

**ALASKA STATE LEGISLATURE**  
**HOUSE STATE AFFAIRS STANDING COMMITTEE**

February 22, 2025

1:01 p.m.

**MEMBERS PRESENT**

Representative Ashley Carrick, Chair  
Representative Andi Story, Vice Chair  
Representative Rebecca Himschoot  
Representative Ky Holland  
Representative Sarah Vance  
Representative Kevin McCabe  
Representative Elexie Moore

**MEMBERS ABSENT**

All members present.

**COMMITTEE CALENDAR**

HOUSE BILL NO. 75

"An Act relating to national criminal history record checks for certain employees of the Department of Revenue; relating to allowable absences for eligibility for a permanent fund dividend; relating to the confidentiality of certain information provided on a permanent fund dividend application; relating to electronic notice of debt collection executed on a permanent fund dividend; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 30

"An Act establishing the office of entrepreneurship; relating to new businesses in the state; relating to reports concerning procurements by agencies; and relating to initial business license fees for new businesses in the state."

- HEARD & HELD

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."

- HEARD & HELD

HOUSE BILL NO. 87

"An Act establishing the month of March as Women's History Month."

- BILL HEARING CANCELED

**PREVIOUS COMMITTEE ACTION**

BILL: HB 75

SHORT TITLE: PERM FUND; EMPLOYMENT; ELIGIBILITY

SPONSOR(S): REPRESENTATIVE(S) BYNUM

01/31/25	(H)	READ THE FIRST TIME - REFERRALS
01/31/25	(H)	STA, L&C
02/18/25	(H)	STA AT 3:15 PM GRUENBERG 120
02/18/25	(H)	Heard & Held
02/18/25	(H)	MINUTE (STA)
02/22/25	(H)	STA AT 1:00 PM GRUENBERG 120

BILL: HB 30

SHORT TITLE: OFFICE OF ENTREPRENEURSHIP

SPONSOR(S): REPRESENTATIVE(S) HOLLAND

01/22/25	(H)	PREFILE RELEASED 1/10/25
01/22/25	(H)	READ THE FIRST TIME - REFERRALS
01/22/25	(H)	STA, L&C
02/22/25	(H)	STA AT 1:00 PM GRUENBERG 120

BILL: HB 91

SHORT TITLE: MARIJUANA: TAX/RETAIL STORES/REGISTRATION

SPONSOR(S): REPRESENTATIVE(S) CARRICK

02/10/25	(H)	READ THE FIRST TIME - REFERRALS
02/10/25	(H)	STA, FIN
02/18/25	(H)	STA AT 3:15 PM GRUENBERG 120
02/18/25	(H)	Scheduled but Not Heard
02/22/25	(H)	STA AT 1:00 PM GRUENBERG 120

**WITNESS REGISTER**

REPRESENTATIVE JEREMY BYNUM

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, gave an overview of HB 75.

SYLVAN ROBB, Director  
Division of Corporations, Business & Professional Licensing  
Department of Commerce, Community & Economic Development  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions pertaining to HB 30.

JASON GRILL, Chief Government Affairs Officer  
Right to Start  
Kansas City, Kansas

**POSITION STATEMENT:** Gave invited testimony in support of HB 30.

JARED REYNOLDS, Director  
Center for Economic Development  
University of Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Gave an invited testimony regarding entrepreneurship in Alaska.

REPRESENTATIVE ASHLEY CARRICK  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, gave an introduction of HB 91.

STUART RELAY, Staff  
Representative Ashley Carrick  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of Representative Carrick, prime sponsor, offered a PowerPoint presentation regarding HB 91.

GEORGE PIERCE, representing self  
Kasilof, Alaska

**POSITION STATEMENT:** Testified in support of HB 91.

LACY WILCOX, Vice President  
Alaska Marijuana Industry Association  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 91.

#### **ACTION NARRATIVE**

[1:01:55 PM](#)

**CHAIR ASHLEY CARRICK** called the House State Affairs Standing Committee meeting to order at 1:01 p.m. Representatives

Carrick, Story, McCabe, Moore, Vance, and Holland were present at the call to order. Representative Himschoot arrived as the meeting was in progress.

**HB 75-PERM FUND; EMPLOYMENT; ELIGIBILITY**

[1:02:37 PM](#)

**CHAIR ASHLEY CARRICK** announced that the first order of business would be HOUSE BILL NO. 75, "An Act relating to national criminal history record checks for certain employees of the Department of Revenue; relating to allowable absences for eligibility for a permanent fund dividend; relating to the confidentiality of certain information provided on a permanent fund dividend application; relating to electronic notice of debt collection executed on a permanent fund dividend; and providing for an effective date."

[1:03:28 PM](#)

REPRESENTATIVE BYNUM, Alaska State Legislator, as prime sponsor, gave a quick overview of HB 75 and its intentions. He said that there are several provisions within the proposed bill, specifically around the permanent fund dividend (PFD). He said these include fingerprint background checks for employees; allowable absence changes to allow Merchant Mariners access to United States Coast Guard approved vocational programs; clarification for the portions of school breaks and holidays; clarifications for absences allowed as voluntary absences; provisions to make PFD application material confidential; and an opt-in or opt-out option for levy notices to be electronic. He said the effective date would be January 2026.

[1:06:10 PM](#)

CHAIR CARRICK opened public testimony on HB 75. After ascertaining that there was no one who wished to testify, she closed public testimony.

[1:06:43 PM](#)

REPRESENTATIVE BYNUM told committee members that he would provide written responses to questions from the previous committee hearing [2/18/25] and noted that some of the information is difficult to obtain.

[1:07:33 PM](#)

CHAIR CARRICK after ascertaining that there were no additional questions, set an amendment deadline and announced that HB 75 was held over.

[1:07:58 PM](#)

The committee took a brief at-ease at 1:08 p.m.

**HB 30-OFFICE OF ENTREPRENEURSHIP**

[Contains discussion of HB 34.]

[1:08:16 PM](#)

CHAIR CARRICK announced that the next order of business would be HOUSE BILL NO. 30, "An Act establishing the office of entrepreneurship; relating to new businesses in the state; relating to reports concerning procurements by agencies; and relating to initial business license fees for new businesses in the state."

[1:10:13 PM](#)

REPRESENTATIVE HOLLAND, as prime sponsor, introduced HB 30. He said this was something that he has been involved with for almost 10 years, and in that time, he has been offering programs across the state to help potential entrepreneurs learn about opportunities to grow and expand a business. He said that he wanted to make a brief introduction of the bill and allow some testimonies that can describe both the bill and the business start-up climate in Alaska. He explained that "many people don't realize" that 89 percent of new job creation in the last 10 years have been from businesses less than five years old.

REPRESENTATIVE HOLLAND said that when talking about entrepreneurship, it does not only involve discussions about economic development, value, new wealth, and opportunities, but also the day-to-day creation of jobs that communities need. He noted that HB 30 works "side by side" with HB 34. He said HB 34 looks at the strategic view of the state's approach to economic diversification and supporting emerging sectors, whereas HB 30 would look more specifically at entrepreneurs and aims to help them create businesses and align the state's activities to support them. He said that this is not an effort to try to start something new since there is already a strong start-up

culture with limited programs available in the state. He said what is missing is a cohesive strategy to tie it together. He said there are many fragmented programs that are valuable and discussed a few of them. He said HB 30 tries to accelerate what impact start-ups have in the state. All start-up talks conclude with one central theme, supporting new emerging economic sectors. He discussed various economic development strategies across various Alaska groups and reiterated that emerging sectors need support. He asked, "Who is taking this action?" He said that HB 30 would form the Office of Entrepreneurship and create a structure within the Department of Commerce, Community & Economic Development (DCCED) to provide a backbone to start-up efforts. He said that he was open to any committee input and improvements for the bill.

[1:15:43 PM](#)

REPRESENTATIVE HOLLAND said that everybody is struggling to think about the future economy of Alaska and what it will look like. The state has been stuck with 15 years of slow economic growth and there have been jobs lost to out-of-state opportunities. He opined that the focus should be on in-state job growth and retaining talent. Alaska needs the diversification and support of emerging sectors that will create future jobs in Alaska. He said that this work is not just about creating new business but supporting sectors that are already here. He gave an example of a business called beadedstream inc, which develops temperature sensors for use on Alaska's icy roads. He said that the devices had additional applications to dam infrastructure as well. He frequently sees entrepreneurs solving problems in Alaska that have other global applications as well. He said both Alaska problems and solutions are global.

REPRESENTATIVE HOLLAND said when looking at emerging sectors it is important to look at "where the puck is going," and much like hockey that involves skating to the puck, innovation does the same thing. He said that HB 30 recognizes that innovation is the heart and soul of the country's gross domestic product (GDP). He said that two-thirds of the country's economic miracle is from innovation. In Alaska, the proposed bill looks at these emerging sectors and shows how to support them. He also noted that committee members should have some information from the Alaska Statewide Comprehensive Economic Development Strategy, and it paints a picture of existing economic engines but also where new sectors are emerging. It emphasizes a need to support entrepreneurship and innovation. He said that the Office of Entrepreneurship would focus on front-end work for

start-ups. He then discussed accessibility to capital and support for businesses while they are in their building phase.

[1:21:11 PM](#)

REPRESENTATIVE HOLLAND said that the outcomes of this would be businesses and jobs of the future. He said that start-ups create roughly 5,000 jobs annually and consist of about 89 percent of net new jobs. He said that business development is the key to the future and while current economic engines are vital, he doubts that there will be considerable growth in these sectors in the future. He welcomed questions from committee members.

[1:22:45 PM](#)

REPRESENTATIVE MCCABE said that he was interested to know whether HB 30 would support any corporations that form subsidiaries.

REPRESENTATIVE HOLLAND responded that it is possible that the Office of Entrepreneurship could provide some limited assistance, but these types of cases were not typical. He said there have been recent efforts within entrepreneurship to look at corporate innovation and corporate entrepreneurship. Some corporate entities are even creating internal accelerator programs. He said that it is something he hasn't seen much in Alaska, but it is a national trend. He emphasized that internal corporate innovation is as important as external innovation.

REPRESENTATIVE MCCABE said he was specifically thinking of a trucking company that hauls freight. He said they formed a new division to haul ore from Manh Choh Kinross Mine to Fairbanks. He asked if the proposed Office of Entrepreneurship would help them through the regulatory processes.

REPRESENTATIVE HOLLAND responded that it would be hard for him to imagine the proposed office being helpful to them. He said the focus is on new business models. He said that he could imagine that if there is something unique such as new technology then it could aid. He clarified that things that could be adjuncts to the business could utilize entrepreneurial help.

REPRESENTATIVE MCCABE said that what Representative Holland was describing applies to Black Gold Trucking. He said that the owner never hauled ore before and outfitted a trucking fleet specifically for ore hauling purposes. He said it sounds to him

that it would be a perfect fit. He said a determination would be needed to understand which business entities to support and which ones the proposed Office of Entrepreneurship would not.

REPRESENTATIVE HOLLAND responded that entrepreneur offices in his experience don't try to differentiate between whom they support except for explicit targeting of early-stage new businesses. Generally, start-ups are in reference to businesses less than five years old and, given the discussion, Black Gold Trucking could be a candidate for help.

[1:27:16 PM](#)

REPRESENTATIVE HIMSCHOOT asked if Offices of Entrepreneurship like the one proposed in the bill exist in other states.

REPRESENTATIVE HOLLAND responded that other states have them, and an upcoming testifier could help explain them. He said that all states have a function like this. He said that when he proposed the bill, he was initially surprised at the fiscal note regarding the cost of standing up the office. He said part of the reason for the fiscal note is that there is currently no economic development budget. He said that HB 30 wouldn't just add people to an office but would recreate an office that was once created but shut down over time. He said that there is a broader economic question of whether the state should fund economic development. He talked about the fiscal note and potentially amending sections of the bill to address any concerns.

[1:29:01 PM](#)

CHAIR CARRICK recollected that in 2024, during the Thirty-Third Alaska State Legislative, there may have been efforts to remove licensing fees for new businesses. She asked for clarification regarding the proposed licensing fee changes.

REPRESENTATIVE HOLLAND responded that it would be good to have the department help with this, but the intent was to waive only the initial licensing fee. He said the current system used for managing the licensing process doesn't have the existing functionality to keep track whether it's a new license or a recreation of one. He said that there are complications with this. He said that no-cost licensing fees were available during the COVID-19 pandemic and subsequently there was an uptick in license applications. He said that he was interested to see data and understand whether this waiver helped generate new

businesses. He said there may be other ways to support emerging businesses without changing pre-existing license fees.

CHAIR CARRICK asked what the current fees are for brand new businesses and whether it could be considered a barrier to start new businesses.

[1:32:22 PM](#)

SYLVAN ROBB, Director, Division of Corporations, Business & Professional Licensing, Department of Commerce, Community & Economic Development, responded that the current fee is \$50 for both new and pre-existing businesses. She said that veterans and sole proprietors over 65 have reduced fees at \$25. She said that 90 percent of license purchases are online, and she could not say whether cost is a barrier.

[1:33:13 PM](#)

REPRESENTATIVE MCCABE said that "farmers are small businesses," and the governor has an executive order (EO) to remove Agriculture from the Department of Natural Resources and form a separate department. He said part of the reason is to help farmers grow their business. He asked how HB 30 would be any different from a separate Department of Agriculture regarding supporting a small farmer.

REPRESENTATIVE HOLLAND responded that there are significant differences. He noted that he would expect the proposed Department of Agriculture to have some business development resources. He said that he hopes that the proposed Office of Entrepreneurship would be an important adjunct to the Department of Agriculture. He said the proposed office and its work would support Agriculture Technology (AgTech) and other facets of the farming industry.

REPRESENTATIVE MCCABE commented that he was happy to see support for the governor's EO because the Department of Agriculture would conduct business in different sectors.

[1:36:07 PM](#)

REPRESENTATIVE VANCE said that the state by statute already has Alaska Regional Development Organizations (ARDORs). She said that they do all the things Representative Holland had described and more. She said the one on the Kenai Peninsula works with multiple agencies to leverage grants to support business start-

ups. She asked whether this office would do anything that an ARDOR cannot.

REPRESENTATIVE HOLLAND responded that the state's ARDORs are a vital part of the economic landscape but have struggled with both funding and support. He noted that each ARDOR also completes a comprehensive regional economic development strategy that rolls into statewide strategy. He said each ARDOR is also calling for more support for innovation efforts. Speaking about innovation, he said that the Juneau Economic Development Council would be sponsoring an upcoming innovation summit in Juneau. He said there is a lot of support with ARDORs but one would find out that their efforts are limited. He said HB 30 would bring together efforts from across the state and support ARDORs. He noted that one of the key parts of this bill is to align the purchasing and activities of the state to the work that could be done by local businesses and start-ups. He said this is an area in which ARDORs have limited functionality, and the proposed bill would create opportunities needed by ARDORs.

REPRESENTATIVE VANCE said that she was failing to see how HB 30 would do more, observing that the bill provides only a few lines of what it would do. She said most of the proposed bill references an annual report and putting funds towards procurement. She said that there is already legislation that dictates that state-affiliated entities need to prioritize locally sourced procurements. She said municipalities also have requirements for procurements. She asked whether bolstering economic development districts may be more efficient than creating another area of government.

REPRESENTATIVE HOLLAND responded these are valid points, but he has worked on this and knows that ARDORs need help. He said that HB 30 would not do everything, but it would be a step in the right direction. He said he wants to ensure that ARDORs see the proposed office as something to support their objectives. He said that the Office of Entrepreneurship would give a platform to accelerate and build businesses.

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REPRESENTATIVE STORY asked whether Representative Holland had considered making the proposed office part of the Alaska Industrial Development and Export Authority (AIDEA), which she said also focused on community development and had some available resources.

REPRESENTATIVE HOLLAND responded that the original thought was to make it part of the Office of the Governor. He said the focus of the proposed Office of Entrepreneurship is to support the highest level of policy making to understand the impact of start-ups and emerging sectors. He said that after working on the bill, it seemed more appropriate to pair the proposed office with the Department of Commerce, Community & Economic Development. He said this bill's focus is to align state activities to support start-ups. He said that looking at other models in the country, they tend to be more complex, and he was trying to avoid complexity. He said the idea of moving it into a separate entity like AIDEA was possible, but he believes that keeping it closer to executive functions of the state may be better.

[1:45:44 PM](#)

REPRESENTATIVE HIMSCHOOT asked Representative Holland where the proposed Office of Entrepreneurship would be located.

REPRESENTATIVE HOLLAND responded that he had not given it a lot of thought. He said it would make a lot of sense to pair it with other state offices in Juneau, but Anchorage could be a contender as well due to its economic horsepower. He said that Fairbanks is also significant when it comes to entrepreneurship programs. He said there are good reasons to put the office in different locations.

REPRESENTATIVE HIMSCHOOT commented that when looking at emerging sectors such as mariculture, marine services, or agriculture, none of them would be located near Anchorage. She said a lot of these emerging sectors would be all over the state.

REPRESENTATIVE HOLLAND noted that the emerging sector definition includes healthcare technology, tourism work, outdoor recreation, and others as well. He agreed that there is a strong focus on mariculture in the coastal areas. He spoke about previous pilot programs across the state and said that at the end of the day, he hopes the entrepreneurship function would function statewide.

[1:49:15 PM](#)

REPRESENTATIVE MOORE asked if Representative Holland could estimate a return on investment (ROI) from passing this type of legislation.

REPRESENTATIVE HOLLAND responded that it is an interesting question. He said you can look at it by job creation and analyzing DCCED data. He said if six jobs were created within the Office of Entrepreneurship and it helps generate 5,000 jobs, then there would be a ROI. He said a big challenge in the state is a fiscal environment that creates "jobs with question marks." He spoke about local economic impact, taxes, and in-state structures that don't bring job value to the state. He said it is a layered and tangled question but one could focus on job creation and potential exports. He said the same dialogue occurs when funding university systems.

[1:51:36 PM](#)

JASON GRILL, Chief Government Affairs Officer, Right to Start, gave an invited testimony in support of HB 30. He began by stating that new businesses create almost all net new jobs in the economy and discussed the benefits. He said that government processes and other barriers make it more difficult for start-ups. He said survey data suggest that entrepreneurs feel left out, and that government supports large businesses over them. He said that 94 percent of voters across party lines say that it is important to America's future that citizens can grow businesses fairly. He iterated that 92 percent of voters said that starting a business today is difficult. He said that the proposed bill would expand opportunity for all, and entrepreneurs deserve to have at least one person available at the state level to support start-up operations. He said that this is an impactful first step for enabling Alaska entrepreneurs.

MR. GRILL said that in recent years Nevada, Missouri, Kansas, Michigan, Colorado, Utah, and New Mexico have all created a dedicated, official Office of Entrepreneurship in state government. He said North Dakota, Washington, West Virginia, Indiana, Vermont, and Hawaii were all currently looking at similar legislation.

MR. GRILL said that Colorado recently had a great program, which dropped new business fees to \$1. He said it increased limited liability company (LLC) filings by over 40 percent. He reported that 155,000 LLCs were registered in the year that fees were reduced. He said that the licensing fees, much like Alaska, were \$50. He explained that it costs more to make businesses overseas. He said the HB 30 would focus on new and young businesses rather than on small businesses.

MR. GRILL, speaking about staffing for other states Offices of Entrepreneurship, said that Nevada had two full-time employees, Missouri had one, and Indiana was looking to go bigger. Given other states' approach, he felt that three personnel affiliated with the Office of Entrepreneurship employees would be perfect. He said that with regards to placement, most states have put an Office of Entrepreneurship in their Department of Commerce or Governor's Office.

[1:59:22 PM](#)

JARED REYNOLDS, Director, Center for Economic Development, University of Alaska, said that the Center of Economic Development is deeply embedded in Alaska's entrepreneurial climate. He said that it has served multiple entrepreneurs, and the center's primary focus has been on early-stage ideas. He said the center works with multiple stakeholders including ARDORS across the state.

MR. REYNOLDS said that entrepreneurs are essential to Alaska's Economy and provide services to Alaskans. He said that business creation, survival, growth, and scalability are all important. He said that by some metrics, Alaska ranks third in the nation for the number of individuals who start businesses. He said that there is significant regional variation and there is considerably less entrepreneurship in Northern and Western communities. He remarked that business growth and scalability is the biggest challenge for Alaska and discussed metrics pertaining to scalability. He said that many businesses in Alaska are born out of necessity rather than opportunity and that there are a lot of key challenges that contribute to Alaska's entrepreneurial opportunities.

[2:04:56 PM](#)

CHAIR CARRICK asked for a comparison between HB 30 and HB 34.

REPRESENTATIVE HOLLAND explained that HB 30 focuses on areas before the business planning stage and said that Alaska does this quite well already, especially considering the work of the Alaska Small Business Development Center. He remarked that ecosystem building, ideation, business modeling, and strategy were the areas in which the state was particularly weak. He said that HB 30 operates at the front end for businesses and works directly with startups and their founders.

REPRESENTATIVE HOLLAND said that HB 34 and the innovation council is a "different animal." He said HB 34 is a bill that seeks to convene folks at a statewide and strategic level to look at areas of differentiated economic opportunity. It seeks to bring multiple stakeholders together to determine how innovation is being guided across that state. He said at a strategic level it would generate priorities, policies, and legislative action that would support start-ups. He said the difference between the two bills could be thought of as HB 30 being like microeconomics whereas HB 34 can be thought of as macroeconomics.

[2:08:20 PM](#)

REPRESENTATIVE VANCE highlighted the section of the bill pertaining to new state business development and asked how HB 30 would be carried out to ensure that 5 percent of revenue goes into economic development. She said, for instance, that health care was one industry of concern. She asked how this bill would be carried out to address every level at which it impacts.

REPRESENTATIVE HOLLAND said the same questions were asked by officials with DCCED because HB 30 seemed broad. He said the model legislation for HB 30 had painfully specific directives and he felt it was going "too far into the weeds." He offered the bill from a general perspective and wanted to work on making things more specific. He said the intent is specifically looking at creating new opportunities for emerging businesses. He gave an example of a couple of industries and how HB 30 could be carried out. He said that he wanted to find a balance that allows both flexibility and creativity.

REPRESENTATIVE VANCE said that using state agencies as a definition is very specific because it goes to a committee level. She said it is time-consuming and challenging to determine implementation. If he was open to the proposed office being a department then it may avoid management to a granular level. She raised concerns regarding practicality.

REPRESENTATIVE HOLLAND said he agreed and welcomed any comments and solutions.

[2:13:18 PM](#)

REPRESENTATIVE MCCABE asked if the totals of the fiscal notes had been added up.

REPRESENTATIVE HOLLAND said he doesn't have the number off the top of his head and is open to removing certain parts of the bill to address the current fiscal note. He said that he appreciated Mr. Grill's comment that other states' Offices of Entrepreneurship had staffed three people and the current bill's proposition of six may be too much. He said that he was not going to step away from the fact that HB 30 would have a price tag.

REPRESENTATIVE MCCABE said that he struggles with the idea of spending almost \$2 million on this. He said that the Matanuska-Susitna Borough has repealed license fees and suggested that this may be a better approach.

REPRESENTATIVE HOLLAND said that he appreciates the comments but, in his experience, the lack of spending in this area is the reason for lack of progress. He reiterated that it addresses the businesses of the future.

REPRESENTATIVE MCCABE said that the reason there are no small businesses in Alaska is because Alaska has not followed its resource development protocols. He said that Alaska has stopped development of these resources and now the state does not have the people to support a small business. He said people are not around with a decent resource job and said it sounds like "a chicken and egg problem."

REPRESENTATIVE HOLLAND said that it would be good to get the Alaska Small Business Development Center back in this discussion. He said over 95 percent of the state economy is already small businesses. He said that Representative McCabe's opening clause was that Alaska didn't have small businesses, but the state has many. He said that HB 30 hopes to accelerate what is already there.

CHAIR CARRICK announced that HB 30 held over.

[2:18:31 PM](#)

The committee took an at-ease from 2:18 p.m. to 2:23 p.m. [During the at-ease, Chair Carrick handed the gavel to Vice Chair Story.]

**HB 91-MARIJUANA: TAX/RETAIL STORES/REGISTRATION**

[Contains discussion of SB 73.]

2:23:23 PM

VICE CHAIR STORY announced that the next order of business would be 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."

2:23:47 PM

CHAIR CARRICK, as prime sponsor, gave an introduction on HB 91. She said that HB 91 is a revival of HB 119 from the Thirty-Third Alaska State Legislature. She remarked that this bill comes at the request of the industry and the Advisory Taskforce on Recreational Marijuana. She said that after initial growth; the cannabis industry has been met with stagnation, and it has opened the door to black market sales. She remarked that in 2022, Governor Mike Dunleavy convened the Advisory Taskforce on Recreational Marijuana and the number one suggestion was tax reform. She said HB 91 addresses tax reform and policy changes related to cannabis cultivation. She said that changes would hopefully close the door to black market marijuana sales. She said that she met with multiple industry stakeholders in an attempt to come forward with the best compromise bill that accounts for priorities and concerns while attempting to follow recommendations of the taskforce and not sacrifice state revenue.

2:26:41 PM

STUART RELAY, Staff, Representative Ashley Carrick, Alaska State Legislature, on behalf of Representative Carrick, offered a PowerPoint presentation regarding HB 91 [hard copy in committee file]. He started with Slide 2 and reiterated information regarding the Advisory Taskforce on Recreational Marijuana and previous ballot initiatives. He said that the governors previous Marijuana Advisory Taskforce recommendations were included in HB 91, specifically recommendations 1, 10, and 11. He said that recommendation 1 would provide immediate tax relief with an excise tax cut from \$50 an ounce to \$12.50 an ounce, and after a period, the excise tax would transition to a sales tax. He said that recommendation 10 specifically allows for upstream sales, which would allow retailers to sell marijuana products back to producers. He said that recommendation 11 relates to biannual licensing and currently only one-year licenses are in

place. He noted that liquor licenses are currently valid for two years and this recommendation would bring both license types into parity. He said that slide 4 refers to marijuana revenue from the previous fiscal year. In total he said there was \$27,200,000 in revenue and spoke about the designation of these tax-collected funds.

[2:29:56 PM](#)

REPRESENTATIVE VANCE remarked that a lot of the public was led to believe that a large portion of marijuana tax revenue would be designated for primary school education. She asked what could be done to address this misconception and whether there were any ideas regarding designating these funds for primary schools.

[2:30:46 PM](#)

CHAIR CARRICK agreed that there was a public perception issue regarding fund allocations and heard the same concern from constituents. She clarified that \$6,900,000 of marijuana tax revenue is designated for the unrestricted general fund (UGF) and she wasn't opposed to redirecting fund streams to address this issue. She said it would require looking at currently funded programs and what services they provide. She spoke about the recidivism reduction fund and its funding stream from marijuana tax revenue.

[2:32:07 PM](#)

MR. RELAY, presenting the next slide, discussed marijuana tax reform and reiterated that HB 91 would provide excise tax relief with a later transition to a 6 percent sales tax.

MR. RELAY reiterated that HB 91 would allow upstream sales of marijuana products from retailers to producers. He said the bill would also require a tracking number per crop. He said currently tracking tags are required for individual plants above 18 inches. He said this section of the bill would require tagging per crop opposed to tags per plant. He said that this comes at the recommendation of marijuana growers due to the cumbersome nature of tagging individual plants. He also reiterated that HB 91 would allow biannual licensing much like liquor licensing. He said that HB 91 would include quarterly taxes as opposed to monthly taxes and this also was a recommendation from industry members. Lastly, it would require the Department of Revenue to establish tax collection facilities

in each judicial district. He said this would include collection facilities in Fairbanks, Juneau, and Nome, with one already established in Anchorage.

MR. RELAY presented the next slide and discussed differences between various marijuana tax reform bills. He said SB 73 includes biannual licensing but not the other policy changes included under HB 91. He said SB 73 also has an excise tax cut and there were no other replacement revenue streams. He said that it would have about a \$14 million hit to state revenue given excise tax changes.

[2:36:21 PM](#)

REPRESENTATIVE HOLLAND asked about the slide pertaining to marijuana tax revenue and asked how revenue streams would change if HB 91 were adopted. He mentioned cuts to programs from excise tax changes and asked about the fiscal notes.

CHAIR CARRICK responded that a couple things were worth consideration. The first is that the industry is currently on the verge of collapse from excise taxes. She said the current tax structure limits the legal market. Second is that it would be difficult to predict what the sales tax revenue would look like but given the recommendations from the Advisory Taskforce on Recreational Marijuana and previous discussions on the bill, there would likely be a minimal drop in revenue. She said that excise tax changes would allow the industry to rebound and thrive but there may be a drop in revenue overall. She remarked that revenue losses would be greater if no changes are made.

[2:38:51 PM](#)

REPRESENTATIVE VANCE said that she was trying to understand the fiscal notes. She asked whether changing the excise tax to a sales tax would cause all funding streams to enter the general fund.

MR. RELAY responded that currently the way HB 91 is written, it would change no funding designations.

REPRESENTATIVE VANCE remarked that there was not a state sales tax and inquired where it would be administered. She asked whether it would go into the hands of the municipalities or elsewhere.

MR. RELAY said the Department of Revenue could speak to this question with greater specificity and said it was his understanding that the businesses would pay the sales tax to the Department of Revenue.

REPRESENTATIVE VANCE asked whether there were any other instances in which the Department of Revenue collects a sales tax. She said it seems unusual.

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CHAIR CARRICK responded that this would be a new process and would have a cost associated with it. She noted two things that were relevant to the discussion. The first is that there would be a start-up cost for tax collection purposes. Second is if there were no sales tax implementation and SB 73 were supported, then there would be a \$14 million loss in state revenue. As bill sponsor, she said, her perspective is that HB 91 is balancing two different pieces of a balancing act.

REPRESENTATIVE VANCE said that understanding the full impacts of the "push and pull" was important for this industry.

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REPRESENTATIVE HIMSCHOOT said that she supported this bill concept previously based on the recommendations of the Alcohol & Marijuana Control Office (AMCO). She raised concerns about communities with pre-existing sales taxes. She said that her community has a pre-existing six percent sales tax, and it would be doubled with the proposed tax change. She said that the reduction of the excise tax would help the producers, but the consumers would also be impacted. She said that there are cannabis consumers who are not able to use insurance and price points are important. She said the four judicial districts for revenue collection would be a huge win since some owners need to fly cash for depositing purposes. She asked if it would be up to the Department of Revenue to determine where the tax collection sites would be. She asked how this would be determined.

CHAIR CARRICK said that the fiscal note from the Department of Revenue specified where they would likely put these collection facilities.

MR. RELAY added that a tax collection site already exists in Anchorage but per fiscal note, ones would be put in Nome, Fairbanks, and Juneau.

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VICE CHAIR STORY asked what the rationale for the sites would be.

CHAIR CARRICK said that these were the recommendations from the Department of Revenue, whose representatives could speak to the rationale. She said it likely has to do with potential industry development and site utilization.

CHAIR CARRICK, in response to Representative Himschoot's previous question, said that people need to drive or fly monthly to deposit cash. She said for Fairbanks this includes 14 hours of driving just to deposit store revenue. She said this was a recommendation from people working in the industry. She said that the previous legislation was supported with a six percent sales tax, and this is a starting point. She said that the tax rate would be open to discussion. She acknowledged that different communities would face different costs depending on the tax structure.

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REPRESENTATIVE HIMSCHOOT asked how the 6 percent tax rate was determined. She said in the first year it appears there will be a \$9 million hit.

CHAIR CARRICK said the initial tax rate recommended by the governor's taskforce was 7 percent. She said that the previous legislature talked about price points considerably and the 6 percent rate was the settling point. She reiterated that this is the starting point for HB 91.

MR. RELAY clarified that the governor's taskforce recommended a 3 percent sales tax. He asked for additional clarification regarding Representative Himschoot's question.

REPRESENTATIVE HIMSCHOOT said that there would be a \$9 million loss in the first year if the bill passed. She asked whether any percentage would cause a permanent decrease in funding for programs.

CHAIR CARRICK responded that it is a bit of a guessing game, but economic modeling provided by the House Majority Council in the previous legislature suggested that there would be stable but slightly decreased revenue given this structure. She said that it would ultimately be the balance and that many industry members thought that 6 percent doesn't strike the balance, but people also say a zero percent tax would, too. She talked about potential losses to the state's general fund regarding the different tax rates and said that a lot of it is speculative.

REPRESENTATIVE HIMSCHOOT said that she would like to see the economic modeling and said that when an industry says what it needs through a taskforce then that warrants attention. She said there is also a free-market rule, and the economic modeling could provide insights. She said that regulations regarding where these businesses can operate are also a point of concern. She said she would check in with her district to learn of any insights.

CHAIR CARRICK said that she would not bring this legislation forward unless she was interested in working with all aspects of the marijuana industry in her own community. She said one of the major differences with HB 91 and other legislation is that it also implements the policy reforms. She said these policy reforms are not included in SB 73. She said her intent with this legislation is to try to provide relief wherever the state can support the legal industry while continuing to support itself. She said often with legislation the solution that leaves everybody "a little happy" is often the best outcome.

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VICE CHAIR STORY remarked that Chair Carrick named a lot of recipients for the revenue. She asked if a list could be provided so the committee could know who would be impacted by this.

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The committee took an at-ease from 2:52 p.m. to 2:54 p.m. [During the at-ease, Vice Chair Story handed the gavel back to Chair Carrick.]

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CHAIR CARRICK opened public testimony on HB 91.

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GEORGE PIERCE, representing self, testified in support of HB 91. He said that the ma and pa shops shouldn't be run out of business with taxes. He said people need to drive from Homer to Anchorage for banking purposes. He reiterated that people are being taxed out of business and the black market is cheaper. He spoke about price differentials between black market purchases and legal business purchases. He said that most people he sees are older folks and reiterated that taxes were too high.

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LACY WILCOX, Vice President, Alaska Marijuana Industry Association, testified in support of HB 91. She said that having conversations like this is important to address the economic challenges facing the industry. She believes that without tax relief the regulated market would continue to be replaced by black market sales. She said that the Alaska Marijuana Industry Association supports many of the proposed bill's provisions. However, her main objection to the bill is the high tax rate imposed by a sales tax structure. She said that the regulated industry faces sky high taxes and Alaska's current tax structure was the highest in the nation. She said many actors, including out of state actors, are undercutting the market without following safety regulations. She recommended replacing the sales tax system with an excise tax structure and said that the previous tax proposal was 3 percent, and this bill proposes a 6 percent sales tax. She talked about the issue of whether current tax rates are not adjusted.

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CHAIR CARRICK, after ascertaining that there was no one else who wished to testify, closed public testimony and announced that HB 91 was held over.

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**ADJOURNMENT**

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 3:02 p.m.