

SENATE FINANCE COMMITTEE

April 4, 2024

9:04 a.m.

9:04:50 AM

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick

MEMBERS ABSENT

Senator David Wilson

ALSO PRESENT

Senator Jesse Bjorkman, Sponsor; Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit.

PRESENT VIA TELECONFERENCE

Joan Wilson, Director, Alcohol and Marijuana Control Office, Department of Commerce, Community and Economic Development; Sylvan Robb, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development.

SUMMARY

SB 228 EXTEND BOARD OF MASSAGE THERAPISTS

SB 228 was REPORTED out of committee with four "do pass" recommendations and with one "no recommendation" recommendation, and with one previously published fiscal impact note: FN 1(CED).

SB 234 EXTEND MARIJUANA CONTROL BOARD

SB 234 was HEARD and HELD in committee for further consideration.

#sb234

SENATE BILL NO. 234

"An Act relating to the Marijuana Control Board; and providing for an effective date."

9:05:22 AM

Co-Chair Olson relayed that the committee heard SB 234 the previous day. He noted that the committee intended to finish the bill hearing and take public testimony.

9:05:59 AM

SENATOR JESSE BJORKMAN, SPONSOR, introduced himself and explained that SB 234 was a board extension for the Marijuana Control Board (MCB) for three years. He relayed that the reasons for the three-year extension had been spoken to the previous day by Legislative Auditor Kris Curtis. He considered that it was important that the extension also match up with the Alcoholic Beverage Control (ABC) Board and treat the items as the voters intended when marijuana was legalized in 2010 to be regulated like alcohol.

9:07:10 AM

JOAN WILSON, DIRECTOR, ALCOHOL AND MARIJUANA CONTROL OFFICE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), spoke to the bill. She noted that she had served in the role of Director of the Alcohol and Marijuana Control Office (AMCO) since May 2022. She noted that the response of the Commissioner of the Department of Commerce, Community and Economic Development (DCCED), and the Chair of the MCB were in the audit recommendations. She noted that the committee had heard from the legislative auditor about the positive findings of the audit, which she thought was that the MCB had been operating in the public interest and had conducted its meetings in accordance with the Open Meetings Act.

Ms. Wilson continued that audit findings showed the MCB had actively amended its regulations as it considered necessary, and it had conducted its enforcement activities in a timely manner. She cited that the number continued to change, but that there were currently 474 active and operating licensed marijuana businesses in the state. She continued that 178 of the businesses were stores; and there were 63 manufacturers, 2 testing labs, and 231 cultivators. She cited that in FY 23 the state received approximately \$29 million in excise taxes from the cultivators, and there were significant contributions from all licensees in local taxes.

Ms. Wilson recalled that Ms. Curtis had indicated the previous day that over half of cultivators had been delinquent in taxes and clarified that the information was not accurate. She noted that there was currently \$3.1 million in back taxes, the majority of which was from now-defunct licensees. There were approximately 20 cultivators that owed approximately \$500,000 in taxes, and the department had written accusations to revoke licenses of 15 of the cultivators. She noted that the vast majority of licensees were complying with tax obligations.

Ms. Wilson spoke to some findings and actions that were underway. There was a recommendation that the state maintain criminal background information on marijuana handler permits, so results could be verifiable in audit review. She concurred with the recommendation and was working with the department on the matter. She noted that there was a new license and enforcement system in some degree of operation and development. Much of the funding had come from a revision to alcohol law. The marijuana licensing system was still in development, and she noted that an associated capital request could be forthcoming from the governor to expand the service, which was also funded from program receipts.

Ms. Wilson suggested that the board chair could speak to the matter of keeping the majority of the quorum as the appropriate number to approve regulation. She mentioned an issue with vacancies as reasoning. She addressed fees, and thought Ms. Curtis had indicted correctly that the fees were set to pay back \$5.5 million loan to the General Fund. She affirmed that the resources would be available to pay back the loan in the current fiscal year. The board had set an agenda item to reassess license fees to recommend

additional services of AMCO or reduce fees to address the cost of running the office without additional change.

9:11:49 AM

Ms. Wilson asserted that AMCO was a tight-knit hardworking office whose motto was "no government as usual." The office believed it was key to successful business operations. She expressed that timeliness mattered. She noted that at the time of the audit, some of the queues were up to 8 months before looking at license applications, and currently the time frame was down to 60 days. She looked forward to proving the work of AMCO in three years and agreed with aligning the audit with the ABC Board to determine effectiveness.

Co-Chair Olson asked if Ms. Wilson would comment on FN 1 from DCCED, which showed a cost of \$2.1 million for extending the existing program.

Ms. Wilson relayed that the amount was approximately half the cost of running the AMCO office since there were more alcoholic beverage licensees. The funding would go toward ten full-time positions including four special investigators, three Occupational Licensing Examiners, one Program Coordinator, one Records and Licensing Supervisor, and one Local Government Specialist 3. She mentioned costs for statutorily-required travel to each judicial district for board meetings. She noted that the board actively enforced AS 17.38 and its implementing regulations with accusations to take actions against licenses. She commented that the note showed relatively high bill from the Department of Law and the Office of Administrative Hearings, which she considered the cost of due process. She pointed out commodities and capital outlay as shown on the second page of the fiscal note.

Co-Chair Olson asked if the funds were new money or from a source other than Unrestricted General Funds (UGF).

Ms. Wilson noted that the funding should all be existing Designated General Funds (DGF) from the program receipts from the marijuana licensees. She noted that there was \$19.2 thousand in UGF related to salary increases. She offered to provide more detail on the UGF funds at a later time.

Co-Chair Olson referenced back taxes and the audit of MCB.

[9:16:00 AM](#)

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, drew attention to the document "A Sunset Review of the Department of Commerce, Community and Economic Development, Marijuana Control Board" (copy on file). She highlighted page 16 of the audit, which addressed the number of marijuana cultivators that were delinquent in payment of taxes, collectively owing \$3.1 million. She referenced Exhibit 4 on page 10, and noted that there was an itemization of the number of licensees. She clarified that Ms. Wilson was correct in that the number of delinquent licensees did not represent half of the total.

[9:17:17 AM](#)

Co-Chair Olson OPENED public testimony.

[9:17:31 AM](#)

Co-Chair Olson CLOSED public testimony.

SB 234 was HEARD and HELD in committee for further consideration.

#sb228

SENATE BILL NO. 228

"An Act extending the termination date of the Board of Massage Therapists; and providing for an effective date."

[9:17:42 AM](#)

Co-Chair Olson relayed that the committee had heard SB 228 the previous day, at which time it heard public testimony.

Senator Jesse Bjorkman, Sponsor, explained that SB 228 proposed to extend the sunset date of the Board of Massage Therapists for six year. He noted that the committee had discussed some of the audit findings the previous day. The chair of the board had been available for questions the previous day but was not currently available. He noted that the chair had submitted written testimony (copy on file)

and supported the bill. He commented that the chair appreciated the legislature's actions in disallowing the executive order that would have "chloroformed" the Board of Massage Therapists.

9:19:02 AM

AT EASE

9:19:26 AM

RECONVENED

SYLVAN ROBB, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), spoke to FN 1 from DCCED, which reflected the costs of if the Board of Massage Therapists were extended. If the bill passed and the board continued, the department would continue to incur the same costs as previously. The majority of the \$21,800 fiscal note was for travel for the five-person board members and staff person to attend board meetings. There were a few small costs related to public notice for the board meetings. The costs came from DGF and receipt-supported services from licensing fees.

Co-Chair Olson asked if Senator Bjorkman was in favor of the six-year extension that was recommended by the auditor.

Senator Bjorkman answered affirmatively.

Senator Kiehl MOVED to report SB 228 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 228 was REPORTED out of committee with four "do pass" recommendations and with one "no recommendation" recommendation, and with one previously published fiscal impact note: FN 1(CED).

9:21:40 AM

AT EASE

9:23:20 AM

RECONVENED

Co-Chair Olson discussed the agenda for the following day.

#

ADJOURNMENT

9:23:39 AM

The meeting was adjourned at 9:23 a.m.