



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Kevin Knox, Tristan Guevin and Bob Potrzuski

Date: September 21, 2017

Subject: Approval of the Marijuana Excise Tax (Ordinance 2017-33)

Most larger Alaska cities with marijuana growers and retail establishments are collecting targeted taxes on marijuana cultivation and sales. Anchorage, Juneau, Fairbanks, North Pole and Ketchikan are just a few that leverage sales or excise taxes.

Reasoning for the tax:

Obviously revenue generation is a large driver for any tax. Special taxation on products like marijuana, alcohol and cigarettes are often very well supported by voters and communities looking to distribute taxation away from necessary and critical needs and services.

Like that of alcohol and tobacco, it is widely thought that the price of marijuana will have the greatest impact of youth rates of use. Youth are the most price sensitive demographic in the purchasing spectrum when it comes to products like this. The US Surgeon General and the Center for Disease Control have countless quantitative surveys that outline best practices for alcohol, sugar sweetened beverages and tobacco pricing, though at this time there isn't hard data on marijuana, there is little doubt from many of the same researchers that marijuana will be any different.

Reasoning for an excise tax in Sitka rather than an increase in sales tax:

At this time Sitka's sales tax is already collected at the maximum allowable. The only way for an increase on just marijuana would be to have another tax levied at a higher rate.

Dedicating Revenue:

The ordinance contains a provision to dedicate revenue to the Sitka School District's Student Activity and Health Equity Fund. The Sitka Health Summit Coalition, Sitka School District, Sitka Tribe of Alaska and the Children's Health Fund Action Group have collaborated over the past several years to develop the idea of the Fund.

Sitka has some significant inequities, with great disparity evident in income, opportunity and health outcomes along class and racial lines. Overall, 10% of Sitka's children live in poverty and 36% qualify for free or reduced lunch programs.

The cost of extracurricular and after school activities is high and growing. For a single child to participate in one season of a typical club, sport or other organized healthy activity in Sitka, a family must be able to pay up to several hundred dollars in registration, uniform, travel, and other fees. This financial burden is in addition to the challenge of providing youth with the necessary gear, snacks and transportation needed for full participation in activities. For families with limited resources, these barriers are often insurmountable and kids – often those with the most need for healthy, safe activities - are missing out on opportunities to exercise, play, build new skills, and gain exposure to positive peer and adult mentors. The SSD Student Activity and Health Equity Fund will be designed to help close this opportunity gap by funding student participation in activities that improve health and wellbeing. The goal of the SSD Student Activity and Health Equity Fund working group is to create and administer the funds with an equity lens, thereby building a more just and healthy Sitka.

The Fund will be a collaborative undertaking. The Sitka School District's Activities Director will manage the program and Sitka School District will distribute the funds. The Sitka School District is an ideal partner since they can use the application process that students use to be eligible for free and reduced school lunches.

Community partners formed the Children Health Fund Workgroup: Sitka Counseling and Prevention Services, Sitka Tribe of Alaska, Sitka Community Hospital and the Sitka Conservation Society. That workgroup will continue to advise the SSD in evaluating and managing the fund so that it continues to grow both from CBS contributions and leveraged funding opportunities like the RWJF Action Acceleration Grant, Rotary and other private donors. To date the Fund has been granted \$10,000 from RWJF and received commitments from individual donors. Part of the recent grant funds will be used to hire a professional evaluator to examine and report on the implementation and results.

The Sitka Health Summit Coalition will leverage learnings from the Roadmaps to Health coaching program to insure that the fund is appropriately designed to sustainably achieve its equity and health goals. The program is being piloted at Sitka High School with plans to scale up and grow district wide.

2017-2018 Sitka School Districts Student Activity and Health Equity Fund Project Goals are:

- 1.) Raise \$10,000 for the implementation part of Children's Health Fund by December 31st
- 2.) Create a fair and equitable distribution system for the funds.
- 3.) Increase SHS student enrollment in free and reduced school lunch program and get Title One designation for Sitka High School by May 2018.
- 4.) Increase the number of nutritious team meals that are provided to student in the 2017-2018 school year.