

Governor’s Advisory Task Force on Recreational Marijuana:

Met Tuesday @11:00am

February 21st, 2023

Members: Leif Abel, Brandon Emmett, Gary Evans, Frank “Dru” Malone, Aaron Stiassny, Ryan Tunseth, Jana Weltzin

Absent: Sam Hachey, Rob Carter, Nick Miller, David Pruhs, Joan Wilson

Support: Maya Ali & Bailey Stuart

Agenda Items	Discussion	Decision(s)/Conclusions
<p>Agenda approval for February 21st, 2023 meeting</p> <p>Meeting Minutes approval for February 6th, 2023 meeting</p>	<p>Brandon Emmett motions to approve the February 21st, 2023, agenda.</p> <p>Leif Abel seconds motion.</p> <p>Task Force members voted unanimously in favor; motion is approved.</p> <p>Fadil Limani motions to approve the February 6th, 2023, meeting minutes.</p> <p>Brandon Emmett seconds motion.</p> <p>Task Force members voted unanimously in favor; motion is approved*.</p> <p>*See Zoom transcribe for full discussion.</p>	<p>Task Force unanimously approved February 21st, 2023 meeting agenda.</p> <p>Task Force unanimously approved February 6th, 2023 meeting minutes.</p>
<p>Public Comment</p>	<p>Dollynda Phelps <i>“First of all, I want to really just thank you guys for doing a phenomenal job from the beginning till now, you guys put in so much work. I really support the recommendations that were previously sent to Governor Dunlevy. Today there’s two issues, number one is obviously tax structure...I really think the retail sales endorsement for cultivation facilities along with a tax structure change could save by business, and hundreds of others in the state. In any way we could support this, be it contacting legislative people, whatever we need to do, I back this 150%. And that’s about all I have to say, I just support everything that’s been laid out so far, and I wish you guys the best of luck. Thank you.”</i></p> <p>John Heritscko <i>“I’m calling from Douglas, Alaska. I just want to state my support for everything Dollynda just said, especially with the limited</i></p>	

cultivation facility. My son is the owner of a cultivation facility and we've been hit pretty hard as far as with the low wholesale costs for cannabis. So whatever relief we can get, or whatever help we can get as far as small business owners, we sure would appreciate it. So thank you and thank you for all you're doing. I'm definitely in support of the recommendations you set to the governor's office in regard to sales tax."

Mark Oppegaard "I hold a limited cultivation, license number #13864 House OP. I just want everybody on the board to know that we are a family operated business. We had a brief example of what's happening with us and our cultivation. The high THC seems to sell, the low THC seems to stay in my possession. I get stuck with selling them under COGS (cost of goods) to manufacturers. I've never got over \$500 a pound from marketing my product to manufacturers. I seem to be getting stuck with the balance and I lose out consistently on having to sell below COGS. I could generate more income and stay in the black, given the opportunity to market my lower THC products out of my limited cultivation in some fashion, as suggested about this topic. Other than that I just wanted to let everybody know that I support the direction of the Governor's Advisory Task Board and the positive reconciliation for the pass at hand that you guys are working on. Thank you for your time."

Randy McFarland "Limited cultivation guy here in Seward, Alaska. Last year I grew 41 plants so I might have the distinction of being the smallest operator in the state. First of I like to thank everybody for being involved and your time. I think we should look at anything possible, so that the limited cultivation people have access to the value added portion of the market. That's what's killing this and in my opinion is that we have no place in any value added to our product. I think we should look at processing and manufacturing on a limited basis. The limited guys aren't going to make a real difference... We need to create more opportunities for the little guy."

Michael Holland "I am speaking on behalf of Alaska Beastie Buds limited cultivation. I just wanted to first thank you guys on the committee for coming together and making this a possibility. The tax restructure definitely needs to happen. We've seen just the overall price drop per pound has come down so much. And us limited's have a hard time competing with how much unlimited cultivation can harvest at one time. They can undercut the prices by hundreds of dollars and make it so it's impossible for a limited to even

really sell anything... I've seen over the last 9 months a nearly 60 cent per gram drop to my product go into wholesale at the retailers, and it's going to be hard for people to keep doing things that they love. And you know, people really like doing their work here. They put a lot into it, and I fully support some restructuring to this tax, and allowing the little guys to find a way to make a little bit of money. So, thank you."

Tony Delarm "I'd like to just say that for us [limited cultivators] most retailers are only looking for a high number of THC with the lower cost for the product. And it puts us limited cultivation in kind of a jeopardy... If we were to allow this to go through, it would allow the limited grow to be able to be competitive, to bring our product back to hear, allow customers to be able to come here and get different products that they can't get there. It would give us an opportunity to be successful. Because right now, with taxation, lower cost of wholesale, which again guys.. we're the only industry that's taxed in agriculture, the cannabis industry. And so we're being double jeopardized with taxation, and it'd be nice to not only deal with the taxation, but if we could get this here, we would be able to have product that again like that guy said, we're only getting pennies for the dollar for extraction. And the extractions are out there getting at least 50% of our product at the retail cost that they're making on it, and they're just killing it with no taxation.

And so, this would allow us to have versatility, to get our products out there, have some extra cash, and then also stabilize our employees jobs. That's really the biggest thing I really wanted to say is for the limited growth... The retail prices have not gone down, and they're only willing to pay a low cost for our product when a lot of us have great products and we're getting rid of it for pennies... So, any help we can get with things like this for limited growth would save us."

Levi Miller "Just kind of want to jump on the bandwidth to everybody else. I am really really happy with these recommendations and the work the Task Force has done. One thing that I kind of came across since the last Task Force [meeting] that I wasn't able to bring up, and I don't think has been brought up very much is the new structure in which the alcohol is going to be sold online. I don't know if you've seen this at all, Jana. But they're gonna allow out of state producers to sell online as long as they report their sales as well as in state producers to sell online. They're also gonna make sure that they don't go into the dry communities, as well as checking for I.D.

And then there's also one thing that I also like. I don't know how enforceable it is, but... If you order alcohol online from Alaska and you're a minor, you will be charged potentially a misdemeanor or if you're ordering in a dry area. If you're doing something [wrong] put it on to the consumer that's buying online. I was just curious why we haven't thought about doing a system like that, for the marijuana side."

Lacy Wilcox "I had just wanted to maybe do an encouragement for this group to not refocus but maybe perhaps better focus a little bit on the statutory changes that the Leg. Legal is drafting. I imagine that they're going to come back with very specific questions to this Task Force on particular statutes and the applicable child statute. So where one touches another kind of cross references statutes, I just feel like, maybe this is getting kind of ahead of themselves into the regulatory reform which is the job of the Marijuana Control Board, and I would just really hope that this group can focus a little bit. Maybe back on the statute changes that AS17.38, those title 4 changes for taxes, and of the enforcement applicability statutes that need to be changed, because that is what Ledge Legal is going to be asking for. They might be asking people in the know, they might be asking for public testimony.

But I really would hope that this group is ready with kind of a line by line. Here are the statutes that we believe are going to be impacted in the bill as they move forward with drafting, and I'm sure that there's so many good ideas, and I think like Jana just said, to bring the Marijuana Control Board, or even this Task Force to go further down a review on. But right now, in drafting, I imagine they're going to have some statute specific questions, and I would just encourage you guys to be focused on that. Thank you."

Kerby Coman "Hey, just wanted to say thanks for the Task Force support of everything you're doing thus far and kind of just really just talking about exactly what you were just talking about. And we've kind of, you know, mean you have talked about the delivering, and how, with Enforcement the way that they're reading the statutes. They're saying that it is not allowed where we would disagree. So maybe a clarification, a recommendation from the Task Force as far as a clarification or a change of the statutes to allow for delivery. Because the way I read it we should be able to deliver to a customer. But you know that it's just a conflict understanding of a statute, so it's not quite a regulations change if the statute doesn't allow for it. So that's something I would recommend that the Task Force either clarify

	<i>within the statutes or amend to allow retails to deliver.”</i>	
Discussion on Advisory Report submitted & Leg. Legal	<ul style="list-style-type: none"> Brandon Emmett would like to present in front of the Legislature and the Governor with 3-year projections on different tax types as to facilitate in educating our legislators of the marijuana tax landscape. This is a large project to work on with the Department of Revenue (DoR) but hopes himself and board member Fadil Limani can work on these reports. Jana Weltzin calls on the public to put pen to paper and show support for the Task Force recommendations. Whether this be to the Task Force or for the bill currently being drafted. 	<p>The Task Force would like to present in front of the Legislature and the Governor with 3-year projections on different tax types.</p> <p>Jana Weltzin calls on the public to give written comment to the Task Force.</p>
Alaska C Corporation income tax	<ul style="list-style-type: none"> The State of Alaska has one type of income tax, and it’s called the Alaska C Corporation income tax. Most businesses that are under 50 million in revenue (except for farming, timber, gas and oil) are exempt from the Alaska C Corporation income tax, and they file a small business C Corporation income tax exemption. The issue for cultivation is they are excluded from the exemption even though they are not considered farming or receive the benefits of being a farmer in the State of Alaska with other departments (example: cannabis cultivators receive no benefits from the Division of Ag). In turn puts onerous financial burden on cannabis cultivations in the State of Alaska. <p>Brandon Emmett motions to direct Jana Weltzin to come back to the Task Force with an amendment to recommendation to include an exempt for cannabis cultivations from the Alaska C Corporation tax.</p> <p>Gary Evans seconds motion.</p> <p>Task Force members voted unanimously in favor; motion is approved.</p>	<p>The Task Force motioned to have Jana Weltzin direction to work on a amendment recommendation to include an exempt for cannabis cultivation from the Alaska C Corporation tax.</p>
Brief from Department of Revenue on Potency Tax models	<ul style="list-style-type: none"> Discussion was held to further regulate cannabis like alcohol as passed in ballot measure 2. Another way is through a potency tax. The Task Force discussed having another taxation solution as to be prepared for any requested changes from Legislators. <p>Brandon Emmett <i>“If we had a proof tax, we could not only tax the perceived value of in-state products, but we could tax any of these other, what we consider intoxicating cannabinoids as they come in on their percentage.”</i></p>	<p>The Task Force requests assistance from the DoR in creating modeling for the potency tax structure.</p> <p>The Task Force wants to be prepared for any request for change from the Legislator.</p>

	<p>Leif Abel <i>“I do see the value, and I said as much at our Anchorage meeting, I do see the value in offering more than one solution in the case a group of law makers look at our first idea and say “This is terrible, do you guys have another one [tax model type]?” I think in order to look at something like this, we do need help with modeling to sort of show what it would look like in comparison to the modeling that was completed on our other tax recommendation. So, I’m definitely supportive of discussing another tax type, especially if we can get the modeling for it.”</i></p> <ul style="list-style-type: none"> • The Task Force is asking the DoR to facilitate the modeling of the proof tax type. The Task Force needs good modeling in order to be able to provide accurate numbers to the Legislature. • Fadil Limani states after DoR formulates modeling, DoR will not be taking a position, the Task Force is supportive of this stance. 	
<p>Discussion on cultivator license endorsement</p>	<ul style="list-style-type: none"> • Dru Malone sent out Leif Abel’s proposal to all the limited cultivators in the State of Alaska. This proposal would allowed limited cultivators to sell a small amount of cannabis when the public visits the cultivation. It would be an endorsement on the cultivation license. • Brandon Emmett believes this issue is more of a recommendation that should come from the Alaska Marijuana Industry Association or from the Marijuana Control Board. • Dru Malone believes this is a fairness issue. It restricts the growers from only being able to sell through the retail stores. There are a lot of growers that cannot sell their products and can only sell the products to manufacturers for next to nothing. He supports this amendment because he would like another means of alleviating market issues for cultivators. <p>Leif Abel motions to approve the retail sales endorsement for the cultivation as he wrote.</p> <p>Dru Malone seconds motion.</p> <p>Task Force members voted 2-5 against, 1 abstain; the motion failed. Y: Leif Abel, Dru Malone</p>	<p>Dru Malone sent out Leif Abel’s proposal in letter to the limited cultivators for support on the recommendation that limited cultivators be allowed to sell a small amount of cannabis to the public in an endorsement license type.</p> <p>The Task Force voted against making the recommendation of a limited cultivator license endorsement to sell a small amount of cannabis to the public.</p> <p>The Task Force believes this is a issue for the Alaska Marijuana Industry Association or for the Marijuana Control Board.</p>

	N: Brandon Emmett, Gary Evans, Fadil Limani, Aaron Stiassny, Ryan Tunseth A: Jana Weltzin	
Adjournment	Meeting adjourned at 1:00pm Next Task Force meeting is scheduled for March 13 th , 2023 at 11:00am	Meeting Adjourn at 1:00pm Next meeting is scheduled for March 13th, 2023 at 11:00am