

Kenai Peninsula Borough Assembly

MEMORANDUM

TO: Members, KPB Assembly

FROM: Brent Johnson, Assembly President BJ
Cindy Ecklund, Assembly Member CE
Mike Tupper, Assembly Member Vtt

DATE: May 22, 2024

SUBJECT: Ordinance 2024-14, Enacting KPB Chapter 5.16, Establishing a Borough-Wide Tobacco Products Distribution Excise Tax (Johnson, Ecklund, Tupper)

According to the Center for Disease Control Office of Smoking and Health, at the website: https://www.cdc.gov/tobacco/data_statistics/fact_sheets/economics/econ_facts/index.htm, a 10% increase in price has been estimated to reduce overall cigarette consumption by 3-5%. According to the Campaign for Tobacco-Free Kids, at the website: <https://www.tobaccofreekids.org/problem/toll-us/alaska>, annual health care costs in Alaska directly caused by smoking is \$509 million and the smoking-caused productivity losses in Alaska is \$621.3 million. Research on cigarette consumption suggests that both youth and young adults are two to three times more likely to respond to increases in prices than adults.

Several boroughs and municipalities in the State of Alaska impose excise taxes on cigarettes and other tobacco products including, but not limited, to the Matanuska-Susitna Borough, the Fairbanks North Star Borough, the City and Borough of Sitka, the Municipality of Anchorage, the Kodiak Island Borough, the Northwest Arctic Borough, Petersburg Borough, the Ketchikan Gateway Borough, the City of Unalaska, and the City and Borough of Juneau.

In addition to the health purposes served by reduction in smoking and vaping, this Ordinance also aims to serve four additional purposes:

1. A portion (30%) of the net revenue from this tax will be used to start and fund child care facility grants for economic development purposes, which will be an ordinance subsequently brought forward for Assembly consideration;
2. A portion (34%) of the revenue from this tax will go toward the School Revenue Capital Project Fund to support school related capital improvements and major maintenance areawide with a focus on energy efficient projects or improvements and long-term goal of building the fund balance to support deferred projects and reduce the potential level of bonding required in the future;
3. A portion (15%) of the revenue from this tax will go toward the General Government Capital Project Fund to support general government capital improvements and major maintenance with a focus on energy efficient projects or improvements and long-term goal of building the fund balance to support deferred projects and reduce the potential level of bonding required in the future;

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4. A portion (1.0%) of the revenue from this tax may be transferred to Alaska Department of Health's Alaska's Tobacco Quit Line to use for tobacco cessation services, campaigns, and materials within the borough pursuant to, and subject to, an agreement with the State to use the funds for such purposes; and
5. The remainder (20%) of the revenue from this tax will stay in the general fund which may ultimately allow for a decrease in the general government real property tax mill rate.

Your consideration is appreciated.