



MEMORANDUM

TO: Marijuana Control Board DATE: February 20, 2019

FROM: Erika McConnell, Director RE: Regulations Project – License Fees
Marijuana Control Board

The board opened this regulations project at the October 2018 meeting. Public comments were accepted for over 30 days and are attached.

This change would increase the fee of a renewed license, but not the fee for a new license. License renewal fees that are currently \$1,000 would be increased to \$2,000 (limited cultivation facility, concentrate manufacturing facility, testing facility), and license renewal fees that are currently \$5,000 would be increased to \$7,000 (retail store, standard cultivation facility, product manufacturing facility).

Fees for a new license would remain at the current level.

The legislature has adopted language in the FY19 budget indicating that they expect the marijuana program to repay the \$4.6 million in general funds provided to AMCO to initiate the program. An increase in license fees will provide funds to begin meeting the legislature's expectation.

Options for the board:

- Vote to adopt as written
- Amend; if amendment is significant, put out for public comment
- Send back to staff for revisions
- Close the project without action

(Words in **boldface and underlined** indicate language being added; words [CAPITALIZED AND BRACKETED] indicate language being deleted.)

3 AAC 306.100(d) is amended to read:

(d) The annual license fee, to be paid with each application for a new marijuana establishment facility license and each license renewal application, is

(1) for a new retail marijuana store license, \$5,000, **and for a renewed retail marijuana store license, \$7,000;**

(2) for a new limited marijuana cultivation facility license, \$1,000, **and for a renewed limited marijuana cultivation facility license, \$2,000;**

(3) for a new marijuana cultivation facility license, \$5,000, **and for a renewed marijuana cultivation facility license, \$7,000;**

(4) for a new marijuana concentrate manufacturing facility license, \$1,000, **and for a renewed marijuana concentrate manufacturing facility license, \$2,000;**

(5) for a new marijuana product manufacturing facility license, \$5,000, **and for a renewed marijuana product manufacturing facility license, \$7,000;**

(6) for a new marijuana testing facility license, \$1,000, **and for a renewed marijuana testing facility license, \$2,000.**

(Eff. 2/21/2016, Register 217; am 7/19/2017, Register 223; am 8/11/2018, Register 227; am ___/___/____, Register _____)

Authority:	AS 17.38.010	AS 17.38.150	AS 17.38.200
	AS 17.38.070	AS 17.38.190	AS 17.38.900
	AS 17.38.121		

From: David Brasier
To: [CED AMCO REGS \(CED sponsored\)](#)
Subject: License fees
Date: Tuesday, January 08, 2019 5:18:31 AM

Dear AMCO board members.

Thank you for your time and service. I am writing to express my concerns with the proposed increase in license fees.

I am opposed to seeing an increase in license fees. I believe the current price structure for a new license is fair and should be the price for a new and renewal license.

I believe if AMCO increases the fee we as consumers will see a price increase in retail sales , with retail sales already higher than most states this is not needed. I also see this hurting the growers and the manufacturing facilities bottom line.

I believe an increase in license fees would and will put a damper on new facilities opening up and being able to stay open.

In conclusion, I request that the AMCO board not adopt the new regulation pertaining to license fee changes.

Thank you for your time and consideration,

David Brasier
796 Badger rd
North Pole, AK
99705

From: Ashley Taborsky
To: [CED AMCO REGS \(CED sponsored\)](#)
Subject: AMCO - Marijuana - Public Comment - Proposed Changes in License Fees
Date: Tuesday, January 08, 2019 6:57:22 PM
Attachments: [License Fees.pdf](#)

AMCO -

I believe that with the current licensing fee structure, in addition to local & state taxes, the Alaska marijuana industry is already above & beyond covering its own costs for industry compliance enforcement & regulatory development.

I would respectfully ask that the board seriously consider the funds this industry is already providing elsewhere, and decline to adopt this increase in licensing fees.

(The referenced proposed change is attached, for clarity.)

Please do not move forward with these increases.

Thank you

Ashley Taborsky
(907) 947-0980 cell
[linkedin.com/in/ashleytaborsky](https://www.linkedin.com/in/ashleytaborsky)

From: liza Martin
To: [CED AMCO REGS \(CED sponsored\)](#)
Subject: Renewal Fee
Date: Wednesday, January 09, 2019 8:42:24 AM

You are adding more pressure to the people who have had to invest thousands of dollars just to apply for a license ,not to mention that you take our payment for a license and make us wait months to even go before the board. Now you want to add more of a financial burden by raising the renewal fee? The State is using or industry for profit!

The fees and rules are hard enough to follow....now your going to burden the owners with more.

Did you do the same for Bar owners or Liquor store owners? The State needs to work with our industry if we want it to be viable !

Let us grow before you start coming at us with more fees!

Thank You,

Liza Martin

AKO FARMS LLC.

Sent from [Mail](#) for Windows 10

From: [john.collette](#)
To: [CED AMCO REGS \(CED sponsored\)](#)
Subject: Fees Change comment, 3 AAC 306.100
Date: Wednesday, January 16, 2019 7:35:03 PM

From:
John Collette
Ester Horticulture & Research
Fairbanks

To Who It May Concern:

As a licensed limited grower, this proposal to increase fees to renew is blind to the growers' current economic reality.

Let me show what grower's face in this marketplace. We pay state taxes based on gross sales: Whether the cost of production is high, whether the sale value of the product is low, the tax remains the same. While popular in the United States in the 1920's, these type of gross receipt taxes are largely resigned to the trash heap of history. They have been found to be punitive, not just to those taxed, but to economies as a whole. 47 of the 50 states have banned this type of tax, but the marijuana industry in Alaska is being severely hobbled by this unwise tax.

A grower must grow the crop, (at very high cost), must refine the product, market the goods, and then pay the state a ridiculous level of taxation. This tax can amount to 25% to 37% of gross sales. If the major oil companies were taxed at this level our Permanent Fund would soon rival Norway's.

The cost of Cannabis:

Cost of production for a limited grower growing indoors: \$500 per pound.
Cost of marketing and distribution: \$200 per pound
Cost of Insurance, property taxes, and yearly renewal fees: \$100 per pound
(Based on production of 60 lb. per year.)
State tax for marijuana flower: \$48,000.

The fixed costs of \$1500 per pound must be weighed against the ever declining wholesale value. Much product, often top quality flower, was marketed to retail outlets last year for \$2000-\$2200 per pound. This allows the grower a margin of between \$500-\$600 per pound. At a production rate of 60 lb./year, the grower's fixed costs are approximately \$90,000, adjusted against potential sales of \$120,000-\$132,000, for a margin between \$30,000-\$42,000.

After paying federal taxes, (for which the grower pays the highest level of any industry in the world, due to the very limited number of allowed IRS deductions) the limited grower, and some unlimited growers, *cannot earn a living wage*. Take home pay for the small grower working full time in his or her business: Approx. \$24,000-\$32,000. Take home pay for the State: \$48,000.

The Average household income for Alaska is \$73,181 (*which has declined 6.38% in the last 12 months. We're*

in a severe recession.)

Raising renewal fees will aggravate an already overly stressed part of the industry, and will result in toppling even more slave-wage earning growers.

AMCO must reject this fee increase.

Regards,

John Collette

From: [Chris Logan](#)
To: [CED AMCO REGS \(CED sponsored\)](#)
Subject: 3 AAC 306.100
Date: Sunday, January 20, 2019 3:21:16 PM

Dear Alcohol and Marijuana Control Office and the Marijuana Control Board:
Please accept my public comments on the proposed regulation 3 AAC 306.100, proposed increases to the license fees for new and renewal marijuana businesses.

The increase of license fees from \$5000 to \$7000 (40% increase) for retail stores, cultivations and manufacturers, and the increase of fees from \$1000 to \$2000 (100% increase) for limited cultivations, concentrate manufacturers and testing facilities seems arbitrary and punitive.

No budgetary reasons are stated in the proposed request for increase of fees. While it is apparent that the AMCO office is dealing with a large backlog of applications and paperwork due to a constraint on the number of license examiners, I do not believe this financial burden should be falling solely on the back of the licensees. Millions of dollars of tax revenue is being generated by the Alaska marijuana industry, and while these revenues are dedicated by Alaska statute to pay for services other than the AMCO office budget, any budget increase for needed regulatory workforce should be partitioned from the tax revenues generated by the industry. I can think of no other Alaska state license that has the exorbitant fee structure on top of a high taxation burden, that does not cover the costs of it's own regulatory agency.

The high backlog of applications and wait times for license review are already an undue burden on the backs of the small business owners that are trying to start up in the marijuana industry. I oppose these proposed fee increase and would suggest that a request be put forth to the Alaska State Legislature to reapportion the tax revenues to cover the regulatory agency's apparent budgetary shortfall.

Thank you very much for your time and attention to my comments.
Sincerely,

Chris Logan

January 24, 2019

Ms. McConnell
Director, Alaska Marijuana Control Board
550 7th Avenue suite 1600
Anchorage, AK 99501

Dear Ms. McConnell,

We would like to comment on the purposed marijuana license fee changes. As a licensed cultivation we feel the annual license fee increase from the current \$5000 to \$7000 is unfair and unbalanced. Cultivations are held responsible for submitting all the state marijuana tax. With the price of wholesale flower decreasing due to the continued growth of available flower on the wholesale market cultivations are being hit the hardest financially.

Cultivations such as ours have considerable overhead besides the marijuana tax including, rent, electricity, growing supplies, soil, nutrients, and employee wages. Cultivations that do not have any other source of income from another marijuana license are finding it difficult to remain afloat.

Another point we would like to make is the marijuana concentrate manufactures are responsible for a fraction of what other license groups are accountable for. This group should be brought up to the same license fee requirement as the retail, cultivation, and product manufacturing licensees. The fee structure is unbalanced and yet you see it fair to ask three out of the five marijuana license groups to pay \$7000 annually while the concentrate manufactures, and the limited cultivations only pay \$2000.

We thank you for your time and hope you take into consideration not to increase the current \$5000 annual license fee for cultivations and increase the current \$1000 annual license fee for concentrate manufacturer to a fairer and more balanced annual amount.

Sincerely

Mike Daly, Owner Northern Lights Indoor Gardens

From: [dollynda Phelps](#)
To: [CED AMCO REGS \(CED sponsored\)](#)
Subject: Public comment - License fee increase
Date: Friday, February 08, 2019 1:29:22 PM

I would like to comment regarding the proposed increase of license fees. It is my understanding that the initial monies owed to the state to assist with the development of marijuana regulations is now due, right around \$4M. The AMCO has indicated that it is necessary to raise license fees to pay for this, as well as to continue to provide services. My concern is that nowhere has there been any information published that accounts for the dollars spent. Was the entire \$4M given to the Alcohol and Marijuana Control Office? If so, was the entire \$4M spent on cannabis related regulation, or was some spent for the regulation of Alcohol? It would be nice to see a financial report regarding the expenditures.

The second issue is that of the concern that AMCO already spends much time and money on petty regulatory issues instead of prioritizing tasks and duties. It is frustrating as a licensee, it seems like the more we pay the more forms and work is created for us. Hopefully the "services" promised to us will actually be implemented.

The biggest issue related to license fees is the fact that we must pay for a license that we may not receive, and this money is not refundable. In many cases, the time it takes to apply and receive board approval can be up to one year. By the time we actually receive approval, AMCO comes knocking on the door wanting another \$5,000 (possibly \$7,000). If I purchase a car for \$5,000, and I don't receive the car, that is theft. Is this not the same thing? I am not receiving something that I paid for, that is theft.

At the time an application is submitted, we are required to pay the APPLICATION FEE and the LICENSE FEE. It reasonable to think that the APPLICATION FEE of \$1000 is for the expense of reviewing the application. Why are applicants required to pay for a license if they are not receiving one?

Regulations should be amended to require the \$1000 application fee at the time of submitting an application. The license fee should be required after the board has approved a license, before the license can be issued. This is the only fair way to address this issue. I personally paid a \$5000 license fee last year but was not given a license, will need to pay again in July, and won't have a harvest until August. This is unjust and plain robbery. Please consider these issues before moving forward.

Dollynda Phelps

907-252-8026



MIDNIGHT GREENERY

Tina M. Smith, CEO
Midnight Greenery
(907)727-2000

T.smith@midnightgreenery.com

To: MCB Board members, Director McConnell,

I am writing in regards to the listed proposed regulation changes,

3 AAC 306.055(a): In full support

3 AAC 306.060: in full support, suggest that “a reasonable time” is subjective and should be a solid timeframe. This gives a very clear picture of expectations and is not subjective.

3 AAC 306.015: I am in full support of allowing universities, both private and public to apply for a marijuana license. My only suggestion is to not prohibit the universities from having a retail license. All security measures and age requirements are still in place, assuring that only responsible aged adults are allowed to purchase or enter an establishment. The UAA campus at this time does have an active liquor license on its grounds inside the Alaska Airlines Center #5328, which also allows for university sponsored events and requires a UAA application process. To allow alcohol serving licenses and prohibit cannabis sales makes no sense, especially with what we have learned in the last 3 years regarding the detriment of alcohol vs. cannabis on the human mind and body.

3 AAC 306.020: In full support



MIDNIGHT GREENERY

3 AAC 306.100: While I do not object to license fee increases to cover the debt to the state general fund, I do believe the new fee schedules are very problematic with the very steep increases.

A 40% increase on the larger businesses is already a very steep incline for our very first fee change, then you consider in the 100% increase on renewals, being put upon the license types that are struggling the hardest to stay afloat (limited cultivation), its ridiculously steep incline. This in no way promotes small business, in fact is very much a hinderance that is not shared equally among license types in this proposed change.

I would suggest a 20% to 25% increase across all license types.

Thank you for your time and consideration,

Sincerely,

Tina Smith

From: [McConnell, Erika B \(CED\)](#)
To: [CED AMCO REGS \(CED sponsored\)](#)
Subject: FW: License fees
Date: Friday, February 08, 2019 11:33:43 AM

From: Kate Staskon [<mailto:katestaskon@gmail.com>]
Sent: Friday, February 8, 2019 10:41 AM
To: CED AMCO Enforcement (CED sponsored) <amco.enforcement@alaska.gov>
Subject: License fees

I would just like to make public comment on increasing license fees. I disagree that this would be beneficial to the industry as a whole. We generate so much tax money, license holders should not be responsible to pay for increasingly high work load of amco staff. As a small cultivator this is another cost that I can not afford. I would ask the board to reconsider this cost. This is of great concern to all license holders. Please consider another way to generate the funds needed as this industry grows.

Thank you

Kathryn Staskon

Peninsula Botanicals

#12303

From: [Randy McFarland](#)
To: [CED AMCO REGS \(CED sponsored\)](#)
Subject: License fee increase
Date: Friday, February 08, 2019 11:40:55 AM

I feel that any license fee increase should be equal in terms of percentage across all license types. Limited Cultivators are facing a 100% increase of license fees. If all license fees are increased 100%, I feel would be more fair as opposed to different rate increases for different license types.

Thank you,

Randy McFarland
Stoney Creek Cultivators
Licenses # 10193

Submitted By	Comment
1/9/2019 7:56:29 AM Vernon L Smith smith.vernonlee@outlook.com Unknown location Anonymous User	I believe this increase will hurt limited Cultivators. With the cost of doing business and price for product dropping this will cause more financial burden on the little guy. I would like to see AMCO wait a few more years before raising license fees, so that they can watch what the market is doing and make reasonable decisions based on facts not revenue.

From: [J.R. Tuel](#)
To: [CED AMCO REGS \(CED sponsored\)](#)
Subject: Comment on Regs Projects
Date: Friday, February 08, 2019 5:36:11 AM

These so called changes to the Regs are not fair and are trying to get rid of the industry by putting more burden on the industry with requirements of higher fees that don't matter anyway! So please we are watching you all be careful!!!

Sent from my iPhone