

**HB**

**1 2 3**

**<TARGET><BILL>HB 123</BILL><SUBJECT>HB  
123</SUBJECT><COMM>SFIN29</COMM></TARGET>**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/17/15

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

**Finance Committee** considered CS FOR HOUSE BILL NO. 123(JUD) am

## HB 123-ESTABLISH MARIJUANA CONTROL BOARD

"An Act establishing the Marijuana Control Board; relating to the powers and duties of the Marijuana Control Board; relating to the appointment, removal, and duties of the director of the Marijuana Control Board; relating to the Alcoholic Beverage Control Board; and providing for an effective date."

and recommends:

- be replaced with SCS CS HB123 (FIN) [ ] Same Title [ ] Technical Title Change  
[ ] New Title/SCR No. \_\_\_\_\_
- [ ] adopt previous SCS \_\_\_\_\_ (\_\_\_\_\_) [ ] Same Title [ ] Technical Title Change  
[ ] New Title/SCR No. \_\_\_\_\_
- [ ] attached amendment(s)
- [ ] adopt \_\_\_\_\_ Letter of Intent
- [ ] further referral to \_\_\_\_\_ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED	✓			
ADM	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	MICCICITE	✓			
	BISHOP			✓	
	HOFFMAN			✓	
CO-CHAIR:	Kelly	✓			
CO-CHAIR: Anna MacKinnon	MacKinnon			✓	

STATE CAPITOL  
P.O. Box 110001  
Juneau, AK 99811-0001  
907-465-3500  
fax: 907-465-3532



Governor Bill Walker  
STATE OF ALASKA

550 West Seventh Avenue, Suite 1700  
Anchorage, AK 99501  
907-269-7450  
fax 907-269-7461  
[www.Gov.Alaska.Gov](http://www.Gov.Alaska.Gov)  
Governor@Alaska.Gov

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,

A handwritten signature in cursive script that reads "Bill Walker".

Bill Walker  
Governor

Enclosure



**SCS CS House Bill 123 (L&C)**  
**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:** Adds a new subsection prohibiting marijuana establishments from being registered if individuals who have been convicted of a felony within the last five years or who are currently serving probation or parole for a felony are an owner, officer, or agent of the establishment.

**Section 5:** Defines board in AS 17.38.900(1) to mean the Marijuana Control Board created by this act.

**Section 6:** 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 7:** 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 8:** Places the Marijuana Control Board on the list of entities whose procedural hearings are held by the Office of Administrative Hearings.

**Section 9:** Provides for a sunset date.

**Section 10:** Amends uncodified law for initial appointment of board members.

**Section 11:** 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 12:** Provides for an immediate effective date.



## HB 123 – Explanation of Changes

### HB 123 to CSHB123(L&C)

**Section 2:** Formatting amended to make conforming changes to the legislative drafting manual.

**Section 3:** 17.38.081 was amended to require vacancies be filled within 30 days.

17.38.084 was amended to include statutory language from the Alcoholic Beverage Control (ABC) Board related to personnel and notification requirements for statutory and regulatory changes in chapter 17.

17.38.085 was amended to include additional enforcement language that mirrors the authority of the ABC Board relating to gambling, prostitution, and sex trafficking. This section was also amended to provide statutory authority for the board to enforce marijuana laws and regulations not in chapter 17 only when necessary for enforcing this title.

**Section 7:** Was a new section to establish a sunset date for the board.

**Section 8:** The uncodified law was amended to require that the initial appointments to marijuana industry seats would be filled by members of the alcohol retail or wholesale business.

**Section 9:** transition regulations language was amended to clarify that the ABC board could continue regulatory work until a new board was seated.

### CSHB123(L&C) to CSHB123(JUD)

**Section 2:** 17.38.080 was amended to require that the member representing rural Alaska currently reside there, deleting the previous version's residency requirements, and amending the definition of rural area.

17.38.085 was amended to remove the additional enforcement powers related to gambling, prostitution, and sex trafficking.

**Section 9:** Uncodified law was amended so that instead of two members with an alcohol background being appointed in the initial board, it requires that the background of the industry seats be in marijuana obtained through lawful participation in the industry or in an academic or advocacy role.

**CSHB123(JUD) to CSHB123(JUD) am**

**Section 2:** AS 17.38.100 is amended to add a new subsection prohibiting marijuana establishments from being registered if individuals who have been convicted of a felony within the last five years or who are currently serving probation or parole for a felony fare an owner, officer, or agent of the establishment.

**CSHB123(JUD) am to SCS CSHB123(L&C)**

**Section 2:** AS 17.38.080 was amended to remove subsection c that limited the number of marijuana industry representatives on the marijuana control board to one instead of two if the director was currently or had in the last five years preceding appointment been actively engaged in the marijuana industry. Also removed subsection d allowing the director to satisfy the requirement for having a public safety or public health representative on the marijuana control board if the director is currently or has been employed in the public safety or public health sector within the last five years.

**Section 3:** 17.38.081 was amended to change the maximum number of successive terms a Marijuana Control Board member can serve from two to three.

**Section 9:** AS 44.66.010(a) was amended to change the marijuana Control Board's sunset date from June 30, 2018 to June 30, 2017.

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version: HB 123  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB123-SFC-04-17-15  
Title: ESTABLISH MARIJUANA CONTROL BOARD  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Senate Finance

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 2017	FY 2018	FY 2019	FY 2020	FY 2021	
<b>OPERATING EXPENDITURES</b>	<b>FY 2016</b>	<b>FY 2016</b>						
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								
<b>Total Operating</b>	<b>0.0</b>	<b>1,574.4</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>

**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
<b>Total</b>	<b>0.0</b>	<b>1,574.4</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>

**Positions**

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

<b>Change in Revenues</b>		***	***	***	***	***	***	***
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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:**

FY15 and FY16 funding for the regulation of marijuana is included as a multi-year supplemental in the capital/supplemental appropriation bill. This fiscal note is informational only and has been updated to reflect funding as included in the Governor's FY16 request.

Prepared By: Senator Kelly  
Senate Finance Committee  
Senator MacKinnon  
Senate Finance Committee

Phone: (907)465-3709  
Date: 04/17/2015

## 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.

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: HB 123  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB123-SFC-04-17-15  
Title: ESTABLISH MARIJUANA CONTROL BOARD  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Senate Finance

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

**Fund Source (Operating Only)**

1007 I/A Rcpts			20.0	20.0	20.0	20.0	20.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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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:**

Senate Finance zeroed out the \$10.0 I/A receipts requested in FY16. Budgeted I/A funding is unnecessary in FY16.

Prepared By: Senator Kelly Phone: (907)465-3709  
Senate Finance Committee Date: 04/17/2015  
Senator MacKinnon  
Senate Finance Committee

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

BILL NO. HB 123

**Analysis**

This bill would create a Marijuana Control Board housed within the Alcoholic Beverage Control Board agency. The board would be appointed by the Governor and would have the authority to regulate marijuana cultivation, transportation, production, and sale.

Section 3 of the bill provides that the board shall hear appeals from actions of its director and actions of officers and employees charged with enforcing AS 17.38 and the board's regulations. Although the bill is not specific in this regard, the Office of Administrative Hearings (OAH) is informed that the intent is that OAH would conduct these hearings, as it does for many other regulatory boards including the Alcoholic Beverage Control Board.

OAH estimates that the cost of conducting these hearings would be approximately equivalent to the present cost of conducting the hearings relating to alcoholic beverage licenses as directed in AS 44.64.030(a)(1). In FY 16, that cost has been \$5.0 per quarter. Since these costs are estimates, it is the intent of the Senate Finance committee that budgeted I/A receipts are unnecessary in FY16.

OAH is presently operating at or beyond capacity. The additional hearing load of this work alone would not support the creation of a new full-time administrative law judge position. In the absence of a new PCN, OAH will instead contract out hearing responsibilities to contractors as appropriate

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

## Fund Source (Operating Only)

1007 I/A Rcpts	10.0		20.0	20.0	20.0	20.0	20.0	20.0
<b>Total</b>	<b>10.0</b>	<b>0.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>

## Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								

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

REPORTED OUT OF  
HFC 04/13/2015  
Control Code: iSvNR

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

BILL NO. HB 123

### Analysis

This bill would create a Marijuana Control Board housed within the Alcoholic Beverage Control Board agency. The board would be appointed by the Governor and would have the authority to regulate marijuana cultivation, transportation, production, and sale.

Section 3 of the bill provides that the board shall hear appeals from actions of its director and actions of officers and employees charged with enforcing AS 17.38 and the board's regulations. Although the bill is not specific in this regard, the Office of Administrative Hearings (OAH) is informed that the intent is that OAH would conduct these hearings, as it does for many other regulatory boards including the Alcoholic Beverage Control Board.

OAH estimates that the cost of conducting these hearings would be approximately equivalent to the present cost of conducting the hearings relating to alcoholic beverage licenses as directed in AS 44.64.030(a)(1). In FY 16, that cost has been \$5.0 per quarter.

OAH is presently operating at or beyond capacity. The additional hearing load of this work alone would not support the creation of a new full-time administrative law judge position. In the absence of a new PCN, OAH will instead contract out hearing responsibilities to contractors as appropriate.

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

**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
<b>Total</b>	<b>1,574.4</b>	<b>0.0</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>	<b>1,412.0</b>

**Positions**

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

<b>Change in Revenues</b>	***		***	***	***	***	***
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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

REPORTED OUT OF  
HFC 04/13/2015

## 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.

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.

*adopted  
4/17/15*

29-GH1110S.1  
Martin  
4/17/15

AMENDMENT #1

OFFERED IN THE SENATE

TO: SCS CSHB 123(L&C)

- 1 Page 6, line 21:
- 2 Delete "2017"
- 3 Insert "2018"

**“An Act to tax and regulate the production, sale, and use of marijuana.”**

**BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA:**

**\*Section 1.** AS 17 is amended by adding a new chapter to read:

**Chapter 38. The regulation of marijuana**

**Sec. 17.38.010. Purpose and findings.**

(a) In the interest of allowing law enforcement to focus on violent and property crimes, and to enhance individual freedom, the people of the state of Alaska find and declare that the use of marijuana should be legal for persons 21 years of age or older.

(b) In the interest of the health and public safety of our citizenry, the people of the state of Alaska further find and declare that the production and sale of marijuana should be regulated so that:

(1) Individuals will have to show proof of age before purchasing marijuana;

(2) Legitimate, taxpaying business people, and not criminal actors, will conduct sales of marijuana; and

(3) Marijuana sold by regulated businesses will be labeled and subject to additional regulations to ensure that consumers are informed and protected.

(c) The people of the state of Alaska further declare that the provisions of this Act are not intended to diminish the right to privacy as interpreted by the Alaska Supreme Court in *Ravin v. State of Alaska*.

(d) Nothing in this Act proposes or intends to require any individual or entity to engage in any conduct that violates federal law, or exempt any individual or entity from any requirement of federal law, or pose any obstacle to federal enforcement of federal law.

**Sec. 17.38.020. Personal use of marijuana.**

Notwithstanding any other provision of law, except as otherwise provided in this chapter, the following acts, by persons 21 years of age or older, are lawful and shall not be a criminal or civil offense under Alaska law or the law of any political subdivision of Alaska or be a basis for seizure or forfeiture of assets under Alaska law:

(a) Possessing, using, displaying, purchasing, or transporting marijuana accessories or one ounce or less of marijuana;

(b) Possessing, growing, processing, or transporting no more than six marijuana plants, with three or fewer being mature, flowering plants, and possession of the marijuana produced by the plants on the premises where the plants were grown;

(c) Transferring one ounce or less of marijuana and up to six immature marijuana plants to a person who is 21 years of age or older without remuneration;

(d) Consumption of marijuana, except that nothing in this chapter shall permit the consumption of marijuana in public; and

(e) Assisting another person who is 21 years of age or older in any of the acts described in paragraphs (a) through (d) of this section.

**Sec. 17.38.030. Restrictions on personal cultivation, penalty.**

(a) The personal cultivation of marijuana described in AS 17.38.020(b) is subject to the following terms:

(1) Marijuana plants shall be cultivated in a location where the plants are not subject to public view without the use of binoculars, aircraft, or other optical aids.

(2) A person who cultivates marijuana must take reasonable precautions to ensure the plants are secure from unauthorized access.

(3) Marijuana cultivation may only occur on property lawfully in possession of the cultivator or with the consent of the person in lawful possession of the property.

(b) A person who violates this section while otherwise acting in compliance with AS 17.38.020(b) is guilty of a violation punishable by a fine of up to \$750.

**Sec. 17.38.040. Public consumption banned, penalty.**

It is unlawful to consume marijuana in public. A person who violates this section is guilty of a violation punishable by a fine of up to \$100.

**Sec. 17.38.050. False identification, penalty.**

(a) A person who is under 21 years of age may not present or offer to a marijuana establishment or the marijuana establishment's agent or employee any written or oral evidence of age that is false, fraudulent or not actually the person's own, for the purpose of:

(1) Purchasing, attempting to purchase or otherwise procuring or attempting to procure marijuana or marijuana products; or

(2) Gaining access to a marijuana establishment.

(b) A person who violates this section is guilty of a violation punishable by a fine of up to \$400.

**Sec. 17.38.060. Marijuana accessories authorized.**

Notwithstanding any other provision of law, it is lawful and shall not be an offense under Alaska law or the law of any political subdivision of Alaska or be a basis for seizure or forfeiture of assets under Alaska law for persons 21 years of age or older to manufacture, possess, or purchase marijuana accessories, or to distribute or sell marijuana accessories to a person who is 21 years of age or older.

**Sec. 17.38.070. Lawful operation of marijuana-related facilities.**

(a) Notwithstanding any other provision of law, the following acts, when performed by a retail marijuana store with a current, valid registration, or a person 21 years of age or older who is acting in his or her capacity as an owner, employee or agent of a retail marijuana store, are lawful and shall not be an offense under Alaska law or be a basis for seizure or forfeiture of assets under Alaska law:

(1) Possessing, displaying, storing, or transporting marijuana or marijuana products, except that marijuana and marijuana products may not be displayed in a manner that is visible to the general public from a public right-of-way;

(2) Delivering or transferring marijuana or marijuana products to a marijuana testing facility;

(3) Receiving marijuana or marijuana products from a marijuana testing facility;

(4) Purchasing marijuana from a marijuana cultivation facility;

(5) Purchasing marijuana or marijuana products from a marijuana product manufacturing facility; and

(6) Delivering, distributing, or selling marijuana or marijuana products to consumers.

(b) Notwithstanding any other provision of law, the following acts, when performed by a marijuana cultivation facility with a current, valid registration, or a person 21 years of age or older who is acting in his or her capacity as an owner, employee or agent of a marijuana cultivation

facility, are lawful and shall not be an offense under Alaska law or be a basis for seizure or forfeiture of assets under Alaska law:

- (1) Cultivating, manufacturing, harvesting, processing, packaging, transporting, displaying, storing, or possessing marijuana;
- (2) Delivering or transferring marijuana to a marijuana testing facility;
- (3) Receiving marijuana from a marijuana testing facility;
- (4) Delivering, distributing, or selling marijuana to a marijuana cultivation facility, a marijuana product manufacturing facility, or a retail marijuana store;
- (5) Receiving or purchasing marijuana from a marijuana cultivation facility; and
- (6) Receiving marijuana seeds or immature marijuana plants from a person 21 years of age or older.

(c) Notwithstanding any other provision of law, the following acts, when performed by a marijuana product manufacturing facility with a current, valid registration, or a person 21 years of age or older who is acting in his or her capacity as an owner, employee or agent of a marijuana product manufacturing facility, are lawful and shall not be an offense under Alaska law or be a basis for seizure or forfeiture of assets under Alaska law:

- (1) Packaging, processing, transporting, manufacturing, displaying, or possessing marijuana or marijuana products;
- (2) Delivering or transferring marijuana or marijuana products to a marijuana testing facility;
- (3) Receiving marijuana or marijuana products from a marijuana testing facility;
- (4) Delivering or selling marijuana or marijuana products to a retail marijuana store or a marijuana product manufacturing facility;
- (5) Purchasing marijuana from a marijuana cultivation facility; and
- (6) Purchasing of marijuana or marijuana products from a marijuana product manufacturing facility.

(d) Notwithstanding any other provision of law, the following acts, when performed by a marijuana testing facility with a current, valid registration, or a person 21 years of age or older who is acting in his or her capacity as an owner, employee or agent of a marijuana testing facility, are lawful and shall not be an offense under Alaska law or be a basis for seizure or forfeiture of assets under Alaska law:

- (1) Possessing, cultivating, processing, repackaging, storing, transporting, displaying, transferring or delivering marijuana;
- (2) Receiving marijuana or marijuana products from a marijuana cultivation facility, a marijuana retail store, a marijuana products manufacturer, or a person 21 years of age or older; and
- (3) Returning marijuana or marijuana products to a marijuana cultivation facility, marijuana retail store, marijuana products manufacturer, or a person 21 years of age or older.

(e) Notwithstanding any other provision of law, it is lawful and shall not be an offense under Alaska law or be a basis for seizure or forfeiture of assets under Alaska law to lease or otherwise allow the use of property owned, occupied or controlled by any person, corporation or other entity for any of the activities conducted lawfully in accordance with paragraphs (a) through (d) of this section.

(f) Nothing in this section prevents the imposition of penalties upon marijuana establishments for violating this chapter or rules adopted by the board or local governments pursuant to this chapter.

(g) The provisions of AS 17.30.020 do not apply to marijuana establishments.

#### **Sec. 17.38.080. Marijuana Control Board.**

At any time, the legislature may create a Marijuana Control Board in the Department of Commerce, Community, and Economic Development or its successor agency to assume the power, duties, and responsibilities delegated to the Alcoholic Beverage Control Board under this chapter.

**Sec. 17.38.090. Rulemaking.**

(a) Not later than nine months after the effective date of this act, the board shall adopt regulations necessary for implementation of this chapter. Such regulations shall not prohibit the operation of marijuana establishments, either expressly or through regulations that make their operation unreasonably impracticable. Such regulations shall include:

(1) Procedures for the issuance, renewal, suspension, and revocation of a registration to operate a marijuana establishment, with such procedures subject to all requirements of AS 44.62, the Administrative Procedure Act;

(2) A schedule of application, registration and renewal fees, provided, application fees shall not exceed \$5,000, with this upper limit adjusted annually for inflation, unless the board determines a greater fee is necessary to carry out its responsibilities under this chapter;

(3) Qualifications for registration that are directly and demonstrably related to the operation of a marijuana establishment;

(4) Security requirements for marijuana establishments, including for the transportation of marijuana by marijuana establishments;

(5) Requirements to prevent the sale or diversion of marijuana and marijuana products to persons under the age of 21;

(6) Labeling requirements for marijuana and marijuana products sold or distributed by a marijuana establishment;

(7) Health and safety regulations and standards for the manufacture of marijuana products and the cultivation of marijuana;

(8) Reasonable restrictions on the advertising and display of marijuana and marijuana products; and

(9) Civil penalties for the failure to comply with regulations made pursuant to this chapter.

(b) In order to ensure that individual privacy is protected, the board shall not require a consumer to provide a retail marijuana store with personal information other than government-issued identification to determine the consumer's age, and a retail marijuana store shall not be required to acquire and record personal information about consumers.

**Sec. 17.38.100. Marijuana establishment registrations.**

(a) Each application or renewal application for a registration to operate a marijuana establishment shall be submitted to the board. A renewal application may be submitted up to 90 days prior to the expiration of the marijuana establishment's registration.

(b) The board shall begin accepting and processing applications to operate marijuana establishments one year after the effective date of this act.

(c) Upon receiving an application or renewal application for a marijuana establishment, the board shall immediately forward a copy of each application and half of the registration application fee to the local regulatory authority for the local government in which the applicant desires to operate the marijuana establishment, unless the local government has not designated a local regulatory authority pursuant to AS 17.38.110(c).

(d) Within 45 to 90 days after receiving an application or renewal application, the board shall issue an annual registration to the applicant unless the board finds the applicant is not in compliance with regulations enacted pursuant to AS 17.38.090 or the board is notified by the relevant local government that the applicant is not in compliance with ordinances and regulations made pursuant to AS 17.38.110 and in effect at the time of application.

(e) If a local government has enacted a numerical limit on the number of marijuana establishments and a greater number of applicants seek registrations, the board shall solicit and consider input from the local regulatory authority as to the local government's preference or preferences for registration.

(f) Upon denial of an application, the board shall notify the applicant in writing of the specific reason for its denial.

(g) Every marijuana establishment registration shall specify the location where the marijuana establishment will operate. A separate registration shall be required for each location at which a marijuana establishment operates.

(h) Marijuana establishments and the books and records maintained and created by marijuana establishments are subject to inspection by the board.

**Sec. 17.38.110. Local control.**

(a) A local government may prohibit the operation of marijuana cultivation facilities, marijuana product manufacturing facilities, marijuana testing facilities, or retail marijuana stores through the enactment of an ordinance or by a voter initiative.

(b) A local government may enact ordinances or regulations not in conflict with this chapter or with regulations enacted pursuant to this chapter, governing the time, place, manner and number of marijuana establishment operations. A local government may establish civil penalties for violation of an ordinance or regulation governing the time, place, and manner of a marijuana establishment that may operate in such local government.

(c) A local government may designate a local regulatory authority that is responsible for processing applications submitted for a registration to operate a marijuana establishment within the boundaries of the local government. The local government may provide that the local regulatory authority may issue such registrations should the issuance by the local government become necessary because of a failure by the board to adopt regulations pursuant to AS 17.38.090 or to accept or process applications in accordance with AS 17.38.100.

(d) A local government may establish procedures for the issuance, suspension, and revocation of a registration issued by the local government in accordance with (f) of this section or (g) of this section. These procedures shall be subject to all requirements of AS 44.62, the Administrative Procedure Act.

(e) A local government may establish a schedule of annual operating, registration, and application fees for marijuana establishments, provided, the application fee shall only be due if an application is submitted to a local government in accordance with (f) of this section and a registration fee shall only be due if a registration is issued by a local government in accordance with (f) of this section or (g) of this section.

(f) If the board does not issue a registration to an applicant within 90 days of receipt of the application filed in accordance with AS 17.38.100 and does not notify the applicant of the specific, permissible reason for its denial, in writing and within such time period, or if the board has adopted regulations pursuant to AS 17.38.090 and has accepted applications pursuant to AS 17.38.100 but has not issued any registrations by 15 months after the effective date of this act, the applicant may resubmit its application directly to the local regulatory authority, pursuant to (c) of this section, and the local regulatory authority may issue an annual registration to the applicant. If an application is submitted to a local regulatory authority under this paragraph, the board shall forward to the local regulatory authority the application fee paid by the applicant to the board upon request by the local regulatory authority.

(g) If the board does not adopt regulations required by AS 17.38.090, an applicant may submit an application directly to a local regulatory authority after one year after the effective date of this act and the local regulatory authority may issue an annual registration to the applicant.

(h) A local regulatory authority issuing a registration to an applicant shall do so within 90 days of receipt of the submitted or resubmitted application unless the local regulatory authority finds and notifies the applicant that the applicant is not in compliance with ordinances and regulations made pursuant to (b) of this section in effect at the time the application is submitted to the local regulatory authority. The local government shall notify the board if an annual registration has been issued to the applicant.

(i) A registration issued by a local government in accordance with (f) of this section or (g) of this section shall have the same force and effect as a registration issued by the board in accordance with AS 17.38.100. The holder of such registration shall not be subject to regulation or enforcement by the board during the term of that registration.

(j) A subsequent or renewed registration may be issued under (f) of this section on an annual basis only upon resubmission to the local government of a new application submitted to the board pursuant to AS 17.38.100.

(k) A subsequent or renewed registration may be issued under (g) of this section on an annual basis if the board has not adopted regulations required by AS 17.38.090 at least 90 days prior to the date upon which such subsequent or renewed registration would be effective or if the board has adopted regulations pursuant to AS 17.38.090 but has not, at least 90 days after the adoption of such regulations, issued registrations pursuant to AS 17.38.100.

(l) Nothing in this section shall limit such relief as may be available to an aggrieved party under AS 44.62, the Administrative Procedure Act.

#### **Sec. 17.38.120. Employers, driving, minors and control of property.**

(a) Nothing in this chapter is intended to require an employer to permit or accommodate the use, consumption, possession, transfer, display, transportation, sale or growing of marijuana in the workplace or to affect the ability of employers to have policies restricting the use of marijuana by employees.

(b) Nothing in this chapter is intended to allow driving under the influence of marijuana or to supersede laws related to driving under the influence of marijuana.

(c) Nothing in this chapter is intended to permit the transfer of marijuana, with or without remuneration, to a person under the age of 21.

(d) Nothing in this chapter shall prohibit a person, employer, school, hospital, recreation or youth center, correction facility, corporation or any other entity who occupies, owns or controls private property from prohibiting or otherwise regulating the possession, consumption, use, display, transfer, distribution, sale, transportation, or growing of marijuana on or in that property.

#### **Sec. 17.38.130. Impact on medical marijuana law.**

Nothing in this chapter shall be construed to limit any privileges or rights of a medical marijuana patient or medical marijuana caregiver under AS 17.37.

#### **Sec. 17.38.900. Definitions.**

As used in this chapter unless the context otherwise requires:

(1) "Board" means the Alcoholic Beverage Control Board established by AS 04.06.

(2) "Consumer" means a person 21 years of age or older who purchases marijuana or marijuana products for personal use by persons 21 years of age or older, but not for resale to others.

(3) "Consumption" means the act of ingesting, inhaling, or otherwise introducing marijuana into the human body.

(4) "Local government" means both home rule and general law municipalities, including boroughs and cities of all classes and unified municipalities.

(5) "Local regulatory authority" means the office or entity designated to process marijuana establishment applications by a local government.

(6) "Marijuana" means all parts of the plant of the genus *cannabis* whether growing or not, the seeds thereof, the resin extracted from any part of the plant, and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or its resin, including marijuana concentrate. "Marijuana" does not include fiber produced from the stalks, oil, or cake made from the seeds of the plant, sterilized seed of the plant which is incapable of germination, or the weight of any other ingredient combined with marijuana to prepare topical or oral administrations, food, drink, or other products.

(7) "Marijuana accessories" means any equipment, products, or materials of any kind which are used, intended for use, or designed for use in planting, propagating, cultivating, growing, harvesting, composting, manufacturing, compounding, converting, producing, processing, preparing, testing, analyzing, packaging, repackaging, storing, vaporizing, or containing marijuana, or for ingesting, inhaling, or otherwise introducing marijuana into the human body.

(8) "Marijuana cultivation facility" means an entity registered to cultivate, prepare, and package marijuana and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other marijuana cultivation facilities, but not to consumers.

(9) "Marijuana establishment" means a marijuana cultivation facility, a marijuana testing facility, a marijuana product manufacturing facility, or a retail marijuana store.

(10) "Marijuana product manufacturing facility" means an entity registered to purchase marijuana; manufacture, prepare, and package marijuana products; and sell marijuana and marijuana products to other marijuana product manufacturing facilities and to retail marijuana stores, but not to consumers.

(11) "Marijuana products" means concentrated marijuana products and marijuana products that are comprised of marijuana and other ingredients and are intended for use or consumption, such as, but not limited to, edible products, ointments, and tinctures.

(12) "Marijuana testing facility" means an entity registered to analyze and certify the safety and potency of marijuana.

(13) "Retail marijuana store" means an entity registered to purchase marijuana from marijuana cultivation facilities, to purchase marijuana and marijuana products from marijuana product manufacturing facilities, and to sell marijuana and marijuana products to consumers.

(14) "Unreasonably impracticable" means that the measures necessary to comply with the regulations require such a high investment of risk, money, time, or any other resource or asset that the operation of a marijuana establishment is not worthy of being carried out in practice by a reasonably prudent businessperson.

\*Sec. 2. AS 43 is amended by adding a new chapter to read:

## **Chapter 61. Excise tax on marijuana**

### **Sec. 43.61.010. Marijuana tax.**

(a) An excise tax is imposed on the sale or transfer of marijuana from a marijuana cultivation facility to a retail marijuana store or marijuana product manufacturing facility. Every marijuana cultivation facility shall pay an excise tax at the rate of \$50 per ounce, or proportionate part thereof, on marijuana that is sold or transferred from a marijuana cultivation facility to a retail marijuana store or marijuana product manufacturing facility.

(b) The department may exempt certain parts of the marijuana plant from the excise tax described in (a) of this section or may establish a rate lower than \$50 per ounce for certain parts of the marijuana plant.

**Sec. 43.61.020. Monthly Statement and Payments.**

(a) Each marijuana cultivation facility shall send a statement by mail or electronically to the department on or before the last day of each calendar month. The statement must contain an account of the amount of marijuana sold or transferred to retail marijuana stores and marijuana product manufacturing facilities in the state during the preceding month, setting out

- (1) the total number of ounces, including fractional ounces sold or transferred;
- (2) the names and Alaska address of each buyer and transferee; and
- (3) the weight of marijuana sold or transferred to the respective buyers or transferees.

(b) The marijuana cultivation facility shall pay monthly to the department, all taxes, computed at the rates prescribed in this chapter, on the respective total quantities of the marijuana sold or transferred during the preceding month. The monthly return shall be filed and the tax paid on or before the last day of each month to cover the preceding month.

**Sec. 43.61.030. Administration and Enforcement of Tax.**

(a) Delinquent payments under this chapter shall subject the marijuana cultivation facility to civil penalties under AS 43.05.220.

(b) If a marijuana cultivation facility fails to pay the tax to the state the marijuana cultivation facility's registration may be revoked in accordance with procedures established under AS 17.38.090(a)(1).

**\*Sec. 3.** The provisions of this Act are independent and severable, and, except where otherwise indicated in the text, shall supersede conflicting statutes, local charter, ordinance, or resolution, and other state and local provisions. If any provision of this Act, or the application thereof to any person or circumstance, is found to be invalid or unconstitutional, the remainder of this Act shall not be affected and shall be given effect to the fullest extent possible.

# STATE REGULATION OF RECREATIONAL MARIJUANA

STRUCTURES OF GOVERNMENT AGENCIES



# COLORADO – POP. 5.35 MILLION

- Marijuana Enforcement Division- (No board structure)
  - 4 Offices Statewide
  - 55 Full-Time Employees
    - Director
    - Chief of Investigations
    - 3 Agents-In-Charge
    - 5 Criminal Investigator Supervisors
    - 19 Criminal Investigators
    - 9 Compliance Investigators
    - 1 Licensing Office Manager
    - 12 Licensing Specialists
    - 1 Legal Assistant
    - 2 Program Assistants

# DENVER- POP. 650,000

- Marijuana Licensing Division- City and County of Denver
  - 37.5 Full-Time Employees (16 in base budget, 21.5 supplemental)
    - Marijuana Director
      - 3 City Attorneys for civil suits and to support retail marijuana cases
      - 2 Business license inspectors
      - 4 Building inspectors
      - 2 Food safety inspectors
      - 1 general inspector
      - 1 NIS inspector
      - 1 Accounting assistant
      - 5.5 Fire inspectors, fire protection engineer, detective and police sergeant
      - 1 Excise and license officer
      - 1 Air, water, and odor officer
      - 1 Cashier to process cash transactions
      - 4 DRE officers
      - 3 Scientists to test seized marijuana
      - 6 Administrative positions (3 in original budget, 3 mid-year supp)
      - 1 Tax technician to support marijuana program
  - Cost of all employees fully covered by tax receipts

# WASHINGTON – POP. 7.06 MILLION

- Washington Liquor Control Board
  - Licenses, educates and enforces marijuana licenses
  - Issues some alcohol permits and educates and enforces liquor licenses
  - 3 board members- state employees
  - 1 director
  - 297 employees statewide- 53 funded by marijuana taxes
    - Enforcement division- 16 FTE
    - Licensing division- 28 FTE
    - Finance division- 7 FTE
    - IT- 1 FTE
    - HR- 1 FTE

# OREGON- POP. 3.97 MILLION

- Oregon Liquor Control Commission
  - 5 Citizen Commissioners appointed by governor
    - Meet monthly for one or two days to regulate liquor licenses
    - One commissioner is representative of alcohol/food industry
    - Director and 211 FTE for 15K liquor licenses
    - Marijuana director plus 28 FTE in MJ program (1K-2K licenses)
      - One marijuana industry representative added to citizen commission
      - Investigators- 15 FTE
      - Administrative (budget, operations, support staff)- 4 FTE
      - Deputy and rules/policy makers- 3 FTE
      - Licensing- 3 FTE
      - Tax employees- 3 FTE

# ALASKA- POP. 735,601

- Alcohol- 5 member volunteer board meets 5 times per year across the state- current staff
  - Director
  - Enforcement Supervisor
  - 4 enforcement officers- 2 in Anchorage, 1 in Fairbanks, 1 in Juneau
  - Licensing Supervisor
  - 2 Business Registration Examiners (licensing specialists)
  - 1 Administrative Assistant
  - 1 Clerk

# ALASKA, CONTINUED

- FY 15 Supplemental Budget Request
  - 1 Administrative Officer
  - 1 additional Business Registration Examiner
- FY 16 Budget Request
  - 1 additional Business Registration Examiner
  - 3 additional enforcement officers
- FY 16 total agency employees- 17 employees
  - Director
  - Enforcement supervisor plus 7 officers
  - Licensing Supervisor plus 4 BRE licensing specialists
  - Administrative Officer plus 2 administrative employees

# HB 123 – Establish Marijuana Control Board

James Barrett

## Financial Details

### FY 2016

- 1) Personal Costs \$610.5
  - Adds 4 FTE positions (3 enforcement, 1 licensing,) in FY 2016, funds 2 FTEs from FY 2015
  - Reduced from \$847.0 original cost estimate for personal service costs published with Ballot Measure 2. Personal services cost was trimmed before creation of the fiscal note for this bill
  - Enforcement officers necessary before licenses issued to educate public and enforce on illegal marijuana operations and prepare for issuance of new licenses
- 2) Services \$756.4
  - Includes \$500.0 for a database to track licenses and actual marijuana from seed to sale
  - Additional services costs are legal services, employee support costs, vehicles for enforcement, educational materials, and signage
- 3) Commodities \$134.5
  - Costs for physical space, furniture, moving expenses, equipment purchases (current physical location of ABC board in Anchorage will not accommodate additional staff)
- 4) Travel \$73.0
  - Costs of travel to legalized marijuana states to meet with regulators and learn new duties
  - Costs of enforcement travel to locations in Alaska for compliance, inspection and enforcement
  - Costs of travel to locations in Alaska for education and local government assistance
  - Costs of travel for board members to conduct meetings across state to increase access of all Alaskans to board meetings

## Public Safety Implications of Regulations

- 1) DPS supports the bill for the following reasons:
  - Having clear regulatory framework will address enforcement issues and clarify rules
  - ABC/MCB enforcement officers funded by bill can shut down illegal operations as they crop up
  - DPS has to prioritize this type of enforcement on a matrix that includes violent crimes like homicide and sexual assault, which could result in little to no enforcement

## Effect on Alcohol Regulation

- 1) The Alcoholic Beverage Control Board is busy with alcohol:
  - 1875 active liquor licenses
  - Inspection and enforcement efforts on licensees
  - Underage drinking prevention and education efforts
  - Regulations relating to alcohol licensing
  - Title 4 revisions (Senate Bill 99) is being held over interim necessitating additional meetings
- 2) Without this bill, ABC must divide its attention between alcohol and marijuana:
  - Board would be distracted from alcohol work to complete marijuana regulations on time
  - 5 member volunteer board would have to learn entire new industry
  - Time commitment for 5 volunteer board members appointed to ABC board would double or triple due to short time frames in AS 17.38 to implement initiative

**Howard Cole Hollister**

[chollister@hollisterenterprises.com](mailto:chollister@hollisterenterprises.com)

3264 Riverview Drive  
Fairbanks, AK 99709  
(907) 322-9575 Cell

April 13, 2015

Governor Bill Walker  
State of Alaska  
Juneau, AK. 99801

RE: HB123 Establish Marijuana Control Board

Dear Governor Walker;

With the passage today of HB123 from the House Finance Committee, it will soon come to the floor of the House for passage. I have been actively involved in following and providing input for this and the other cannabis related bills before the legislature. I want to express my support for the current version of HB123 to be voted on. I believe this bill has been seriously vetted, and all parties have worked to produce this final version. I particularly wish to commend Rep. LeDoux and the House Judiciary Committee for their actions in obtaining the bill to be voted on.

I encourage the full House to unanimously pass this bill as it has been presented to them.

Thank you for this opportunity to express my opinion.

Sincerely,

Howard 'Cole' Hollister

President  
Hollister Enterprises

**Fowler, Micaela R (CED)**

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**From:** Shaun Tacke, CPA <shaun.tacke@gmail.com>  
**Sent:** Monday, April 13, 2015 7:11 PM  
**To:** Fowler, Micaela R (CED)  
**Subject:** In regards to Marijuana Control Board Bill

To whom it may concern,

My recommendation is to get this bill passed with haste as it is paramount to have a separate Marijuana Control Board rather than allowing cannabis industry's rules and regulations be created by an opposing industry.

I understand the concern regarding funding such a board, but this isn't a bottomless cost, it is an investment to ensure that the proper regulations are set for a blossoming industry. The tax receipts will certainly offset any cost relating to the creation of such a board and will likely make the size of the marijuana tax pie larger when proper regulations are established.

Please consider these concerns and realize the conflict of interest that is vividly apparent.

Thank you for hearing my concerns and suggestions!,

-Shaun

Shaun M Tacke  
Treasurer  
Coalition for Responsible Cannabis Legislation

**Fowler, Micaela R (CED)**

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**From:** Kim Kole <kimkoleinak@gmail.com>  
**Sent:** Monday, April 13, 2015 6:09 PM  
**To:** Fowler, Micaela R (CED)  
**Subject:** Marijuana Control Board

I would like to express my opinion about how essential it is to establish a separate Marijuana Control Board for the state of Alaska. This is the responsible way to set our best foot forward and to show the nation what we can do to create a responsible and productive industry. Having the Alcohol Control Board create the regulations would be a detriment for many reasons. First, they do not have the knowledge or background required to make decisions regarding the myriad aspects of the industry that are completely foreign to alcohol. Because of this, poor decisions will be made, which will make the industry less successful and bring in less money. Second, it is a conflict of interest to have the ABC board create the regulations for marijuana because we will be a competing market with them. It would be in their own best interest to create regulations that hinder our success. Third, these are volunteer positions. That board volunteered for their positions and it's not fair to force them to serve on an additional board that will require so much more work, taking them away from their families, work and lives. Fourth, I understand that creating a new MCB might cost a little up front, but when done well, it will generate millions of dollars in tax revenue that will more than pay for the investment. Thank you for your consideration.

Kim Kole

**Fowler, Micaela R (CED)**

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**From:** Frank Berardi <frankberardi185@gmail.com>  
**Sent:** Monday, April 13, 2015 6:00 PM  
**To:** Fowler, Micaela R (CED)  
**Subject:** House Bill 123

Hello my name is Frank Berardi, I am the chairman of the board for the Coalition for Responsible Cannabis Legislation. I am writing in support of House Bill 123. Many of the Senators are concerned about the cost of implementing the Marijuana Control Board, because of the cost of doing so. I am writing to remind our legislature that if the money is properly spent it will result in millions of dollars in revenue for the state. If we do not implement the regulatory aspects of Ballot Measure two correctly then we stand to lose out financially. The first step in implementing the regulatory aspects correctly is to establish an autonomous marijuana control board housed under the same framework as the alcohol control board. The citizens want this industry to be regulated in a fair manner. Putting the alcohol industry in charge of our industry because it is cheap is not the right solution.

Thank You,

Frank Berardi



## Coalition for Responsible Cannabis Legislation

To: Representative Kurt Olson

Attn.: Konrad Jackson

From: Bruce Schulte, CRCL

Date: March 11, 2015

Re: House Bill 123 – An act establishing the Marijuana Control Board

Dear Representative Olson

We wish to convey our full support, in principal, for House Bill 123 (HB123). In particular, we support the inclusion of (2) marijuana industry representatives so that they may bring an appropriate perspective to the process with knowledge of the industry and products being regulated.

It has been the position of CRCL for some time that a dedicated Marijuana Control Board would be the best approach to ensuring that appropriate rules are developed for this industry. Given the combined constraints of schedule and budget we support establishing a separate, dedicated Marijuana Control Board alongside the existing Alcoholic Beverage Control Board under the direction of the existing director, Cynthia Franklin, and utilizing shared resources of staff and office space.

Regards,

***Bruce Schulte***

*Coalition for Responsible Cannabis Legislation*

James M. Barrett  
April 13th, 2015  
Juneau, AK

### Letter of Support to HB 123

Thank you for your time and hard work this session. There are a lot of unique challenges that Alaska faces at this time. Your efforts and determination on these matters are greatly appreciated by all Alaskans.

I am writing this letter to show my support for House Bill 123. I encourage the Legislature to move this bill forward for the following purposes:

1. The bill establishes a Marijuana Control Board(MCB). This is a very important factor when creating regulations for any market. It is in the best interest of all Alaskans that the Legislative body creates a separate MCB since the industry is inherently different from that of the Alcohol industry. Although one may argue that the Alcoholic Beverage Control Board is capable of creating such regulations, a separate board allows for a much stronger set of regulations.
2. Due to the time restraints to set regulations and size of the current Alcoholic Beverage Control Board, a separate MCB will have the ability to prioritise the regulation process better and meet the November 24th deadline for regulations to be established.
3. Sec. 2 AS 17.38.080 (b)(4): Industry representation on the Marijuana Control Board. Having an marijuana industry representative on the MCB is absolutely necessary and possible. There are currently many Alaskans throughout Alaska that are well qualified as industry representatives.
4. HB123 Allows the Legislature to aid and implement the will of the voters by creating a smart, strong, and able regulatory body. Strong legislation such as this bill is a reflection of the Legislature's ability to competently handle emerging issues such as the developing cannabis market. It also shows that the Legislature is responsible and actively engaging in a wide variety economic solutions to it's current financial shortfall.
5. HB123 adds a fiscal note that covers additional expenses that may not be sufficiently covered by the current proposed Alcoholic Beverage Control Board budget. By having a separate Marijuana Control Board, it would prevent the defunding of the Alcoholic Beverage Control Board in effort to unnecessarily repeal 17.38. The Legislature has an obligation to ensure that the funds needed for implementation of the new law are available and sufficient. To have a strong marketplace from the start, a regulating board needs adequate funding for implementation and enforcement.
6. The fiscal note covers expenses needed to implement a **seed to sale tracking** program. These programs are very efficient and cost effective. They provide various industry ready ways to implement a tightly regulated market from the beginning. Fortunately, there are already several affordable and dependable tracking systems currently available. The attached fiscal note sufficiently covers these costs.

A qualified industry representative should be validated by having upon submission of a resume; letters of recommendation, pre-existing work in the medical marijuana community, shows active engagement with industry professionals as well as government officials, plans to actively participate in the marijuana marketplace, has knowledgeable experience on other public boards, and/or shows a strong understanding of government and cannabis law whether it be by work experience or volunteer positions.

Many well qualified Alaskans are already taking a similar role of board members on local levels. It would be in the best interest of the State of Alaska to seek out these individuals for input and industry representation in effort to form a more perfect board and smooth transition from a black market to a legitimate market.

Thank you again for your time and hard work. Please feel free to contact me with any questions that you may have.

James M. Barrett  
97-957-4751  
Juneau, Alaska

# MIDNIGHT GREENERY

To: Honorable Governor Bill Walker

From: Sara Williams, CEO

Date: April 13, 2015

Re: Support for HB 123

Governor Walker,

I would like to express my full support for HB123- Bill to create a dedicated Marijuana Control Board (MCB).

Currently, as Midnight Greenery establishes its branding position as a professional and ethical leader in the cannabis based businesses, I believe that it is essential that the MCB is created separate of the ABC Board. While the intent of Ballot Measure 2 was to regulate marijuana like alcohol, in the end, it is a separate product with separate regulatory needs covering everything from medicinal use to varying licenses.

In order to treat this new product and new industry fairly there needs to be a dedicated Board that is specialized in the topics and regulatory environment of this new industry. I fear that if a separate board is not created then the specifics related to appropriately regulating marijuana in this industry may be overlooked due to an overworked ABC Board.

House Bill 123 sufficiently creates a balance between implementing the budget by sharing resources and the mission of Ballot Measure 2 which then establishes a board that will meet the timeframes outlined by the initiative.

Initial funding for the Marijuana Control Board can be seen as an investment into the future industry and creating regulations that funnel tax and fee revenue back to the state and continue to pay for the management of the MCB.

Thank you for all of the hard work that the administration and the legislature has implemented to execute this voter driven initiative and please advise if I can be of any further assistance in this rulemaking process.

Best Regards,

Sara Williams, CEO



*Midnight Greenery*  
3060 N. Lazy Eight Ct Ste 2 PMB 314  
Wasilla, Alaska 99654

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**Konrad Jackson**

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**From:** Marvin Yoder <myoder@ci.homer.ak.us>  
**Sent:** Monday, March 23, 2015 1:37 PM  
**To:** Konrad Jackson  
**Subject:** FW: HB 123

These thoughts my own and do not reflect the views of the ABC Board.

There are two items that should be considered as a part of the debate over HB 123.

1. The Legislature has proposed more than once that the ABC Board could be sun-setted. It seems interesting that now there is a proposal for two Boards.
2. Already numerous Municipalities are considering a "local" marijuana advisory Board. Currently it is unknown what Potential conflicts may arise from between a state-wide board and a board established under local jurisdiction.

It may well be that a state-wide board will be needed in the future but May I suggest that the decision is premature.

Marvin Yoder

ABC Boardmember