

ANCHORAGE, ALASKA
AO No. 2022-17(S)*

1 AN ORDINANCE SUBMITTING TO THE QUALIFIED VOTERS OF THE
2 MUNICIPALITY OF ANCHORAGE A BALLOT PROPOSITION AMENDING THE
3 ANCHORAGE MUNICIPAL CHARTER TO SUPPORT AND ADVANCE EARLY
4 CHILDHOOD CARE AND EDUCATION, DEDICATE THE NET PROCEEDS OF
5 THE CURRENT RETAIL MARIJUANA SALES TAX TO THIS PURPOSE, AND
6 EXCEPTING THE MARIJUANA TAX FROM THE TAX INCREASE LIMITATION
7 ("TAX CAP").
8

9
10 THE ANCHORAGE ASSEMBLY ORDAINS:

11
12 **Section 1.** Pursuant to state law and the Anchorage Municipal Charter, a ballot
13 proposition in substantially the form and substance as set forth in Section 2 below
14 with proposed amendments to the Charter shall be submitted to the qualified voters
15 of the Municipality at the next regular election to be held April 4, 2023 ~~[5, 2022]~~.
16

17 **Section 2.** The following proposition shall be presented to the voters:
18

19 **PROPOSITION NO. ____**

20 **Charter Amendment**

21 **Marijuana Tax for Early Childhood Care and Education**
22

23 This proposition would establish a board of early childhood care and
24 education, dedicate the net retail marijuana sales tax revenues to this board's
25 budgeted activities, lower the maximum marijuana sales tax rate to
26 10%, prohibit any increase in the marijuana sales tax rate for five (5)
27 years, and move [except] the marijuana sales taxes from under the tax
28 increase limitation ("tax cap") calculation to be above the tax cap – which
29 will allow other municipal taxes under the tax cap to be increased to
30 replace it (estimated at \$6 million for 2023, or approximately \$17.00 for
31 each \$100,000 of assessed taxable property value, based on the
32 estimated 2022 areawide assessed valuation in Anchorage). The
33 proposition would amend the Anchorage Municipal Charter by adding the
34 following new section to Article VI:
35

36 **Section 6.06. Anchorage Board of Early Childhood Care and**
37 **Education**
38

39 (a) **Board Composition and Purpose**

40 There is established a board of early childhood care and education
41 composed of five (5) members. Three (3) members shall be
42 appointed by the mayor and confirmed by the assembly, and two (2)
43 members shall be appointed by a majority vote of the school

* Because Charter amendment propositions to current Charter language show new language in **bold and underline** and deletion by **[bold, brackets and strikethrough]**, the changes made by this (S) version to the original AO are shown in **bold and italics**, including **[deletions]**.

board. The board's **mission and activities** shall **be** ~~**receive and manage the disbursement of all net receipts collected from the marijuana tax pursuant to § 14.06(d)**~~ for the purpose of supporting and advancing early childhood **care and** education in Anchorage. No board member may serve in any ~~**[other]**~~ elected office, except on a service area board established pursuant to section 9.01 of this Charter.

(b) **Budget and Funding**

The board shall have a separate budget within the annual municipal budget and it shall be subject to Charter sections 13.03 through 13.08. The board shall prepare a **proposed** budget and **submit it to the mayor and a copy** ~~**[a proposed rate of marijuana tax under Charter § 14.06 sufficient to fund the budget and submit the budget]**~~ to the assembly at least **120 [90]** days before the end of the municipal fiscal year. The budget may provide for investment of funds for use on capital projects or capital programs in future years. **The mayor shall submit a proposed budget for the board to the assembly, and it shall be considered and approved separately from the municipal budget.** ~~**[The assembly may increase or decrease the budget only as to total amount. The assembly shall approve the budget as amended and appropriate the necessary funds at least 21 days prior to the end of the municipal fiscal year. If the assembly fails to approve the budget and make the necessary appropriation within the time stated, either before or by veto override after a veto of all or a portion of a budget, the board's proposal shall become the approved budget and appropriation for the fiscal year without further assembly action.]**~~

The assembly shall establish a tax rate at a level sufficient for the approved budget and in accordance with Charter §14.06.

(c) **Expenditures and Administrative Limit**

The board may support and advance early childhood **care and** education in Anchorage in any manner not prohibited by law, including issuing grants, conducting studies or other research, and funding training or professional development. **Grants and fund expenditures shall be used for nonsectarian purposes and may be issued to any public, private, or religious organization otherwise eligible to receive municipal grants and contracts.** The board may spend no more than 10% of the funds received each year on its own administrative costs as defined by ordinance. The board shall each year publish a report describing the amounts spent and the results achieved, and other information as the assembly by ordinance may prescribe.

(d) **Board Staff**

The board may, but is not required to, appoint a principal executive officer in consultation with the mayor. The principal executive officer shall serve at the pleasure of the commission.

(e) The assembly shall implement this section by ordinance.

And by amending portions of Anchorage Municipal Charter § 14.03 and § 14.06 as follows (additions shown in **underline and bold**, deletions indicated by **[brackets, strikethrough, and bold]**; current text of the Charter omitted indicated by ***):

Section 14.03. Tax increase limitation.

(b) The limitations set forth in subsection (a) do not apply to the following:

(6) Taxes imposed pursuant to Charter § 14.06 prior to 2019 **and subsequent to 2023 [2022]**.

(c) Any tax increases which result from the exceptions set forth in subsection (b)(1)—(3) shall be added to the base amount which is used in subsection (a) for the calculations of the subsequent year tax increase limit. Taxes **collected [imposed] [collected]** pursuant to Charter § 14.06 in **2018 [2022] [2018]** shall be added to the base amount which is used in subsection (a) for calculations of the **2019 [2023] [2019]** tax increase limit. **Taxes collected pursuant to Charter § 14.06 in 2024 and subsequent years shall be in addition to taxes that can be levied pursuant to this section. [but taxes imposed in subsequent years are excepted from the limitation pursuant to subsection (b)(6)]**

Section 14.06. - Retail marijuana sales tax.

(a) The assembly is hereby authorized, to the extent provided by law, to levy a tax on all retail sales of marijuana and marijuana products in an amount not to exceed **ten percent (10%) [twelve percent (12%)]** of the sales price. The initial rate of levy shall be five percent (5%), **and may not be increased until after June 30, 2028.**

(d) Beginning in 2024 [2023], the net receipts from the tax levied under this section, after payment of the costs of tax administration, collection and audit to the municipality, are dedicated and shall be available to use only for the purposes of Charter § 6.06.

Shall the Anchorage Municipal Charter be amended as set forth above, and the Anchorage Board of Early Childhood **Care and** Education be established with the retail marijuana sales tax dedicated to its use and **moved** outside the tax cap, **to exclude them from the municipal tax cap thereby allowing other municipal taxes under the tax cap to be increased to replace it (estimated at \$6 million for 2024, or approximately \$17.00 for each**

**\$100,000 of assessed taxable property value, based on the estimated
2022 areawide assessed valuation in Anchorage)?**

Yes [] No []

Section 3. The amendments to the Charter shall be effective 30 days after certification of the election, subject to approval of the proposition contained in Section 2 of this ordinance. The remainder of this ordinance shall be effective immediately upon passage and approval of the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this _____ day
of _____, 2022.

Chair _____

ATTEST:

Municipal Clerk



MUNICIPALITY OF ANCHORAGE ASSEMBLY MEMORANDUM

No. AM 700-2022

Meeting Date: December 6, 2022

From: Assembly Chair LaFrance and Assembly Member Perez-Verdia

Subject: AO 2022-17(S): AN ORDINANCE SUBMITTING TO THE QUALIFIED VOTERS OF THE MUNICIPALITY OF ANCHORAGE A BALLOT PROPOSITION AMENDING THE ANCHORAGE MUNICIPAL CHARTER TO SUPPORT AND ADVANCE EARLY CHILDHOOD CARE AND EDUCATION, DEDICATE THE NET PROCEEDS OF THE CURRENT RETAIL MARIJUANA SALES TAX TO THIS PURPOSE, AND EXCEPTING THE MARIJUANA TAX FROM THE TAX INCREASE LIMITATION ("TAX CAP").

Anchorage's prosperity depends on our ability to improve the well-being of families and children. Access to high-quality early childhood care and education has long been a challenge for families in our community. Consistently, one of the barriers for parents to return to work is the lack of affordable and quality childcare. Additionally, pre-kindergarten educational opportunities are out of reach for most families due to cost and availability leading to one out of every three students entering kindergarten academically and developmentally behind. As the Covid-19 pandemic became a crisis, providers struggled to remain open amidst staffing shortages, reduced enrollment and an unsustainable business model.

Unfortunately, this crisis continues during a time when more families than ever are struggling to pay the bills and put food on the table. Nearly 40 percent of Anchorage children live below the federal poverty line.¹ Anchorage families pay nearly 16 percent of their household income towards early childhood care and education – nearly double the recommended percentage. Securing high-quality early childhood care and education is challenging and often consumes a large portion of a family's budget.

While the childcare crisis has been a hardship for both families and businesses and hinders our economic growth, it also provides an opportunity for us to invest in our community.

This ordinance begins this work by asking the voters of Anchorage to dedicate the proceeds of the local marijuana retail sales tax to ensure that all Anchorage children have access to high quality early childhood care and education.

An ongoing funding source will enable the creation of a board that would be tasked with developing a strategic plan to leverage and braid new and existing public and

¹ KIDS Count, Economic Well-Being, p. 14
<https://static1.squarespace.com/static/586370cec534a5dbdedba846/t/61202fc1f9f79b5f77c68f36/1629499342167/Kids+Count+Economic+Well+Being.pdf>

private funding sources, and provide grants to families, early childhood care providers and educators, and potentially scholarships to students in the field of early childhood education.

Why is high-quality childhood care and education important? Research shows that these investments not only prepare our young people for a bright future, but they also strengthen our economy, lower social costs, and make our community a safer and more desirable place to live. Early childhood education prepares children to learn, grow, and succeed. You only get one chance at childhood. You only get one chance at learning the fundamentals – how to count, how to talk, how to think. Per KIDS COUNT, nearly 60% of Alaskan 3- to 4-year-olds are not in a pre-k program.² Only 32% of Anchorage children are kindergarten ready.

Investment in preschool age children results in direct returns for our state and communities. In other words, the more we invest in preschool age children now, the more they give back later in life. Studies show that a \$1 invested in pre-school can return up to \$13 in savings on future government costs. Children who have access to high-quality early learning are more likely to graduate from high school, increase household income, and their risk of becoming homeless or involved in our criminal system is greatly reduced. New research finds that early experiences are likely to have as much impact on health as on school achievement.³

This ordinance proposes that proceeds may be spent for nonsectarian purposes on direct grants to providers, vouchers to families or investment in capital projects, with no more than 10 percent to be spent on administration. The revenue would be predictable and reliable and further diversifies the funding for early education. At the current 5 percent tax rate, the 2022 projected marijuana retail sales tax revenues are \$6 million; in 2021 annual revenue was \$5.7 million, the 2020 revenue was \$4.9 million and in 2019 it was \$4.0 million.⁴ It will cost less than a latte once a month throughout the year to ensure hundreds of Anchorage children and families thrive. If the approximately \$6 million of annual marijuana sales tax revenue is removed from the areawide general fund and dedicated under this Charter amendment, it is possible that revenue gap may be replaced by raising property taxes in the same amount. It would be paid by all taxable property owners in the Municipality. For an average house of \$400,949 the annual cost is approximately \$68. If approved by the voters, this funding, along with the funds from the alcohol tax, will improve our early childhood/pre-k system.

Parents are their children's first and most important teachers and know what's best

² KIDS COUNT, Education:
<https://static1.squarespace.com/static/586370cec534a5dbdedba846/t/6089a186d7e17369a27532c4/1619632558061/Education.pdf>

³ National Scientific Council on the Developing Child (2020). Connecting the Brain to the Rest of the Body: Early Childhood Development and Lifelong Health Are Deeply Intertwined Working Paper No. 15. Retrieved from www.developingchild.harvard.edu.

⁴ MOA Treasury Division, Marijuana Retail Sales Tax Summary,
<https://www.muni.org/Departments/finance/treasury/programtaxes/MarijuanaTax/Pages/MarijuanaStatistics.aspx> (accessed September 14, 2022).

1 for them. Some parents want and need the tools, services, and resources that high-
2 quality pre-school programs provide to families. This ordinance is designed to
3 provide greater parental involvement in the development of early childhood
4 programs and the freedom to select the early childhood provider that is best for their
5 family.

6
7 The most efficient way to boost productivity and create overall workforce success
8 today and over the next few decades is to invest in early education. It not only
9 attracts new businesses and families to our community, it provides the tools for
10 parents to enter the workforce, and builds the workforce of tomorrow.

11
12 The proposal is supported by a coalition consisting of members from across the
13 political spectrum, the marijuana industry, educators, non-profits, and businesses.
14 We all value the importance of investing in our community's future to ensure its
15 prosperity. The original AO 2022-17 proposal would amend the Anchorage
16 Municipal Charter to dedicate the marijuana tax to pre-school education and
17 provides for a five-member board to identify the needs and expenditures each year,
18 subject to Assembly approval. Establishing this board may help leverage private
19 investment and improve the Municipality's position to benefit from potential state
20 and federal early education programs.

21
22 The original AO 2022-17 was introduced in January 2022 in hopes of being on the
23 April 5, 2022 regular election ballot, but it was decided to work on details further and
24 postpone it to the following year. Since that time we have developed improvements
25 and now submit an S-version with the following significant changes from the original:

- 26
- 27 • The purpose and board's name now includes childhood "care" in addition to
28 education.
 - 29 • A title for the proposition is included: "Charter Amendment - Marijuana Tax
30 for Early Childhood Care and Education," and the proposition's summary
31 introduction paragraph updated to include the changes described below.
32 The summary also includes the potential costs to municipal taxpayers,
33 expressed in the usual ballot proposition form of annual cost per \$100,000
34 of assessed taxable property in the Municipality.
 - 35 • The Board appointments are split so 3 seats are appointed by the Mayor and
36 confirmed by the Assembly, and 2 seats appointed by the Anchorage School
37 Board.
 - 38 • Requires the Board's budget to be processed separately from the general
39 Municipal budget, and submitted to the Mayor and Assembly 120 days prior
40 to the end of the fiscal year. This provides sufficient time for the Mayor to
41 make any changes before including it in the municipality's proposed annual
42 budget due to the Assembly 90 days before the end of the fiscal year,
43 pursuant to Charter § 13.03. It is similar to budget process for municipal
44 utilities and the Anchorage Community Development Authority.
 - 45 • Clarifies that grant or contract funds may be issued to any organization,
46 including religious organizations, so long as they are used for nonsectarian
47 purposes. This language is similar to state statute approved by an attorney
48 general opinion.

- Expressly authorizes the board to hire an executive director, similar to the Anchorage Equal Rights Commission's authority under Charter § 17.02.
- Changes to Charter § 14.03, the Tax Cap section, are simplified and minimized. This more clearly states the marijuana taxes are moved to be above the Tax Cap beginning in 2024.
- Lowers the maximum tax rate allowed to be imposed on retail marijuana sales to 10% and does not allow the current 5% tax rate to be increased for the next five years, until after June 30, 2028.
- The question to the voters is modified to reflect the above changes in the S-version.
- Changes the dates to reflect the proposition will be on the April 4, 2023 ballot and effective after that if approved by the voters.

We request your support for the S-version of the ordinance.

Respectfully submitted: Suzanne LaFrance, Assembly Chair
District 6 – South Anchorage, Girdwood & Turnagain
Arm

Kameron Perez-Verdia, Assembly Member
District 3 – West Anchorage