



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Commerce,
Community, and Economic
Development

ALCOHOL AND MARIJUANA CONTROL OFFICE
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TO: Alcoholic Beverage Control Board
Marijuana Control Board

DATE: September 11, 2024

FROM: Joan M. Wilson

RE: Director's Report

Others have written about the economic costs that come with so much law. But my thoughts ran in a different direction. Those who can afford sophisticated lawyers may be able to muddle through. Those armed with influential lobbyists may even find ways to make a profusion of laws work to their advantage. But what about everyday Americans... What does it mean for our nation's promise of equal treatment when our laws become so numerous and so complex that only an affluent or connected few can navigate their way? And what happens to our respect for law itself when the law no longer just reflects commonsense norms but includes unpredictable traps for the unwary?

United States Supreme Court Justice Neil Gorsuch, Over Ruled: The Human Toll of Too Much Law

I. INTRODUCTION

This report summarizes activities at AMCO from the last board meetings held June 25 – 28, 2024 to the present. In light of the joint meeting between both boards scheduled for the above date, I have elected to provide one report. Alcoholic beverage and marijuana licensing and enforcement concerns will be addressed in turn. Since this is my last report to you, it will also provide my observations of stressors impacting the office and our ongoing success as well as a summary of issues you might discuss that will permit this office and its valiant staff best serve the industries and the public at large.

II. LICENSING

First, the good news. Effective July 22, 2024, the State of Alaska implemented the findings of the licensing examiner classification study. The study recognized that the work of licensing examiners and their supervisors was not being adequately compensated under the original job classifications – a finding both the Alcoholic Beverage Control and Marijuana Control Boards could easily support. Both Boards are well aware of the level of expertise examiners require, for example, to review business entity ownership structures, management services agreements, operating plans, and product approvals.

Recognizing the complexity, the classification study changed the names and pay rates of licensing positions at AMCO. Former occupational licensing examiners are now titled licensing examiner 2's. Licensing examiner 2 is the full working level of the examiner series. The range on this position upgraded from 14 to 15. Former records and licensing supervisors are now titled licensing examiner 3s. Licensing Examiner 3 is "the advanced or supervisory level of the series." The range on this position upgraded from 16 to Range 17. The classification study also resulted in the realization that the Program Coordinator 1 position supervising both of these positions was also performing work outside the scope of this job description. The office's Program Coordinator 1 was upgraded to Program Coordinator 2. This is a range increase from 18 to 20.

The financial cost of the upgrades of all of these positions to the AMCO FY 2025 budget is approximately \$60,000.00. I have requested a supplemental budget request to fund these increases. If denied, AMCO will find the dollars within its current adjustments, but other plans presented to this board to upgrade other positions will likely be delayed. The transition memorandum to the new Director identifies implementing employment changes as a priority of the prior Director. The Boards may consider letting the new Director know of its support (or lack of support) for these position upgrades.

Now, the less-than-stellar news. Despite the classification study recognizing the complexity of work licensing examiners perform, two licensing examiner 2 positions are currently vacant. One has been vacant for nearly the entirety of the summer. The candidate slated to begin one of these positions on August 19, 2024 withdrew her acceptance of the position. The second vacancy followed with Samuel Carrell's resignation. Sam was a great asset to the office. He left in August to work for another state agency. We wish him nothing but the best and hope to steal him back in the not-too-distant future.

This has left the examining staff equally taxed.

The marijuana licensing team includes Licensing Examiner 3 Regina Cruz and Licensing Examiner 2 Donovan Bennett Smith. In addition to handling all marijuana licensing applications, these two individuals are also processing and reviewing all marijuana handler applications in light of the three vacancies in our administrative unit. Thankfully, even taking on this new work, the queue for review of new and transfer

applications for marijuana licensing is relatively short, especially when compared to the alcohol queue. As of the day of this writing applications submitted from July 14, 2024 to the present have yet to be assigned. There are 11 unassigned applications in this status. Focus is also upon reviewing marijuana renewal applications. Ms. Cruz will update the Boards on their status during the Marijuana Control Board meeting scheduled for September 12, 2024. We are specifically recruiting for one examiner to be assigned exclusively to the marijuana license review team.

The alcoholic beverage licensing team includes Licensing Examiner 3 Sonya Irwin and Licensing Examiner 2 Anna White (who joined the office in May) and Licensing Examiner 2 Kyle Helie (who joined the office in July). The alcoholic beverage licensing team has remained focused on completing review of the 2024-2025 renewal applications. Again, the ABC Board's agenda is largely filled with these renewal applications. If a renewal application was submitted in paper form, the licensing team not only must review the application, but must proxy in and submit the renewal applications into AK-ACCIS. To do so, they must work with the licensee to ensure they have already claimed their businesses within AK-ACCIS.

This has largely left the review of new and transfer applications and all endorsement applications to Records and Licensing Supervisor 3 Sonya Irwin. And her ability to do so is taxed by the need for ongoing development of AK-ACCIS and conducting the necessary training for Ms. White and Mr. Helie. My own ability to assist with this queue has been impossible in light of my transition out of the office, Fiscal Year 2025 and Fiscal Year 2026 budget obligations, trying to create and fund personnel changes, and take over of alcohol event permitting and the website, again in light of the vacancies in the administrative staff. All this to say, our queue for new and transfer applications is very long. There are 51 paper applications that need to be rekeyed into AK-ACCIS and then reviewed. Full capability to do so will not be in place until mid-September. While we have attempted to triage the backlog as much as possible, the oldest application not to be addressed is from February. This also does not include the hundreds of endorsements within ACCIS yet to be reviewed and the 2025-2026 renewal applications that we will begin to accept in October.

If I had to do this over again, I either would have requested the Board not to accept any paper applications or fully delayed the implementation of AK-ACCIS until 2025. Working a dual system has been taxing. Devoting staff power to testing a new system at the same time has collapsed morale. In the end, a dual system cannot thrive. While the new Director may want to offer additional options (and he or she may do so gladly), it is my recommendation that once transfers are fully onboard and the staff is ready, paper applications should no longer be accepted. While change is hard, marijuana licensees were never given the option of a dual system. I respectfully submit the Office will continue to lose staff with a half in/half out solution.

III. ADMINISITRATIVE UNIT

As of this writing, AMCO currently has no staff filling the Administrative Unit. This includes the Administrative Officer 1, the Administrative Assistant 1, responsible for assisting and travel, personnel, receipting, and marijuana handler permits, and the Administrative Assistant 1, responsible for staffing the front desk, intaking alcoholic beverage permit applications, and intaking alcoholic beverage licenses.

The good news is our recent recruitment yielded sufficient candidates to interview. I hope to report by the time of the Board meetings that some of these positions have been filled or individuals are soon to start.

AMCO has gone nearly two months without support. During this absence, Jane Sawyer and Janyce Ibele took on the bulk of the obligations. They received support from the Department of Commerce's Administrative Unit (which also had a number of vacancies). Last, I took over as website master as an initial liaison for processing of alcoholic beverage permits. Special Investigator Kendrick Whiteman took over Enforcement's review of all permits and providing the permits directly to applicants. AMCO will report to the Boards on changes to this triage procedure once I am no longer with the Office.

There is a silver lining with these vacancies. Ms. Sawyer, Ms. Ibele, and I were able to refine processes to be timelier with our replies to other divisions and departments. Our interview panel for the Administrative Officer position also includes all sectors of the Office. This will permit interviewees to know how vital this single unit is to the entirety of the office and for the Office to agree as a whole on the candidate who can best meet office needs.

III. AMCO'S ENFORCEMENT UNIT

AMCO Enforcement also has two vacancies requiring filling. Jason Davies left us for a significant promotion. Investigator Bankowski's Special Investigator 1 position became vacant with his promotion to Special Investigator 2. We will soon begin recruitment for both positions.

I have advocated for creation of two special investigator 2 positions within the Governor's Budget, one individual directly responsible for alcohol enforcement and the other individual responsible for marijuana enforcement. I believe this division of authority will permit both supervisors to implement enforcement plans in line with both board's enforcement priorities. I can remain an advocate for the same if my advice is sought from the future Director.

If this is not the chosen solution, I do recommend that the Office have actionable plans to address recurring topics requiring additional enforcement capacity. Those include:

- Trade Practice Prohibitions and Exceptions Education, Investigation, and Enforcement
- Enforcement review and inspection of all interim endorsements
- Preventing the Infiltration of THCA products into Alaska through internet sales
- Assessing and preventing the infiltration of illegal marijuana product into the legal market
- Preventing the black market trade in marijuana
- Working with the Department of Revenue to prohibit manipulation of the marijuana excise tax by improper classification of flower at lower tax rates
- Addressing the implementation of on-site edible consumption at nearly every retail store should regulatory changes move through
- Determining presence of undeclared prohibited financial interests through use of management services agreements
- Pesticide Testing
- Random Potency Testing
- Reinstating compliance checks for service to underage buyers

IV. ALCOHOLIC BEVERAGE CONTROL UPDATES

A. EVENT PERMITS

AK-ACCIS is now live to accept alcoholic beverage event permits. However, until our administrative unit is fully staffed, and we can completely turn off submission of applications by walk-in, email, and mail, we are recommending only minimal use of this system. AMCO will identify certain licensees to utilize the system. This will permit a soft launch to fully ensure we have addressed licensee's concerns. My current recommendation to staff (which a new Director might alter) is that all events occurring on or after January 1, 2025 must be submitted through AK-ACCIS. In the meanwhile, until the Administrative Unit is rebuilt, AMCO will continue to triage permit applications. The licensing team must remain focused on licenses. Any concerns should be addressed to the Acting or New Director.

UAT will give the ability to catch up on transfers. The transfer process has a QA issue. What we have on UAT will permit catch up. The bug they are counting is when an owner is transferring, the information is getting transposed from transfer and transferee. Background information is correct. Display information is not. We are able to confidently said it is ready to go to production.

B. 2025-2026 Renewals

The upcoming 2025-2026 alcoholic beverage renewal season is around the corner. To avoid some of the problems of last year, AMCO has proactively reached out to licensees to get them to claim their business on AK-ACCIS, which is the first step they need to take to renew their licenses online. Of the 1000 licensees set to renew, 300

businesses have yet to claim their affiliated licenses. This is a significant improvement over last year, which is largely due to the efforts of Janyce Ibele. Unlike last year, renewal applicants will also be required to include with their original applications. AK-ACCIS will request this information before an action can be deemed duly submitted to the office. This is intended to streamline review once the application reaches the examiner's queue

C. Transfers

By close of September, AMCO should complete its assessment of an initial change to AK-ACCIS that will permit licensing staff to enter all paper transfer applications into the electronic system. Once AMCO has completed user testing of these solutions, it will complete user testing that will permit transfer applicants to directly submit electronic applications through AK-ACCIS. Once live, and as mentioned above, I recommend solely accepting applications through AK-ACCIS.

D. Regulations

Effective August 6, 2024, all articles of 3 AAC 305 implementing the Title 4 Rewrite are fully in effect. In the end, this was a two-year process for the Board. You know the time and attention you put into this effort. It should be commended. More finetuning has occurred and should be expected. For example, effective August 23, 2024, age-verification services are now available for direct-to-consumer sales by manufacturer direct shipment licensees. The Board is also considering refinements to the trade practices prohibitions to address the ongoing concerns of package store licensees. As you will also see, we also offer ongoing potential solutions to prevent more application backlogs. We benefit from a vibrant and engaged industry who will continue to advocate for changes to remove unnecessary barriers to commerce.

As a last potential subject area, I recently reviewed a protracted timeline for transfer of a beverage dispensary tourism license to identify causes for the same. Part of this transaction concerned the transfer of controlling interest in a business entity holding a license. Even though the business entity still held the license, we still required the applicant to submit a lease we already had, a tourism statement we already had, and endorsement applications we already had. My only question to you is, why? If there is no good answer for the requirements, I respectfully submit it is worth removing them.

VI. MARIJUANA CONTROL UPDATES

A. RENEWALS

The time for submitting applications for 2024-2025 renewals ended September 3, 2024. Ms. Cruz will report on the statistics of who renewed and who did not renew and the reasons given for the latter. Some applicants also submitted late applications but did not submit the late fees. Those arguments are before you. I do request that should the board

consider any exemptions from the late fee, the lack of fairness of that exemption to those that paid.

Since renewals will soon be before you on a regular basis, we are also holding off on filing accusations related to tax delinquencies until we have further guidance from the Board. As you will see, you have many consent agreements related to tax matters before you during your regular meeting.

B. MOVING MARIJUANA LICENSING AND HANDLER PERMITS TO AK-ACCIS

AMCO has been working with its vendor over the last three months to move marijuana licensing to AK-ACCIS. We are in the process of approving an 80-page implementation plan. Once complete, the vendor builds this system for our user testing. Unlike alcohol which had to be piecemeals to meet certain Title 4 Rewrite deadlines, the move of marijuana licensing to AK-ACCIS will full functionality for receipt of new, transfer, and renewal applications.

To completely move licensing from one system to another, we are also in agreement to move the marijuana handler permit system to AK-ACCIS as well. We are negotiating a contract amendment for the same.

Testing and movement, however, must be compatible with staff resources. The new Director can best report on plans for the same once the licensing and administrative teams are again fully staffed.

I have heard from an unexpected source that there is concern about the move to AK-ACCIS, which I do not believe is justified. Alcohol licensees have commented many times to me and others at AMCO about the ease of the process. I have no doubt marijuana licensees will have the same opinion upon implementation.

C. RECENT ENFORCEMENT ACTION INVOLVING THCA, THE BLACK MARKET, AND TAX MANIPULATION

AMCO received reports of an unlicensed retail store selling marijuana in the Matanuska Susitna Valley and shut it down less than 30 days from initial notice. Investigator Bankowski will provide further information to the Board to the best degree possible without impacting potential criminal prosecution.

AMCO issued six more cease and desist letters to websites attempted to sell THCA in Alaska through internet sales. It replied online to two more websites that did not have an accompanying address demanding the end of sales as well. I will advise the new Director to monitor the web on a regular basis and send regular cease and desist letters at

least monthly. It is likely one of these websites were the source of product discussed by Investigator Bankowski above.

AMCO has also reached out to the Department of Revenue to begin joint investigations of wrongly classifying bud for purposes of excise tax manipulation. This is on top of ongoing joint inspections with the Division of Agriculture to root out prohibited hemp products intended for human consumption at both registered and non-registered stores.

Senior Assistant Attorney General Kevin Higgins has also recently completed briefing motions for summary judgment in the federal case challenging the State's hemp prohibitions as violating the Farm Bill. I hope he can provide a verbal report on the same to the Board at its meeting.

D. REGULATIONS

As always, this Board is proactive on revising its regulations. Ms. Serenzhenkov will detail those projects. I recommend particular attention to the reduction in licensing fees and note also that our office has recently lacked the bandwidth to host the cannabis laboratory workgroup, which will have regulatory initiatives for the Board's consideration. I will recommend to the new Director that this group be reconvened as soon as possible.

VII. BUDGET

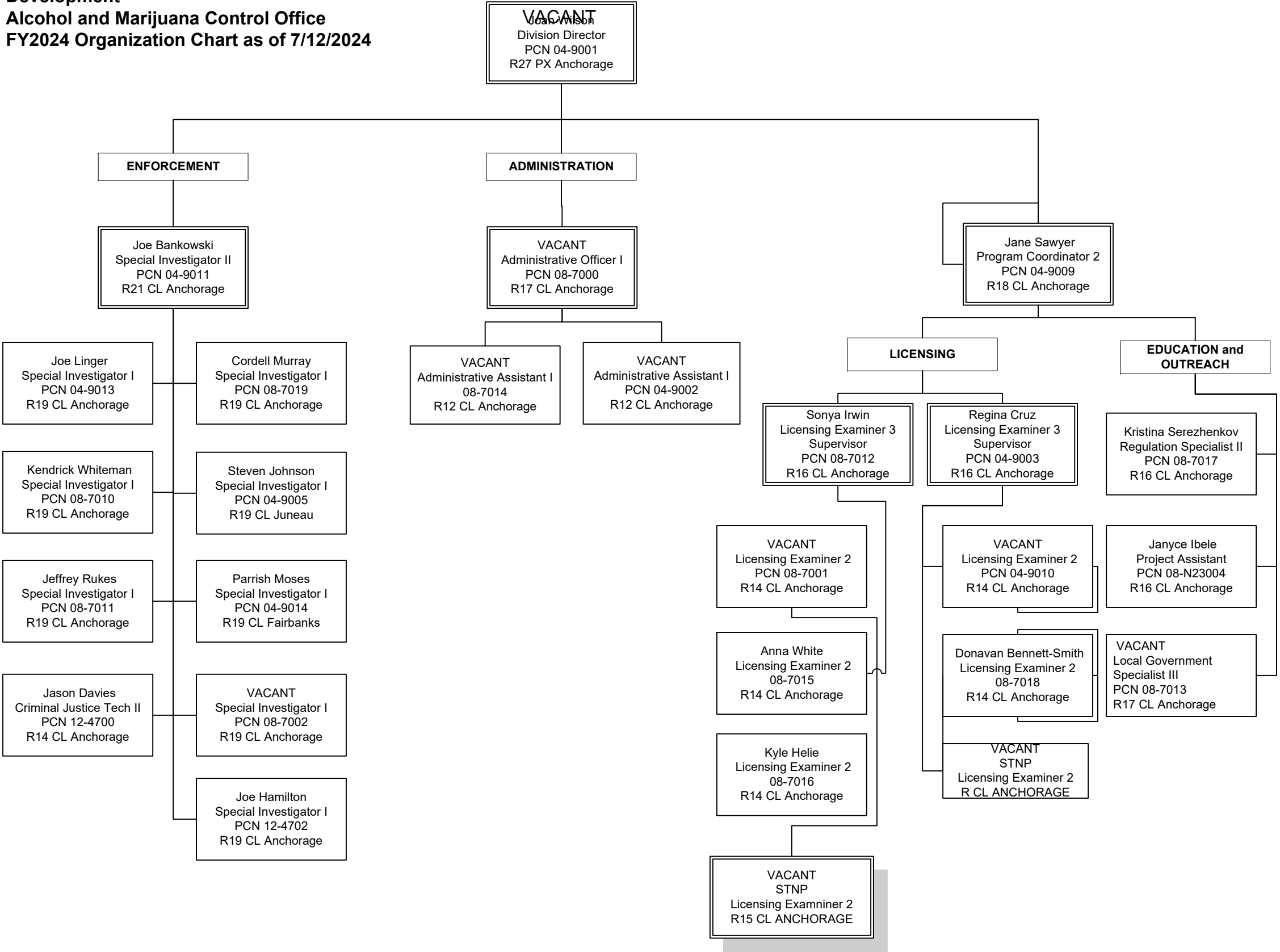
Please see the approved FY 2025 budgets for AMCO identifying expected program receipts from both licensing groups. The Fiscal Year 2026 is also under development, but the Governor will not release the same until December. I will discuss with you some of my budget suggestions for FY 2026 that will be impacted (rightly so) by any reduction in marijuana licensing fees. Both Boards might consider how to be advocates for their priorities that are closely tied to available budgetary spending.

VIII. CONCLUSION

This concludes this joint report. The next regularly scheduled meeting of the Alcoholic Beverage Control Board is November 19, 2024. The next regularly scheduled meeting of the Marijuana Control Board is November 20, 2024 in Anchorage, Alaska.

Thank you for the opportunity to serve both of your boards. It has been my honor and privilege. I know you will be well served by the excellent remaining staff at AMCO. Please know how dedicated each of these individuals are to the boards, public health, public safety, and the economic vitality and strength (for decades to come) of both industries.

State of Alaska
Department of Commerce, Community, and Economic
Development
Alcohol and Marijuana Control Office
FY2024 Organization Chart as of 7/12/2024





Expenditures and Revenue by Appropriation Unit (Fund Source)

Department	08	Department of Commerce, Community and Economic Development
Appropriation Group Code	D100	Alcohol and Marijuana Control Office

BFY	FY	Org Year	Term Year
2025	2025	2025	2025

Appropriation Type	DA41	Alcohol and Marijuana Control Office
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DA4101004 - AMCO GF

		Expend Original	Expend Amendments	Expend Restrict	Expend Transfers	Expend Current Budget	Encumbrances (Final)	Budgetary Expenditures	Total Encumbered + Expended	Available Expenditure Budget
1000	Personal Services	38,300.00	0.00	0.00	0.00	38,300.00	0.00	0.00	0.00	38,300.00
	Sum:	38,300.00	0.00	0.00	0.00	38,300.00	0.00	0.00	0.00	38,300.00

OMB Code	Revenue Type		Fund	Rev Original	Rev Amendments	Rev Restrict	Rev Transfers	Rev Current Budget	Budgetary Revenue (Final)	Unrecognized Revenue	Tolerance	Potential Shortfall w/ Enc
1004	6004	GF	1004	38,300.00	0.00	0.00	0.00	38,300.00	0.00	0.00	0.00	0.00



Expenditures and Revenue by Appropriation Unit (Fund Source)

Department	08	Department of Commerce, Community and Economic Development
Appropriation Group Code	D100	Alcohol and Marijuana Control Office
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BFY	FY	Org Year	Term Year
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DA4101005 - AMCO PR

		Expend Original	Expend Amendments	Expend Restrict	Expend Transfers	Expend Current Budget	Encumbrances (Final)	Budgetary Expenditures	Total Encumbered + Expended	Available Expenditure Budget
1000	Personal Services	3,093,700.00	0.00	0.00	0.00	3,093,700.00	0.00	351,996.20	351,996.20	2,741,703.80
2000	Travel	210,800.00	0.00	0.00	0.00	210,800.00	0.00	0.00	0.00	210,800.00
3000	Services	1,184,300.00	0.00	0.00	0.00	1,184,300.00	48,596.85	6,108.51	54,705.36	1,129,594.64
4000	Commodities	95,700.00	0.00	0.00	0.00	95,700.00	4,669.07	107.52	4,776.59	90,923.41
5000	Capital Outlay	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sum:		4,584,500.00	0.00	0.00	0.00	4,584,500.00	53,265.92	358,212.23	411,478.15	4,173,021.85

OMB Code	Revenue Type		Fund	Rev Original	Rev Amendments	Rev Restrict	Rev Transfers	Rev Current Budget	Budgetary Revenue (Final)	Unrecognized Revenue	Tolerance	Potential Shortfall w/ Enc
1005	5005	PR	1004	4,584,500.00	0.00	0.00	0.00	4,584,500.00	1,722,200.25	2,862,299.75	-1,141,900.00	0.00



Expenditures and Revenue by Appropriation Unit (Fund Source)

Department	08	Department of Commerce, Community and Economic Development
Appropriation Group Code	D100	Alcohol and Marijuana Control Office
Appropriation Type	DA41	Alcohol and Marijuana Control Office

BFY	FY	Org Year	Term Year
2025	2025	2025	2025

DA410PCRD - Pcard AMCO

		Expend Original	Expend Amendments	Expend Restrict	Expend Transfers	Expend Current Budget	Encumbrances (Final)	Budgetary Expenditures	Total Encumbered + Expended	Available Expenditure Budget
3000	Services	0.00	0.00	0.00	0.00	0.00	0.00	16,339.85	16,339.85	-16,339.85
	Sum:	0.00	0.00	0.00	0.00	0.00	0.00	16,339.85	16,339.85	-16,339.85

OMB Code	Revenue Type	Fund	Rev Original	Rev Amendments	Rev Restrict	Rev Transfers	Rev Current Budget	Budgetary Revenue (Final)	Unrecognized Revenue	Tolerance	Potential Shortfall w/ Enc
											-16,339.85