

Estimate of Costs to the State of Alaska for the Implementation of the Initiative Proposing an Act to “tax and regulate the production, sale, and use of marijuana.”

Summary

As required by AS 15.45.090(a)(4), the State of Alaska has prepared the following statement of costs resulting from the implementation of the proposed ballot initiative to tax and regulate the production, sale, and use of marijuana.

The initiative would legalize the personal use of marijuana for persons age 21 or older. Specifically, the statute would permit: the possession, use, display, purchase, or transportation of marijuana accessories or one ounce or less of marijuana; the possession, growth, processing, or transporting of no more than six marijuana plants (with three or fewer being mature, flowering plants) and possession of the marijuana on the premises where the plants were grown; the transfer of one ounce or less of marijuana and up to six immature marijuana plants to a person who is 21 years of age or older without remuneration; the consumption of marijuana in a non-public location; and assisting another person who is 21 years of age or older in any of the above activities.

The initiative would also impose certain restrictions and penalties on the personal cultivation and public consumption of marijuana as well as prohibit the use of false identification by a person under the age of 21 to purchase or attempt to purchase marijuana. It would allow for the manufacture, possession, purchase, distribution and sale of marijuana accessories as well as the lawful operation of marijuana-related facilities such as retail stores and cultivation facilities.

The initiative requires the Alcoholic Beverage Control Board (ABC) in the Department of Commerce, Community and Economic Development (DCCED) to adopt regulations to implement the law no later than nine months after the initiative is approved. However the legislature may create a Marijuana Control Board in DCCED to assume the ABC’s regulatory role. Marijuana establishments must be registered and local governments could prohibit or limit the existence of and operations of marijuana facilities in their jurisdiction.

The initiative also imposes a \$50 per ounce (or proportionate part) excise tax on the sale and transfer of marijuana from a marijuana cultivation facility to a retail marijuana store or marijuana product manufacturing facility. The tax would be paid by the marijuana cultivation facility.

Based on examination of Washington and Colorado, two states that are currently in the process of implementing similar legislation, the Governor, the Legislature, or the ABC Board may choose to establish a Task Force to represent the major stakeholders affected by the implementation of the initiative. An estimate of the potential costs for the Task Force are included under the DCCED cost statement beginning on page 3. This would be an effective method to facilitate an expedient and comprehensive gear-up of the tax and regulatory framework described or established in the initiative.

There are numerous unknowns in the State’s implementation of this initiative and as such the cost statement provided here is illustrative. For example, it is unknown whether or not the legislature will create a Marijuana Control Board within DCCED, so the cost estimates do not reflect that potential administrative structure. Using information available from the Colorado and Washington experiences as well as other sources, state agencies have identified a range of potential costs to the

state from \$3.7 to \$7.0 million in the first year. It is likely that costs related to development of the tax and regulatory framework would initially be significant. Over the longer term, it would be expected that more of the state's total costs would become public health and education activities as the extent of the impact on public health becomes more defined.

Below is a summary table of agency costs followed by explanations of the estimates by individual agency. The following represents a potential range of state agency costs. The estimate does not include expenses that the legislature may or may not incur associated with the initiative, or any legal expenses that the state may incur as a result of the initiative.

Summary of estimated costs to implement the Marijuana Initiative by State Agency

Agency	Cost Range - First Year	
Alaska Department of Revenue	\$650,000	\$800,000
Alaska Department of Commerce, Community and Economic Development	\$1,563,960	\$1,563,960
Alaska Department of Health and Social Services	\$0	\$2,987,000
Alaska Department of Public Safety	\$1,434,700	\$1,434,700
Alaska Department of Environmental Conservation	\$0	\$136,900
University of Alaska	indeterminate	--
Office of the Lieutenant Governor	\$9,000	\$9,000
Division of Elections	\$71,257	\$71,257
Total First Year Estimated Cost	\$3,728,917	\$7,002,817

Statement of Cost Estimates by Department

Estimate of costs to the Alaska Department of Revenue to implement the marijuana initiative **\$650,000 - \$800,000**

If this initiative is approved by the voters in the August 2014 primary election, it would require DOR to incur additional costs to effectively implement it. If approved, it is presumed that this initiative would take effect thirty days after approval by a majority of qualified voters.

The estimated cost to the state for the implementation of this initiative is between \$650,000 and \$800,000. Recurring annual costs are estimated at approximately \$300,000.

The estimated costs can be broken down into two categories:

Personnel Services:	\$300,000
<u>Contractual Services:</u>	<u>\$350,000-\$500,000</u>
TOTAL	\$650,000-\$800,000

Personnel - DOR estimates that it will need to create at least three new positions to oversee the new excise tax imposed by this initiative at a cost of approximately \$300,000 to assist with the administration and collection of a new excise tax. DOR would need at least one Tax Auditor III position, one Tax Technician II position, and one Investigator III position to fulfill the needs of a

new tax program. This cost is similar to the cost that is currently incurred by DOR to administer other similar types of excise taxes, and would be recurring annual costs for DOR.

Contractual Services - DOR estimates that it will incur a one-time additional expense of approximately \$500,000 for systems configuration. In August 2014, DOR will be complete with configuring the excise tax portion of its new Tax Revenue Management System (TRMS). If this initiative is approved by the voters, it will require DOR and its information system contractors to reconfigure the system to add this new excise tax. Given the limited timeframe to analyze what portions of the system would need to be reconfigured if the initiative passed, DOR's contractors have supplied an estimate of \$350,000 to \$500,000 for this effort.

The above cost estimates represent a minimum cost given the numerous uncertainties around the referendum, and what all of the effects of its passage would be.

Estimate of costs to the Alaska Department of Commerce, Community and Economic Development to implement the marijuana initiative **\$1,563,960**

The following represents an estimated cost to DCCED given the language of the ballot initiative; the actual costs will likely be different. The estimate does not include expenses the legislature or other departments may incur associated with the initiative. The Washington and Colorado marijuana initiative cost estimates were reviewed in developing this cost analysis.

If the initiative is approved by voters in the August 2014 primary election, the State of Alaska, through the Alcoholic Beverage Control (ABC) Board, shall adopt regulations within nine months following the effective date, as required by AS 17.38.090. It is presumed that the initiative would take effect thirty days after the approval by a majority of qualified voters.

A local government may designate a local regulatory authority that would be responsible for processing applications submitted for the operation of a marijuana establishment within the boundaries of the local government. If the ABC Board fails to adopt regulations as outlined in the initiative, an applicant may submit an application directly to a local regulatory authority one year after the effective date of the law. In accord with AS 17.38.110, a local government may prohibit cultivating, manufacturing, testing, and selling marijuana through an ordinance or voter initiative. Local governments may also enact local ordinances or regulations for the governance of marijuana establishment operations as long as they are not in conflict with the initiative or regulations enacted pursuant to the initiative.

If the initiative passes, the responsibility for controlling marijuana will lie with the ABC Board until or unless a marijuana control board is established by the legislature within DCCED.

As was done in the state of Colorado following the passage of a similar initiative, the department recommends the creation of a Task Force to identify legal, policy, and procedural issues that need to be resolved, and to offer suggestions and proposals for legislative and executive action for the implementation of this initiative. The Task Force would need to complete its initial regulatory framework within four months of the effective date of the initiative to allow for the adoption of regulations within the nine month requirement. The remaining Task Force work would be concluded one year after the effective date of the initiative.

It is assumed that the Task Force would be comprised of a total of 17 uncompensated members representing interest groups affected by the ballot initiative: four Legislators, one each from the majority and minority of both the House and Senate; one Commissioner or their Designee from each agency affected by this initiative (DCCED, Public Safety, Health and Social Services, Environmental Conservation, Revenue, Law, Corrections and the University of Alaska); one member of the initiative campaign; one member of the public who represents the medical industry; and three members of the public at-large, with one representing rural Alaska. Task Force members will receive travel and per diem. The actual composition of the Task Force may be different. The estimated total cost to DCCED for the implementation of this initiative is \$1,563,960 for the first year and \$1,413,140 for the second year.

	<u>First Year</u>	<u>Second Year</u>
Business Registration Examiners, Range 13 C - 2 at \$73,000 each		\$146,000
Investigator IIIs, Range 18 C - 4 at \$99,300 each		\$397,200
Investigator IV, Range 20 C		\$110,000
Administrative Officer I, Range 17 C		\$86,000
Program Coordinator II, Range 20 C	\$107,800	\$107,800
Total Personal Service Costs	\$107,800	\$847,000
Board member/Staff travel and per diem		\$85,900
Informants/underage buyers (compliance check) travel, pay, and per diem		\$34,000
Task Force travel and per diem	\$16,600	
Total Travel and Per Diem Costs	\$16,600	\$119,900
ABC Board Warning/Enforcement Signs	\$2,000	\$2,000
Envelopes	\$800	\$800
Forms	\$1,500	\$1,500
Postage	\$2,000	\$2,000
Office Space 160 sq. ft. per employee at \$3 foot	\$5,760	\$51,840
Ongoing support services for new employees	\$10,000	\$90,000
One-time set up costs for new positions	\$5,000	\$40,000
Total Equipment, Office Space, and Supplies Costs	\$27,060	\$188,140
Task Force recommendations contract funds	\$650,000	
Department of Law Assistant Attorney General Services	\$62,500	\$62,500
Department of Law for expedited regulations	\$200,000	
Database Creation	\$500,000	
Database Maintenance		\$50,000
Vehicles 4 at \$33,500		\$134,000
Vehicle Operating and Maintenance at \$240 per month		\$11,600
Total Contracts and Services Costs:	\$1,412,500	\$258,100
	Total Costs: \$1,563,960	\$1,413,140

Personal Services

All positions within the ABC Board are currently performing at or above capacity. With the passage of the initiative, the workload of the ABC Board has the potential to double or triple. If doubled, the ABC Board would require an additional four investigators, one supervisor, and two business registration examiners to regulate the marijuana industry, similar to the duties of current staff that regulate the liquor industry. The addition of an Administrative Officer I would be necessary to support the added financial requirements. A Program Coordinator II would be necessary for the facilitation, coordination, and documentation of the Task Force and for the long-term program development, planning, coordination, and oversight of this complex program.

Travel and Per Diem

Board

If the ABC Board of Directors takes on the added responsibility of controlling the cultivation, manufacture, barter, possession, and the sale of marijuana, the current board meetings would be extended by one day, adding to the cost of lodging, ground transportation, and per diem.

Investigations

Investigators and underage buyers will travel to communities around the state to provide compliance checks and ensure retailers adhere to the laws and regulations of the program, similar to liquor industry compliance investigations.

Task Force

The Task Force will hold seven two-day meetings, with two face-to-face meetings in Anchorage and the rest conducted either by video or teleconference; this assumes ten members are located outside Anchorage.

Equipment, Office Space, and Supplies

Equipment and supply costs includes new employee set up, warning signs, test kits, paper products, postage, and additional office space.

Contracts and Services

Contract costs are for studies on market demand, effects of marijuana, and the cost of production. Regulations will need to be in place nine months after the effective date of this initiative and will require extensive work with the Department of Law. There will be significant ongoing work required by the Department of Law to meet the demands of this new program, similar to the legal demands of the liquor industry.

A new database would require the analysis and development of business rules, analysis of existing systems for parallel processes or required modifications, new system development, testing, validation, implementation, and documentation.

Vehicles

Additional vehicles are required to perform investigations across the state.

**Estimate of costs to the Alaska Department of Health & Social Services
to implement the marijuana initiative**

\$0 - \$2,987,000

As written, the initiative primarily focuses on the process and procedures necessary to establish taxation and regulation of the production, sale, and use of marijuana; the actions addressed in the initiative will not directly impact or cost the Department of Health and Social Services in the establishment of these procedures and regulation development.

However, there is evidence that downstream health and social service consequences of implementing this initiative could be significant. The department has prepared an estimate based on research, other states' experiences, and an extrapolation of expenses the department incurs providing similar substance related services. The fiscal impact will directly relate to how many additional people begin using marijuana and how many current users increase their use.

To evaluate costs, the department has considered recent studies including Proceedings of the National Academy of Science,¹ and the United Nations Office on Drugs and Crime, *Cannabis: A Short Review*.²

These studies note emerging findings on the harmful effect of cannabis on neuropsychological functioning data indicating cannabis is linked to addiction, cognitive impairment, motor skills deficiency, respiratory, cardiovascular and mental health problems, and has been shown to be particularly damaging to maturing brains.

The consequences and outcomes of marijuana use create a significant potential for increased costs for physical and behavioral health care, child welfare services, educational systems, employers, public safety, criminal justice, community health and other aspects of state and local governments. For instance, legalization of marijuana may create an environment in which young people, in particular, perceive a lower risk of harm from marijuana use, resulting in increased use.³

According to Robert Morrison, Executive Director of the National Association of State Alcohol and Drug Abuse Directors (NASADA), Alaska has one of the highest use rates of marijuana at 11%, along with Vermont. He also highlights that an estimated 4.4 million individuals, nationwide, met criteria for marijuana dependence or abuse.⁴

While actual increases in health and social service programming are unknown, research and data provide a clear picture of the potential for increased problems associated with the legalization of marijuana. In states where medical marijuana is legal, marijuana abuse and dependence rates are almost twice as high as in those states without medical marijuana.⁵ Two states that have recently

¹ Persistent cannabis users show neuropsychological decline from childhood to midlife. Meier, Madeline H., Caspi, Avshalom, et al. Proceedings of the National Academy of Science. Published online August 27, 2012

² Cannabis: A Short Review, Discussion Paper from the United Nations Office on Drugs and Crime. 2012.

³ Trends in Adolescent Substance Use and Perception of Risk from Substance Use. The NSDUH Report; from the Substance Abuse and Mental Health Services Administration (SAMHSA) and the National Survey on Drug Use and Health. January 3, 2013.

⁴ Marijuana Regulation: Considerations from State Substance Abuse Agency Directors. A presentation to the National Conference of State Legislatures (NCSL), Spring Forum. Robert Morrison, Executive Director, NASADAD. May 3, 2013.

⁵ Toolkit for States Facing "Medical" Marijuana & Marijuana Legalization Initiatives. Community Anti-Drug Coalitions of America (CADCA). Summer 2012.

legalized marijuana, Washington and Colorado, report difficulty determining the potential costs. Results of a recent report to estimate the fiscal impact of marijuana legalization in Colorado were inconclusive and four national marijuana-policy experts wrote that “the future holds more unknowns than knowns.”

The Division of Juvenile Justice has identified several areas in which costs could increase. Making possession of marijuana an offense that can be committed by minors but not adults creates a new status offense that is subject to specific rules governing the secure holding of juveniles. Violation of those rules could jeopardize federal funding currently received through the U.S. Office of Juvenile Justice and Delinquency Prevention. The initiative could also require increased treatment for substance abuse and mental health issues among youth held in detention.

With this very brief overview of concerns about increased marijuana use and legalization, the department anticipates potential costs to DHSS in the following areas, with estimates of per annual cost increases:

- Increased substance use, dependency and addictions treatment: \$200,000 or a 10% increase in treatment services for marijuana dependence;
- Increased mental health treatment services: \$1.1 million or a 5% increase in mental health treatment services;
- Increased physical health services through public health and our primary care providers: \$400,000;
- Increased Medicaid costs to cover treatment and service needs: \$27,000 or a 10% increase in current marijuana treatment services covered by Medicaid;
- Increased enforcement of marijuana access by youth (similar to our current tobacco enforcement efforts). This expenditure will be determined upon the process developed for retail sale of marijuana: \$140,000 or a potential 20% increase;
- Increased prevention, education and early intervention programs for adolescents and young adults: 10% community grant increase and 20% ASAP service increase = \$390,000 + \$250,000;
- Increased child protection services for young children in homes with regular and persistent marijuana users (second hand marijuana smoke, neglect), and training for foster parents and staff: \$250,000;
- Increased juvenile justice services for youth engaged in marijuana use and dependency \$200,000; and
- Potential Human Resource activities related to employee use of marijuana and related policies \$30,000.

Estimated annual potential cost increases to the Department of Health and Social Services resulting from the legalization of marijuana are \$2,987,000. As indicated, these are estimates based on projected impacts; depending on the actual regulations, enforcement, and number of citizens who increase their use of marijuana, actual costs are likely to be different.

**Estimate of Costs to the Alaska Department of Public Safety
to implement the marijuana initiative**

\$1,434,700

The ballot initiative would tax and regulate marijuana sales and allow Alaskans to cultivate marijuana for personal use. Persons 21 years of age or older could legally possess up to one ounce of

marijuana or six marijuana plants (three of which could be mature), and could legally cultivate, sell and purchase marijuana through authorized marijuana-related facilities.

The cost to DPS to implement the law proposed by this initiative is based on the following assumptions regarding the legalization of marijuana in Alaska: it will lead to increased demand and usage and a consequent increase in the number of people driving while under the influence of this drug, and it will increase the illegal diversion and exportation of marijuana lawfully cultivated in Alaska.

Therefore, the costs to DPS are associated with the following:

1. Increasing the number Statewide Drug Enforcement Unit trooper investigators to target the diversion and exportation of marijuana lawfully grown in Alaska;
2. Requiring more troopers to receive Drug Recognition Expert (DRE) certification to enhance their ability to detect drivers impaired by marijuana and address the anticipated increase in DUI offenses;
3. Launching a public education and awareness campaign on the dangers of driving under the influence of marijuana; and
4. Increasing the number of samples being sent out for toxicology analysis to detect the presence of marijuana in blood.

Division of Alaska State Troopers:

Marijuana is identified as a primary substance of abuse in Alaska, along with alcohol, cocaine, heroin, and prescription drugs. These substances are the focus of most drug enforcement efforts in Alaska.

DPS' Division of Alaska State Troopers (AST), Alaska Bureau of Investigation, Statewide Drug Enforcement Unit (SDEU) provides a leadership role in coordinating law enforcement's efforts to reduce the availability of illegal alcohol and controlled substances (including marijuana) throughout Alaska. The SDEU primarily supports six investigative drug task forces throughout Alaska. These teams are broken down by region as follows:

- Alaska Interdiction Task Force/Anchorage Enforcement Group (sponsored by the U.S. Drug Enforcement Administration)
- Fairbanks Area-wide Narcotics Team
- Mat-Su Narcotics Enforcement Team
- South Central Area-wide Narcotics Team
- Southeast Alaska Cities Against Drugs Task Force
- Western Alaska Alcohol and Narcotics Team

SDEU participates with and receives assistance from several federal investigative agencies involved in drug enforcement. These agencies include: the Drug Enforcement Administration (DEA);

Federal Bureau of Investigation (FBI); U.S. Postal Inspection Service; Bureau of Alcohol, Tobacco, Firearms, and Explosives (BATFE); and U.S. Immigration and Customs Enforcement (ICE).

The DEA awarded \$80,000 in Marijuana Eradication grant funds to the State of Alaska in calendar year 2012. These funds were used to cover some of the costs associated with marijuana eradication in the state. In calendar year 2012, funds were shared with the Anchorage, Craig, and Kenai police departments to cover overtime incurred by officers involved in eradication operations. The following table reports the activities supported through this grant:

2012 Domestic Cannabis Eradication/Suppression Statistical Report for Alaska								
Total Eradicated Outdoor Grow Sites	Total Cultivated Plants Outdoor	Total Eradicated Indoor Grow Sites	Total Cultivated Plants Indoor	Total Cultivated Plants (Outdoor & Indoor)	Bulk Processes Marijuana	Number of Arrest	*Assets Seized (Value)	Weapon Seizure
3	113	62	4,270	4,383	203	76	\$36,077	74

**Assets seized include paraphernalia items such as grow lights and digital scales and does not include marijuana plants.*

Given that marijuana is illegal under federal law, legalization of marijuana in Alaska will have an impact on the collaborative working relationships DPS has with its federal counterparts and could potentially affect federal grant funds DPS and local law enforcement agencies receive for marijuana eradication and suppression efforts.

Should this initiative become law, it is practical to assume that arrests for simple possession will decrease. Even so, drug enforcement efforts are primarily targeted at individuals engaged in commercially cultivating and trafficking marijuana.

It is likely that sales of marijuana will not only be conducted by legitimate, taxpaying business people, but by criminal actors as well. Due to more potent levels of tetrahydrocannabinol (THC) in Alaskan-grown marijuana, the out of state demand for the drug is significant, and legalization could increase opportunities for marijuana export. AST predicts illegal commercial marijuana growing operations will continue to exist to meet this demand, skirting taxes and regulation in order to make the maximum profit. In addition, allowing the operation of marijuana cultivation facilities as proposed by the initiative actually increases the opportunity for Alaska’s “legally grown” marijuana to be illegally diverted and exported.

DPS would require at least three additional Alaska State Trooper positions to target the illegal diversion and exportation of marijuana lawfully cultivated in Alaska. These positions would also work with DCCED’s Alcoholic Beverage Control (ABC) board investigators on investigations into criminal activity associated with regulation of the marijuana industry.

The first year cost of three new trooper investigator positions is \$827,200; \$594,400 for ongoing funding to cover personal services, travel, training, and supplies (base increment), and \$232,800 to cover training at the academy, IT equipment, portable radios, office equipment, firearms and vehicles (one-time funding).

Though arrests for simple possession may decrease, the greater availability of marijuana will likely increase the number of adults consuming marijuana and the frequency with which it is consumed; consequently, the number of individuals driving under the influence of marijuana is expected to increase. Current practice is to administer standardized field sobriety tests to individuals suspected of driving under the influence (DUI). There is currently no chemical test that can be used in the field to detect marijuana impairment; the taking of a blood sample for purposes of determining the presence of a controlled substance (including marijuana) must be conducted at a medical facility.

To quickly and proficiently recognize the signs of marijuana impairment in drivers who are contacted, DPS proposes that more troopers become certified as drug recognition experts. A drug recognition expert (DRE), sometimes referred to as a drug recognition evaluator, is a police officer trained to recognize impairment in drivers under the influence of drugs other than, or in addition to, alcohol. Training and certification requirements are established by the International Association of Chiefs of Police and the National Highway Traffic Safety Administration. The cost for this training is approximately \$2,500 per trooper.

Finally, DPS would launch a major public education and awareness media campaign focused on the dangers of driving under the influence of marijuana, similar to its current drunk driving and seat belt use campaigns. Using current media campaign expenditures as a base, the production and advertising costs for a DUI campaign focused on marijuana impairment are estimated to be \$500,000 per year for television, radio, print, and internet advertising.

Scientific Crime Detection Laboratory:

The DPS Scientific Crime Detection Laboratory (SCDL) provides drug identification services to Alaska's law enforcement agencies through its controlled substances section. Forensic scientists in the section analyze evidence items and conclusively identify a controlled substance or perform sufficient analysis to determine that no controlled substances are present.

Drug evidence submitted to the section can be analyzed through a variety of methods that include preliminary testing combined with confirmatory testing. Preliminary testing can include color testing, microcrystalline microscopic analysis, or physical identification of a tablet using a reliable source. The confirmation of the presence of a controlled substance is performed through one of two confirmatory tests, gas chromatography/mass spectrometry (GC/MS) or infrared spectrophotometry.

Following analysis, a forensic scientist interprets the instrumental data and prepares a report of his/her findings. This report is used in criminal court proceedings and often the forensic scientist is asked to provide expert testimony to the courts.

Marijuana, a schedule VIA controlled substance under AS 11.71.190, is commonly submitted by law enforcement agencies to the crime lab. Drug paraphernalia such as pipes and digital scales are also frequently submitted to the crime lab for analysis. Forensic scientists may also be called upon to analyze samples for federal agencies operating within Alaska for substances controlled under the federal Controlled Substances Act, which includes marijuana.

The crime lab seldom analyzes personal use quantities of marijuana. Rather, the evidence being submitted to the crime lab is indicative of distribution (trafficking) level quantities. As AST predicts

that illegal commercial marijuana grow operations will continue despite any legalization of marijuana-related facilities, such as marijuana cultivation facilities and marijuana retail stores, the SCDL does not anticipate a decrease in submissions of evidence.

Alaska does not currently have an in-house drug toxicology program. The SCDL has a contract with the Washington State Patrol Toxicology Laboratory in Seattle for toxicology services and sends samples there for drug analysis. Based on the anticipated increase in marijuana impaired driving, DPS estimates that an average of 150 additional samples will be sent out for analysis each year. At an average cost of \$300 per sample, the increase in contract costs would be \$45,000 per year.

The estimated total cost to DPS for the implementation of this initiative is \$1,434,700 for the first year and \$1,201,900 for the second year. Following is a summary of the estimated costs:

	First Year	Second Year
Three Trooper Investigator Positions	\$594,400	\$594,400
One-time position costs (academy training, IT equipment, office equipment, firearms, and vehicles)	\$232,800	\$0.0
Total Personal Service Costs	\$827,200	\$594,400
Marijuana DUI Media Campaign (production and advertising)	\$500,000	\$500,000
DRE Certification (\$2,500/trooper x 25 troopers annually)	\$62,500	\$62,500
Contractual increase for toxicology services (\$300/sample x 150 additional samples)	\$45,000	\$45,000
Total Contracts and Services Costs	\$607,500	\$607,500
TOTAL COSTS	\$1,434,700	\$1,201,900

Estimate of costs to the Alaska Department of Environmental Conservation to implement the marijuana initiative **\$0 - \$136,900**

The ballot initiative legalizes marijuana for use by persons 21 years of age and older. Section 17.38.080 states that the Department of Commerce, Community, and Economic Development (DCCED) may create a Marijuana Control Board; otherwise, the powers, duties, and responsibilities fall to the Alcoholic Beverage Control Board, located in the DCCED.

Normally, under AS 17.20, the DEC has responsibility to regulate food and food products. Marijuana or its derivatives, if considered a food, would fall under those provisions. However, under 17.38.090 of the proposed law, responsibility for regulating marijuana, including creating labeling requirements and health and safety regulations for the manufacture of marijuana, lies with the Alcoholic Beverage Control Board.

If additional food establishments were opened to create marijuana products (such as marijuana bakeries, etc.) along with additional food facilities opening up in the state, the Food Safety and Sanitation Program within DEC will need an additional Environmental Health Officer III position

in Anchorage to review sanitation plans and conduct sanitation inspections for the increased number of facilities. If there is an increase in facilities, DEC anticipates needing one full time position at a total cost of \$136,900 (includes personal services, travel, contractual and supply expenses).

The estimates are done based on the cost during FY14 and do not reflect inflationary increases that will occur during the years it takes for this legislation to be passed, regulations to be written, and individuals to set up grow operations and potential food establishments. The cost will likely increase in future years.

**Estimate of costs to the University of Alaska
to implement the marijuana initiative**

Indeterminate

The University of Alaska has examined the initiative and due to the uncertainty around the initiative cannot provide a definitive estimate of the costs that it would incur at this time. However, should the initiative become law, it will directly impact the University's primary population – its students.

Areas of potential costs include but are not limited to:

As with Colorado and Washington, education will be needed for students, faculty, and staff about how the initiative would change University policies regarding possession or use of drugs on campus.

The Clery Act includes requirements for education on drug effects. The University would need to adjust its Clery documents, and there would potentially be some production costs associated with that effort. Additionally, there will likely be costs associated with revising University policies and regulations such as housing, employment and discipline.

It is anticipated that there would be additional costs associated with enforcement (the proposed law prohibits consumption in public) by UAA and UAF police departments as well as by administrators

There are potential legal costs associated with analyzing initiative and advising Major Administrative Units (MAUs).

There is likely to be some impact on the health care costs and rates for employees as well as a potential impact on insurance rates for the University.

The University envisions that they would very likely incur some research costs based on requests for information on the social and economic impacts of the initiative.

**Estimate of costs to the Office of the Lieutenant Governor and the
Division of Elections to implement the marijuana initiative**

\$80,257

Office of the Lieutenant Governor

Assuming the initiative is placed on the ballot, the minimum cost to conduct public hearings concerning the initiative in two communities in each of four judicial districts is estimated to be \$9,000. This number may be reduced if hearings are held on more than one initiative at a time.

Lt. Governor's Office estimate by category

<u>Travel</u>	<u>\$ 9,000</u>
Total	\$ 9,000

Estimated travel expenses include round-trip air transportation, per diem and other associated travel costs for the Lieutenant Governor and staff to travel to seven communities in Alaska. It is assumed one of the hearings would be in Anchorage which would not involve travel costs.

Division of Elections

The minimum cost to the Division of Elections associated with certification of the initiative application and review of the initiative petition, excluding legal costs to the state and the costs to the state of any challenge to the validity of the petition, is estimated to be \$71,257.

Elections estimate by category

Personal Services	\$69,957
<u>Services</u>	<u>\$ 1,300</u>
Total	\$71,257

Personal services expenses associated with certification of the initiative application and review of the initiative petition:

Three full-time employees at 522 hours is \$29,200

8 temporary employees at 2,520 hours is \$40,757

Services expenses associated with certification of the initiative application and review of the initiative petition:

Printing of booklets is \$1,300.