

Kenai Peninsula Borough Assembly

MEMORANDUM

TO: Wayne Ogle, Assembly President
Kenai Peninsula Borough Assembly Members

FROM: Dale Bagley, Assembly Member *DLB*

DATE: April 19, 2018

RE: Ordinance 2018-20, Amending KPB 5.18.200 to Repeal the Seasonal Exemption from Sales Taxes of Nonprepared Food Items (Bagley)

The borough is currently facing a serious budgetary deficit. Cuts have already been made to borough operations and more are proposed in the FY2019 budget. However, under the existing tax scheme there are still not sufficient revenues to fully fund the proposed budget and also provide funding for the school district. Various options have been presented for consideration including increasing property taxes, imposing an excise tax on oil, increasing the sales tax rate, imposing a new bed tax and other options. There are no easy solutions available especially given the current economy.

The seasonal exemption from sales tax of nonprepared food items has reduced sales tax revenues by more than \$3 million per year since it began in FY2012. The most recent estimate of projected lost revenue due to this exemption for FY2018 is \$3,521,084. This is almost enough to fund the budget shortfall. I propose we repeal this exemption from the sales tax at this time and continue to explore other means to reduce expenditures and increase revenues. Approving this ordinance would provide the ability to close the fiscal gap for the upcoming year without significantly drawing down the general fund. Your support would be appreciated.