

HOUSE FINANCE COMMITTEE
April 30, 2025
1:37 p.m.

1:37:16 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:37 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Brodie Anderson, Staff, Representative Neal Foster;
Representative Chuck Kopp; Representative Ashley Carrick,
Sponsor; Stuart Relay, Staff, Representative Ashley
Carrick.

PRESENT VIA TELECONFERENCE

Bailey Stuart, Chair, Marijuana Control Board; Kevin
Richard, Director, Alcohol and Marijuana Control Office,
Department of Commerce, Community and Economic Development;
Kevin Worley, Administrative Services Director, Department
of Corrections; Tracy Dompeling, Director, Division of
Behavioral Health, Department of Health; Heather Rogers,
Administrative Services Director, Division of Public
Health, Department of Health; Dianna Thornton,
Administrative Services Director, Department of Public

Safety; Brandon Spanos, Deputy Director, Tax Division, Department of Revenue.

SUMMARY

HB 78 RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

HB 78 was HEARD and HELD in committee for further consideration.

HB 91 MARIJUANA: TAX/RETAIL STORES/REGISTRATION

HB 91 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb78

HOUSE BILL NO. 78

"An Act relating to the Public Employees' Retirement System of Alaska and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska and the teachers' retirement system; and providing for an effective date."

1:38:42 PM

Co-Chair Foster noted that a new Committee Substitute (CS) work draft was before the committee.

Co-Chair Schrage MOVED to ADOPT the proposed committee substitute for HB 78, Work Draft 34-LS0493\N (Wayne, 4/28/25).

Co-Chair Foster OBJECTED for discussion.

Co-Chair Foster asked to hear from his staff and Representative Kopp regarding the changes in the bill.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, explained the CS. He explained that the CS contained one change that was addressed in two locations in the bill. He pointed to the Explanation of Changes in members' bill packets. He read the following:

1. Section 23 (page 14, line 16) and Section 76 (page 42, line 27) both were subsection (g):

a. Adds new subsections that would reduce the Post Retirement Pension Adjustments (PRPA) to 50 percent for nonresidents ineligible for Permanent Fund Dividend (PFD), as the qualifications read on the effective date of the Act.

b. This change is an incentive for retirees to stay in the state.

Mr. Brodie elaborated that the reason the change was in two locations was due to a reference to Public Employees' Retirement System (PERS) in Section 23 and Section 76 reflected the Teachers' Retirement System (TRS). The change was made because it would align with the Gallagher actuarial report presented the previous day. He added that the 50 percent provision was in previous versions of the bill, and the actuary had assumed it was in the current version of the bill.

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Co-Chair Foster interjected that one of the main purposes of the change was it would reduce the amount of necessary funding.

REPRESENTATIVE CHUCK KOPP, replied that the change would reduce the cost of the bill by \$70 million from FY 2027 through FY 2039.

Co-Chair Foster WITHDREW the OBJECTION.

Representative Stapp OBJECTED. He thought there were numerous changes in the CS. He pointed to places in the bill he deduced had also changed.

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AT EASE

[1:46:02 PM](#)

RECONVENED

Mr. Anderson replied that the only changes that were made in the version were outlined in the explanation of changes

and some renumeration. He offered to submit a redline version to illustrate his answer.

Representative Stapp WITHDREW the OBJECTION.

Representative Bynum OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Stapp, Galvin, Jimmie, Allard, Hannan, Josephson, Schrage, Foster

OPPOSED: Tomaszewski, Bynum, Johnson

The MOTION PASSED (8/3).

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Representative Hannan asked if the fiscal notes had been written to the original or the updated CS. Mr. Anderson replied that they were written to the recent actuarial report, and they should be reflective of the CS.

Representative Bynum cited the language regarding qualifying for the PFD. He asked if the qualification for the PFD was required by the state retirement system. Representative Kopp answered that he had struggled with the issue. He pointed out that 40 percent of state retirees moved to warmer climates after retirement and whether they should receive the inflation proofing PRPA as retirees who remained in state. The bill that removed the penalty was introduced but Mr. Kershner [David J Kershner, Principal, Consulting Actuary, Gallagher] had inadvertently assumed the penalty was included in the bill. The fiscal notes accurately reflected the CS. He furthered that the PFD eligibility standard was the standard that proved state residency. The language tied the provision to a standard in law. Representative Bynum offered that Alaska currently had other qualifiers to be a resident without meeting the PFD standard. He deduced that it did not take into consideration travel, traveling for medical need, etc. He observed that many residents in the state did not qualify for the PFD. He found it disappointing that the bill would discriminate against people who provided lifelong service to the state and diminish their retirement because they were not going to be able to qualify for the PFD. He would likely try to fix the issue during the amendment process.

Representative Hannan asked if the Cost of Living Adjustment (COLA) was different than the PRPA adjustment. Representative Kopp replied affirmatively. He reported that the bill lacked a COLA that was tied to housing, energy, and transportation costs. The prior Defined Benefit (DB) tiers do have a 10 percent COLA, which was not present in the bill because of the cost. He delineated that the post retirement pension adjustment was simply inflation proofing dollars. He reiterated that the provision saved the state \$70 million from FY 27 through FY 39 by allowing the 50 percent reduction if someone no longer met residency requirements. He addressed Representative Bynum points regarding the PFD residency standard and indicated that it allowed for medical and other travel.

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Representative Hannan understood that nothing in the bill diminished any earned benefit a DB member would be receiving. Representative Kopp agreed with her statement. He explained that a reduced PRPA would not diminish anyone's base retirement benefit.

Co-Chair Josephson shared that his Mother was a state DB retiree who moved out of the state later in life to New Hampshire and suffered the loss of the 10 percent COLA. He noted that the PRPA adjustment was in alignment with the loss of COLA. He remarked that the PFD standard had a similar standard. The PRPA reduction was not novel, it was the same for COLA. Representative Kopp agreed with Co-Chair Josephson's statements. He reminded the committee that the COLA cost hundreds of millions, whereas the PRPA adjustment cost a much smaller amount. However, they were the same principle philosophically.

Co-Chair Foster noted the committee had to get to the House floor session.

Co-Chair Foster set the amendment deadline for HB 78 for Monday, May 5, 2025, at noon.

Representative Stapp objected and asked for a delay in the deadline until Tuesday.

Co-Chair Foster set an amendment deadline for Tuesday May 6, 2025, at 5:00 p.m.

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RECESSED

[4:28:44 PM](#)

RECONVENED

Co-Chair Foster noted the committee previously adopted the CS for the bill. He asked members if there were additional questions.

Representative Stapp asked about the fiscal notes and indicated there was a discrepancy between the prior fiscal note and the new fiscal note. Co-Chair Foster asked him to identify which fiscal note he referred to. Representative Stapp pointed to the new fiscal impact note dated April 15, 2025, that showed \$40.6 million in FY 2027 and none in FY 2026, versus the note it replaced had a \$17.4 million appropriation in FY 2026. He asked about the material difference.

Representative Kopp answered that the prior fiscal note was a House Finance Committee fiscal estimate prior to receiving the valuation from Gallagher and was no longer valid. He deferred to Mr. Anderson for further answer.

Mr. Anderson replied that the notes created by the House Finance Committee were considered null and void after receipt of the Gallagher analysis. He identified the two new relevant fiscal notes. One fiscal impact note was for the Department of Administration allocated to Retirement and Benefits dated February 7, 2025, and reflected the administrative cost of the new retirement program. He noted that the other fiscal impact note for Various allocated to All Branches lacking an OMB component number [dated April 15, 2025, written by DOA] was the other relevant fiscal note.

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Representative Stapp asked why the new note did not include an appropriation for FY 26. Mr. Anderson believed it was because the program would be developed in FY 26, and the program would begin in FY 27.

Representative Bynum remarked that the bill's effective date was July 1, 2025, on page 52, line 17. He did not know where the provision saying it would not be implemented

until FY 2027 was in the bill. Representative Kopp answered that the effective date of the bill gave the administration permission to set up the program. He detailed that election into the plan was over an 180 day period. He suggested asking the department to provide an explanation. He guessed that it would take DOA some time to stand up the program in the first year, which lowered initial costs. He referenced the new Various fiscal note written to the actuarial report. He cited the fiscal note and Gallagher analyses stating that the plan started off fully funded in FY 26 until FY 27. The Gallagher analysis projected net total increases to the PERS and TRS state contributions from FY 2027 to FY 2039.

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Representative Bynum was trying to determine where in the bill it specified the initial cost would be delayed. He noted that an employee may opt into the program immediately and there were costs associated with that. He deduced from the answer given by Representative Kopp that participants would need to wait until July 2026 to become members of the plan. Representative Kopp clarified that there was no delay in the implementation of the plan. He restated that the Division of Retirement and Benefits, DOA, could better explain the fiscal note. He reminded the committee that new participants had six months to decide whether to join the plan, which was halfway through FY 26 before the election period ended.

Mr. Anderson clarified that he did not intend to use the word "delay" in his answer. He did not mean to cause confusion.

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Co-Chair Foster asked if it was possible to hear from the Division of Retirement and Benefits.

Representative Bynum asked which fiscal notes were no longer valid. Representative Kopp repeated the answer from earlier in the meeting.

Mr. Anderson interjected and noted the control codes for the voided notes.

Representative Tomaszewski cited Section 23, page 14 of the legislation and asked about the Alaska Retirement Management Board's (ARMB) ability to terminate a reduction made under the subsection. He asked if it was individually or for the entire plan. Representative Kopp replied that it applied to all members of the plan. He added that if the plan became less than 90 percent funded the ARMB could make an adjustment. Representative Tomaszewski asked about the eligibility requirements for a PFD. He ascertained that if a person lived out of state, they may only receive half of their COLA. Representative Kopp replied affirmatively. Representative Tomaszewski asked if any other states did so and if they had run it by Legislative Legal Services. He asked if it was constitutional to penalize a person living in another state. Representative Kopp answered that it was constitutional. He elaborated that any retirement plan could be structured in any way as long as members were aware of the plan's specifics. However, once a person joined a retirement plan the benefits could not be diminished. He reiterated that if retirees chose to move out of state, they would lose 50 percent of their inflation adjustment [PRPA].

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Representative Hannan noted that under current DB plans retirees lost their COLA if they were gone for more than 90 days; therefore, the Permanent Fund Dividend eligibility option was looser than the proposed plan.

Representative Bynum reminded the committee that there was a difference between a COLA from Tiers 1, 2, and 3 and PRPA in HB 78. He pointed out for the record they were not discussing a COLA but were deliberating about the PRPA. Representative Kopp agreed with the statement. He reiterated that a COLA was an entirely separate matter reflecting the cost of living.

Representative Hannan interjected that she did not intend to confuse or conflate the two. She wanted to provide an example of the constitutionality of including a provision based on residency and that it already did exist in the DB system.

Co-Chair Foster thanked Representative Kopp and Mr. Anderson.

Representative Kopp provided closing remarks. He referenced the actuary's testimony from the previous day. He relayed that the plan was structured so soundly it would take a "remarkable event" to drop the plan liability under 90 percent. The actuary did not see the state incurring any additional liabilities because of the plan's structure or unseen event to spur the need to activate a PRPA. He believed that the plan was remarkable and was structured to keep the costs down. The heart of the bill recognized that public workforce stability was key to the economic viability of the state. The cost of the bill was about \$600 million over the next 14 years, totaling about \$50 million per year. He shared that "the burn rate" of recruitment, training, and retention losses costs were over \$76 million per year. He felt that the legislation was a net revenue positive for the state. The bill would establish a way to address a real structural problem. He used a fishing analogy to describe that state's problem of vacancy rates in education, public safety, and transportation "compromising the vitality of the state." The structural risk was that the public service agencies "were overtaxed and underperforming and in many cases completely failing to deliver many of the services that people depended on." He mentioned the state's out migration creating a "toxic narrative" about the state. He noted that the governor's Recruitment and Retention Task Force reported that the state experienced a \$20 million burn rate just for the loss of teachers alone. He believed that the plan was "imminently affordable and attractive" enabling the state to turn towards a more attractive and competitive place to live.

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HB 78 was HEARD and HELD in committee for further consideration.

#hb91

HOUSE BILL NO. 91

"An Act relating to the lawful operation of retail marijuana stores; relating to marijuana cultivation; relating to the registration of marijuana establishments; relating to marijuana taxes; relating to the duties of the Department of Revenue; and providing for an effective date."

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Co-Chair Foster asked members to hold questions until after the presentation.

REPRESENTATIVE ASHLEY CARRICK, SPONSOR, introduced the bill.

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AT EASE

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RECONVENED

Representative Carrick introduced the bill. She remarked that the bill may look familiar to some committee members. The legislation was a reiteration of similar legislation passed in the House by a 36 to 3 margin in the prior year. She stated that 10 members of the House Finance Committee had previously voted in favor of the bill. She explained that HB 91 stemmed from challenges in the budding marijuana industry. In 2014, Alaska Voters legalized recreational marijuana. After initial growth, the industry has seen stagnation, which had once again opened the door to black and gray market activity. In 2022, Governor Dunleavy convened the Advisory Taskforce on Recreational Marijuana, and its number one recommendation was tax reform in addition to various policy reforms. The legislation included both tax reform and policy changes that will support the industry, making it more sustainable and allowed it to flourish for years to come and close the door on the black market. She shared the following facts about the marijuana industry:

- In FY 24 the Marijuana industry brought in \$27.2 Million in revenue. It was the sole source of revenue for the following funds:
 - o \$13.5 million to the Recidivism Reduction Fund
 - o \$6.7 million to the Marijuana Education and Treatment Fund
 - Nearly \$48.3 million in wages (2022)
 - 475 Active Licenses (Feb 2025)
 - 5828 Marijuana Handler Permits (Feb 2025)
- Required for anyone involved in marijuana commerce.

Representative Carrick believed that action must be taken to stabilize and grow the industry. She added that in the prior committee, The House State Affairs Committee changed the designation of 25 percent of the funds for revenue to be designated to the Public Education Fund versus the prior designation to UGF.

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AT EASE

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RECONVENED

Co-Chair Foster noted that the committee was currently receiving a presentation on HB 91.

Representative Carrick wrapped up her opening and prepared remarks. She emphasized that the state must act "expeditiously to stabilize the marijuana industry" and the state revenue from the industry. She asked her staff to provide a brief presentation.

STUART RELAY, STAFF, REPRESENTATIVE ASHLEY CARRICK, provided a PowerPoint presentation titled "HB 91 Marijuana Tax Reform" (copy on file). He began on slide 2 titled "Recent History of Marijuana Policy in Alaska:"

- In 2014 Alaska voters legalized recreational marijuana.
- In 2022 Governor Mike Dunleavy established the Advisory Taskforce on Recreational Marijuana and its final report was published in January 2023.
- In 2024 the House passed HB 119 which included many of the taskforce's recommendations, but that bill did not pass the Senate before the end of the 33rd Legislature.
- HB 91 has a nearly identical tax structure to HB 119 and picks up the conversation about marijuana tax reform where it left off last year.

Mr. Relay elaborated that the prior bill had a 7 percent sales tax amended from 6 percent on the House floor and HB 91 had a 6 percent sales tax. He moved to taskforce

recommendations on slide 3 titled "Taskforce Recommendations included in HB 91:"

Recommendation 1

Reduce excise tax to 25% of current rate. Repeal the excise tax after a transition period and implement a sales tax.

Recommendation 10

Allow for product transfers between all license types.

Recommendation 11

Biannual licenses.

Mr. Relay delineated that Sections 1 and 10 of the bill reflected recommendation 10 that allowed "upstream sales" selling unsold or unused product back to producers to be disposed of safely and reused in other products. He added that Sections 3 through 9 related to recommendation 11 regarding biannual licensing. He explained that it allowed marijuana retail facilities to obtain two-year licenses. He turned to slide 4 titled "Marijuana Revenue in Alaska, FY 24:"

\$27.2 million total

\$13.5 million DGF (50 percent)
Recidivism Reduction Fund

\$6.7 million DGF (25 percent)
Marijuana Education and Treatment Fund

\$6.9 million UGF (25 percent)
Public Education Fund

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Mr. Relay advanced to slide 5 titled "Marijuana Tax Reform in HB 91:"

- Provides immediate tax relief by reducing the excise tax from \$50 per ounce, to \$12.50 per ounce on marijuana (Sec 11, effective Jul 1, 2025)
- Repeals the excise tax (Sec 18, effective Jan 1, 2026)

- Establishes a 6% Sales Tax on all Marijuana Sales (Sec 13, effective Jan 1, 2026)

Mr. Relay pointed out that the bill aligned with the first recommendation on the task force of providing immediate tax relief.

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Mr. Relay discussed slide 6 "Marijuana Policy Changes in HB 91:"

- Allow "upstream sales" so that marijuana stores can sell products back to producers (Sec 1,10). Taskforce recommendation 10.
- Require a tracking number for each crop of marijuana rather than each individual plant (Sec 2). All other agricultural products are tracked per crop.
- Biannual licenses for marijuana establishments (Sec 3-9). Taskforce recommendation 11.
- Quarterly statements, tax payments (Sec 14).
- Requires DOR to establish at least one tax collection facility in each of the four judicial districts (Fairbanks, Juneau, Nome, and Anchorage) (Sec 16).

Mr. Relay explained that the change from monthly to quarterly tax payments eased the burden on producers who had to physically deliver their payments in cash. He noted that a collection box already existed in Anchorage.

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Mr. Relay advanced to slide 7 titled "Differences between HB 91 (Ver. A) and SB 73 (Ver. G):

- SB 73 by Senator Claman is another marijuana tax reform bill.
- Only includes biannual licenses, does not include the other policy reforms to support the industry outlined in HB 91.

- SB 73 lowers the excise tax to \$12 per ounce.
- SB 73 does not recoup lost revenue from excise tax cut, leading to approximately \$14 million in lost revenue.

Co-Chair Foster held questions and OPENED invited testimony.

BAILEY STUART, CHAIR, MARIJUANA CONTROL BOARD (via teleconference), relayed that the board reviewed the bill and appreciated the sponsor's efforts to address the issues and understood the need for thoughtful consideration of taxation for the industry. However, due to concerns over implementing a statewide sales tax at 6 percent and the broader implications that may arise, the board did not fully support the bill. She expressed concern over the issue of "double taxation." She indicated that the products on the market were already subject to an excise tax and would also be taxed under the proposed statewide sales tax. She felt that it could result in an unintended financial burden. She furthered that the board recognized the need for a value based tax structure especially to prepare for interstate commerce. However, the board wanted to see further safeguards and attention to a thoughtful approach. The board was committed to continuing the conversation once the industry had relief, lessening immediate pressure of implementing a statewide sales tax and allowing for a "more thorough and considered discussion." She emphasized that the board was in strong support of immediate tax relief and a long-term solution. She commented that marijuana legalization sparked economic growth in the agriculture sector and would continue if the market instability was addressed. The current excise tax model posed a challenge with the future possibility of interstate commerce. She noted that products from out-of-state may entirely avoid taxation. Currently, the marijuana industry was fighting three fronts with the most urgent issue being the "punitive" flat tax structure of \$50 per pound totaling \$800 per pound, resulting in an effective tax rate approaching 50 percent. She delineated that the legal market was forced to compete with two illicit markets: one operated illegally, and the other existed in a "gray area" involving hemp products. The issue made it difficult for the legal market to remain viable when held to strict regulations and high taxation while unregulated operators continued without oversight or prosecution.

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Ms. Stuart continued providing remarks. She spoke to a concern that was discussed in a prior hearing regarding how the legal market could compete with the illicit market. She declared that currently, legal market prices were unable to match the illicit market prices. She delineated that the illegal market stayed stagnant for decades with 3.5 grams costing \$40.00 until the legal industry entered the market inducing competition. The board's top priority was to make the legal market the preferred choice through ensured safety, transparency, and compliance. She described the cost of the legal market, which she considered investments in public health, safety, and trust. She felt these value factors should be considered in the legal market besides the price. She related that while the legal market businesses were closing the illegal market was thriving. In 2024, the Department of Public Safety (DPS) seized 360 pounds of illegal marijuana which increased significantly from 2023, underscoring the importance of tax reforms to support the legal industry. The seizures occurred incidentally and not through targeted enforcement. She acknowledged the state's deficit and the effect of lowering the excise tax and acknowledged the reduction in state revenue was approximately \$9.6 million. The board shared the concern but believed the tax designations could be revisited.

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Ms. Stuart continued providing prepared remarks. She informed the committee that Ballot Measure 2 did not require 50 percent of the excise tax be designated to the Recidivism Reduction Fund. The provision was included in SB 91 [Omnibus Crim Law & Procedure; Corrections, Chapter 36 SLA 16, 07/11/2016] which was subsequently repealed. She relayed that the 2024 Alaska Criminal Justice Data Analyst Commission report, showed that recidivism had continued to rise since the implantation of the excise tax. She added that in the prior year, the industry overpaid the renewal fee to fund the AMCO office by \$1.8 million. The excess funding was returned to UGF. She suggested that the excess could provide an opportunity to adjust current designated funding to offset the impact of a tax reduction while still supporting critical state functions. She felt that the issue extended beyond personal beliefs over marijuana use. She stressed that the issue was "fundamentally about

public health and safety and ensuring tax revenue was collected and reinvested in the economy from the "only homegrown" state industry. She reiterated a few differences between the illicit and legal marijuana industry. She addressed Section 2 of the bill that proposed placing batch tagging requirements in statute. She noted that over the prior year the board had carefully revised plant tagging regulations to balance public health, safety, and enforcement needs. The board already had statutory authority to implement batch tagging regulations. She shared that in the prior year the board transitioned from clone tagging to batch tagging and raised the tagging threshold from 8 inches to 18 inches. However, the board learned that moving to full batch tagging would significantly increase costs; charging cultivators per plant versus per tag, more than doubling the state's annual subscription hosting fees. She understood that a revised fiscal note showed the increased fees incorporated into the bill. She concluded that the board was motivated to return year after year to address excise tax reform for the reason that if interstate commerce was allowed, the excise tax would only apply to Alaska businesses causing a significant disadvantage. She urged the committee to address the excise tax and eliminate batch tagging from the bill and leave it to the regulatory process.

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Co-Chair Foster moved to review the fiscal notes. He asked if Ms. Stuart could submit her written comments. Ms. Stuart replied affirmatively. She would provide them to the committee.

KEVIN RICHARD, DIRECTOR, ALCOHOL AND MARIJUANA CONTROL OFFICE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), reviewed the new fiscal impact note for the Department of Commerce, Community and Economic Development (DCCED) allocated to AMCO, dated April 29, 2025. He explained that the fiscal note reflected the marijuana licensing registration fees shift from annually to biennially and also included \$10 thousand for regulatory changes. In addition, the legislation changed from single plant tagging to batch plant tagging at a cost of \$250 thousand.

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KEVIN WORLEY, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF CORRECTIONS (via teleconference), discussed the new fiscal impact note (change in revenues) for the Department of Corrections (DOC) allocated to Community Residential Centers (CRC). He indicated that the bill impacted community residential centers and halfway houses due to reduced revenues resulting in lower dollar amounts appropriated to DOC from the Recidivism Fund. Without replacement funding, these efforts would be severely impacted, if not eliminated. He pointed out that Undesignated General Funds (UGF) replacement funding would be necessary to offset a \$2,573 million loss of recidivism reduction funds in FY 2026. The same amount was necessary as backfill in FY 2027 and lost revenue ranged from \$2.222 million in FY 2028 to \$1.758 million in 2013.

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TRACY DOMPELING, DIRECTOR, DIVISION OF BEHAVIORAL HEALTH, DEPARTMENT OF HEALTH (via teleconference), reviewed the new fiscal impact note for the Department of Health (DOH) allocated to the Behavioral Health Administration dated April 7, 2025. She delineated that the reductions from lost marijuana tax revenue went to support several grants within DOH from the Recidivism Fund and the Marijuana Education Tax Fund grants. She listed the specific grants that would be impacted. Additional general fund appropriations would be necessary to maintain the grants. The second new fiscal impact note allocated to Behavioral Health Treatment and Recovery Grants identified the reductions of Designated General Funds (DGF) from the Recidivism Fund and the Marijuana Education Tax Fund and the accompanying general fund dollars needed to replace the lost funds for grant programs.

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HEATHER ROGERS, ADMINISTRATIVE SERVICES DIRECTOR, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH (via teleconference), highlighted the new fiscal impact note dated April 7, 2025, for the Division of Public Health, DOH allocated to Chronic Disease Prevention and Health Promotion. She indicated that the Marijuana Education Fund that supported the Youth Services Grant Program would be reduced, and the department was requesting replacement of the revenue loss with general funds.

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DIANNA THORNTON, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF PUBLIC SAFETY (via teleconference), addressed the new fiscal impact note for the Department of Public Safety (DPS) allocated to the Council on Domestic Violence and Sexual Assault (CDVSA) dated April 7, 2025. She related that the department received the spring forecast showing the reduction in the Recidivism Reduction Fund which supported programs within the CDVSA. In FY 26, the lost revenue amounted to \$597,200 thousand and showed reductions in the outyears until 2031, with a loss of \$408 thousand. The fiscal note requested the funds be replaced with general funds.

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BRANDON SPANOS, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), reviewed the new fiscal impact note for the Department of Revenue (DOR) allocated to the Tax Division dated March 4, 2025. He began by describing the revenue impact from the bill. The change in FY 26 had a \$9.7 million reduction in revenue due to the change to the tax rate from \$50 per ounce to \$12.50 per ounce. The projected revenue reductions were allocated between three funds, per the current statute, at the following percentages: Recidivism Fund 50 percent; Marijuana Education and Treatment Fund 25 percent; and Unrestricted General Fund 25 percent. He pointed to page 3 of the fiscal note that contained a chart listing the change in revenues for each fund. He noted that the implementation costs were primarily due to the change to a retail sales tax and would require significant changes to the Tax Revenue Management System (TRMS) that included identifying the taxpayers and building a sales tax module. The department estimated a cost to expedite the rollout of the module so it would be ready in time at \$2 million. The bill required the department to establish "at least one facility in each judicial district" or cash depository for cash tax collection. He briefly described the way the department would implement the provision and pointed to further details contained in the fiscal note analysis on page 3.

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Co-Chair Foster moved to committee members' questions.

Co-Chair Foster asked if there was a total amount required to backfill all the lost UGF. Representative Carrick replied that she did not know but would follow up.

Representative Tomaszewski referred to [batch tagging discussion] the per crop amount taxed versus the prior individual tax per plant. He wondered how many plants were in a crop and what the tax rate currently was and the proposed rate per crop. Mr. Relay replied that he did not have the number on hand, but he would follow up.

Representative Carrick interjected that the issue had been substantively addressed through regulation. She strongly encouraged the committee to amend the bill by eliminating Section 2 that was no longer relevant.

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Co-Chair Josephson looked forward to receiving Ms. Stuart's written testimony. He asked about the number of dispensaries in Anchorage. Ms. Stuart did not have the information on hand. She directed the question to the department. Co-Chair Josephson recalled that the number was around 75. He asked if the board had considered through regulation or legislation an equivalent to a DBL licensure. He wondered why it was important to protect 75 different licenses in Anchorage. Ms. Stuart answered that the more retail stores available would help the legal market compete with the illicit market. There was controversy within the industry about the number of licenses that there were and whether the number was sustainable for the state. She pointed out that the goal was to incentivize the public health and safety aspect of consuming marijuana. Therefore, there were no limitations on the number of licenses.

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Co-Chair Josephson deduced that if there were half as many dispensaries they would begin to thrive. He asked for comment. Ms. Stuart believed a reduction in licenses could improve the economic situation in the industry.

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Representative Hannan asked Ms. Stuart what timeframe was necessary to avoid a duplicative tax. She thought that currently it was six months, which was before the excise

tax was lowered and the sales tax was implemented. Ms. Stuart answered that the sales tax would be implemented on January 1, 2026, and the excise tax would end simultaneously. She believed there was data in the state's tracking system that would narrow what the timeline would look like. She was unsure of the proper timeline and suggested researching the data was necessary. A duplicative tax would impact the products on the market and public health and safety. Representative Hannan asked if Ms. Stuart's concern was with the sales tax and excise tax overlapping. She questioned whether 6 months would be an adequate time period. Ms. Stuart replied that would be a good timeline and that Representative Hannan was "on the right path" regarding the timeline.

Representative Hannan directed a question to Mr. Spanos. She cited the DOR fiscal note and reported that she did not see the generation of revenue from a sales tax. She asked where it was accounted for on the fiscal note. Mr. Spanos replied that the fiscal note was based off DOR's spring revenue forecast , which included revenue under the current tax structure at \$50 per ounce. The fiscal note anticipated a decrease due to the sales tax. In FY 2031, the tax would amount to \$6.6 million less than under the current structure.

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Representative Hannan understood the note was based on the revenue forecast, but it did not reflect what the bill would do. She asked if DOR could produce a fiscal note that predicted the amount of sale tax revenue. She understood there would be loss under the excise tax, but there should be a gain on sales tax. Mr. Spanos responded that the department would provide the details. The current fiscal note showed the net effect of the two taxes. Representative Hannan understood it was a net effect. She appreciated the ability to learn the details to make informed decisions.

Representative Carrick interjected that a previous iteration of the legislation had an implementation date delayed for 18 months. She informed the committee that she would be supportive of pushing out the implementation date to offer more time.

Co-Chair Foster discussed the agenda of future meetings.

HB 91 was HEARD and HELD in committee for further consideration.

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

ADJOURNMENT

[5:53:45 PM](#)

The meeting was adjourned at 5:53 p.m.