

**Budget Advisory Commission
Resolution 2025-1, as amended**

A Resolution of the Municipal Budget Advisory Commission Identifying Fiscal and Technical Considerations Related to the Proposed Sales Tax Ordinance AO 2024-105

WHEREAS, the Anchorage Assembly has a longstanding reliance on property taxes as its primary revenue source, and the introduction of multiple sales tax proposals represents a significant potential shift in municipal tax policy; and

WHEREAS, a broad tax base based on multiple sources of revenue and a large, diverse group of taxpayers contributes to long-term fiscal sustainability; and

WHEREAS, the Budget Advisory Commission recognizes that a sales tax offers the opportunity to collect revenue from individuals (such as tourists) who currently benefit from the infrastructure and services the Municipality of Anchorage provides but only contribute in a limited manner to the Municipality's ability to offer said amenities, and;

WHEREAS, community reinvestment funds of the type described in the proposed ordinance and some of the substitute versions have been demonstrated to contribute to improved economic vitality and sustainable growth; and

WHEREAS, the Budget Advisory Commission is charged with providing technical, policy-neutral guidance on fiscal matters, including reviewing and analyzing proposed changes to municipal revenue streams to ensure they align with principles of fiscal responsibility, transparency, and equity; and

WHEREAS, five versions of a proposed sales tax ordinance (AO 2024-105(S), (S-1), (S-2), (S-3), and (S-4)) were [ARE CURRENTLY] under consideration by the Anchorage Assembly, each with distinct structures, allocations, exemptions, and implementation mechanisms; and

WHEREAS, the proposed sales tax ordinances vary in their tax rates, revenue allocations, sunset provisions, exemptions, and approach to administrative oversight, which may have differing fiscal and operational implications for the Municipality; and

WHEREAS, these proposals collectively aim to address various community priorities, including property tax relief, funding for Municipal Area Projects (MAPs), general government funding, affordable housing, public transit, and economic development; and

WHEREAS, the Anchorage Assembly has determined that additional deliberation of the proposed ordinance is necessary prior to submitting the matter to the voters for approval; and

WHEREAS, the Budget Advisory Commission recognizes that changes to the

1 Municipality's revenue structure may create opportunities for addressing community
2 needs but also require careful consideration of long-term fiscal sustainability, equity,
3 and potential unintended consequences; and
4

5 **WHEREAS**, the Budget Advisory Commission acknowledges the importance of
6 ensuring any proposed sales tax structure includes robust accountability measures,
7 transparent reporting, and clear alignment with
8 voter-approved priorities; and
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10 **WHEREAS**, public buy-in to the proposed initiative is a key component of the
11 success and, financial sustainability of the proposed ordinance and voter turnout is
12 typically lower for a special election than for a regular election in the Municipality of
13 Anchorage; and
14

15 **WHEREAS**, despite careful consideration, research, and public outreach a sales
16 tax constitutes an unfamiliar source of revenue for the Municipality of Anchorage
17 with inherent complexities and administrative challenges, and;
18

19 **WHEREAS**, the Budget Advisory Commission is committed to providing policy-
20 neutral guidance to inform Assembly deliberations and support public understanding
21 of the fiscal and operational impacts of the proposed sales tax measures.
22

23 **NOW, THEREFORE, BE IT RESOLVED by the Budget Advisory Commission**
24 **of the Municipality of Anchorage:**
25

26 **Section 1. Guidance for Assembly Deliberations**

27 The Budget Advisory Commission recommends that the Assembly, when evaluating
28 the various sales tax proposals or crafting a final configuration, focus on:
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- 30 a. Formulating clear and straightforward policy with a minimum of complexity in
31 order to minimize unforeseen consequences, streamline public outreach, and
32 (assuming the ordinance is passed by voters) serve as a clear basis to
33 understand the impacts of this and any future sales taxes in the Municipality.
34
- 35 b. Defining revenue allocations with clear, measurable goals tied to community
36 needs and fiscal responsibility.
37
- 38 c. Analyzing economic impacts, such as those on businesses, resident and
39 nonresident property owners, renters, and vulnerable populations in the
40 community.
41
- 42 d. Evaluating the potential impacts of proposed exemptions, such as raising the
43 low-income exemption threshold to 80% of AMI, to ensure they achieve
44 intended equity goals without significantly narrowing the tax base.
45
- 46 e. Ensuring administrative mechanisms, including exemptions and transaction
47 caps, are practical and enforceable while being considerate of the cost and
48 complexity of these mechanisms given that any revenue [IS] expended
49 administering the sales tax is unavailable for any of the beneficial purposes
50 for which the revenue is allocated.

- f. Scrutinizing the effects of online sales on the administration and enforcement of the various categories of exemptions offered in the proposal.
- g. Considering the long-term fiscal impacts of tax cap exemptions on operational and maintenance budgets.
- h. Crafting farsighted policy which accounts for the impacts of economic conditions (such as inflation) in the future to mitigate the distortion of the ordinance's intended framework over time.
- i. Incorporating equity measures, such as targeted tax relief for low-income households, to address potential regressive impacts.
- j. Making changes and improvements to the proposed ordinance based on the various analyses and forecasts that have been made public, understanding that significant changes to the structure of the ordinance would have impacts that have not been studied or quantified.
- k. Examining how the proposed ordinance would impact residents of outlying areas of the municipality such as Girdwood, Eagle River/Chugiak, and the various limited service areas.

Section 2. Recommendations for Voter-Facing Information (Assuming Ordinance Passage)

If the ordinance advances to a ballot question, the Assembly should ensure voters receive clear, accessible information, including:

- a. Detailed project scopes and cost estimates with contingencies.
- b. Benefit analyses for major projects to demonstrate community value.
- c. Projections of how changes like business personal property tax relief will affect the Municipality and local businesses.
- d. Key aspects of tax measures under consideration (ex: rate, duration, forecasted revenue, exemptions, and usage of funds).

Section 3. Policy Accompaniments for Maximizing Benefits

Any adopted sales tax should include complementary policy changes or plans to enhance its effectiveness, such as:

- a. Strengthening local economic incentives to offset regressive tax impacts.
- b. Aligning operational funding sources for projects exempt from the tax cap.
- c. Addressing infrastructure maintenance planning through sustainable funding streams.
- d. Developing a contingency plan to address potential fiscal challenges if the sales tax sunsets without renewal;

Section 4. Recommendations for Fiscal Responsibility and Transparency

To promote fiscal responsibility, the Assembly should:

- a. Establish robust accountability measures, including regular reporting and external audits.
- b. Clearly define revenue allocation to ensure funds are used as intended.
- c. Limit administrative costs to maximize revenue toward designated purposes.
- d. Publish an annual report highlighting the sales tax revenues, their allocation, details of administrative costs, and program expenditures in a public forum.

Section 5. Encouragement of Public Engagement

- a. The Commission strongly encourages the Assembly to engage the public meaningfully throughout the decision-making process to ensure transparency, trust, and community buy-in.
- b. Assuming passage of the ordinance by the Assembly, the Commission urges that the information mentioned above in 2.a through 2.d to be widely disseminated using the various mechanisms at the disposal of the municipality including, but not limited to, the community councils, legislative affairs, press, and social media.

PASSED AND APPROVED by the Advisory Budget Committee this
_____, 2025.

Chair of the Budget Advisory Commission

ATTEST:

Office of Management & Budget