



## MEMORANDUM

TO: Chair Springer and Members of the  
Marijuana Control Board

DATE: April 4, 2018

FROM: Erika McConnell, Director

RE: Director's Report

### OPERATIONS

Now that alcohol renewal season is nearly over, we are ready to jump into marijuana renewal season. Ms. Oates licensing report will touch on this.

I continue to work on arranging a small expansion to our Anchorage office to accommodate the new positions we are currently hiring for, and we are also looking to move the Fairbanks office due to safety concerns at their current location. We expect both these changes to be finalized by the end of the summer.

We have created a list-serve to sign up for email updates with news and information from AMCO. The link to sign up is located on the main page of our website, just below the blue box labeled "MCB Board Meeting." Interested persons may subscribe or unsubscribe automatically.

### TRAVEL/CONFERENCES

I was asked to be a panelist for a session on regulatory frameworks at the Canna West Compliance, Testing, and Product Safety Summit in Los Angeles in early June.

### LEGISLATIVE AUDIT

The 2018 Legislative Audit made four recommendations:

**Recommendation 1:** The board, AMCO director, and enforcement supervisor should work together to formally establish an enforcement plan to direct AMCO's limited enforcement resources.

Mr. Hoelscher and I will start working on a draft enforcement plan after this meeting with the intent of bringing it to the board no later than the August 2018 meeting.

**Recommendation 2:** The board and AMCO director should implement a process to monitor and track complaints to ensure they are assessed for follow up action and investigated in a timely manner.

AMCO hired a Criminal Justice Technician I at the beginning of January to assist with the administrative tasks of the enforcement unit. Mr. Davies, our CJT, is now entering every complaint received into ARMS and documenting the resolution of the complaint. *Issue resolved.*

**Recommendation 3:** The AMCO director should develop written procedures for establishing the expiration dates of marijuana handler permits and ensure staff receive the appropriate training.

The board has opened a regulations project to clarify the expiration date of handler permits. Assuming the adoption of a regulations change, staff will be appropriately trained and a policy/procedure will be adopted.

**Recommendation 4:** The AMCO director should develop and implement procedures to segregate the duties for calculating and remitting fees to local governments.

Mr. Douglas and I will work with the Administrative Services Division to work on this task, which may require software changes. We anticipate resolving this recommendation within a year.

## LEGISLATION

HB 273, which extends the termination date of the MCB to June 30, 2024. This bill has passed the House, was passed out of the Senate Labor and Finance Committee, and is scheduled for a hearing in the Senate Finance Committee on April 3.

HB 319, which requires background checks for marijuana licenses every 10 years. The board originally requested that statute be changed from every year to every three years. The House Judiciary Committee amended the bill to change the requirement to every 10 years. The bill is the House Rules Committee, awaiting scheduling for a vote of the House.

SB 6, relating to industrial hemp. This bill passed both chambers and is awaiting transmittal to the Governor.

## REGULATIONS

- **Current Regulations Projects**

Attachment 1 to this report is a regulations projects status spreadsheet.

- **Possible New Regulations Project**

- When public notice “expires”

Staff raised this issue at the last meeting and offered to bring a proposal to this meeting. I recommend the board open a regulations project that requires public notice (including posted and published notice and notice to local governments and community councils) to be given within the 90 days immediately preceding the date that all required application materials and fees are filed with AMCO, and to modify 3 AAC 306.025(f) regarding what it means to “complete” an application in this section.

## SPECIFIC ISSUES

- **Testing Working Group and Testing Issues**

The testing working group has held several productive meetings and anticipates having its first recommendation for regulations changes ready for the board to consider at the next meeting.

The Environmental Health Lab (EHL) audit of CannTest and Steep Hill is not quite finished.

- **Packages Created from “Thin Air”**

On February 28, 2018, at the request of AMCO, Metrc shut off the ability for licensees to create packages that are not derived from something else. No longer can licensees (inadvertently or intentionally) create plants or products “out of thin air.” When new cultivation facilities are licensed, we will work with Metrc to allow them to create their starting inventory in this way, before locking down that option after inspection. We have heard that not all licensees, particularly early licensees, entered all their seed inventory into Metrc, and have been working with those licensees on a case-by-case basis.

- **Pending Items/Information Requested**

The following issues/information was requested by the board but has not yet been addressed or collected. I have not forgotten these items and will work to address these at the June meeting.

- Ideas for moving from limited cultivation to standard cultivation without starting a new application (regulations project opened)
- Changing ownership when no new licensees are added (regulations project opened)
- Allowing out-of-state investment in testing labs (regulations project opened)
- Overlapping premises (regulations project opened)
- What happens when a marijuana business fails?
- How much product is unsold at a specific point in time?
- Suggestions from Ms. Weltzin regarding handler permits

## **NEXT MEETINGS**

The next regularly scheduled MCB meeting is June 13-15 in Anchorage. Applications must be complete and any other documents for the board must be submitted to our office by May 25, 2018, to be on the June agenda.

Representative Tilton wrote a letter to the board (Attachment 2) requesting that the board hold a meeting in May to continue reviewing license applications.

The date of the August board meeting is being changed, as no meeting facilities were available in Denali on the dates previously scheduled. The new August meeting dates are August 15-16.

## **STATISTICS**

### ***Sales***

December	\$8,067,160
January	\$6,913,229
February	\$7,305,757

Total sales from program inception to 2/28/18: \$73,471,043

### ***Taxes***

November – from 67 taxpayers:	\$869,346
December – from 70 taxpayers:	\$784,176
January – from 81 taxpayers:	\$1,040,512

Total taxes from program inception to 1/31/18: \$7,355,285

MCB REGULATIONS PROJECTS

**Attachment 1**

DOL Project Number	Topic	Date Opened by MCB	Board member point person(s)	Current Status/Notes	Date Adopted by MCB	Effective Date
JU2015200669	Omnibus Regulations			Adopted by board; filed with Lt Gov	11/20/15 Pg 23	2/21/16
JU2016200436-1	Conduct of board meetings in alcohol	2/11/16 pg 2		Adopted by board; filed with Lt Gov	7/6/16	12/28/16
JU2016200436-2	[Reserved for anticipated future work]					
JU2015201028	Onsite consumption	2/11/16		Board voted not to continue project 2/2/17	N/A	N/A
JU2016200617	Handler permits	4/27/16 pg 9		Out for public cmt 9/7/16; duplicated by Prj#165	N/A	N/A
JU2016200611	Testing	6/9/16 pg 22		signed by Lt. Gov. 6/5/17	4/5/17	7/5/17
JU2016200610	Advertising requirements	6/9/16 pg 22	Schulte	Voted out for public comment 7/8/16 and 5/15/17; comment period ended 6/30/17; vote to put out for comment failed 7/14/17	N/A	N/A
	Space planning and layout			Approved 7/14/17; rescinded 11/28(29?)	N/A	N/A
	Labeling and packaging					
JU2016200612	Video surveillance (Schulte handout)	6/9/16 pg 22	Schulte			
JU2016200609	Participation of outside entities – residency requirements (BE handout)	6/9/16 pg 22	Emmett			
JU2016200605	Waste disposal (Springer motion)	6/9/16 pg 23	Springer	Combined with waste disposal #2	N/A	N/A
JU2016200613	Retail store notices	7/8/16 pg 16		signed by Lt. Gov. 6/22/17	4/5/17	7/22/17
JU2016200837	Requiring fingerprints for new owners	9/7/16		signed by Lt. Gov. 6/19/17	4/5/17	7/19/17
JU2016200838	What happens to existing licenses if local gov opts out by ordinance	9/7/16		signed by Lt. Gov. 6/27/17	4/5/17	7/27/17
JU2016200839	DEC approval before acceptance of license application (food safety permit)	9/7/16		signed by Lt. Gov. 6/27/17	4/5/17	7/27/17
	Advertisement; definition of “advertisement” and “logo”	12/7/16		Board took no action on proposal (2/2/17)	N/A	N/A
JU2017200165-1	Transportation	2/2/17		signed by Lt. Gov. 9/11/17	7/13/17	10/11/17
JU2017200165-2	Revocation of handler’s permit			Voted out for public comment 3/7/17; comment period ended 5/5/17; amended and voted out for public comment 7/13/17; comment period closed 12/15/17; approved 1/25/18	1/25/18	
	Random sampling	2/2/17		Draft on 11/14 agenda; referred to testing cmte 11/29/17		

DOL Project Number	Topic	Date Opened by MCB	Board member point person(s)	Current Status/Notes	Date Adopted by MCB	Effective Date
JU2017200542	Quality control	2/2/17		Voted out for public comment 7/14/17; posted 8/17/17; cmts due 9/29/17; on 11/14 agenda; approved 11/29/17	11/29/17	
	Waste disposal #2			Voted out for public comment 7/14/17; posted 8/17/17; cmts due 9/29/17; on 11/14 agenda; returned for more work 11/29/17		
	Notify AMCO of crime on licensed premises	5/15/17	Springer	Voted out for public comment 7/14/17; posted 8/17/17; cmts due 9/29/17; on 11/14 agenda; approved 11/29/17	11/29/17	
JU2017200548	Onsite Consumption	3/7/17		Voted out for public comment on 7/14/17; posted 8/21/17; cmts due 10/27/17; on 11/14 agenda; referred to cmte and postponed to April 2018 mtg 11/15/17; new draft on 4/4/18 agenda		
JU2017200536	Plant count for new cultivators	4/5/17		Voted out for public comment 7/14/17; posted 8/15/17; cmts due 9/22/17; on 11/14 agenda; returned for more work 11/29/17; new draft on 4/4/18 agenda		
	Require trim that is sold separately to be tested separately; kief	5/15/17	Emmett; Miller	Voted out for public comment 7/14/17; posted 8/15/17; cmts due 9/22/17; on 11/14 agenda; referred to testing cmte 11/29/17		
	Require testing licensee to notify director of significant equipment failure		Springer	Voted out for public comment 7/14/17; posted 8/15/17; cmts due 9/22/17; on 11/14 agenda; approved 11/29/17	11/29/17	
	Separation distance	4/5/17	Springer	Draft on 9/14 agenda; no action		
JU2017200477	Timing of public objections	5/15/17	Emmett	Signed by Lt. Gov on 11/28/17	9/15/17	12/28/17
	Local government jurisdiction					
JU2017200533	Revise definition of “direct or indirect financial interest” at 3 AAC 306.015(e)	5/15/17	Springer	Voted out for public comment 7/14/17; posted 8/14/17; cmts due 9/29/17; on 11/14 agenda; failed 11/29/17		
	Better define “promotional activities” and “advertisement”		Mlynarik; Miller	Voted out for public comment 7/14/17; posted 8/14/17; cmts due 9/29/17; on 11/14 agenda; referred to cmte 11/29/17		

DOL Project Number	Topic	Date Opened by MCB	Board member point person(s)	Current Status/Notes	Date Adopted by MCB	Effective Date
	Revise definition of “recreation or youth center”	5/15/17	Miller	Draft on 7/12 agenda; sent back to drawing board; new draft on 4/4/18 agenda		
	Streamline edibles testing	7/14/17	Emmett	Draft on 11/14 agenda; referred to testing cmte 11/29/17		
JU2017200827	Allow licensees to participate in trade shows	5/15/17	Emmett	Voted out for public comment 9/14/17 comment period closed 1/11/18; approved 1/25/18 agenda	1/25/18	
	Require corporation bylaws	9/14/17	Jones	Draft on 11/14 agenda; voted out for public comment 11/29/17; comment period closed 1/11/18; approved 1/25/18	1/25/18	
	Multiple businesses on a lease				1/25/18	
	Removal of affiliates				1/25/18	
	Charging for multiple inspections	9/14/17		Draft on 11/14 agenda; voted out for public comment 11/29/17 comment period closed 1/11/18; approved 1/25/18	1/25/18	
Local gov approval of odor emissions	9/14/17	Springer	Draft on 11/14 agenda; voted out for public comment 11/29/17 comment period closed 1/11/18; approved 1/25/18	1/25/18		
JU2017200829	Definition of resident	9/14/17		Draft on 11/14 agenda; voted out for public comment 11/29/17 comment period closed 1/3/18; approved 1/25/18	1/25/18	
	Financial background investigations	9/14/17	Jones	Draft on 11/14 agenda; voted out for public comment 11/29/17 comment period closed 1/3/18; sent to cmte 1/25/18		
	Extend video storage retention time	11/14/17	Springer	Draft on 4/3/18 agenda		
	Date of issuance of handler permits	1/25/18	Jones	Draft on 4/3/18 agenda		
	Overlapping premises	1/25/18	Jones			
	Allow out-of-state investment in testing labs	1/25/18	Springer			
	Going from limited to standard cultivation license	1/25/18	Jones			
	Ownership change when licensees don't change	1/25/18	Jones			

# Representative Cathy Tilton

*Alaska State Legislature – House District 12*



Mr. Mark Springer, Chair  
Attn: Erika McConnell, Director  
550 W 7<sup>th</sup> Ave. Ste. 1600  
Anchorage, AK 99501

March 7, 2018

Dear Mr. Springer,

By copy of this letter, I am requesting the Alaska Marijuana Control Board consider adding an additional meeting, in May, to address the backlog of permits waiting to be considered.

I understand these delays result from unavoidable staffing issues and not because of the board's lack of attention or the work ethic of AMCO employees. Nonetheless, there are nearly 20 applications in the Matanuska-Susitna Borough currently "under review" and because of the MCB's current meeting schedule a number of these applicants will not have completed applications prior to the submission deadline for the April meeting, but would likely have completed applications for an additional May meeting.

As you know, the House Finance Committee received an extensive briefing on the day-to-day operations of the AMCO in association with HB 299/301 and departmental budget briefings. I clearly understand the challenges AMCO and MCB face dealing with the growing pains of this new industry.

It is my hope the Marijuana Control Board will consider adding a meeting in May to its 2018 calendar to assist Alaskan entrepreneurs.

Sincerely,

A handwritten signature in blue ink that reads "Cathy L. Tilton".

Rep. Cathy L. Tilton, member  
House Finance Committee  
House District 12

State Capitol Rm. 400  
907.465.2199  
Rep.Cathy.Tilton@akleg.gov