

Kenai Peninsula Borough
Assembly

MEMORANDUM

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

FROM: Kenn Carpenter, Assembly Member *(1B) for K.C.*

DATE: May 24, 2018

RE: Ordinance 2018-25, Repealing KPB 5.18.430(F) which Requires Voter Approval to Increase the Sales Tax Cap (Carpenter)

The sales tax cap has remained at \$500 since 1964, when the borough was formed. The borough assembly and administration have been working to try to balance the budget. In the last few years increased sales tax and property tax exemptions, reductions in state funding for schools and local governments, and the ongoing needs for borough services have made it increasingly difficult for the assembly to balance the budget without deficit spending, significantly reducing the general fund. The current \$4,000,000 shortfall needs to be reduced to protect the general fund so the borough can continue to provide needed services and fund education.

For 41 years, until 2005, voter approval was not required to increase the sales tax cap. It is not required by state law; instead it was imposed through a voter initiative in 2005. Repealing this requirement would provide the assembly with another tool to help balance the budget. Any such change must be approved by an ordinance. Members of the public would have the opportunity to comment both verbally and in writing on any such proposed ordinance.

I recognize that two recent attempts to obtain voter approval to increase the sales tax cap failed at the ballot box, but the borough's financial condition has worsened. This ordinance would not increase the cap, but would provide the assembly with another tool to consider should it find it necessary and acceptable to its constituents. Your support would be appreciated.