

Fiscal Note

State of Alaska
2024 Legislative Session

Bill Version:	CSHB 119(L&C)
Fiscal Note Number:	13
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Identifier: CSHB119-DOH-CDPHP-04-13-2024
 Title: MARIJUANA TAX
 Sponsor: RLS BY REQUEST
 Requester: H (FIN)

Department: Department of Health
 Appropriation: Public Health
 Allocation: Chronic Disease Prevention and Health Promotion
 OMB Component Number: 2818

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2025 Appropriation Requested	Included in Governor's FY2025 Request	Out-Year Cost Estimates					
			FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services	(324.8)		(269.2)	(257.0)	(245.8)	(234.7)	(223.6)	
Commodities								
Capital Outlay								
Grants & Benefits	(757.9)		(628.1)	(599.5)	(573.6)	(547.6)	(521.7)	
Miscellaneous								
Total Operating	(1,082.7)	0.0	(897.3)	(856.5)	(819.4)	(782.3)	(745.3)	

Fund Source (Operating Only)

1254 MET Fund (DGF)	(1,082.7)		(897.3)	(856.5)	(819.4)	(782.3)	(745.3)
Total	(1,082.7)	0.0	(897.3)	(856.5)	(819.4)	(782.3)	(745.3)

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2024) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2025) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - 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 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Updated to align with the Department of Revenue's spring 2024 revenue forecast and updated fiscal analysis.

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FISCAL NOTE ANALYSIS

STATE OF ALASKA
2024 LEGISLATIVE SESSION

Analysis

HB119 proposes to reduce the cultivator’s tax burden from \$50/ounce to \$12.50/ounce effective July 1, 2024 and restructure the way the tax is collected by eliminating the cultivator tax entirely and implementing a retail sales tax on January 1, 2025, set at 6% to be collected quarterly. The bill also allows bidirectional product transfers between retail establishments, cultivators and product manufacturers. It also considers biennial license renewals and background checks to be performed every six years. No other changes are identified to where the taxes are appropriated except that the Department of Health may use at least 50% of the balance in the Marijuana Education and Treatment Fund to support youth service grants.

If the gross taxes collected as a result of these changes are not revenue neutral, there will be fiscal impacts to Department of Health programs such as, grants to afterschool programs, reentry and recidivism reduction programs, and substance use treatment programs.

Based on projections from the Department of Revenue, changing the rate from \$50 per ounce to \$12.50 per ounce would reduce projected revenue in FY2025. Combining that change with the change to a 6% retail sales tax mid-way through the fiscal year would create an estimated reduction in revenue of \$11.7 million in FY2025, including \$2.9 million general fund, \$5.8 million recidivism reduction, and \$2.9 million marijuana education and treatment funds. The revenue reduction will decrease slightly in future years due to inflation, market growth, and population growth.

The reduced revenues will result in lower dollar amounts appropriated to the Department of Health for the comprehensive marijuana use education and treatment program and recidivism reduction program. Reductions will be made to budgets that are proportional to the amounts requested in the FY2025 Governor's Budget.

	FY2025		FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Marijuana Education and Treatment	Governor	Percent	Reduction	Reduction	Reduction	Reduction	Reduction	Reduction
Behavioral Health Treatment and Recovery Grants	5,044.7	60.6%	(1,770.3)	(1,467.2)	(1,400.5)	(1,339.8)	(1,279.2)	(1,218.6)
Behavioral Health Administration	191.1	2.3%	(67.1)	(55.6)	(53.1)	(50.8)	(48.5)	(46.2)
Public Health Chronic Disease Prevention and Health Promotion	3,085.2	37.1%	(1,082.7)	(897.3)	(856.5)	(819.4)	(782.3)	(745.3)
	8,321.0	100.0%	(2,920.0)	(2,420.0)	(2,310.0)	(2,210.0)	(2,110.0)	(2,010.0)

	FY2025		FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Recidivism Reduction	Governor	Percent	Reduction	Reduction	Reduction	Reduction	Reduction	Reduction
Behavioral Health Treatment and Recovery Grants	5,758.9	34.6%	(2,021.5)	(1,678.8)	(1,599.2)	(1,533.4)	(1,464.2)	(1,391.5)
Behavioral Health Administration	250.0	1.5%	(87.8)	(72.9)	(69.4)	(66.6)	(63.6)	(60.4)
Other Departments	10,628.6	63.9%	(3,730.8)	(3,098.3)	(2,951.4)	(2,830.0)	(2,702.3)	(2,568.1)
	16,637.5	100.0%	(5,840.0)	(4,850.0)	(4,620.0)	(4,430.0)	(4,230.0)	(4,020.0)