

Property Tax and Funding Education



Why a Property Tax

Property taxes fund local services that directly benefit property owners.

- Schools, roads, fire protection, police, utilities, planning
- Property values are tied to the quality of these services

Property taxes are one of the most stable and reliable sources of revenue.

- Property values don't fluctuate as wildly as income or sales
- Provides consistent funding for essential services (like schools)

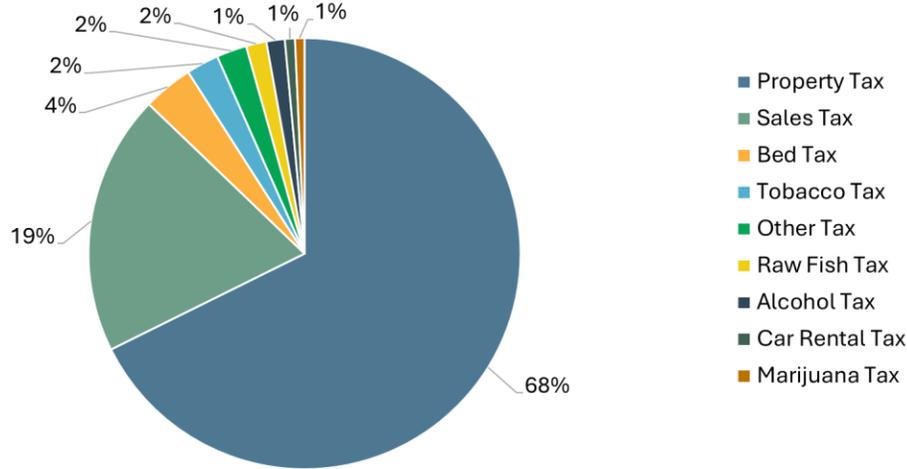
Property taxes are set and collected locally.

- Communities decide their own tax rates
- Residents can directly influence decisions through local government

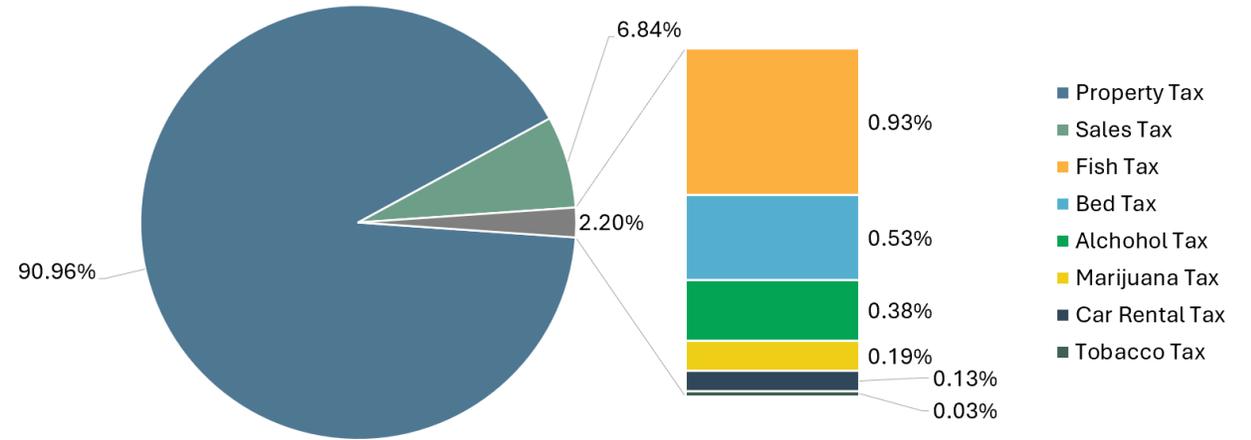
Property taxes are a reliable foundation for local funding, and they require careful design to ensure fairness and affordability.

Tax Base

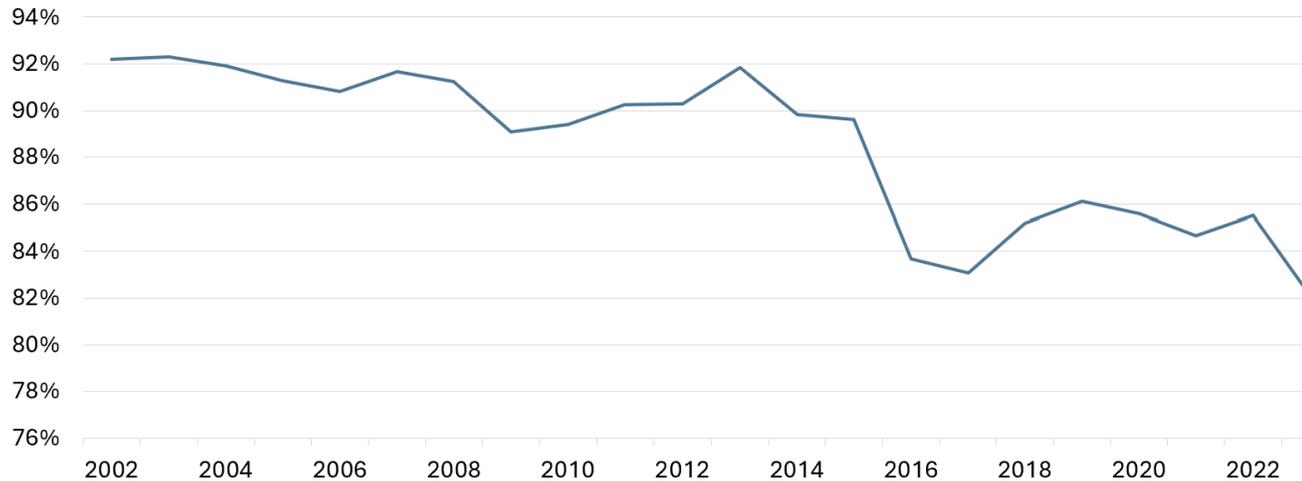
Components of Revenue, 2023*



Components of Calculable Tax Base, 2023*



Average Tax Concentration Statewide, 2002-2023



Appraised vs. Assessed

Appraised –

This is the market value of your property as determined by the local assessor. The appraised value of your property varies as the market for real estate fluctuates.

If market values decrease, appraised values will decrease and if market values increase your appraised value will increase. Ultimately, the appraised value of your property is a function of transactions of real estate in the local market.

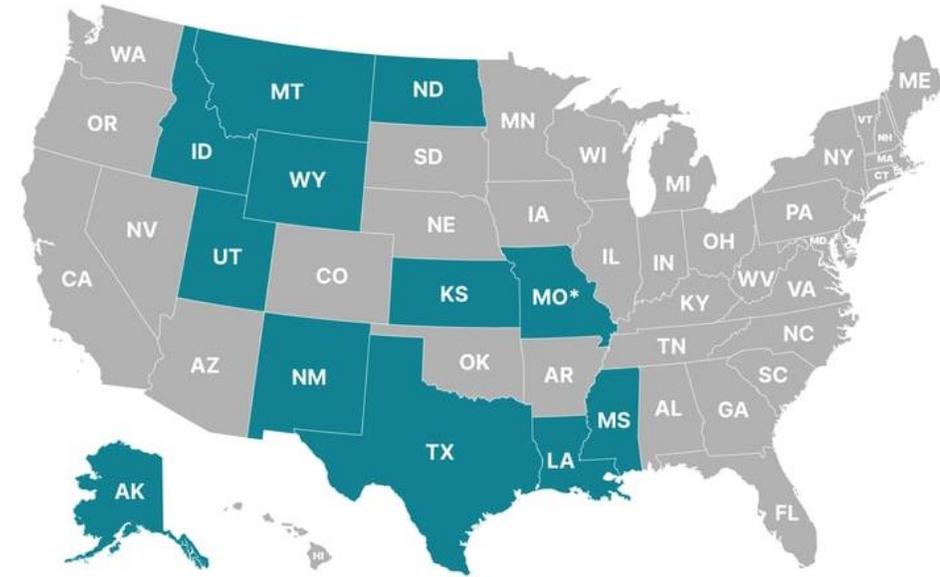
Assessed –

This is the taxable value of your property. This will often differ from the appraised or “market value” of a property due to exemptions.

For example, the appraised value of a property may be \$200,000, but if the property is 10% exempt, the assessed value would only be \$180,000. Property taxes are calculated on the assessed value, not the appraised value.

Disclosure vs. Non-Disclosure

- Market rate seems to be a determining factor in appraised and assessed value – what does it mean that we don't know it?
- Alaska is a non-disclosure state – the transaction cost of a property sale is not disclosed, so assessors don't know what the actual market rate is.
- The effect is that Assessors have to use what limited information they have to set the appraised value and apply standards and methodology to assume the rest.
- Real estate professionals are able to access prices via the MLS, which only they have access to. There is no public record, which limits transparency and ultimately the ability of an assessor to know what the actual price of a sale was.



Determining the Mill Rate

- The tax rate that is applied to the assessed value. The millage rate or “mill rate” is usually an expression of dollars of tax levied per every \$1,000 of value.
- So, a millage rate of 12.5 would mean that for every \$1,000 of assessed value, the taxpayer would pay \$12.50 in tax. A mill rate of 12.5 can also be expressed as 1.25% or 0.0125 in decimal form.
- Local governments set a budget based on expenses necessary to provide required services to residents.
- After backing out other revenues, there is a budgeted amount necessary to be funded by their property tax.
- That amount is divided by the tax base – the sum of all assessed (appraised less the mandatory and optional exemptions) values in the jurisdiction – to arrive at the mill rate necessary to fund the budget.
- Some mill rates defined by State law
 - Oil and gas property tax is levied by the State at 20 mills, independent of the budget, and local governments apply their own rate within that, with the remainder going to the State.
 - The Required Local Contribution (RLC) is set at 2.65 mills. Local governments with municipal school districts must contribute the equivalent of that amount to their school district.

Mill Rate by Jurisdiction, Recent History

Boroughs/Unified Municipalities	2021 Mill Rate	2022 Mill Rate	2023 Mill Rate	2024 Mill Rate	2025 Mill Rate
Bristol Bay Borough	11.93	11.50	11.06	11.35	11.95
City and Borough of Juneau	10.28	10.33	9.21	9.59	9.51
City and Borough of Sitka	5.80	6.30	6.04	5.81	5.80
City and Borough of Wrangell	12.75	11.84	9.32	9.11	9.26
City and Borough of Yakutat	6.87	5.89	5.59	7.86	8.86
Cordova	11.06	11.54	10.26	9.93	11.44
Craig	6.00	5.95	5.75	5.27	5.78
Dillingham	12.94	12.94	12.17	12.97	12.82
Fairbanks North Star Borough	14.60	18.75	14.21	15.44	15.62
Haines Borough	9.47	8.55	8.18	8.73	8.73
Kenai Peninsula Borough	8.34	9.58	7.98	8.10	7.53
Ketchikan Gateway Borough	11.80	9.83	5.19	5.70	5.50
Kodiak Island Borough	12.28	12.61	12.16	11.13	10.82
Matanuska-Susitna Borough	13.58	13.00	13.30	11.56	11.17
Municipality of Anchorage	17.74	16.36	16.79	12.33	14.13
Nenana	12.00	12.00	9.72	12.00	12.00
Nome	12.00	12.00	11.51	11.50	11.49
North Slope Borough	17.53	17.99	18.17	17.21	17.30
Pelican	6.16	7.00	5.79	4.17	5.62
Petersburg Borough	10.25	10.37	9.01	9.03	9.78
Skagway	5.51	5.62	5.04	5.48	5.46
Unalaska	10.43	9.00	8.84	10.44	10.44
Valdez	17.43	20.00	20.03	16.79	16.23
Whittier	5.99	8.00	6.92	8.00	8.00
Average Mill Rate	10.95	11.12	10.09	9.98	10.22

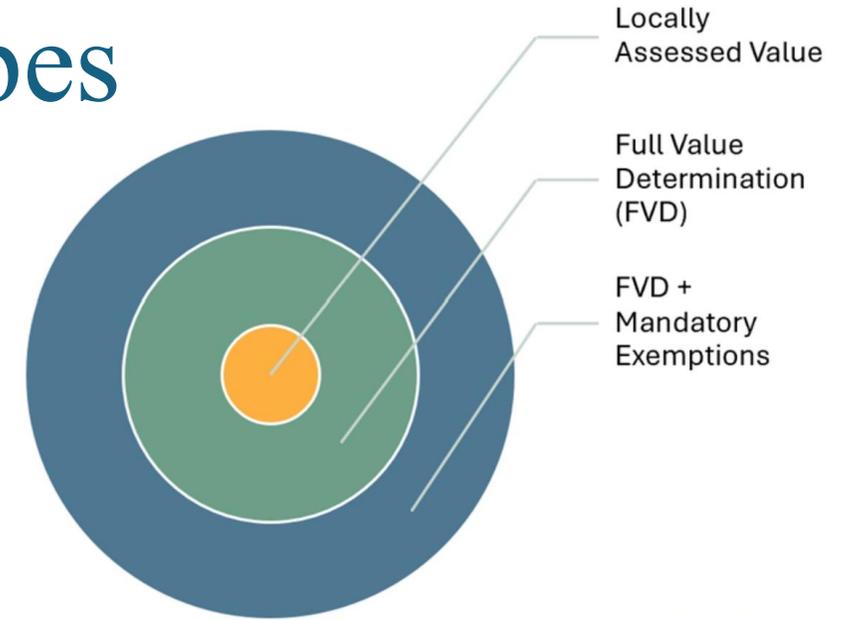
AVERAGE SALES PRICE FOR SINGLE-FAMILY HOME, ALASKA 1992 TO 2024



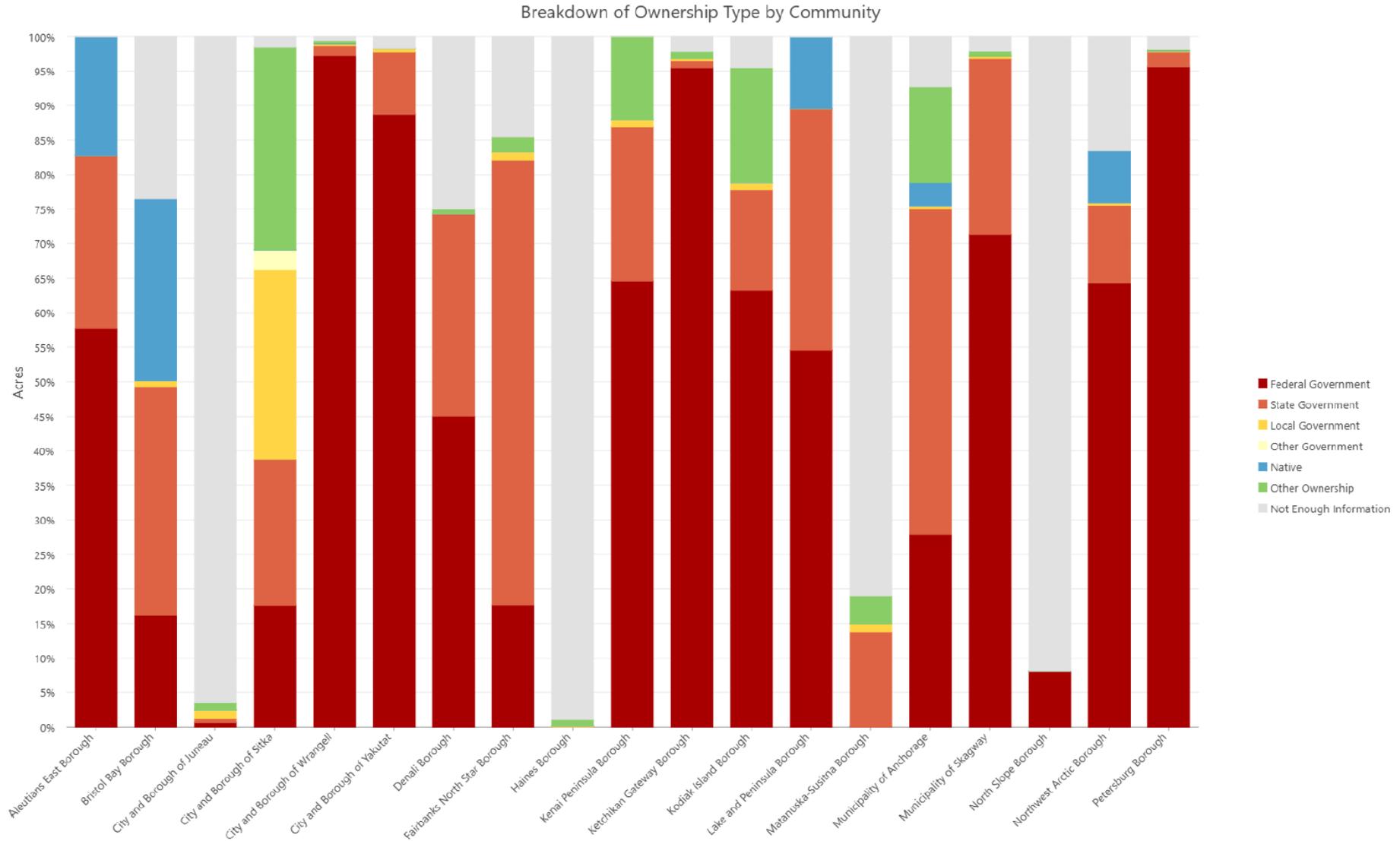
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and the Alaska Housing Finance Corporation,

Exemption Types

- **Constitutional - Mandatory**
 - Federal, State, and local government
 - Charitable religious, nonprofit, educational
- **Mandatory – State Decides**
 - Seniors and Disabled Veterans
- **Optional – Local Governments Decide, State Allows**
 - Community purposes
 - University housing
 - Economic development
 - Residential renewable energy
 - Senior and disabled veterans
 - Timber processing
 - Low-income housing owned by AHFC or regional housing authority
 - ...

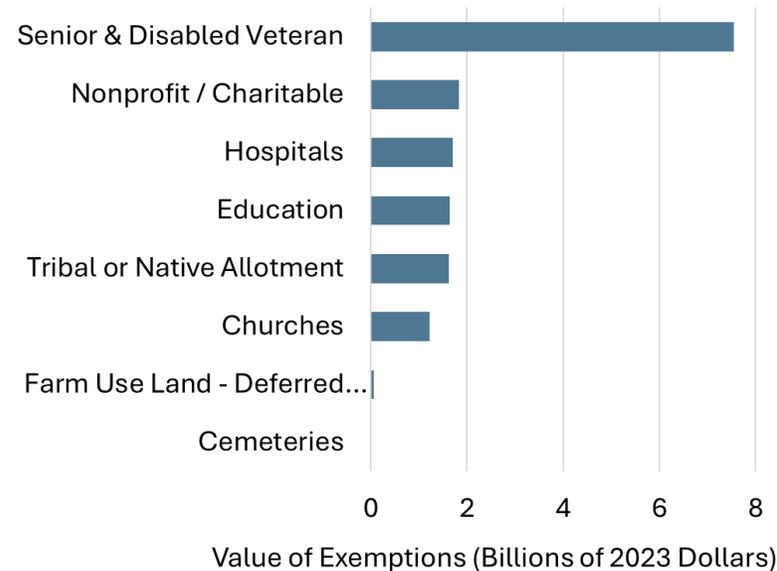


Property Ownership Matters



Mandatory Exemptions

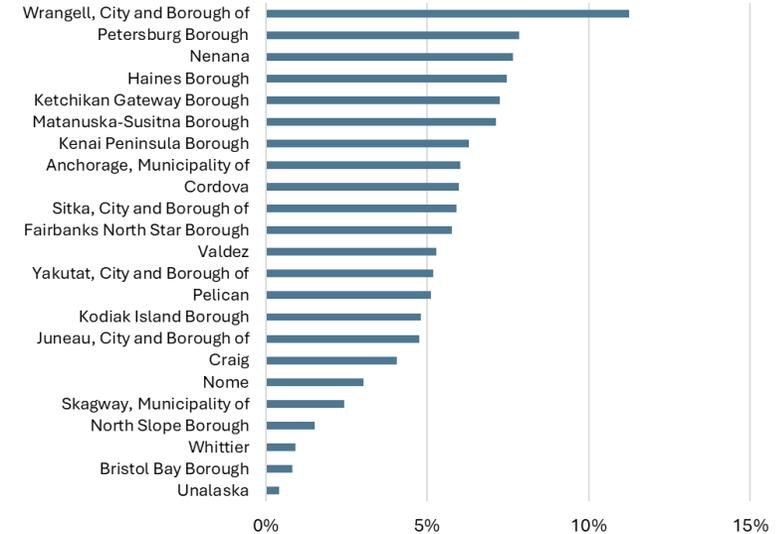
Mandatory Exemptions in 2023



Value of Mandatory Exemptions in 2023

- \$15.7 billion of taxable value
- 12.4% of total taxable value
- Not all jurisdictions assess exempt categories

Percentage of Property Tax Base Subject to S/DV Exemption, 2023



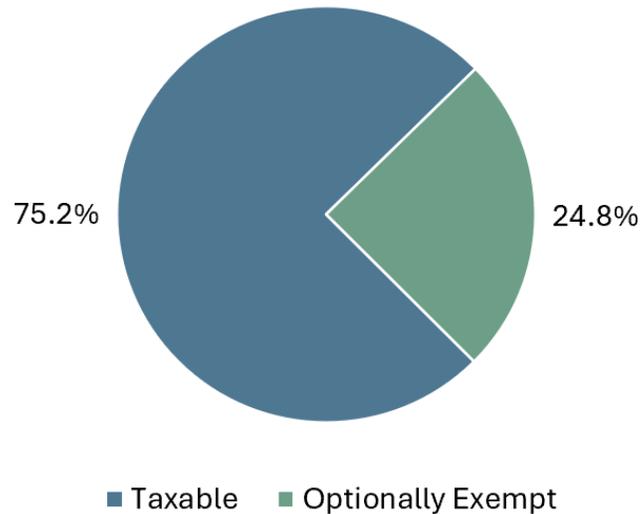
Senior/Disabled Veteran Exemption

- \$7.56 billion in 2023
- Average 6% of total value
- Larger percentages in places with less commercial/ industrial activity or older populations

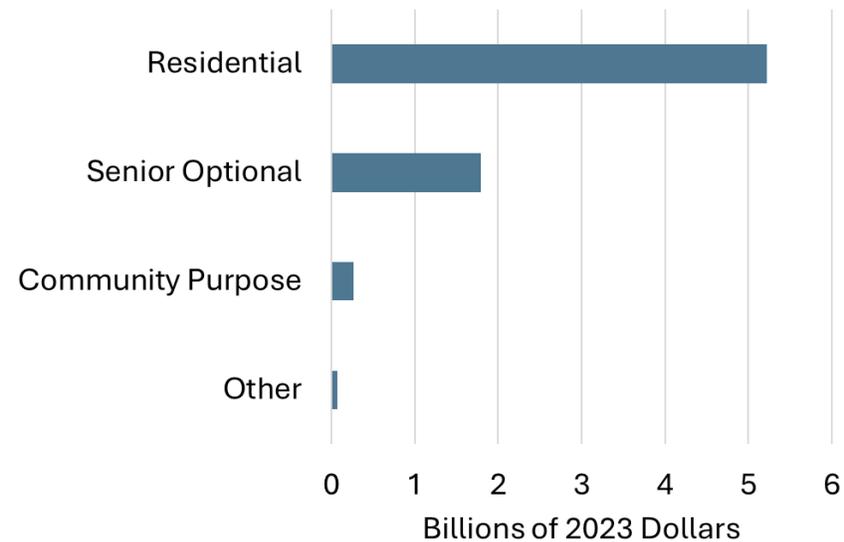
Optional Exemptions

- \$27.4 billion exempted in 2024.
- Includes real and personal property, including modeled values.
- Including mandatory exemptions, 34.2% of all property is exempt.

Share of Real Property that is Subject to Optional Exemptions



Value of Real Property Optional Exemptions, 2024



Optional Exemptions

Table 3
Summary of Optional Exemptions for Municipalities Levying a Property Tax

As of January 1, 2025

Boroughs/Unified Municipalities	LOCALLY EXEMPTED VALUES ⁽¹⁾				Local Assessed Value	Percent of Tax Base Exempted
	\$75,000 Residential AS 29.45.050(a)	Community Purpose AS 29.45.050(b)(1)(A)	Other Optional Real Property Exemptions	Personal Property Exempted AS 29.45.050 (b)(2)		
Bristol Bay Borough	\$ 1,964,400	\$ 222,600	\$ -	\$ -	\$ 499,502,299	0.4%
City and Borough of Juneau	\$ -	\$ 20,507,914	\$ 7,075,992	\$ 67,626,569	\$ 6,565,016,758	1.5%
City and Borough of Sitka	\$ -	\$ 37,564,127	\$ 11,126,939	\$ 8,378,827	\$ 1,376,431,598	4.1%
City and Borough of Wrangell	\$ -	\$ -	\$ 139,142	\$ -	\$ 255,175,474	0.1%
City and Borough of Yakutat	\$ -	\$ -	\$ 464,645	\$ -	\$ 76,890,045	0.6%
Cordova	\$ -	\$ -	\$ -	\$ 78,279,068	\$ 313,476,971	25.0%
Craig	\$ -	\$ 2,560,000	\$ 3,100,000	\$ 43,756,066	\$ 141,980,702	34.8%
Dillingham	\$ -	\$ -	\$ 628,695	\$ 145,837	\$ 261,820,721	0.3%
Fairbanks North Star Borough	\$ 845,274,858	\$ 29,987,006	\$ 31,297,995	\$ -	\$ 10,291,621,935	8.8%
Haines Borough	\$ -	\$ 4,752,300	\$ -	\$ -	\$ 437,523,308	1.1%
Kenai Peninsula Borough	\$ 556,664,900	\$ 85,323,350	\$ 863,338,000	\$ 25,157,111	\$ 9,585,454,196	16.0%
Ketchikan Gateway Borough	\$ -	\$ 5,136,600	\$ -	\$ 32,321,394	\$ 1,977,981,698	1.9%
Kodiak Island Borough		\$ 4,456,300	\$ -	\$ 13,182,618	\$ 1,910,007,232	0.9%
Matanuska-Susitna Borough	\$ -	\$ 67,081,141	\$ 1,188,962,027	\$ 31,753,421	\$ 14,872,111,698	8.7%
Municipality of Anchorage	\$ 3,797,985,610	\$ 33,632,690	\$ 77,518,085	\$ 57,134,653	\$ 42,352,112,151	9.4%
Nenana	\$ -	\$ -	\$ -	\$ -	\$ 20,357,520	0.0%
Nome	\$ -	\$ -	\$ 471,200	\$ -	\$ 471,323,244	0.1%
North Slope Borough	\$ 29,163,450	\$ 8,193,360	\$ 13,641,870	\$ 135,100	\$ 1,272,693,928	4.0%
Pelican	\$ -	\$ -	\$ 1,151,800	\$ -	\$ 12,743,401	9.0%
Petersburg Borough	\$ -	\$ -	\$ 2,515,408	\$ -	\$ 444,983,142	0.6%
Municipality of Skagway	\$ -	\$ -	\$ 15,994,216	\$ -	\$ 411,481,584	3.9%
Unalaska	\$ -	\$ -	\$ 933,320	\$ 3,827,208	\$ 850,061,054	0.6%
Valdez	\$ 65,016,803	\$ 8,453,491	\$ 15,109,094	\$ -	\$ 381,631,910	23.2%
Whittier	\$ -	\$ -	\$ -	\$ 3,700,477	\$ 104,656,452	3.5%
Statewide	\$ 5,296,070,021	\$ 307,870,879	\$ 2,233,468,428	\$ 365,398,349	\$ 94,887,039,021	8.6%

(1) Exempt values are actual assessed values established by the individual borough or city, estimates by the Office of the State Assessor, or both.

Full Value Determination → Education Funding

- Role of State Assessor – outside of Title 29
- Used to determining **Public Education Funding**
- AS 14.17.510: (a) To determine the amount of required local contribution under AS 14.17.410(b)(2) and to aid the department and the legislature in planning, the Department of Commerce, Community, and Economic Development, in consultation with the assessor for each district in a city or borough, shall determine the full and true value of the taxable real and personal property in each district in a city or borough.
- FVD is not the same as the local tax base actually used by a municipality.
 - From the State’s perspective, it appears that the municipality has a higher tax base.
 - From the local perspective, to meet a higher RLC, the effective mill rate on actually taxable property must be higher
 - The State assumes a broader tax base than the one the community can actually tax—so the burden is concentrated on fewer taxpayers.

Full Value Determination

To create a standardized value across all communities, the State Assessor:

- Adds back optional exemptions (e.g., residential exemptions, senior exemptions)
- Adds back personal property (even in places where it is not taxed at all or only partially taxed)
- Applies methodology adjustments to ensure consistency statewide

FVD is often higher than the value a community can actually tax

The Full Value Determination standardizes property values across the state, but by including exempt and untaxed property, it can overstate a community's ability to pay—shifting more of the education funding burden onto taxable property owners.

2025 FULL VALUE DETERMINATION WORKSHEET
OFFICE OF THE STATE ASSESSOR

Municipality:
Population:

Real Property	Locally Assessed	Optionally Exempt	OSA Addback	Ratio	Full Value	Per Capita
	\$ 1,727,255,250	\$ 4,456,300	\$ 400,675,533	81.21%	\$ 2,132,387,083	\$ 169,641

Personal Property	Locally Assessed	Optionally Exempt	OSA Addback	Full Value	Per capita
Motor Vehicles	\$ -	\$ -	\$ 141,014,782	\$ 141,014,782	\$ 11,218
Aircraft	\$ -	\$ 7,392,900	\$ 7,370,192	\$ 14,763,092	\$ 1,174
Boats	\$ -	\$ -	\$ 77,964,403	\$ 77,964,403	\$ 6,202
M&E	\$ 182,751,982	\$ 5,789,718	\$ -	\$ 188,541,700	\$ 14,999
Inventory	\$ -	\$ -	\$ 30,560,865	\$ 30,560,865	\$ 2,431
Personal Property Total	\$ 182,751,982	\$ 13,182,618	\$ 256,910,242	\$ 452,844,842	\$ 36,026

Real/Personal Total	\$ 1,910,007,232	\$ 17,638,918	\$ 657,585,775	\$ 2,585,231,925	\$ 205,667
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COMPILATION OF FULL VALUE

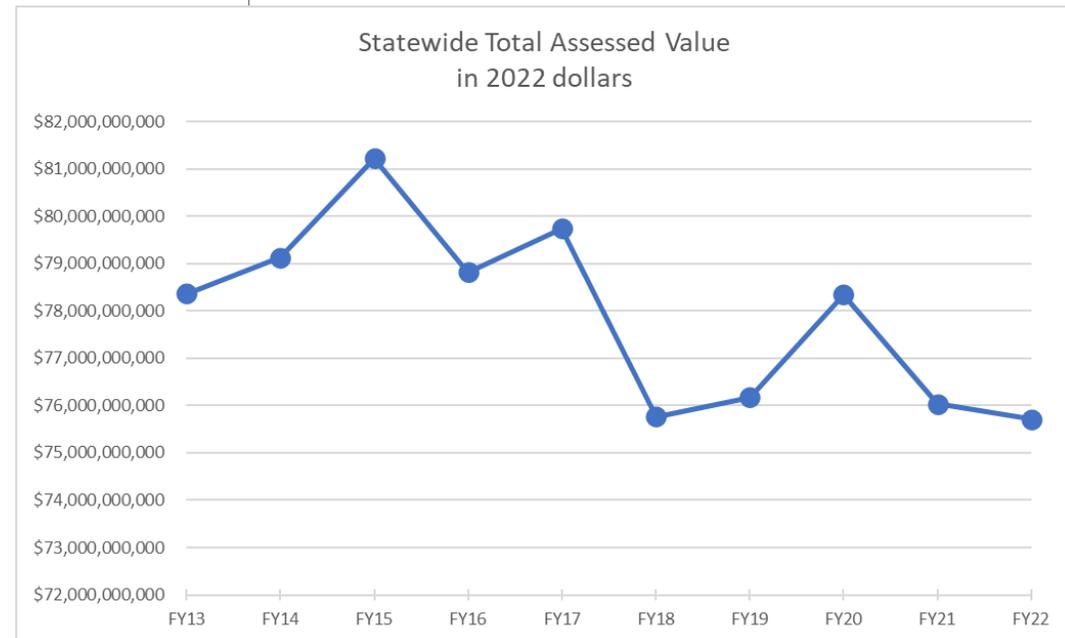
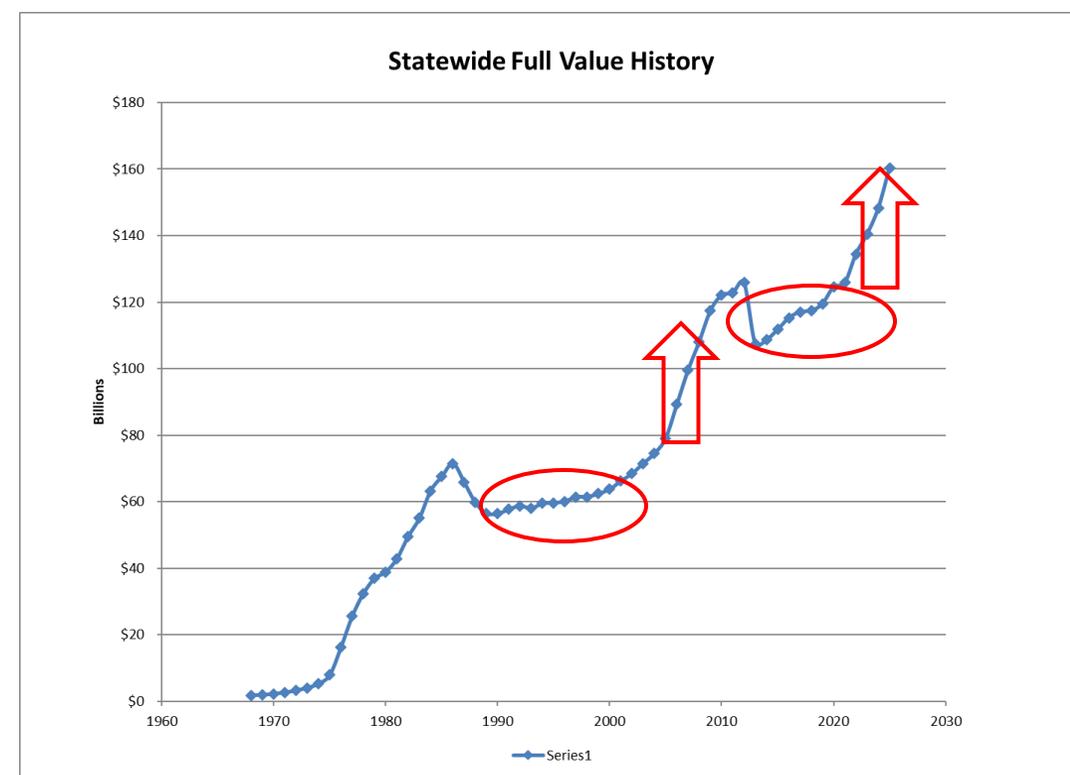
Real Property	\$ 2,132,387,083		
Personal Property	\$ 452,844,842		
State Assessed Oil and Gas	\$ -		
Total FVD	\$ 2,585,231,925	\$ 205,667	2.20%
	Includes 43.56 property		

Full Value Determination

Property owners without exemptions bear more of the load.

Businesses (especially those with taxable personal property) may carry more weight in some communities.

In places without personal property tax, real property owners absorb the difference.



Required Local Contribution

- 2.65 mills (or equivalent) of Full Value Determination.
- State controls the Full Value Determination.
- Full Value Determination – and local assessment – generally grows over time, and sometimes substantially.

School District	2024 Required Local Effort	2025 Required Local Effort	2026 Required Local Effort	State Savings - FY24-26
Aleutians East	623,000	644,987	656,009	33,009
Anchorage	120,362,918	120,159,280	127,700,087	7,337,169
Bristol Bay	774,425	758,014	848,210	73,785
Cordova	1,094,102	1,183,153	1,150,231	56,129
Craig	471,328	486,928	480,413	9,085
Denali	1,056,375	1,051,949	1,115,439	59,064
Dillingham	800,599	793,366	869,746	69,147
Fairbanks	37,148,412	38,662,228	39,907,995	2,759,583
Galena	108,787	114,074	122,199	13,412
Haines	1,359,650	1,336,562	1,462,150	102,500
Hoonah	263,537	273,113	282,152	18,615
Hydaburg	42,554	43,851	44,142	1,588
Juneau	17,538,925	19,622,560	19,948,922	2,409,997
Kenai Peninsula	31,096,893	33,151,200	35,537,970	4,441,077
Ketchikan Gateway	5,584,814	5,741,504	6,214,443	629,629
Klawock	180,385	186,885	190,550	10,165
Kodiak Island	5,613,724	5,703,184	6,703,145	1,089,421
Lake & Peninsula	407,447	497,484	437,022	29,575
Mat-Su	42,173,492	47,177,910	49,661,045	7,487,553
Nenana	92,497	94,068	91,555	(942)
Nome	1,335,324	1,431,334	1,431,656	96,332
North Slope	15,692,861	15,353,645	15,964,096	271,235
Northwest Arctic	2,381,205	2,304,357	2,454,223	73,018
Pelican	42,012	46,273	60,067	18,055
Petersburg	1,567,899	1,654,247	1,606,261	38,362
Saint Mary's	89,176	91,048	93,222	4,046
Sitka	4,143,780	4,138,275	4,180,579	36,799
Skagway	1,089,362	1,082,348	1,030,880	(58,482)
Unalaska	2,365,192	2,480,064	2,506,938	141,746
Valdez	4,059,696	3,924,088	3,992,747	(66,949)
Wrangell	674,458	862,086	885,962	211,504
Yakutat	277,363	314,366	325,559	48,196
TOTALS:	300,595,046	311,450,741	328,046,199	27,451,153

School Funding Formula

Basic Need = Base Student Allocation (BSA) × Adjusted Average Daily Membership (ADM)

- “Basic Need” is calculated by multiplying the Base Student Allocation (BSA) by a district’s Adjusted ADM, where ADM is modified through a series of factors – including school size, district cost factors, special education, vocational/technical instruction, intensive services, and correspondence students – to reflect the true cost of providing education in different communities, and implemented in different configurations based on local need.

Public School Funding = State Aid – Required Local Contribution (RLC) – Impact Aid

- State Aid – what the State pays after other required revenues are applied

Basic Need – RLC – Impact Aid + Quality Schools Grant = State Aid

Who Pays and What's the Impact

- Because State Aid is calculated after subtracting the Required Local Contribution (RLC), an increase in local contribution directly reduces State funding dollar-for-dollar.
- Even when the legislature increases the Base Student Allocation (BSA), raising Basic Need, a simultaneous increase in the Required Local Contribution can offset or even reduce the amount of new State funding a district receives.
- The State acts as the “payer of last resort” in the formula, for its Constitutional obligation.
- If Basic Need increases by \$1 million due to a higher BSA, but the Required Local Contribution also increases by \$1 million, then State Aid does not increase at all.
- If the Required Local Contribution increases by \$2 million, while Basic Need increases by only \$1 million, then: State Aid decreases by \$1 million overall.

Impact to Schools

- An increase in the BSA can result in no additional State Aid if the Required Local Contribution (RLC) increases by more than the resulting increase in Basic Need.
- The increased RLC simply replaces State funding—leaving districts with no net gain.

Sticky Policy Questions

- Is the formula in place to actually meet the needs of districts, or to manage State costs?
- Should the RLC be disconnected from the formula?
 - Thereby at least allowing local governments who can and choose to, to better meet the needs of districts when the State isn't.
 - Or instead of the State being the payer of last resort, reverse the order so that local taxpayers are the last payer, especially since that doesn't apply to all districts.
 - Or smooth the increase of the RLC so that local governments aren't picking up more of the difference than the State is willing to put in.
- Alternatively, should the State conduct FVD for all districts, and the State make up the RLC for REAAs? That would at least address disparity, especially if the RLC were decoupled.
- How does Alaska still ensure adequacy and avoid disparity, and is it sacrificing one to achieve the other?

