



Office of the Borough Mayor

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Charlie Pierce
Mayor

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Municipal Impact Statement Regarding the State of Alaska FY20 Proposed Budget

The Kenai Peninsula Borough is responsible for municipal governance that authorizes Borough departments and service areas to provide public services to our citizens. Some of the public services or programs include public schools, solid waste, emergency services, roads, flood protection and economic development. A full list of the Borough's powers can be found in the annual budget document. Approximately 290 employees fulfill these obligations, and our ability to do so is limited by state or local regulations and available resources. Traditionally, these resources have included state and federal funding, which offset the fiscal burdens that might otherwise be generated by the local tax base.

Our tax revenue is ~73% of the total budget projected for FY19. Any impact from the state decision making on local economies further weakens our ability to provide public services. Based upon the State of Alaska proposed FY20 budget, we have highlighted some of the impacts that final decisions will have upon our residents:

- FY19 Community Assistance Program includes pass-through funds; of the \$1,459,007, \$426,303 was allocated to 27 unincorporated communities. The remaining \$1,032,704 went to the general fund.¹
- The School Bond debit reimbursement is \$2,648,719 for FY20, even though we will retire \$4.04M in school debt in FY20. Additionally, a total of \$28,261,374.68 is the potential debt reimbursement loss over the remaining life of the outstanding bonds.
- For FY19, the Borough's proposed contribution to public education is \$49,738,432; the cap amount is \$51,796,193. The Borough's sales tax revenue is estimated to fund \$30,578,706 of that amount; the balance or \$19,159,726 will come from other sources including property taxes and interest earnings (100% of borough sales taxes goes to fund education).
- The Petroleum Property Tax (AS 43.56), totaling \$14,784,733 equals 11% of our budgeted \$137.9M in revenues for FY19.
- The Shared Fisheries Business Tax collected by year was FY18 = \$727,284; FY17 = \$771,171; and FY16 = \$860,097
- The anticipated cuts to our school district are \$20,957,907

The combined reductions and cost-shifting will mean that the Borough anticipates staffing reductions, delaying construction projects and reducing essential services. The Kenai Peninsula Borough administration will work to mitigate the damage from these actions, including working with legislative leaders to develop solutions that reflect public interest.

¹ While the Power Cost Equalization (PCE) and Community Assistance Programs remain funded, we are concerned for their long-term viability. The Borough does not receive PCE funds; however, eliminating the PCE may generate impacts to the utilities that serve the Borough.