

HOUSE FINANCE COMMITTEE

March 19, 2024

1:34 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Representative Louise Stutes, Sponsor; Donna Fox Page, Staff, Representative Louise Stutes; Representative Jesse Sumner, House Labor and Commerce Committee, Sponsor; Clark Bickford, Staff, Representative Jesse Sumner; Cody Rice, Staff, House Majority; James Cockrell, Commissioner, Department of Public Safety.

PRESENT VIA TELECONFERENCE

Glenn Haight, Commissioner, Commercial Fisheries Entry Commission, Department of Fish and Game; Tracy Welch, Executive Director, United Fishermen of Alaska; Brandon Emmett, Co-chair, Governor's Tax Task Force on Recreational Marijuana and Hemp, Fairbanks; Joan Wilson, Director, Alcohol and Marijuana Control Office, Department of Commerce, Community and Economic Development; Jana Weltzin,

Co-Chair, Governor's Advisory Task Force on Marijuana, Anchorage.

SUMMARY

HB 19 REGISTRATION OF BOATS: EXEMPTION

HB 19 was HEARD and HELD in committee for further consideration.

HB 119 MARIJUANA TAX

HB 119 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda. He noted that HB 19 had been heard one time the previous session.

#hb19

HOUSE BILL NO. 19

"An Act relating to the registration of commercial vessels; and providing for an effective date."

[1:36:01 PM](#)

REPRESENTATIVE LOUISE STUTES, SPONSOR, thanked the committee for hearing the bill. She relayed that the bill had last heard the bill on May 4, 2023. She read from prepared remarks and explained the bill. The bill removed the requirement for US Coast Guard documented vessels to register with the Division of Motor Vehicles (DMV) every three years. She explained that the database was updated in real time and operators were required to register annually, and required information included the name of the vessel and the contact information of the owner. The department had been very cooperative in not issuing citations to vessels without two stickers. The department relayed that if the bill did not pass, they would start citing vessels without duplicate stickers. She corrected her statement from the previous May related to the DMV and Commercial Fisheries Entry Commission (CFEC) databases.

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DONNA FOX PAGE, STAFF, REPRESENTATIVE LOUISE STUTES, provided a recap of the legislation. She thanked the

committee. She noted individuals online to answer questions.

Co-Chair Foster moved to invited testimony.

GLENN HAIGHT, COMMISSIONER, COMMERCIAL FISHERIES ENTRY COMMISSION, DEPARTMENT OF FISH AND GAME (via teleconference), thanked the committee and was happy to answer questions.

TRACY WELCH, EXECUTIVE DIRECTOR, UNITED FISHERMEN OF ALASKA (via teleconference), provided details about the United Fishermen of Alaska. The organization supported the bill.

Co-Chair Foster OPENED public testimony. He provided the email address for testimony.

Co-Chair Foster CLOSED public testimony.

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Co-Chair Edgmon stated the bill needed to pass in the current year and should have passed years earlier. He stated it was a commonsense bill. He discussed the merits of the bill. He stated the bill was about streamlining government and doing the right thing.

Representative Hannan asked if the Department of Administration was available to discuss an error in its fiscal note.

Co-Chair Foster noted the Department of Administration was not currently available.

Representative Hannan pointed out what she believed to be an error in the DOA fiscal note. The bill only applied to boats that were Coast Guard documented and CFEC registered.

Co-Chair Foster noted that Representative Stutes' office would follow up.

Representative Hannan referenced both factors.

Representative Stutes thanked Representative Hannan for bringing up the issue.

Representative Cronk supported the bill.

Co-Chair Foster set an amendment deadline for Monday, March 25 at 5:00 p.m.

Representative Stutes thanked the committee.

HB 19 was HEARD and HELD in committee for further consideration.

#hb119

HOUSE BILL NO. 119

"An Act relating to marijuana taxes; and providing for an effective date."

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REPRESENTATIVE JESSE SUMNER, HOUSE LABOR AND COMMERCE COMMITTEE, SPONSOR, provided an explanation of the legislation.

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CLARK BICKFORD, STAFF, REPRESENTATIVE JESSE SUMNER, explained that the bill would help prevent a potential collapse to the market and help the cannabis market grow. He noted that an unstable tax structure put incredible pressure on the businesses. He remarked that the estimated annual closure was between 15 to 20 businesses due to a tax structure being too high. He listed individuals available to testify. He asked to have Mr. Rice present on his model.

Representative Coulombe asked what AMCO stood for.

Representative Sumner answered the Alcohol and Marijuana Control Board.

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CODY RICE, STAFF, HOUSE MAJORITY, provided a PowerPoint presentation titled "Marijuana Taxes (HB 119)," dated March 19, 2024 (copy on file). He remarked that most of the change was related to a change in product. He stated that a change to a sales tax could provide potential for value added businesses. He turned to slide 2 and reiterated that 24 states had legalized recreational marijuana as of

November. State taxes currently varied based on category of plant product.

Mr. Rice turned to slide 3 showing marijuana taxes by type.

Mr. Rice turned to slide 4 showing the wholesale price of a pound of "bud" in Colorado, which was less than the tax on a pound alone in Alaska.

Mr. Rice turned back to a graph on slide 3.

Mr. Rice noted a strong declining trend in the collected tax per ounce of marijuana.

Mr. Rice turned to the marijuana tax revenue forecast.

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Mr. Rice turned to the revenue forecast under status quo.

Mr. Rice turned to slide 9 showing a reduction in tax until a sales tax could be incorporated, and remarked that the tax could generate more revenue than status quo in the next seven years.

Mr. Rice moved to slide 10, which showed the impact and reach of the dark web black market.

Mr. Rice turned to slide 11 and discussed support for legalization at an all-time high.

Mr. Rice provided a summary on slide 12.

Co-Chair Foster stated he would take a quick question from Representative Tomaszewski and then move to three invited testifiers.

Representative Tomaszewski asked about federal legalization and potential consequences. He surmised that it was cost prohibitive for Alaska to compete with Colorado's export market.

Mr. Rice agreed, and turned back to slide 5.

Representative Tomaszewski felt that the implication would result in the loss of Alaska's marijuana industry.

Mr. Rice agreed.

Co-Chair Foster moved to invited testimony.

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BRANDON EMMETT, CO-CHAIR, GOVERNOR'S TAX TASK FORCE ON RECREATIONAL MARIJUANA AND HEMP, FAIRBANKS (via teleconference), shared that the bill was the product of the task force's recommendations. The task force supported the bill.

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JOAN WILSON, DIRECTOR, ALCOHOL AND MARIJUANA CONTROL OFFICE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), stated that six more licensed businesses in Alaska had closed in the past month since she had testified to the House Labor and Commerce Committee. There were currently 176 retail stores, and 1.9 licensed cultivators to every store in the beginning and now there were 1.3 per store. Alaskans making great contributions to the economy, but the tax liability was stated to be the number one reason for closure. She was not an expert on the right tax rate, but she stated it was a high priority and time to fix the issue.

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JANA WELTZIN, CO-CHAIR, GOVERNOR'S ADVISORY TASK FORCE ON MARIJUANA, ANCHORAGE (via teleconference), thanked the committee. She is an attorney representing many marijuana businesses in Alaska. The tax on the industry was not workable or sustainable. The industry was an economic driver for Alaska, but already had astronomical challenges like not having access to banking and the businesses had no access to business tools. She remarked that distributors paid a fee of \$7,600 to the state per year. She stated that the bill initially resulted in a short term revenue reduction; however it would become positive in the

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Representative Josephson asked if it was \$7,600 per year.

Ms. Weltzin confirmed the amount.

Representative Josephson queried the percentage of the total take.

Ms. Weltzin did not have the answer but could work with Department of Revenue and follow up.

Representative Josephson asked Mr. Rice about the change in the mix. He asked if it meant the consumer was buying a poorer grade or flexibility on what sellers were selling.

Mr. Rice answered it was very difficult in regulations to define.

Representative Josephson asked how many of the 176 retailers were located in Anchorage. He wondered whether closures related to the abundance of retail stores.

Ms. Weltzin did not have the number in Anchorage. She believed there were a lot of stores there. She would be happy to follow up.

Mr. Rice had the data and would provide it.

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Representative Hannan asked if Mr. Rice had prepared the slides.

Mr. Rice agreed.

Representative Hannan turned to a slide showing marijuana tax revenue forecast, which showed it rebounding and revenue positive starting in FY 26, but none of the fiscal notes showed any economic return. She stated her only concern was about the loss of revenue to the dedicated streams. She asked when they would be tax positive.

Mr. Rice responded that the bill had originally been proposed the past year.

Representative Hannan answered that it did not answer her question. None of the department fiscal notes reflected any positive revenue in the coming five years.

Mr. Rice shared that he could not speak to the fiscal notes.

Co-Chair Foster noted they would have to return to the topic. Mr. Brandon Spanos with Department of Revenue was not available currently.

Representative Hannan restated her question.

Co-Chair Foster stated that Representative Sumner's office or his own office would follow up to get the information.

Representative Galvin remarked on the flat tax to the cultivator, and switching the tax over to the consumer. She wondered whether was there consideration of making it more changeable.

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Representative Sumner replied that dropping all to the consumer was an issue. There was a focus on the tax transition within the legislation.

Representative Galvin stated her understanding the \$12.50 was per ounce remained intact.

Mr. Rice agreed.

Representative Galvin asked if they had considered a percentage of the sales to the retailers.

Representative Sumner stated his understanding of the question whether there should be a wholesale or retailer tax.

Representative Galvin understood that in general it was rare to be taxing farmers or growers because the nation had typically avoided it.

Representative Sumner replied that another thing to consider was wanting to discourage the black market. He remarked that many of the cultivators who were closing may be exiting the legal market and entering the black market. They did not want to encourage the situation.

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Representative Galvin looked at slide 4, and taxing the cultivator or the consumer at the retail store. He asked what the 11 other states were doing.

Mr. Rice responded that there were a variety of different nuances like potency and generally the price base taxes in different ways.

Representative Galvin always thought of a tax as potentially being hurtful to a market. For example, she would hate to lose revenue from the e-cigarette market.

Mr. Bickford answered that the tax was being dropped.

Mr. Rice shared that the portion was likely to be shared by the end user. He remarked that in a survey, about 30 percent of the savings would flow to the end user but he thought it was a conservative estimate.

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Representative Sumner stressed they were not pushing up marijuana consumption, but were discouraging the black market.

Representative Ortiz referenced concerns raised by Representative Hannan.

Mr. Rice responded that he had walked stakeholders through the model.

Representative Ortiz read a question from a constituent regarding the issue that the legalization of marijuana would result in a positive impact.

Mr. Rice clarified he was speaking about legal consumption.

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Representative Ortiz returned to the constituent concern.

Representative Sumner replied that he was attempting to address the issue.

Mr. Bickford added that Alaska was one of the first legal markets, and there was action in other states to adjust to the appropriate tax to keep the industry from "crumbling."

Representative Coulombe looked at the explanation of changes, and she thought it started with a higher sales tax

Representative Sumner responded that the history started at a 3 percent sales tax went to 10 percent and down to 6 percent.

Representative Coulombe asked if the projections were based on 6 percent.

Mr. Rice agreed.

Representative Coulombe asked if the bounce back would be higher or sooner.

Mr. Rice responded that a higher tax rate would generate a higher tax revenue, but would be offset in the lower price elasticity to the consumer.

Representative Coulombe was trying to get clarification if going to high would impact consumption.

Representative Sumner answered that it would contribute to black market consumption.

Co-Chair Johnson asked if it had been done by voter initiative.

Mr. Bickford agreed.

Co-Chair Johnson thought it was not necessarily to establish an industry. She had concerns about a number of the slides in terms of the background. She had a concern about the restorative justice account and how a reduction in the taxes would impact the account, and felt that the impact looked to be significant. She asked how much it would cost to get DPS to do some testing.

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Co-Chair Foster noted that the next meeting would include the fiscal note review. He noted the Commissioner Cockrell was available in the room

JAMES COCKRELL, COMMISSIONER, DEPARTMENT OF PUBLIC SAFETY, asked for a repeat of the question.

Co-Chair Johnson asked if there was a test the department could determine when someone was under the influence.

Commissioner Cockrell could not speak for the other departments, but some were trained as drug recognition experts.

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Co-Chair Johnson queried the impacts and issues related to people who were driving motor vehicles while under the influence of marijuana.

Mr. Bickford asked whether the bill changed the bill about how testing was administered to suspected marijuana users.

Co-Chair Johnson wanted to make sure that she was understanding the actual cost to society, and the restorative justice account. She was trying to understand the other costs of legal marijuana.

Commissioner Cockrell answered that enforcement had dealt with marijuana for a long time and there was additional training for law enforcement officers.

Representative Sumner also saw the resolution from the Mat-Su Borough Assembly. He did not believe the bill was the proper vehicle because it was addressing taxes. He thought it should be a separate bill.

Co-Chair Johnson appreciated what he was saying but she had the idea of an amendment. She wondered if there was another cost to society the legalization of marijuana, and reducing cost but seeing more expense. She did not believe her question was out of line.

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Mr. Rice clarified that 25 percent of the revenue went to UGF, 50 percent went to the Recidivism Reduction Fund, and 25 percent went to the Marijuana Education and Treatment Fund.

Representative Coulombe stated that the bill idea came out of the idea that tax revenue was projected to decrease and the bill was trying to change it.

Representative Sumner answered that the tax had been going down.

Representative Coulombe stated that the bill was proposing a tax change but the fact was the revenue was decreasing and something needed to change. She pointed out that there was decline and more in the black market, which the bill was trying to fix.

Mr. Rice agreed.

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Representative Ortiz wondered whether the bill would be neutral on the public safety impact on the state.

Commissioner Cockrell replied it would be neutral.

Representative Hannan wanted to see the revenue data projection from DOR.

Co-Chair Foster stated that DOR would be available at the next bill hearing.

Mr. Rice answered that actuals from DOR were in the model.

Representative Josephson asked for the average sales tax in the 11 other states in the presentation.

Mr. Rice did not know off the top of his head.

Co-Chair Foster asked to have the information followed up on.

Representative Josephson was concerned about the potential loss of revenue.

Representative Sumner replied that 6 percent would be revenue positive.

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Co-Chair Foster asked for any closing comments.

Representative Sumner thanked the committee.

Co-Chair Foster relayed the next meeting would have departments and fiscal notes.

HB 119 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following day.

#

ADJOURNMENT

3:05:47 PM

The meeting was adjourned at 3:05 p.m.