

INITIATIVE INFORMATIONAL INSERT

FAIRBANKS NORTH STAR BOROUGH

REGULAR ELECTION

October 4, 2016

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PROPOSITION 6

ORDINANCE REENACTING FNSB CODE 8.04.290 AND 8.04.300, THE MAXIMUM ALLOWABLE TAX REVENUES INITIATIVE

"Shall sections 8.04.290 and 8.04.300 of the Fairbanks North Star Borough Code (FNSBC) of Ordinances be reenacted?" These sections will provide for limitations on the maximum allowable tax revenues for the Fairbanks North Star Borough. Under section 8.04.290 the borough will be able to levy or impose only the same amount of taxes for one fiscal year as the borough levied or imposed for the preceding year, except that the borough can increase the amount of taxes levied or imposed (a) to adjust for inflation; (b) to take into account new buildings and land coming onto the tax rolls; (c) make new payments on bonds; (d) pay for services approved by voters; (e) pay for new legal judgments entered against the borough; and to pay for expenses in emergencies. Section 8.04.300 provides a formula and definitions for the limitations of section 8.04.290.

A **"Yes"** vote reenacts the FNSBC Sections 8.04.290 and 8.04.300, which limits the maximum allowable tax revenues for the borough. If reenacted it may not be modified or negated within two years.

A **"No"** vote means the initiative will be defeated. The current revenue cap in the FNSB Code of Ordinances will remain in effect however, it can now be modified or negated by the assembly.

STRICTLY FACTUAL INFORMATION

Adopted by Assembly of the Fairbanks North Star Borough on August 11, 2016, Resolution No. 2016-38

1. The Ordinance Establishing Maximum Allowable Tax Revenues, generally referred to as the Revenue Tax Cap, was first established by initiative in 1987 and remains in effect.
2. This tax law limits the total amount of tax that may be levied or imposed by the Borough government. Under this tax cap, the total amount of tax levied during a tax year cannot exceed the total amount levied for the preceding tax year, adjusted for inflation with certain defined exclusions.
3. For computational purposes, the tax levy is adjusted for new construction, additional voter-approved services, new judgments against the Borough, special appropriations necessary on an emergency basis, certain hotel-motel taxes transferred to the hotel-motel room tax fund (used primarily to fund tourism marketing), and any amount withdrawn from the general fund's fund balance in the preceding year if designated by the Assembly as a reduction to the property tax levy. Furthermore, the limitation applies to all taxing authorities, but does not apply to any levy used for payment on bonds.
4. By Alaska Statute, voter reconfirmation of this ordinance bars the Assembly from overriding or otherwise changing the cap for a two-year period.

STATEMENT ADVOCATING VOTER APPROVAL

Information is the opinion of the author(s) and has been reproduced as submitted, without any changes to grammar, spelling or punctuation.

Borough Tax Cap

The Borough Tax Cap (more properly called a revenue cap) is actually a cap on the total revenue the borough can take into its coffers in any one year. The total is based on the amount of revenue received in the previous year, plus a cost of living increase. This protective limitation has never been more important, with recent attacks on the Permanent Fund Dividend and the fiscal irresponsibility of the present Borough Assembly.

However, the "cap" is not a total cap; to be legal, certain exceptions had to be provided for – things that are allowed to raise the cap. They are as follows:

- ◆ New buildings and land coming onto the tax rolls
- ◆ New payments on bonds approved by the voters
- ◆ Payments for services approved by the voters
- ◆ New legal judgments entered against the borough
- ◆ Expenses for emergencies

You may have noticed that your property taxes have gone up over the years that the cap has been in place (since 1988). Most of the increase is due to voter approved bond issues (new schools, library, etc) and new voter approved services such as the Carlson Center. If we had not had the tax cap in place, you would have seen a much steeper increase in taxes. The borough assembly has actually unnecessarily loosened the cap once – by making a change in another part of the borough code of ordinances. In the future, you may want to repeal that provision to bring back the integrity of the original cap.

Because of the cap, if the Assembly decided to start a sales tax without allowing you to vote on it, they would have to lower other taxes (most likely property taxes) by the same amount. In order for the sales tax to be added without decreasing other taxes, they would have to allow you to vote on the sales tax as a new tax, therefore the tax cap is forcing them to allow you to vote on new taxes.

The tax cap is in place right now. There is a similar one in the City charter, where it cannot be changed without a vote of the people. The borough does not have a charter to protect the cap, but state laws says that anything put on by voter initiative is protected from change or elimination for two years. For that reason, we must renew the cap every two years.

Please help us extend the protections of the tax cap for two more years, by voting YES for Proposition 6. Thank you.

(the Interior Taxpayers' Association, Inc., Box 71892
Fairbanks, Alaska 99707. Donna Gilbert, President.)

Ann Roberts

STATEMENT ADVOCATING VOTER REJECTION

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Con Statement regarding the Tax Cap Initiative for the Fairbanks North Star Borough:

Since 1986, the voters of the borough have had the opportunity to choose whether or not to approve a tax cap on the revenue collected by taxation of the borough property owners. Of course no one much enjoys paying taxes, and the voters have passed the initiative every two years for some time now. But has it mattered and does it really count for anything, or is it just an exercise in feeling good about fighting taxation while actually accomplishing little to nothing? I maintain it is the latter.

In researching this question, I looked at the history of borough budgeting with respect to the tax cap and asked the question: "Has the borough assembly ever reached or attempted to tax to or beyond the tax cap?" The answer is a clear "No!"

Is this because of the tax cap itself? I seriously doubt it. There are many reasons why the tax cap might not be reached, but one clear thing is evident to any voter paying attention: Any borough mayor or assemblyman who sought to raise taxes substantially in any year without unusual justification, would be a target for replacement in the next election, singled out and publicized accordingly.

Even so, if we had a real crisis, an emergency, or a sudden economic or other disaster, the tax cap initiative text allows for various contingencies where the tax cap could be exceeded in extenuating circumstances.

So there are lots of good reasons why we could exceed the cap if needed, which is of course a good idea and necessary. But it also makes a clear case for the next question: If we can supercede it in emergencies and if things go wrong we can do what is necessary, than what real purpose does it serve?

That is my fundamental question: Is the tax cap really necessary? Has it ever been invoked? Has it ever accomplished any real control of taxation? The answer to all these questions is a resounding "No!" The tax cap initiative is a waste of time, a phony idea. It has accomplished little except appeasement of those who think it actually does something. We elect the mayor, and the assembly to do the work of our borough. If they don't do it to our satisfaction, we can vote them out. The tax cap is not needed, and is useless as clearly shown by its historical record. We should dump it and continue to elect responsible local government. That is all we ever needed.

Richard D. Seifert