Marijuana Advisory Committee Minutes

Monday, November 16, 2015 7:00pm
Sealing Cove Business Center

Committee Members:

Levi Albertson, Andrew Hames, Joseph D'Arienzo,
Dr. Myron Fribush, Pamela Ash, Darrell Windsor,
Steven Eisenbeisz, Bob Potrzuski

I. CALL TO ORDER:
Chair Albertson called the meeting to order at approximately 7:07pm.

II. ROLL CALL:
Present: Levi Albertson, Joseph D'Arienzo, Andrew Hames, Pamela Ash, Darrell Windsor, Steven Eisenbeisz,
Absent: Bob Potrzuski (excused), Dr. Myron Fribush (excused)
Staff: Paralegal Reuben Yerkes

III. AGENDA CHANGES: None

IV. APPROVAL OF MINUTES: M - Windsor / S – Eisenbeisz, passed unanimously

V. PERSONS TO BE HEARD/CORRESPONDENCE:
Jay Stelzenmuller recommended that the committee impose a higher rate of taxation, and that resulting revenue be designated for education. He emphasized that revenue coming in from taxation would help the public at large with acceptance of marijuana legalization.

VI. REPORTS:
Chair Albertson mentioned an email that a member of the public had sent out pertaining to taxation, recommending no additional taxes beyond what the State is going to impose.

VII. UNFINISHED BUSINESS:

VIII. NEW BUSINESS:
Chair Albertson cited the taxation of multiple other states that have legalized marijuana. He stated that the State of Colorado has a 15% wholesale excise tax and a 10% sales tax on retail sales. They also allow municipalities to levy an additional excise tax. Washington has a 25% tax levied at three levels, producer to processor, processor to retailer, and retailer to consumer. Oregon taxes flowering plants at $35 per ounce, immature plants are $5 per plant, and leaves are $10 per ounce.

Eisenbeisz cited the minutes from the Juneau Marijuana Committee stating that in Washington the average dollar amount spent per person on marijuana is $460 per year. Multiplied that by the 9000 people in Sitka is $4.14 million in annual sales. Multiplied by .06 is just under $250,000 in sales tax. He further emphasized that there will likely be some visitors during the Spring and Summer who will also spend money on marijuana

products while in Sitka, which will further increase that amount.

Albertson asked the Committee if it wants local taxation on marijuana, if so, what type and at what level. He mentioned that some municipalities also choose to tax marijuana paraphernalia. Eisenbeisz stated that he initially liked the idea of having a very small excise tax, as a placeholder for potential increases in the future, in case the State says at some point that excise taxation is no longer allowed, unless it is already in place. He then stated that if such an excise tax is in place, there is the potential for government to increase it to the point that a black market is created.

Ash stated that if the use is for medical uses, the user is almost always going to go to a legal dispensary, because they need to know what they're getting. These people are apt to resist a black market.

Eisenbeisz reminded the Committee to remember the current budget crisis that the state is undergoing. By way of example he mentioned that the State is considering accessing the Permanent Fund to pay for State operations.

Hames stated that as the black market currently exists, a consumer has limited control of what they get. He said that the appeal of the legal dispensary is that when a consumer buys marijuana, they have some assurance of what they are getting. Eisenbeisz stated that starting with a tiny excise tax would give the black market time to come into the legal realm.

Chair Albertson stated that because of the low electric rates in Sitka, it may make production in Sitka desirable for products to be shipped to outside communities where electric rates are significantly higher.

Chair Albertson recommended that the Committee consider questions that could be posed to the Finance Director at the next meeting. He asked what the difference is in City tax revenue between summer and winter levels. He further asked what the average dollar amount is that's spent by a summer visitor. Windsor stated that he would like the Finance Director to explain excise taxes and their structure. Hames stated that he would like to hear about the process of dedicating tax revenue to a specific purpose. Windsor stated that he would like to hear any estimate of the cost associated with additional staff resulting from legalization and associated taxation. He also asked where money received from State licensing fees would best be spent.

Stop: 8:01
Resume: 8:11

Chair Albertson stated that he would like to bring up taxation of non-psychoactive marijuana products. He stated that the Committee could put language in regulation that designates a certain excise tax based on the psychoactive content. He also stated that Nome has enacted a law stating that anything to be sold in Nome must be grown in there.

Hames said that he supports some small excise tax at this point. He stated that consumers are paying for the convenience that the black market can't provide. Windsor also agreed.

Chair Albertson said that the small size of Sitka may require a larger number. Eisenbeisz stated that based on an estimated $4.14 million in sales, a 3% excise tax would bring in $124,200.

Eisenbeisz offered that 25% of any excise tax could goes to schools, 50% to the infrastructure sinking fund, 10% to public safety including the Fire Department and Emergency Medical Services, 5% to general fund for administrative cost, and maybe 10% to the wastewater department. He stated that he was concerned about the amount of fertilizers and waste resulting from growing operations. Chair Albertson stated that a barber shop is charged per chair for their water and sewer rates, and that a grow operation could be billed for utilities by some similar measure of usage. He also stated that he was in favor of schools getting more toward 75% of any excise tax, and 25% going to the hospital. He stated that he would like to hear what Finance Director Jay Sweeney thinks the administration of an excise tax would cost the City.

Chair Albertson said that he felt that many people voted in favor of the initiative because they thought legalization would result in increased revenues for currently deficient programs. He asked if the revenue from an excise tax could be designated for specific uses like academic materials. Eisenbeisz said that the Committee could recommend, and then it would have to go through the Assembly, then it would have to go through the School Board.

IX. PERSONS TO BE HEARD

Jay Stelzenmuller stated that he supported the example of Nome, and its prohibition of importation. He said that he would support that happening in Sitka.

Aaron Bean cited a letter that was given to the Alaska State legislature from a marijuana group from Colorado stating that in 5 years 75% of the black market will have moved to the open market in Alaska. He stated that any excise tax would have a negative impact on business viability. He pointed out that he will not be able to write off any of his expenses.

X. ADJOURNMENT

A. Agenda items for next meeting.

Continuation of taxation and finance
Meet with Finance Director

B. Set next meeting date.

Monday November 23 at 7pm

M – Windsor/S – Eisenbeisz, moved to adjourn at approximately 9:07pm. Motion carried unanimously.

Attest:
Reuben Yerkes, Paralegal