

KENAI PENINSULA BOROUGH

Kenai Peninsula Borough Assembly

144 North Binkley Street
Soldotna, AK 99669
Phone 907-714-2160
Fax 907-714-2388

Dale Bagley, Assembly President
Sue McClure, Vice President

MEMORANDUM

TO: Dale Bagley, Assembly President
Kenai Peninsula Borough Assembly Members

FROM: Blaine D. Gilman, Assembly Member

DATE: January 22, 2015

RE: Ordinance 2015- 03, An Ordinance Amending KPB 5.18.200 to Repeal the Seasonal Exemption from Sales Taxes of Non-Prepared Food Items

In October of 2008, an initiative ordinance passed exempting all sales of non-prepared food items from borough sales tax from September 1 until May 31st each year. This exemption has resulted in a reduction of borough sales taxes in the approximate total amount of \$16,723,526 from January 9, 2009 through fiscal year 2014.¹

Under KPB 5.18.110(A), all sales taxes are dedicated to schools. This ordinance repeals that exemption and makes more funds available for education. If the ordinance passes, borough sales tax would be collected on the sale of non-prepared food items year-round.

In FY2015, the maximum amount (the cap) that the borough could have funded education was \$47,507,198. The borough appropriated \$44,000,000 for education. In other words, the borough funded 92.5% of the cap. If the borough had funded to the cap, it could have increased education funding by \$3,500,000. This ordinance would make more funds available to the borough so that it can afford to fund the schools to the cap. It is a sustainable funding source for education. With the passage of this ordinance, an increase in the mill rate would not be required in the foreseeable future to fund schools to the cap.

The school district is a vital part of the community. It educates our children, attracts new families to the peninsula, and is the largest employer in the borough. With healthy schools, the borough sustains healthy communities. Unfortunately for the past number of years, funding for the school district has not kept up with inflation and the increased cost of health care. This has resulted in tighter budgets for schools. In FY 2015, the Pupil Teacher Ratio (PTR) was increased by .5% which resulted in a loss of eight teachers, district wide. A reduction of teachers is the wrong direction for the school district to be heading. The district should be striving to reduce PTR and to provide more vocational and advanced placement classes. To accomplish these goals, the borough needs to fund education to the cap.

Your support would be appreciated.

¹ \$1,500,000 in fiscal year 2009, \$2,800,000 in fiscal year 2010, \$2,800,000 (estimated) in fiscal year 2011, \$3,108,941 in fiscal year 2012, \$3,179,398 in fiscal year 2013, and \$3,335,187 (estimated) in fiscal year 2014.