

SUBJECT: ORDINANCES OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY ADOPTING MSB 3.35 AND MSB 1.10.170 3 PERCENT AREA-WIDE SALES TAX TO SUPPORT EDUCATION AND SUBMITTING THE SALES TAX QUESTION TO THE QUALIFIED VOTERS AT THE OCTOBER 3, 2017, REGULAR BOROUGH ELECTION; AND ADOPTING MSB 3.04.046 TO ESTABLISH A LIMIT ON LOCAL CONTRIBUTION TO SCHOOL FUNDING FROM SOURCES OTHER THAN SALES TAX.

AGENDA OF: June 20, 2017

ASSEMBLY ACTION:

OR NOS. 17-093, 094 & 095 were amended by substitute ordinance. OR

MANAGER RECOMMENDATION: Introduce and set for public hearing.

APPROVED BY JOHN MOOSEY, BOROUGH MANAGER:

Route To:	Department/Individual	Initials	Remarks
	Originator	NS	for Mayor Halter at request of School Board
	Finance Director	NS	
	Borough Attorney	NS	
	Borough Clerk	JAM	6/12/17

ATTACHMENT (S): Fiscal Note: YES ☒ NO ☐
School Board Resolution 17-004 (2 pp)
Ordinance Serial No. 17-094 (3 pp)
Ordinance Serial No. 17-093 (47 pp)
Ordinance Serial No. 17-095 (2 pp)

SUMMARY STATEMENT: The Matanuska-Susitna Borough School Board has requested a sales tax for educational purposes within the Matanuska-Susitna Borough. To enact such a tax, state law requires that the Borough Assembly must first vote on the issue and place it on the ballot. Thereafter, the qualified voters within the Matanuska-Susitna Borough must approve the ballot question for the sales tax to take effect.

In response to the School Board resolution, Mayor Halter is moving forward the accompanying sales tax ordinances. If approved by the Borough Assembly, the issue will be placed on the ballot at the upcoming October 3, 2017 regular Borough election.

The drafted ordinance being presented for Assembly Consideration is at a 3% rate. However, the Finance Director is providing revenue projections for a 2.5%, 2% and 1.5% tax rate for Assembly consideration. Assembly Members can amend the rate in this Ordinance at their discretion. The School Board may also recommend their preferred sales tax rate for Assembly consideration.

The sales tax ordinances will enact 2 new provisions of Borough code. Proposed MSB 1.10.170 will authorize the Borough to levy and collect a sales tax. MSB 3.35 is a forty-seven page ordinance implementing the tax and providing for exemptions, collections mechanisms, etc. The sales tax is titled "3 Percent Areawide Sales Tax To Support Education."

As it pertains to definitions, exemptions, filing of returns, etc., the proposed sales tax largely mirrors the sales tax currently levied within the City of Wasilla. This means that the administration of the tax will not be something new, unusual, or unique.

Of particular significance is the sales tax would be limited to the first \$1,000 of a sale. The tax on any sale with a 3% sales tax will never exceed \$30 even when the sale is over \$1,000. The City of Palmer has the same \$1,000 cap and the City of Wasilla has a \$500 cap for their local sales tax.

Along with the sales tax ordinances is an ordinance changing the Matanuska-Susitna Borough code as it pertains to the Borough's Local Contribution for Education. Currently MSB 3.04.045 contains an outdated and confusing mechanism to calculate the Borough's Local Contribution for education. This formula has not been part of the School District's requested budget for over 10 years. In addition, it is unclear whether this formula would comply with the Required Local Contribution under state law. As a practical matter, the School district makes a budget request, and the Assembly votes on the total amount of Local Contribution to be provided to the school district within the bounds of state law.

The proposed ordinance changes how the Borough will fund education locally. The Ordinance will limit the Borough's local contribution for education from current sources of revenue (which is mainly areawide property taxes and several other smaller sources of borough revenue) to \$50 million or less. Future local contribution to education will then be the amount of sales tax collected plus any other Borough revenue up to \$50 million. This means that the future growth of education funding will be reliant on the growth of sales tax which will increase over the years as more people move into the Borough and more commercial activity occurs within the Borough.

Because the revision to the Local Contribution is dependent on whether the Borough has a sales tax, all 3 ordinances are being presented as companion ordinances. All 3 ordinances will not take effect unless the sales tax question is approved by the voters at the October 3, 2017 regular Borough election.

RECOMMENDATION OF ADMINISTRATION: Adopt Legislation.

MATANUSKA-SUSITNA BOROUGH FISCAL NOTE

Agenda Date: June 20, 2017

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FISCAL ACTION (TO BE COMPLETED BY FINANCE)	FISCAL IMPACT YES NO
AMOUNT REQUESTED 14,341,500**	FUNDING SOURCE Areawide Sales Tax
FROM ACCOUNT #	PROJECT #
TO ACCOUNT : 100.000.000.313.200	PROJECT #
VERIFIED BY: <i>Chapman Kendall</i>	CERTIFIED BY:
DATE: 6/7/17	DATE:

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Personnel Services						
Travel						
Contractual						
Supplies						
Equipment						
Land/Structures						
Grants, Claims						
Miscellaneous (Education)			28,683			
TOTAL OPERATING			28,683			

CAPITAL						
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REVENUE		14,341.5	28,683			
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FUNDING:

(Thousands of Dollars)

General Fund		14,341.5	28,683			
State/Federal Funds						
Other						
TOTAL		14,341.5	28,683			

POSITIONS:

Full-Time		**	**	**	**	**
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary) ** Amount is estimated for 6 months. Additionally 2 - 4 FTE's will be required to process and collect sales tax at a cost of 122,000 - 245,000

PREPARED BY: _____ PHONE: _____
 DEPARTMENT: _____ DATE: _____
 APPROVED BY: *Chapman Kendall* DATE: 6/7/17

IM No. 17-129
 Ordinance Serial No. 17-013
 094
 095



MATANUSKA-SUSITNA BOROUGH SCHOOL DISTRICT

OFFICE OF THE SCHOOL BOARD

MATANUSKA-SUSITNA BOROUGH SCHOOL BOARD RESOLUTION 17-004

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH SCHOOL BOARD IN SUPPORT OF INCREASED LOCAL FUNDING GENERATED BY AN AREA-WIDE SALES TAX THAT SUPPLEMENTS THE CURRENT PER PUPIL FUNDING AMOUNT ADJUSTED FOR INFLATION.

WHEREAS, the Mat-Su Borough School District relies on funding appropriations from the State of Alaska and the Mat-Su Borough in order to maintain educational services at its 47 school sites across the Borough; and

WHEREAS, the State of Alaska faces a \$3 billion budget shortfall created by declining oil revenues; and

WHEREAS, the State of Alaska is contemplating a combination of spending reductions which have already begun to impact services provided by the Mat-Su Borough School District; and

WHEREAS, the Mat-Su Borough School District is projecting a \$11 million deficit in Fiscal Year 2018; and,

WHEREAS, boroughs and municipalities will need to increase public education funding in order to preserve essential programs and services; and

WHEREAS, based on the State's Foundation Formula Program, the Mat-Su Borough is currently funding the Mat-Su Borough School District at \$55,841,300 or 78% of the maximum allowable; and

WHEREAS, the Mat-Su Borough has the ability to increase its local contribution to the Mat-Su Borough School District by over \$16 million without exceeding the maximum allowable amount established by the State of Alaska; and

WHEREAS, the Mat-Su Borough currently funds the Mat-Su Borough School District at the lowest per pupil funding amount (\$2,969) when compared to the local funding received by the Anchorage School District (\$4,291), the Fairbanks North Star Borough School District (\$3,988), the Kenai Peninsula Borough School District (\$5,493), and the Juneau School District (\$5,311); and

WHEREAS, local proceeds generated from an area-wide sales tax should supplement the existing per pupil funding amount adjusted for inflation in order to properly support District programs and protect education funding into the future; and

WHEREAS, the Mat-Su Borough School District is committed to innovative programs and preparing all students for success by being a responsive, resourceful, and relevant school district; and

WHEREAS, the Mat-Su Borough School District has demonstrated exceptional stewardship of public funds through its management of reserves, long-term financial planning, and by receiving the Association of School Business Officials International's Meritorious Budget Award and Certificate of Excellence in Financial Reporting;

THEREFORE BE IT RESOLVED that the Matanuska-Susitna Borough School District supports increased local funding generated by an area-wide sales tax that supplements the current per pupil funding amount adjusted for inflation based on the Anchorage CPI-U as measured by the U.S. Department of Labor, Bureau of Labor & Statistics.

APPROVED by the Mat-Su School Board this 22nd day of March, 2017.

Dr. Donna Dearman

Dr. Donna Dearman, Board President

Gene Stone

Gene Stone, Superintendent

ATTEST:

Stacy Escobedo

Stacy Escobedo, Board Secretary



Im17-129
OR17-093
OR17-094
OR17-095

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SUBSTITUTE ORDINANCES CHANGE TO PROVIDE FOR:
SPECIAL ELECTION DATE - JANUARY 23, 2018
2% SALES TAX
\$500 MAXIMUM TRANSACTION
RETAIN CURRENT BED TAX AND MARIJUANA TAX
5 YEAR SUNSET

SUMMARY STATEMENT ON SUBSTITUTE ORDINANCES: Mayor Halter is the sponsor of the original ordinances at the request of the School Board. Since the ordinances were introduced, it has allowed everyone to read them, contemplate the effects, and discuss changes or enhancements to the ordinances.

In light of discussions with the School District Administration and others, the Mayor has substitute ordinances to replace the ordinances currently before you. This explanatory memorandum is to be added to the existing informational memorandum to explain the changes.

- 1) The Sales Tax will not be on the regular October Ballot but instead have a special election. The date of the election will be Tuesday, January 23, 2018.

The School District is to pay the costs of this special election. This is memorialized by the attached joint memo from School District Administration and Borough Administration.

- 2) The Sales Tax will be 2 per cent not 3 per cent.
- 3) The maximum taxable transaction will be reduced to \$500. This is half of the amount in the original ordinance which set it at \$1000.

- 4) The current Bed tax and current Marijuana tax remain in effect. The substitute ordinance does not alter, change, modify, or confuse things. These other taxes are five per cent and were voted on. They are left as is.
- 5) The substitute ordinances contain a five year sunset clause. Thereafter, the question will automatically be placed before the voters in 2022. It will be up to the voters to decide to leave it in place or not. Voters on the 2011 School Bond package like the idea of a five year no new bond, so the concept is similar here.

The effective date of the tax will be May 1, 2018. This delay gives administration and merchants time to prepare for the administration and collection of the taxes. The sunset date has been written to be April 30, 2023. The ordinance will expire unless voters approve a continuation of the tax in October, 2022.

One final issue to note is that even with the substitute changes to the ordinances, the cap on future revenue sources to the School District remains the same. Future school funding will not grow on the areawide mill rate as it has in the past. Future funding growth for the School District will depend on economic growth and increases in sales tax revenue.