

HB

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<TARGET><BILL>HB 123</BILL><SUBJECT>HB
123</SUBJECT><COMM>HFIN29</COMM></TARGET>

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSHB 123(L&C)
Fiscal Note Number:	3
(H) Publish Date:	3/30/2015

Identifier: HB123-DCCED-ABC-03-09-15
 Title: ESTABLISH MARIJUANA CONTROL BOARD
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: (H) Labor and Commerce

Department: Department of Commerce, Community and
 Economic Development
 Appropriation: Alcoholic Beverage Control Board
 Allocation: Alcoholic Beverage Control Board
 OMB Component Number: 2690

Expenditures/Revenues

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

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES								
Personal Services	610.5		610.5	610.5	610.5	610.5	610.5	610.5
Travel	73.0		73.0	73.0	73.0	73.0	73.0	73.0
Services	756.4		622.4	622.4	622.4	622.4	622.4	622.4
Commodities	134.5		106.1	106.1	106.1	106.1	106.1	106.1
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	1,574.4	0.0	1,412.0	1,412.0	1,412.0	1,412.0	1,412.0	1,412.0

Fund Source (Operating Only)

1004 Gen Fund	1,574.4		1,412.0	1,412.0	1,412.0	1,412.0	1,412.0	1,412.0
Total	1,574.4	0.0	1,412.0	1,412.0	1,412.0	1,412.0	1,412.0	1,412.0

Positions

Full-time	4.0		4.0	4.0	4.0	4.0	4.0	4.0
Part-time								
Temporary								

Change in Revenues	***		***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2015) cost: 785.7 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version:

The costs shown in the FY2016 Appropriation Requested column above are the result of the removal of the funds from the Governor's Operating Budget by the DCCED Finance Subcommittee. Indeterminate revenue included.

Prepared By: Cynthia Franklin, Executive Director
 Division: Alcoholic Beverage Control Board
 Approved By: Catherine Reardon, Director
 Agency: Division of Administrative Services, DCCED

Phone: (907)269-0351
 Date: 03/09/2015 09:33 AM
 Date: 03/09/15

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. HB123

Analysis Continued

Supplemental Costs:

The agency is already incurring costs associated with implementation of Ballot Measure 2 in FY15. Costs include developing expedited regulations to meet the timeline required in the initiative, salary for the Administrative Officer and Business Registration Examiner (both starting April 1), and moving and setup costs. Supplemental funding is needed to ensure that the agency can responsibly implement the ballot measure in the nine months allotted, and ensure that appropriate regulations are developed within that timeframe to ensure that the State is poised to regulate marijuana commerce when it becomes legal.

Revenue:

The agency anticipates collecting revenues in the form of licensing fees, similar to the receipts collected for alcoholic beverage licensing. However, the volume of potential licensees and the amount of fees are not yet known, so it is impossible to estimate revenue that will be received once the program is in place. The division anticipates replacing general funds with licensing fees on a graduated basis as receipts increase.

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSHB 123(L&C)
Fiscal Note Number:	2
(H) Publish Date:	3/30/2015

Identifier: HB123-DOA-OAH-02-27-15
 Title: ESTABLISH MARIJUANA CONTROL BOARD
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: House Labor & Commerce

Department: Department of Administration
 Appropriation: Centralized Administrative Services
 Allocation: Office of Administrative Hearings
 OMB Component Number: 2771

Expenditures/Revenues

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

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016					
Personal Services							
Travel							
Services	10.0		20.0	20.0	20.0	20.0	20.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	10.0	0.0	20.0	20.0	20.0	20.0	20.0

Fund Source (Operating Only)

1007 I/A Rcpts	10.0		20.0	20.0	20.0	20.0	20.0
Total	10.0	0.0	20.0	20.0	20.0	20.0	20.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: Christopher Kennedy, Deputy Chief Administrative Law Judge
 Division: Office of Administrative Hearings
 Approved By: Sheldon Fisher, Commissioner
 Agency: Department of Administration

Phone: (907)269-8170
 Date: 02/27/2015 02:00 PM
 Date: 02/27/15

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

This bill would create a Marijuana Control Board (MCB) housed within the Alcoholic Beverage Control Board agency. Under this structure, the executive director and staff of the Alcoholic Beverage Control Board would serve both boards. The MCB would be appointed by the Governor and have the authority to regulate marijuana cultivation, transportation, production, and sale. If no MCB is created, the Alcoholic Beverage Control Board will have to absorb the regulation of marijuana and the costs reflected in this fiscal note will remain.

Personal Services:

The workload of the agency has the potential to double or triple over time. The agency will immediately require three additional Investigators, two Business Registration Examiners, one Administrative Officer to regulate the marijuana industry, similar to the duties of current staff that regulate the alcohol industry. Two of these positions were added in FY15 to respond to the critical need for support and regulations development: the Administrative Officer and one Business Registration Examiner. The immediate capacity provided by these two positions will allow the agency to add marijuana regulation work to its existing workload. Costs for the six total positions required to regulate marijuana are included in this fiscal note.

Travel:

Travel costs include \$3.0 for staff to hold regional public comment meetings on the proposed marijuana regulations, as well as \$50.0 for board-related travel and \$20.0 for enforcement and compliance travel. If a new MCB is created, this assumes five board members at five trips per year. MCB meetings will be scheduled to immediately follow ABC Board meetings (for example, scheduling one day following the ABC Board meeting) to take advantage of existing planned travel for board support staff. If a MCB is not created and the existing ABC Board is tasked with regulating marijuana, these funds will be used to hold additional board meetings. Both the ABC Board and the proposed Marijuana Control Board are volunteer boards with members from private industry, and board meetings for the current ABC Board are one to two full days in length. Travel is included for five board members, three agency staff, and board legal counsel.

Services:

Services costs include legal services, information technology services, employee support costs, enforcement vehicles, printing, and public notices, among other costs. Legal services are anticipated for advice, regulations review, and representation of the MCB in license denial and enforcement action appeals. Additional vehicles will be needed in the first year for statewide enforcement, with on-going maintenance costs in future years. On-going enforcement materials, public notice and public awareness materials will need to be developed, printed, and distributed. This includes warning signs, test kits, paper products, and postage. A new database must be developed and implemented in FY2016, then maintained and adjusted in future years. This will require analysis and development of business rules, analysis of existing systems for parallel processes or required modifications, new system development, testing, validation, implementation, and documentation. The ABC board is working with other agencies to maximize information technology staff and skills, and is evaluating systems used by other states.

Commodities:

The agency's current location on Viking Drive cannot accommodate the additional staff required to implement the initiative. The agency is relocating to the Atwood Building, where it will co-locate ABC investigative staff with the Department of Revenue's investigative staff to take advantage of physical security requirements already in place in their location. Agency licensing and administrative staff will also relocate to the Atwood Building. Equipment and office space costs include lease costs, furniture, new employee setup, moving expenses, and equipment purchases. One-time set up costs are not included after the first year.

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Governor Bill Walker
STATE OF ALASKA

February 20, 2015

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182


Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill establishing the Marijuana Control Board and relating to the Alcoholic Beverage Control Board.

The bill would protect public safety and promote effective regulation of the marijuana industry consistent with the people's intent as expressed in AS 17.38 by creating the Marijuana Control Board that includes representatives from the public health and safety sectors, the marijuana industry, and the general public. The board's members would be appointed by the Governor to serve staggered terms of three years; the board would have authority to regulate marijuana cultivation, transportation, production, and sale, as set out in AS 17.38.090. Importantly, the bill would give the Marijuana Control Board the power to enforce its regulations, including the ability to use peace officer powers to enforce the criminally punishable laws and regulations relating to marijuana. And, by providing for a shared administrative and enforcement staff with the Alcoholic Beverage Control Board, the bill would enable the Marijuana Control Board to benefit from the considerable experience and expertise of the Alcoholic Beverage Control Board while realizing significant economies.

I urge your prompt and favorable action on this measure.

Sincerely,


Bill Walker
Governor

Enclosure

HOUSE BILL NO. 123



CS House Bill 123 (JUD)
Establish Marijuana Control Board
Sectional Analysis

Section 1: Amends Title 4 naming the director of the Alcoholic Beverage Control Board as the director of the Marijuana Control Board. Establishes the process for appointment and removal of the director.

Section 2: Establishes the 5 member Marijuana Control Board in Title 17 with designated seats for public health, rural, public safety, and industry.

Section 3: Establishes terms of office for board members and chair, sets out requirements for board meetings and provides for board member per diem. Outlines the powers and duties of the board to propose and adopt regulations, establish qualifications for licensure, review applications for licensure, hear appeals from the actions of the director, reduce the area of a licensed premise, and to adopt regulations according to AS 44.63. Establishes the board's enforcement powers as mirroring those of the Alcoholic Beverage Control Board outlined in AS 04.06.110. Provides for appointment and removal of the director and establishes the duties of the director.

Section 4: Defines board in AS 17.38.900(1) to mean the Marijuana Control Board created by this act.

Section 5: Defines "director" as the director of the Alcoholic Beverage Control Board and Marijuana control board. Defines "registration" to mean registration or licensure as determined by regulation.

Section 6: Amends the duties of the Department of Commerce, Community, and Economic Development to include providing clerical and administrative support for the Marijuana Control Board.

Section 7: Places the Marijuana Control Board on the list of entities whose procedural hearings are held by the Office of Administrative Hearings.

Section 8: Provides for a sunset date.

Section 9: Amends uncodified law for initial appointment of board members.

Section 10: Provides for transition regulations such that if the Alcoholic Beverage Control Board adopts any regulations before the Marijuana Control Board is created, those regulations can be implemented, enforced, amended or repealed by the Marijuana Control Board and provides that regulations adopted by the board in any transition period take effect after the effective date of the act.

Section 11: Provides for an immediate effective date.