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- Was CFO for the Municipality from Aug 2018 to July 2021
- Chair the MOA Trust Board
- Serve on the MOA Pre-Funding Board
- Resident of Anchorage since 1997

What about this “Tax Cap”

Add to Anchorage Charter in 1983 by voter referendum

Anchorage Municipal Code 12.25

Purpose: maintain the level of public spending in proportion to population and the cost of goods and services by limiting the amount of property taxes that can be collected.

Property taxes have been one of the largest sources of income for state and local governments since 6000 BCE. In a 2015 study it was noted that 46 of the 50 states impose some sort of limit on property taxes

There have been efforts in 2000, 2003, 2009, and 2016 to modify the tax cap. It should be noted that the current structure is very much as it was 40 years ago.

Start with how much tax you collected last year

Tax Limit Calculation

Anchorage Municipal Charter 14.03 and Anchorage Municipal Code 12.25.040

Line		2022 at Revised	2023 at Revised	Line
1	<u>Step 1: Building Base with Taxes Collected the Prior Year</u>			1
2	Real/Personal Property Taxes to be Collected	297,714,363	297,648,243	2
3	Auto Tax	10,508,117	10,606,323	3
4	Tobacco Tax	20,700,000	20,700,000	4
5	Aircraft Tax	126,000	-	5
6	Marijuana Sales Tax	5,400,000	6,000,000	6
7	Motor Vehicle Rental Tax	5,100,000	8,300,000	7
8	Fuel Excise Tax	12,640,000	13,300,000	8
9	Payment in Lieu of Taxes (State & Federal)	10,863,283	11,620,949	9
10	MUSA/MESA	20,818,552	20,722,252	10
11	Step 1 Total	<u>383,870,315</u>	<u>388,897,767</u>	11

Then you remove judgements and debt service: judgements are required to be paid and debt service has been approved by the voters.

12				12
13	<u>Step 2: Back out Prior Year's Exclusions Not Subject to Tax Limit</u>			13
14	Judgments/Legal Settlements (One-Time)	(2,127,830)	(165,050)	14
15	Debt Service (One-Time)	(54,545,777)	(54,847,881)	15
16	Step 2 Total	<u>(56,673,607)</u>	<u>(55,012,931)</u>	16
17				17
18	Tax Limit Base (before Adjustment for Population and CPI)	<u>327,196,708</u>	<u>333,884,836</u>	18
19				19

Then you adjust for population growth/decline and inflation

19						19
20	<u>Step 3: Adjust for Population, Inflation</u>					20
21	Population 5 Year Average	-0.60%	(1,963,180)	-0.50%	(1,669,420)	21
22	Change in Consumer Price Index 5 Year Average	1.70%	5,562,340	3.30%	11,018,200	22
23	Step 3 Total	1.10%	3,599,160	2.80%	9,348,780	23
24						24
25	The Base for Calculating Following Year's Tax Limit		330,795,868		343,233,616	25
26						26

Add current year adjustments for new construction, judgements, and debt service

	2023, \$,000	2024, \$,000		
26			26	
27	<u>Step 4: Add Taxes for Current Year Items Not Subject to Tax Limit</u>		27	
28	New Construction	2,631,367	1,617,597	28
29	Taxes Authorized by Voter-Approved Ballot - O&M	692,000	322,500	29
30	Judgments/Legal Settlements (One-Time)	165,050	827,500	30
31	Debt Service (One-Time)	54,847,881	62,839,984	31
32	Step 4 Total	58,336,298	65,607,581	32
33				33
34	Limit on ALL Taxes that can be collected	389,132,166	408,841,197	34
35				35

Remove taxes “inside the cap” to arrive at property tax total

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36	<u>Step 5: To determine limit on property taxes, back out other taxes</u>			36
37	Automobile Tax	(10,606,323)	(10,409,910)	37
38	Tobacco Tax	(20,700,000)	(21,500,000)	38
39	Marijuana Sales Tax	(6,000,000)	(5,700,000)	39
40	Motor Vehicle Rental Tax	(8,300,000)	(10,000,000)	40
41	Fuel Excise Tax	(13,300,000)	(14,400,000)	41
42	Payment in Lieu of Taxes (Utility, State, and Federal)	(11,620,949)	(10,999,990)	42
43	MUSA/MESA	(20,722,252)	(19,260,458)	43
44	Step 5 Total	(91,249,524)	(92,270,358)	44
45				45
46	Limit on PROPERTY Taxes that can be collected	297,882,642	316,570,839	46
47				47

Finally, the Assembly/Mayor decide how much of this capacity to use in their budget

47				47
48	Add General Government use of tax capacity within the Tax Cap	991,378	1,286,151	48
49				49
50	Limit on PROPERTY Taxes that can be collected within the Tax Cap	298,874,020	317,856,990	50
51				51
52	<u>Step 6: Determine property taxes to be collected if different than Limit on Property Taxes that can be collected</u>			52
53	Property taxes to be collected based on spending decisions minus other available revenue.			53
54				54
55	Property taxes TO BE COLLECTED	297,648,243	317,799,100	55
56				56
57	Amount below limit on property taxes that can be collected ("under the cap")	1,225,777	57,890	57

Service Areas not subject to the tax cap; Glen Alps, Girdwood, Valli Vue, CBERRRSA, ER/Chugiak Parks and Rec.

There also are service areas with boards that set their maximum mill levies. The property taxes in these service areas are not subject to the Tax Limit Calculation ("outside the cap"). The 2023 total property taxes "outside the cap" is **\$24,120,693**, making the total of all property taxes to be collected for General Government **\$341,919,793**.

Where does the money go?

- We have discussed how property taxes are calculated, and limited, for General Government services which is about 57% of our property tax bill.
- The other half of our property tax bill (43% actually) goes to fund education, which is constrained by Federal Equality in Funding rules.
- The wild card is State of Alaska funding for School Bond debt reimbursement.

A Sample of Taxes by Service Area

		101 103 107	131 104	151 152	161 162	141 105	106	118, 119, 121, 122, 149 Various Rural Road Service Areas	Levy w/o ASD, ERSL, & LRSA's	129 Eagle River Street Lights Service Areas	Various Limited Road Service Areas	Levy w/o ASD	School District (ASD)	Total Levy	Tax District
	Tax District	Area wide	Fire	Police	Parks & Rec	Roads & Drainage	Girdwood Valley Levy								
City/Anchorage	1	0.04	2.47	3.72	0.75	2.88	-	-	9.86	-	-	9.86	7.17	17.03	1
Hillside	2	0.04	2.47	3.72	0.75	-	-	-	6.98	-	-	6.98	7.17	14.15	2
Spenard	3	0.04	2.47	3.72	0.75	2.88	-	-	9.86	-	-	9.86	7.17	17.03	3
Girdwood Valley	4	0.04	-	-	-	-	5.35	-	5.39	-	-	5.39	7.17	12.56	4

There are taxes that are “outside” the tax cap

- Room (bed) tax, about \$40 million
- MOA Trust dividend, about \$16 million
- PILT Utilities (Chugach Electric), about \$9 million
- Alcohol, about \$13 million
- Marijuana (as of 2024), about \$6 million