Governor's Advisory Task Force on Recreational Marijuana:

Met Monday @9:00am

January 9th, 2023

Members: Leif Abel, Rob Carter, Brandon Emmett, Gary Evans, Brian Fechter, Sam Hachey, Frank "Dru" Malone, Aaron Stiassny, Ryan Tunseth, Jana Weltzin, Joan

<mark>Wilson</mark>

Absent: David Pruhs, Nick Miller Support: Maya Ali & Bailey Stuart

Agenda Items	Discussion	Decision(s)/Conclusions
Approval agenda & meeting minutes from January 3 rd ,	Brandon Emmett motions to approve agenda.	January 9th, 2023 agenda approved.
2023	Leif Abel seconds motion.	January 3 rd meeting minutes were approved.
	Task Force members unanimously voted in favor; motion is approved.	
	Brandon Emmett motions to approve meeting minutes for January 3 rd , 2023	
	Ryan Tunseth seconds motion.	
	Task Force members unanimously voted in favor; motion is approved.	
	*See Zoom transcribe for full discussion.	

Formalize recommendations on tax structure to the Governor's Office.

Brandon Emmett motions to adopt a historical narrative.

Sam Hachey seconds motion.

 Brandon Emmett reads draft historical narrative to Task Force members. Task Force members request minor revisions.

Task Force members voted unanimously in favor of adopting historical narrative with minor revisions; motion is approved.

- Executive summary to include Task Force background.
- Joan Wilson amends executive summary paragraph to include 2018 Hemp bill language.

Jana Weltzin motions to remove the following sentence "If we view the issues through the lens of public health and safety, we see that now the legislature and hemp regulators have determined that THC is safe, requires no sin tax and needs minimal regulation. We agree with this assertion If marijuana and hemp are indeed safe for public consumption in limited quantities,"

Brandon Emmett seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Sam Hachey motions sentence change with additional language. Removing "onerous regulations must be rolled back.", adding "Statues and regulations that do not foster public health and safety should be reevaluated."

Brian Fechter seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Rob Carter motions when referencing marijuana of the same genus in the

Task Force members voted unanimously in favor of adopting historical narrative and executive summary with minor revisions.

Task Force members voted in favor of the following recommendations;

- When referencing marijuana of the same genus in the Governors report that the Task Force use Cannabis sp.
- Request the Governor to extend this
 Task Force or similar committee
 through the Thirty Third
 Legislature so that it may continue
 to provide input to the Governor's
 Office and the Legislature.
 Additionally, the Task Force
 recommends the Governor to
 consider adding a hemp specific
 industry member to the Task Force
- All Cannabis sp. production, growing, manufacturing, retailing, importation, exportation, taxation and distribution for all purposes to be regulated by one regulatory authority.
- Change the Alcohol and Marijuana Control Office (AMCO) to Alcohol and Cannabis Control Office (ACCO), the Marijuana Control Board (MCB) to the Cannabis Control Board (CCB).
- Authorize distributorship license type for all cannabis products importation into the State of Alaska with the number of licenses and regulations to be determined by ACCO with public input.

report that the Task Force use *Cannabis sp*. Hemp and marijuana are the same plant. The only difference is the concentration of delta-9-tetrahydrocannabinol. The Task Force find it prudent and forward thinking to define the two plants as what they are – the same – and to base regulation on intent of the products made from the plant *Cannabis sp*. This will create parity and will remove the illogical treatment of plants that are scientifically the same.

Leif Abel seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Sam Hachey motions overall changing marijuana over the whole document as *Cannabis sp.*

Sam Hachey rescinds motion due to the need for marijuana referencing for clarity across the document.

Sam Hachey motions to change language in historical narrative from "The tax sent to the general fund, to the recidivism fund, and the marijuana education." to "The current tax is collected and allocated to the general fund, recidivism fund and marijuana education and treatment fund."

Brandon Emmett seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Jana Weltzin motions to adopt an executive summary before the historical narrative to the report.

Leif Abel seconds motion.

• Leif Abel would like to include encouraging small business and jobs in the executive summary of the report.

Brandon Emmett motions to adopt an executive summary, using Jana

- Request statutory authority for the Marijuana Control Board (MBC) work in conjunction with **Department of Natural Resources** (DNR) and the Division of Agriculture be regulated by one state board and one state agency. This includes regulatory jurisdiction over the production, growing, manufacturing, retailing, importation, exportation, and intrastate distribution of Cannabis sp. To achieve this aim, the Task Force recommends AS 17.38 be amended to provide AMCO and the Marijuana Control Board jurisdiction over all Cannabis sp.
- Direct Department of Natural Resources and Division of Agriculture to set regulation on health and quarantine standards for *Cannabis sp.* The Task Force recommends the governor set in AS 17.38 statutory authority for standards in plant heath, quarantine limits and regulations on *Cannabis sp.* imported into the State of Alaska.
- For immediate effect, reduce excise tax on the cultivator to 25% of the current tax rate with the understanding that this is short-term solution and that the long-term solution would be forthcoming.
- A 3% statewide retail tax on all cannabis products for human consumption at the retail level and all *Cannabis sp.* products imported

Weltzin executive summary outline with revisions.

Sam Hachey seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Sam Hachey motions the recommendation to request the Governor to extend this Task Force or similar committee through the 33rd Legislature so that it may continue to provide input to the Governor's Office and the Legislature. Additionally, the Task Force recommends the Governor to consider adding a hemp specific industry member to the Task Force, who is not also involved with recreational cannabis.

Leif Abel seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Rob Carter motions the recommendation that this body is in agreement that all *Cannabis sp.* production, growing, manufacturing, retailing, importation, exportation, taxation and distribution for all purposes to be regulated by one regulatory authority.

Sam Hachey seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Brandon Emmett motions the recommendation of changing the Alcohol and Marijuana Control Office (AMCO) to Alcohol and Cannabis Control Office (ACCO), the Marijuana Control Board (MCB) to the Cannabis Control Board (CCB) and add 4 cannabis industry seats to be defined later.

Sam Hachey seconds motion.

Task Force members unanimously voted in favor; motion is approved.

- from out of the state is taxed at the distributor level at 10.5% with the current excise tax removed once implemented.
- There be no age gating for the cannabinoids CBD, CBG, CBC and CBN, as further defined and articulated with public input by ACCO.
- Amend AS 17.900(10) "the term Cannabis sp. means all species of the cannabis plant and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not." Additionally, the Task Force recommends amending AS 03.05.100(5) to change industrial hemp definition to: "Cannabis sp. means all species of the Cannabis plant and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not."
- Change the criminal definitions in AS 17.38, 11.71.900(15), 03.05 to match the purposed definition "Cannabis sp. means all species of the cannabis plant and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not."
- Striking personal possession limits in AS 17.38. Striking the one-ounce limit in AS 17.38.020(1) and

Jana Weltzin motions to recommend a distributor license. Distributer license type with no prohibition on other cannabis licenses.

Aaron Stiassny seconds motion for discussion.

Joan Wilson recommends amending the motion that the Task Force separate Jana Weltzin's motion into two different motions.

• Sam Hachey is of the opinion that the distributor license type should be an endorsement or a secondary license type.

Jana Weltzin rescinded her motion.

Jana Weltzin motions the recommendation to authorize distributorship license type for all cannabis products importation into the State of Alaska with the number of licenses and regulations to be determined by ACCO with public input. (2:01:21)

Sam Hachey seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Rob Carter motions to request statutory authority for the Marijuana Control Board (MBC) to work in conjunction with Department of Natural Resources (DNR) and the Division of Agriculture so *Cannabis sp.* can be regulated by one state board and one state agency. This includes jurisdiction over the production, growing, manufacturing, retailing, importation, exportation, and intrastate distribution of *Cannabis sp.* To achieve this aim, the Task Force recommends AS 17.38 be amended to provide AMCO and the Marijuana Control Board jurisdiction over all *Cannabis sp.*

Leif Abel seconds motion.

Task Force members voted in favor 8-3; motion is approved. Y: Brandon Emmett, Gary Evans, Brian Fechter, Sam Hachey, Rob Carter, Aaron Stiassny, Jana Weltzin, Joan Wilson N: Leif Abel, Dru Malone, Ryan Tunseth

- replacing with a six-ounce limit and delegating purchase limits to ACCO.
- Striking AS 17.38.070 Replace with "(2) purchase, deliver or transfer to another licensed marijuana facility."
- Amend Sec. AS 17.38.200.
 Marijuana establishment registrations removing annual registration.
- Amending AS 17.38.080 to restructure the Control Board to include: a person familiar with plant production/organic chemistry/plant pathology and an additional industry seat.
- Upon federal legalization or decriminalization of marijuana, the Control Board shall immediately issue a mortarium for twelve months on any new licenses (any license in initiated status or further stage in the application process shall be allowed to move forward). During this twelve-month moratorium, the Control Board shall analyze the industry and, in its discretion, authorize more licenses.
- Amend AS 17.38 to state that postsecondary education establishments shall have authority to invest and research and develop education programs related to cannabis production, growth, economics, business, testing and scientific exploration.

Ryan Tunseth "I think that everybody's hearing very clearly that the way production or cultivation is regulated on the hemp side seems to be a cleaner, seems to be smoother [way of cultivating]. And that seems to be a cleaner and easier way to regulate the production of an agricultural commodity. This idea that you're regulating hemp like corn, to the production of it quiet broadly in that if you make it into products, it is under and different set of regulations."

Brandon Emmett "I've been wrestling with this, and I think it's gonna be much cleaner to put it all into one [regulatory authority] sandbox. You know, with what I know about bureaucracy. If we separate departments regulating the same plant. We're going to end up with conflicts. We're going to end up with overlap."

Rob Carter motions to included intent behind the previous motion which is to have cannabis cultivation regulated in a manner similar to how the Division of Agriculture regulates hemp cultivation currently, with strong deference to recommendations from the Division of Agriculture to ACCO and, if necessary, create a section within ACCO to specifically address plant growth and cannabis cultivation to create parity, and facilitate a strong vibrant Alaska cannabis cultivation industry.

Sam Hachey seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Leif Abel motions a recommendation to lower or eliminate renewal licensing fees and that the taxes be allocated to fund the ACCO office.

Ryan Tunseth seconds motion.

Motion tabled.

Ryan Tunseth motions to capture the hemp products by a proof tax structure. Ryan thinks it needs to be a milligram tax levy by the retailers. A Flat milligram rate that applies to any and all products. No higher than

.0025 cents per milligram on any intoxicating cannabinoid.

Brandon Emmett seconds for discussion.

Brandon Emmett "If we place on the retailers, who, in my opinion, are well suited to collect tax, all of us already do for our municipality, unless there's a municipality there that has no sales tax for marijuana. But in our largest cities we certainly do. The con I see in this is having to enter the milligrams of THC for every single product that you bring in, into your system. And do, if that was a manual entry that would create hours and hours of data entry. So, there would have to be some sort of algorithm, you know, a system, a computer program the state adopts to go with that, that calculates it all."

Sam Hachey "If I'm producing X amount, I got to move it and pair up with certain retailers and say, hey, if you buy this much cannabis from me, I'm going to give you this price. So where does it incentivize me for growing more potent cannabis? If I'm already negotiated at this price because I'm moving this much, because I'm producing this much and now taking less home. If affects the cultivator on the back end."

Brian Fechter believes the tax credit wouldn't stand a legal challenge
if it's only for Alaskans. What DoR does with the alcohol tax there is
a small brewer exemption, which does not preclude out of state
companies but creates a production limit that large companies will
exceed.

Ryan Tunseth tables original motion.

• Ryan Tunseth thinks that the excise tax be reduced by 50% considering the tax allocation and the lack of definitive evidence between cannabis and violent crimes.

Joan Wilson motions to remove the dedication of the excise tax to the recidivism fund and cut the current excise tax structure by at least 50%. Taxes would levy on delta-9-THC. Additionally, prohibits any synthetically derived cannabinoids and, in the long term, establish a proof tax.

Sam Hachey seconds motion for discussion.

Joan Wilson tables motion.

Sam Hachey motions to make the recommendation that the excise tax is removed on the wholesale level and replaced on the retailer with a 3% flat retail tax on all intoxicating *Cannabis sp.* products.

Brandon Emmett seconds motion for discussion.

Sam Hachey amends motions to reflect a 30% flat retail tax on all intoxicating *Cannabis sp.* products with a 27% credit or reduction for in state produced products.

Brian Fechter "...from my perspective the more that it looks like the intent is to discriminate the higher the chance that it will be thrown out in court. And so, you know, if we had a very high rate and a very high credit. I'd be worried that it would be viewed as sort of a discriminatory policy."

Motion is tabled.

- Brandon Emmett sees no issue with the sales tax on the retailer as retailers already collect sales tax for local municipalities. It will change very little for the retailer and would provide relief for the cultivators.
- Jana asks DoR if there is a way to incentivize on a monetary level local governments to collect state sales tax.
- Colleen Glover with DoR informs the Task Force that it would require statutory change to be able to share tax information with local governments. DoR considers that to be confidential information. Additionally, DoR runs on general funds, they currently do not have excess funds to incentives local governments to collect taxes.
- DoR is starting to take Credit Card payments for taxes, and potentially ACH credit and ACH debit in the future to help with the collection of the excise tax. Pending final regulations approval and programing.

Rob Carter "Think of the potato famine, right? So that comes in [outbreak

of a viroid]. One grower goes to another, it doesn't work very well. You go to this buddy's shop, and it takes an act of God to kill it [viroid] within a short amount of time you kill out your entire cannabis industry. The only way to bring that [the industry] back would be through true seed or through tested plant material right now. The country doesn't have a clean pack network for cannabis. So, you would have to make sure there was an avenue in the regulations just like it is in ours through inspections, through grow outs and testing. But the plant material would be safe to be brought to Alaska just incase there was a pandemic of something that attacks our cannabis industry. People would be able to go back and find clean plant material."

Rob motions in the interim to direct Department of Natural Resources and Division of Agriculture to set regulation on health and quarantine standards for *Cannabis sp.* The Task Force recommends the Governor set in AS 17.38 statutory authority for standards in plant heath, quarantine limits and regulations on *Cannabis sp.* imported into the State of Alaska.

Rob Carter amends motion to include ",without written approval from the director of AMCO (ACCO)."

Joan Wilson seconds motion

Task Force members unanimously voted in favor; motion is approved.

Rob Carter motions that the Task Force recommend a 3% statewide retail sales tax on all cannabis products at the retail level and all *Cannabis sp.* products imported from out of the state is taxed at the distributor level at a tax rate of 10.5%.

Motion is tabled.

- Rob Carters recommendation is that the Task Force define what is not taxable instead of trying to identify all the cannabinoids that are intoxicating.
- Ryan Tunseth' recommendation is that the State of Alaska only allow naturally derived cannabinoids imported into the State.
- Task Force speaks in support of creating effective dates in the

recommendation to the Governor and create immediate solutions as well as long term solutions, to provide the cannabis industry immediate relief on the issue of taxation.

Ryan Tunseth motions a recommendation to remove category type tax and only levy when product transfers from the cultivation to retail at \$10.00 an ounce and not when the product is transferred to manufacturing with a 2% retail tax across the board.

Jana Weltzin seconds motion for discussion.

Ryan Tunseth tables motion.

• The Task Force discussed approaching tax recommendation in two parts. First, implement tax structure change is to bring relief to the cannabis industry immediately. Second, is to implement a new tax structure that brings long-term relief to the industry.

Gary Evans motions a recommendation, for immediate effect, to reduce excise tax on the cultivator to 25% of the current tax rate with the understanding that this is short-term solution and that the long-term solution would be forthcoming.

Brian Fechter amends motions to include a clear cutoff date and that cultivators will pay in full taxes owed up the cutoff date. Once the new tax system is in place. There will be no further excise tax on the cultivator.

Task Force members unanimously voted in favor; motion is approved.

Brandon Emmett motions a recommendation of a 3% statewide retail tax on all cannabis products for human consumption at the retail level and that all *Cannabis sp.* products imported from out of the state is taxed at the distributor level at 10.5% with the current excise tax removed once implemented.

Sam Hachey seconds motion.

Task Force members unanimously voted in favor; motion is approved.

- Task Force discussed having the distributor identify out of state products with a stamp that shows these products that were imported into the State of Alaska provided a Certificate of Analysis, proof of their quality and their safety prior to further distribution.
- Task Force discussed which cannabinoids to exempt from taxation. The identified nonintoxicating cannabinoids are CBD, CBG, CBC, and CBN. The Task Force agreed that these cannabinoids do not need age restrictions and that authority be given to ACCO for the determination of these or other cannabinoids. Including a ratio at which is a product is considered "wellness".

Lief Abel motions the recommendation that there be no age gating for the cannabinoids CBD, CBG, CBC and CBN, as further defined and articulated with public input by ACCO.

Sam Hachey seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Rob Carter motions to amend AS 17.900(10) the term "Cannabis sp. means all species of the cannabis plant and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or now." Additionally, the Task Force recommends amending AS 03.05.100(5) to change industrial hemp definition to: "Cannabis sp. means all species of the Cannabis plant and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not."

Brandon Emmett seconds motion.

Task Force members unanimously voted in favor; motion is approved.

• Kevin Higgins brings to the attention of the Task Force that there does need to be changes to criminal statutes.

Leif Abel motions the recommendation of changing the definitions in AS 17.38, AS 11.71.900(14), AS 03.05 to match the purposed definition

"Cannabis sp. means all species of the cannabis plant and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not."

Ryan Tunseth seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Brandon Emmett motions the recommendation of striking the personal possession limits in AS 17.38. Striking the one-ounce limit in AS 17.38.020(1) and replacing it with a six-ounce limit while delegating purchase limits to ACCO.

Gary Evans seconds motion

Task Force members unanimously voted in favor; motion is approved.

Ryan Tunseth motions the recommendation of striking AS 17.38.070 (2)(3)(4)(5) replaced with (2) purchase, deliver or transfer to another licensed marijuana facility.

Leif Abel seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Ryan Tunseth motions a recommendation to Sec. AS 17.38.200(d) Marijuana establishment registrations removing annual registration fees. (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 17.38.190 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 17.38.210 and in effect at the time of application.

Dru Malone seconds motion.

Task Force members unanimously voted in favor; motion is approved.

Brian Fechter motions the recommendation of amending AS 17.38.080 to restructure the Control Board to include a person familiar with plant production/organic chemistry/plant pathology and an additional industry seat. The seven-member Board would be composed as follows:

- (1) cannabis industry seat one;
- (2) cannabis industry seat two;
- (3) one public seat not engaged in the cannabis industry or a representative from a local government or community council;
- (4) one rural seat;
- (5) one public safety seat;
- (6) one public health seat; and
- (7) one plant production/organic chemistry/plant pathology seat.

Sam Hachey seconds motion.

Task Force members unanimously voted in favor; motion is approved.

 The Task Force reviewed and discussed recommendations on how to protect the cannabis industry in Alaska upon federal legalization.
 The PFD eligibility is no longer constitutional upon federal legalization. License caps and moratoriums effective upon legalization were discussed.

Jana Weltzin motions the recommendation that AS 17.38.121 be amended to create a new subsection (g). As newly codified there, the MCB (or renamed CCB) may limit the number of licenses based on the public interest. In addition, the Task Force recommends that upon federal legalization or decriminalization of marijuana, the Control Board shall immediately issue a mortarium for twelve months on any new licenses During this twelve-month moratorium, the Control Board shall analyze the industry and, in its discretion, may authorize more licenses.

Rob Carter seconds motion.

Task Force members voted in favor 8-2; motion is approved. Y: Leif Abel, Brandon Emmett, Rob Carter, Gary Evans, Sam Hachey, Dru Malone, Aaron Stiassny, Jana Weltzin

N: Brian Fechter, Ryan Tunseth

Rob Carter motions the recommendation to amend AS 17.38 to state that post-secondary education establishments shall have authority to invest and research and develop education programs related to cannabis production, growth, economics, business, testing and scientific exploration.

Aaron Stiassny seconds motion.

Task Force members voted in favor 9-1; motion is approved. Y: Leif Abel, Brandon Emmett, Rob Carter, Gary Evans, Brian Fechter, Dru Malone, Aaron Stiassny, Ryan Tunseth, Jana Weltzin N: Sam Hachey

- The Task Force discussed potentially making the future recommendation that minors may accompany legal guardians into a license premise. Retailers are witnessing guardians leaving minors in vehicles while purchasing legal cannabis. Any recommendation would be to address the public safety issue retailers are experiencing.
- The Task Force discussed the idea of preventing employers from discriminating against THC metabolites.

Discussion regarding Marijuana tax allocation. a. Reevaluate recreational marijuana licensing fees. b. Funding the AMCO office from the State excise tax.	Brain Fechter motions the recommendation that the Control Office (whether AMCO or ACCO) be funded in part through cannabis licensing fees and through excise taxes collected on <i>Cannabis sp.</i> Additionally, collected taxes be redesignated with up to 33% of the proceeds from the cannabis taxes to the Control Office to increase its budget to handle the additional workload; up to 33% to the currently functioning marijuana education and treatment fund; and up to 33% to the Undesignated General Fund. Brandon Emmett seconds motion. Task Force members unanimously voted in favor; motion is approved.	The Task Force recommends that the Control Office (whether AMCO or ACCO) be funded in part through cannabis licensing fees and through excise taxes collected on Cannabis sp. Additionally, collected taxes be redesignated with up to 33% of the proceeds from the cannabis taxes to the Control Office to increase its budget to handle the additional workload; up to 33% to the currently functioning marijuana education and treatment fund; and up to 33% to the Undesignated General Fund.
Adjournment	Brian Fechter motions to adjourn at 5:15pm Leif Abel seconds motion.	Meeting adjourned at 5:15pm 1/9/23.