAN responded that child-resistant exit-bags was the solution that Colorado came to. He noted that similar to pill bottles, child resistant exit-bags will not work for children over 10 years of age.

SENATOR HUGGINS asked if there have been cases in Colorado or Washington where child-resistant bags did not work.

MR. HUTCHINSON revealed that Colorado and Washington have seen an increase in emergency room visits due to children ingesting marijuana. He said the states are looking at funding a campaign to educate parents. He said child-resistant packaging is one issue that SB 62 is trying to address.

[9:34:45 AM](#)

At ease.

[9:35:27 AM](#)

CHAIR STOLTZE called the committee back to order.

[9:35:36 AM](#)

KEN ALPER, Director, Tax Division, Alaska Department of Revenue, Juneau, Alaska, introduced himself.

CHAIR STOLTZE asked for an overview of the state's tax regime on the marijuana legislation as defined by the initiative. He inquired what net gain the state can expect in the coming fiscal year and the years after.

MR. ALPER replied that the Department of Revenue (DOR) provided a fiscal note on tax revenue that projects a range of \$5 million to \$17 million with a mid-line number of \$12 million for FY17. He specified that tax collections are anticipated to start the first month of FY17 in July 2016. He detailed that in 2016, the first licenses are expected to be issued in May, the first legal sales roughly in June, and the first tax collection to occur in July.

He revealed that the marijuana consumption projections were based on academic studies and polling. He opined that the data acquired from polling may be inherently flawed because people are not honestly answering if they consume marijuana. He added that calculating marijuana consumption also involves projecting the proportion of people who will buy legal marijuana versus the black market. He remarked that people converting from the black market to the legal market is going to be dependent on the actions taken in the Legislature.

He detailed that maximizing marijuana's "legal umbrella size" will depend on legislation that makes it easier to conform, get a license, and making sure that taxes create the chain of custody in the regulatory oversight that will enable adequate law enforcement.

He said the tax disposition is anticipated to be regulated and enforced the way alcohol is. He explained that half of all alcohol taxes are diverted to dependency programs. He detailed that \$40 million in alcohol taxes come into the state every year with \$20 million going to the mental health budget and \$20 million going to the general fund. He explained that the entirety of the \$50 an ounce marijuana wholesale tax would go to

the general fund; however, the eventual writing of that would be up to the will of the Legislature.

[9:38:43 AM](#)

CHAIR STOLTZE asked if Mr. Alper meant the will of the people.

MR. ALPER answered yes. He specified that tax laws, details, and making sure all of the pieces fit together is most certainly the responsibility of the Legislature.

CHAIR STOLTZE replied that he wanted to confirm that Mr. Alper said success is dependent on the Legislature. He asserted that Mr. Apler's budget submission is a panacea.

SENATOR COGHILL noted that a lingering question with legislators addresses cash and how transactions will be brought in. He said currently the banking industry is not willing to step up. He asked if DOR has addressed tax payments made with cash.

MR. ALPER answered that DOR has addressed tax payments with cash. He specified that DOR has decided not to take any steps until the legislation has been reviewed after the session. He noted that Colorado collected \$65 million in their first calendar year through marijuana excise and sales taxes. He revealed that 40 percent of Colorado's tax payments were brought to their front-door via cash. He said the department will have to consider security measures such as safes, armored cars, and security guards due to the possibly of dealing with cash.

[9:40:47 AM](#)

CHAIR STOLTZE asked if DOR has projected the fiscal impact from the safety measures due to cash tax payments.

MR. ALPER answered that DOR has not. He said DOR hopes that the tax payments do not come down to paying with cash. He asserted that cash payments are dependent on the federal government. He noted that a bank in Colorado is trying to receive approval from the federal government to allow interbank transfers. He said all of the banking problems would go away if the federal government relents and lets some degree of marijuana industry banking. He admitted that current banking regulations for marijuana is in a gray-area.

CHAIR STOLTZE asked if DOR is working with any institutions to resolve the cash issues.

MR. ALPER answered no. He reiterated that the department is waiting to see the legislation and then begin a fairly robust regulatory process during the summer that will include reaching out to the banking and cash handling industry.

SENATOR COGHILL addressed Section 29 in the bill and asked to confirm that licensing is tied to accountability where excise taxes are reported through a statement submission and enforcement is done through maintaining a license.

[9:42:32 AM](#)

MR. ALPER answered that the concept fits into what Colorado has described as the seed-to-sale chain of custody where the marijuana is tracked to see where it is and where it comes from. He specified that the reporting process identifies whether marijuana was purchased from a licensed grower. He noted that DOR has submitted expanded and proposed language that will increase the department's ability to track marijuana, enforce taxes, and identify people who might be selling unlicensed marijuana.

SENATOR HUGGINS asked if illegal marijuana from Mexico that was confiscated would be auctioned off for tax purposes.

MR. ALPER answered that scenario that Senator Huggins described is hard to envision where the state is involved. He surmised that federal or local officials would be involved with illegal contraband and the marijuana would ultimately be destroyed. He said the Alaskan marijuana growing community is going to try to establish themselves as the source for Alaska's marijuana consumers. He specified that DOR's concern is that unlicensed marijuana grown in Alaska is sold by a retailer or processor.

[9:45:48 AM](#)

CHRIS HLADICK, Commissioner, Alaska Department of Commerce, Community, and Economic Development (DCCED), Juneau, Alaska, stated that he is not aware of any insurance companies that are interested in being involved with the marijuana industry. He noted that he will find out if any bonding companies are involved with the marijuana industry. He asserted that legalized marijuana has many questions surrounding it and will continue to have many questions for many years.

CHAIR STOLTZE remarked that without insurance there would be, for example, no aviation or seafood industries. He detailed that insurance is a fabric of a societal compact on sharing risk. He asked if the insurance issue is solvable within the next year.

[9:47:04 AM](#)

COMMISSIONER HLADICK answered that he does not know what Colorado is doing, but DCCED will work with the insurance industry. He agreed that insurance is extremely important.

CHAIR STOLTZE said the legal sector is not ready for a general immunity for the marijuana industry. He pointed out that a liquor store has certain requirements from a municipality and the initiative specifies regulation like alcohol. He asked how the public will be protected if marijuana exists. He asserted that the assignment of risk and responsibility will not change.

COMMISSIONER HLADICK answered that the insurance aspect will have to be figured out because municipalities will face the same issue.

CHAIR STOLTZE asked if Commissioner Hladick received input from municipalities regarding their half of marijuana taxation revenue and risk.

COMMISSIONER HLADICK responded that municipalities will have at least half of the risk from the regulations that they might do.

CHAIR STOLTZE stated that the initiative sponsors are adamant about boutique-growers and smaller operations within neighborhoods having an inherent right to privacy. He noted that the Attorney General's office and realtors have said the public has a right to know. He asked where the Administration stands on the privacy of operations issue.

COMMISSIONER HLADICK answered that he is not aware of the right to privacy issue.

[9:50:28 AM](#)

CYNTHIA FRANKLIN, Director, Alcoholic Beverage Control (ABC) Board, Department of Commerce, Community, and Economic Development, Anchorage, Alaska, answered that the ABC Board will follow the same scheme as alcohol licensing where all licenses are publically noticed. She specified that the public is made aware of where an establishment is proposed to be created and the public has the opportunity for input. She said the ABC Board anticipates that the same scheme will initially be used for marijuana licenses. Public input on the process, locality, and communities knowing exactly where the licenses exist and being operated are integral and essential to the process. She asserted that a regulatory scheme would not exist that is secretive.

CHAIR STOLTZE asked Commissioner Hladick if what Ms. Franklin described is the official position of DCCED.

COMMISSIONER HLADICK answered yes.

CHAIR STOLTZE replied that he appreciates the DCCED's position and noted that the issue pertains to public safety. He pointed out that DCCED has become the default agency for all marijuana questions. He asked if Commissioner Hladick is going to defer most of his policy questions to the ABC Board and will other divisions within DCCED be involved with other commerce questions.

COMMISSIONER HLADICK answered that issues and regulations will be vetted out through a board-process. He surmised that regulation approval will be done by the designated marijuana control board.

CHAIR STOLTZE asked if Commissioner Hladick sees any overall responsibility in overseeing the board that ultimately controls marijuana.

COMMISSIONER HLADICK answered yes. He specified that DCCED wants to ensure that things are done correctly from a public safety and health perspective. He said he would have a role in overseeing and making sure DCCED is meeting the legislation's intent.

CHAIR STOLTZE remarked that he did not expect Ms. Franklin to be involved with the insurance issue. He asked if insurance would be an example of an issue where a higher level commissioner or director would be more involved.

[9:53:46 AM](#)

COMMISSIONER HLADICK answered yes. He specified that DCCED will be more involved with insurance, banking, and working closely with the Department of Environmental Conservation (DEC) on testing issues to meet the legislation's intent.

CHAIR STOLTZE asked if Commissioner Hladick had an opinion if the marijuana law will help or hurt.

COMMISSIONER HLADICK replied that the marijuana law is here and DCCED needs to take the next steps to implement the initiative's intent. He remarked that marijuana has been in the black market

and now the state will have the ability to enforce legal marijuana regulations.

CHAIR STOLTZE asked how DCCED would regulate the marijuana edibles.

[9:56:47 AM](#)

COMMISSIONER HLADICK answered that the first step is to establish a statutory framework with maximum flexibility for a board to deal with situations that are not yet known. He remarked that nobody can predict how many growers or what the interest for marijuana will be. He remarked that DCCED will probably be coming back to the Legislature in the coming years to address things that have not been thought about.

CHAIR STOLTZE asked to confirm that Commissioner Hladick wants the maximum amount of flexibility with a rigid framework.

COMMISSIONER HLADICK specified that oversight is a tension between policy and regulation.

CHAIR STOLTZE asked if the committee can receive at its next meeting some suggestions on a policy directive from the department's "top of the food chain." He emphasized that his statement is no disrespect towards Ms. Franklin. He continued as follows:

It's probably too much of a burden on her to come up with a policy and the implementation; I think that is our job as a policy and it is certainly the Administration's job at the high levels of the food-chain other than putting it on an agency director to come up with all of the solutions. I think we need to know what the compass is of the Walker administration on this and be involved in the process and not just say, "All things point to Ms. Franklin and don't bother us with the details." That's not a request, I think that is the imperative. Maybe I'm speaking singularly here, but if we don't know at the highest levels what the commitment to fulfilling our mandates in this role are, it's really tough and I hate to just turn it over to an agency which the Legislature has expressed a lack of confidence in as recently as just a couple of years ago.

[9:59:44 AM](#)

SENATOR COGHILL commented as follows:

For us, as we come into the next legislative session, the licensing procedure has to be preceded by the economic factors, the bonding, and the licensing. We need to have a long conversation with those people who are going to be handling the money and who are going to be undergirding the businesses, because almost any business plan that I have ever seen starts with that risk management profile as you come in; I totally agree with the Chairman on that and I think we just need to see some of those things set out. Even though we set out regulations for licensing, there's the consumer public safety, but there is also entering from a black market into a legal market, there needs to be clarity on that and we just don't have it yet.

SENATOR HUGGINS noted that DCCED becomes the lead agency on the economics by default if SB 62 or its equivalent does not pass. He asked what DCCED's actions will be if SB 62 fails to pass.

COMMISSIONER HLADICK answered that the ABC Board by default would become the board and would work at trying to get some regulations in place for next year.

SENATOR HUGGINS recommended that having DCCED's experts push information to the Legislature would be more productive.

COMMISSIONER HLADICK replied that he agreed.

[10:02:11 AM](#)

SENATOR WIELECHOWSKI asked if DCCED needs SB 62 or can the department regulate the industry on its own without the bill.

COMMISSIONER HLADICK answered that DCCED supports the bill.

SENATOR WIELECHOWSKI asked if DCCED will be capable of regulating the industry if SB 62 does not pass.

COMMISSIONER HLADICK replied that he would rather have SB 62. He specified that SB 62 gives DCCED good guidelines and a good starting place.

CHAIR STOLTZE commented that the committee is left with more questions than answers. He noted his appreciation that Commissioner Hladick is not looking at marijuana regulation with "rose colored glasses." He remarked that Commissioner Hladick

has shown interest in marijuana regulation prior to becoming commissioner when he attended the Chiefs of Police Conference.

COMMISSIONER HLADICK answered correct.

CHAIR STOLTZE commented that SB 62 might not be the vehicle for regulation and noted the bill's committee assignments.

SENATOR HUGGINS remarked that many people hold Commissioner Hladick in high regard as a person that makes things happen. He opined that Commissioner Hladick is the right person, especially if SB 62 fails to pass, and he looks forward to working with him.

[10:04:20 AM](#)

CHAIR STOLTZE echoed Senator Huggins' comments. He announced that SB 62 would be held in committee.

[10:05:46 AM](#)

There being no further business to come before the committee, Chair Stoltze adjourned the Senate State Affairs Standing Committee hearing at 10:05 a.m.