



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM XXX-2023

Meeting Date: January 10, 2023

From: Assembly Chair LaFrance and Assembly Member Perez-Verdia

Subject: AO 2022-17(S-1): 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~~ CHILD~~HOOD~~ CARE AND EARLY 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"), AND LOWERING THE TAX CAP ONE TIME FOR 2024 BY THREE MILLION DOLLARS (\$3,000,000).

The S-1 version of this proposed ordinance and Charter amendment proposition makes the following significant changes from the previous S-version:

- The purpose and board's name are refined to be "Child Care and Early Education."
- A new subsection (a) is added to proposed new Charter § 6.06 to specify only the net proceeds of the marijuana tax are dedicated, and lists four specific areas for use of the dedicated funding. One issue that came up was if this goes above the tax cap to make sure that all the costs that are currently paid to administer this tax does not go away. This makes it clear that the costs of tax administration, collection and audit to the municipality are excluded from the dedication to child care and early education and continued to be paid out of the marijuana tax revenues.
- The provisions that would reduce the percentage cap of marijuana retail sales tax from 12% to 10%, and prohibit increasing from the current 5% rate for five years are removed. There is no change to the tax rate change restrictions from the current Charter language.
- The Tax Cap is not backfilled entirely with more capacity to raise property taxes, instead the Tax Cap is lowered one time in 2024 by three million dollars (\$3,000,000). Coupled with the anticipated of inflation that will increase other non-property tax revenues under the tax cap, this should be sufficient to mitigate the impact of moving the approximately \$6 million of annual marijuana tax outside the cap and make up most of that gap created. During first quarter budget revisions adjustments can be made to make up most of that gap without increasing the tax cap or property taxes.
- The Board has been changed to mayor appointment and Assembly confirmation, like all other boards and commissions.

With the extent of legislative drafting markup in the S-1 version, the proposition text

for the voters as it would read if passed without such markup is presented here for convenience of the readers:

PROPOSITION NO. ____

Charter Amendment

Dedicating Marijuana Tax for Child Care and Early Education

This proposition would establish dedicated funding for child care and early education, an accountability board of child care and early education, dedicate the net retail marijuana sales tax revenues to this board's budgeted activities, and move the marijuana sales taxes from under the tax increase limitation ("tax cap") calculation to be above the tax cap and lower the tax cap one time by three million dollars in 2024. The proposition would amend the Anchorage Municipal Charter by adding the following new section to Article VI:

Section 6.06. Dedicating marijuana tax net proceeds and Accountability Board of Child Care and Early Education

- (a) **Dedicated marijuana tax net proceeds.** The net proceeds of the marijuana tax shall be dedicated to:
- (1) Creating access to child care and early education programs for the residents of Anchorage;
 - (2) Provide funding for reading programs for child care and early education programs;
 - (3) Provide resources to increase funding, livable wages, training and staffing for child care and early education programs; and
 - (4) Prioritize the utilization of existing school district facilities that are closed, scheduled to be closed, or underutilized for use for child care and early education programs, as long as they are economically feasible, before other facilities are considered for the use of these funds.
- (b) **Accountability Board Composition and Purpose**
There is established an accountability board of child care and early education composed of five (5) members appointed by the mayor and confirmed by the assembly. The board's mission and activities shall be for the purpose of supporting and advancing child care and early education in Anchorage. No board member may serve in any elected office, except on a service area board established pursuant to section 9.01 of this Charter.
- (c) **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 to the assembly at least 120 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 shall establish a tax rate at a level sufficient for the approved budget and in accordance with Charter §14.06.

(d) **Expenditures and Administrative Limit**

The board may support and advance child care and early 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.

(e) **Accountability 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 board.

(f) 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.**

(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 pursuant to Charter § 14.06 in 2018

shall be added to the base amount which is used in subsection (a) for calculations of the 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. To ameliorate the effect of excepting taxes in subsection (b)(6) subsequent to 2023, the total amount of municipal tax that can be levied as calculated under subsection (a) for 2024 only shall be reduced by three million dollars.**

Section 14.06. - Retail marijuana sales tax.

(d) Beginning in 2024, 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 Accountability Board of Child Care and Early Education be established with the retail marijuana sales tax dedicated to child care and early education programs and moved outside the tax cap and lower the tax cap one time in 2024 by three million dollars (\$3,000,000)?

Yes [] No []

We request your support for the S-1 version of the ordinance.

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

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District 3 – West Anchorage