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Areawide Tax Cap Reduction Proposal, Ordinance 26-095
August 11, 2026

Ordinance 26-095 proposes a reduction of the current areawide tax cap from 9.5 mills to 7 mills, which if applied to FY27 would have generated $118,522,100 in projected areawide revenue. FY2027 adopted areawide mill rate is 7.955 and is projected to generate $125,506,177 in areawide property taxes. This revenue projection was based on total taxable assessed property valuation which includes existing construction, new construction, and changes that result from increases due to valuation changes (sales prices). The total taxable assessed valuation is the value remaining after standard exemption (state, local government, churches etc.), farm deferments, senior citizen and disabled veteran exemptions have been removed from total appraised valuations.

Tax revenue:

1) The calculation of the future certified assessment rolls is adjusted for two changes:

   a) Increase in valuation results from the increase in the sales market. Currently, the Assessment Division's internal analysis is projecting a 4% valuation change related to the real estate market. Alaska MLS also indicates that the average sales price for residential property in the Borough is 4% higher than last year. A 4% increase in valuation has been used for fiscal year 2028 revenue projection.
   b) Increase that is related to new construction. The average annual increase in valuation due to new construction for calendar years 2023 through 2026 is 1.59%. However, Assessments is projecting a slight decrease for calendar years 2027 through 2032. The average for those years is 1.5%.

2) All other revenues have been increased by 1% annually.

AreawideRevenue		1.59%	1.51% New, 4% Sales	1.51% New, 4% Sales	1.51% New, 4% Sales	1.51% New, 4% Sales
	FY27	FY28	FY29	FY30	FY31	FY32
Tax as budgeted	129,576,700					
Based on FY27 Certified Roll with 7.000 MR		112,811,700	119,117,874	125,681,269	132,606,307	139,912,914
New Construction 1.59%		1,793,706	1,798,680	1,897,787	2,002,355	2,112,685
Sales 4%		4,512,468	4,764,715	5,027,251	5,304,252	5,596,517
Total Est. Property Tax Revenue		119,117,874	125,681,269	132,606,307	139,912,914	147,622,116
All other revenues	48,370,729	48,854,436	49,342,981	49,836,410	50,334,775	50,838,122
Total Est. Revenue w/ Property Tax*	177,947,429	167,972,310	175,024,250	182,442,717	190,247,689	198,460,238

Expenditures:

The analysis to project future areawide expenditure assumes the following:

1) Wages and benefits continue to be set according to the Employment Cost Index (ECI). The current rate is 3.4%; step increases under the current collective bargaining agreement are 2%. This results in a projected increase of 5.4% for FY2028. All subsequent years are budget with a total increase of 4.5%.
2) School debt is projected utilizing the current debt schedules. No new debt was included for schools.
3) All other voter approved debt is projected utilizing the current debt schedules. No new debt was included for transportation.
4) The current annual inflation rate is 3.5% as of June 2026 and the federal reserve target is 2%. In this analysis, a factor of 3% has been utilized for the growth in local education contribution and all other borough operations.
5) No budget has been made for capital expenditures.

Areawide Expenditures		5.40%	4.50%	4.50%	4.50%	4.50%
	FY27	FY28	FY29	FY30	FY31	FY32
School Debt	20,395,035	20,393,504	20,403,627	20,386,481	19,015,069	16,528,137
Other Debt	8,673,336	6,548,266	6,515,028	6,533,006	6,530,737	6,522,872
School Operation 3%	81,322,407	83,762,079	86,274,942	88,863,190	91,529,086	94,274,958
Capital	12,637,739	-	-	-	-	-
All Other AW Expenditures	75,116,009	79,172,273	82,735,026	86,458,102	90,348,717	94,414,409
Total Areawide Expenditures	198,144,526	189,876,123	198,420,548	207,349,473	216,680,199	226,430,808

Fund Balance

As of the fiscal year 2027 budget the projected ending fund balance is $8,352. This is after the following reservations are accounted for:

Minimum Fund Balance	$25,000,000
Self Insurance	$1,000,000
Compensated Absences	$250,000
Assembly Projects	$25,217
Major Repairs and Renovations	$1,000,000

Emergency Response	$1,250,000
Total Reservations	$28,525,217

Projected Excess of Revenues over(under)						
Expenditures	(20,197,097)	(21,903,812)	(23,396,299)	(24,906,756)	(26,432,510)	(27,970,570)
Fund Balance at June 30,XXX	48,860,130	28,525,217	28,525,217	28,525,217	28,525,217	28,525,217
Reservations of Fund Balance	(28,525,217)	(28,525,217)	(28,525,217)	(28,525,217)	(28,525,217)	(28,525,217)
Repayment of Tommy Moe Building	(129,464)	(129,143)	(128,821)			
Projected to Reduction of Service Costs		22,032,955	23,525,120	24,906,756	26,432,510	27,970,570
	8,352	-	-	-	-	-

Current Mill Rate Equivalent of Proposed		1.35	1.44	1.53	1.62	1.72
Reduction of Service Costs						

Reconciling to a 7 Mill Rate:

The FY28 projected revenues at a 7-mill cap leave a $22,032,955 gap based on current assumptions. In these assumptions, capital funding has already been eliminated, reducing expenditures by $12,637,373.

Based on these assumptions, a reduction in areawide expenditures of $22,032,965 is required to balance the budget. The following are a number of potential reductions that could be considered and if enacted would still leave a $5 million deficit.

1. Reduce education operating by 51% of the gap based on the current allocation of areawide funding: $11,236,807
2. Eliminate community cleanup program: $471,530
3. Reduce one operational ambulance and corresponding staffing: approximately $1,000,000
4. Eliminate water rescue: $200,000
5. Eliminate Animal Care: $3,400,000
6. Reduce seven positions in various departments: $1,000,000