



City and Borough of Sitka

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A Coast Guard City

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: Assembly Members Knox and Himschoot

Date: June 16, 2021

Subject: Approve Ordinance 2021-17 Marijuana point of sale tax

Background

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

Analysis

Revenue generation is a large driver for any tax. Special taxation on products like marijuana, alcohol and cigarettes is often very well supported by voters and communities looking to distribute taxation away from necessary and critical needs and services to place a greater burden on “luxury” items.

Like alcohol and tobacco, the price of marijuana has been found to have the greatest deterrent impact on 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 Centers 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 speculative certainty from many of the same researchers that marijuana will be similar.

Fiscal Note:

Based on current retail sales tax data from Sitka's marijuana industry it is estimated that the additional 5% point of sale revenue would be approximately \$200,000. annually. All sales conducted within the CBS will be subject to the tax unless specifically exempted as a wholesale transfer or sale or other allowed exempt sale. Any tax holidays and the senior sales tax exemption will not apply to this tax.

Dedicating Revenue:

The ordinance contains a provision to dedicate revenue to the Sitka School District's Student Activity Travel 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 Fund, which holds proceeds of marijuana licensing fees currently.

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, with that number rising to over 45% in 2020.

The cost of extracurricular and after school activities is high and growing, in particular . 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 greatest 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 Travel Fund was 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 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 is a collaborative undertaking. The Sitka School District's Activities Director manages the program and Sitka School District distributes 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 Robert Wood Johnson Fund 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, helping to ensure both accountability and success in reaching the goal of the Fund.

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. Providing a dedicated revenue stream to this fund will improve access and equity to healthy, school-sponsored activities for students in Sitka.

Recommendation:

Approve Ordinance 2021-17 submitting the question to the qualified voters at the regular election on October 5, 2021.