

MUNICIPAL

TAX

Comp.

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH V. STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

April 28, 1978

SUBJECT: Municipal Tax Comparisons (w.O. #5437)

TO: The Honorable Charles Parr

FROM: Deborah Behr ^{DB} and
Research Analyst

John Williams ^{JW}
Research Analyst

You have asked that we prepare information comparing some fiscal capacity, bonded indebtedness, and local effort indicators that will relate the municipalities of the Kodiak Island Borough, Dillingham, Nome, Petersburg, and Wrangell to equivalent municipalities in the state. Our analysis is divided into four portions: (1) comparisons of property values and property taxing rates; (2) sales taxing rates and revenues; (3) bonded indebtedness and tests to compare present indebtedness to debt capacity; and (4) a summary of local taxation, including a comparison of local tax liability to personal income.

Our data is primarily obtained from Alaska Taxable 1977, prepared by the state assessor, Department of Community and Regional Affairs (CRA). Sales tax revenues were obtained from the 1977 Municipal audits on file with the Dept. of CRA (when 1977 audits were not available, 1976 sales tax revenues were obtained from the 1976 audits and escalated by an appropriate percentage). Per capita income data was compiled from information available from the Bureau of the Census (1974 income data) and adjusted with income data purchased from the National Planning Data Corporation (1976 income data). Municipal populations are those used by the Local Government Assistance Division of the Department of CRA for the state aid to local governments program (revenue sharing).

The cities and boroughs which were selected to compare the five cities (listed above) against, are the Bristol Bay Borough, Haines Borough, City and Borough of Juneau, Ketchikan Gateway Borough, Mat-Su Borough, City and Borough of Sitka, Cordova, King Cove, Nenana, Pelican, Skagway, and Unalaska. This group contains all municipalities in the state with education responsibilities except those with oil and gas properties and cities that do not have a property tax.

The 17 cities included in the analysis (including the five requesting additional educational support) are generally comparable. Remarkable externalities which should be considered when looking at the following tables are the considerable seafood industry properties and sales in Unalaska (the largest commercial fishing port in the U. S. in terms of value of catch); the railroad property located in Skagway; the seafood industries located in Kodiak, Petersburg, Ketchikan, Sitka, Cordova, King Cove, and Pelican; and the timber industries located in Wrangell, Ketchikan, and Sitka. Those locations will generally show a larger tax base because of the industrial concentration in the respective municipalities.

The sales taxation analysis is not as specific as the other data because of the significant variations used by municipalities in the application of a sales tax. It is additionally much more difficult to determine the residential contribution to municipal sales taxes (as compared to property taxes) since tourism, purchases by non-residents at regional trade centers, and the specific application of sales taxes to particular transactions will tend to diminish the out-of-pocket contribution of residents of a given municipality. Our analysis is concerned with local fiscal capacity and local effort. Non-resident contributions to a municipal sales tax will artificially escalate the local effort of those municipalities which receive significant sales tax revenues from non-residents unless a means could be developed to back out non-resident contributions to municipal sales taxes.

DB:JW:fc
Attachments

PROPERTY VALUES, TAXATION, AND REVENUE

PROPERTY VALUE, TAXATION, AND REVENUE

The two following charts present information on municipal property taxation, property values, and revenues. Assessed values are those determined and used by municipalities for property taxation purposes. Full and true values are determined by surveys conducted by the state assessor. Differences between assessed and full and true value are attributable to (1) optional exemptions utilized by municipalities, and (2) slight differences between assessed and market values of property.

Taxing rates shown are the area-wide rate only. Differential rates in service areas or tax zones are not shown. When determining revenues derived from property taxes, total liability was determined for all property taxes within a municipality (including city tax liability for cities within boroughs).

The chart entitled "Comparison of Property Value and Property Tax Revenue" presents information standardized to an average index value of 100. The average municipal per capita property value for the 17 municipalities is determined and assigned an index value of 100. The same computation is made for municipal per capita tax revenues. The index numbers are useful for demonstrating the relative degree of taxation each municipality imposes on the per capita property value in the municipality. For example, a municipality whose index number for per capita tax revenue is less than its index number for per capita property value is taxing a rate less than the average for the 17 cities included; and a municipality whose per capita tax revenue index number is greater than its property value index number is taxing at a rate greater than the average.

PROPERTY VALUE, TAXATION, AND REVENUE

	Population	Assessed Property Value (\$Thousands)	Full & True Property Value (\$Thousands)	Per Capita Assessed Value	Per Capita Full Value	Area-Wide 1/ Property Tax Rate (Assessed)	Area Wide Property Tax Rate (Full & True)	Property 2/ Tax Revenue	Per Capita 3/ Property Tax Revenue	Property Tax Revenue From 1 Mil (Full & True)
Kodiak Island Borough	7,901	\$160,554.9	\$174,701.5	\$20,321	\$22,111	7.23	6.664	\$2,517,419.5	\$318.62	\$174,702
Dillingham	1,269	15,247.6	17,140.8	12,015	13,507	17.00	15.113	167,723.9	132.17	17,141
Nome	2,585	37,484.4	33,747.7	14,501	13,055	17.90	19.869	670,970.8	259.56	33,748
Petersburg	2,126	31,172.0	34,048.1	14,662	16,015	14.00	12.810	436,408.5	205.27	34,048
Wrangell	3,152	37,139.7	37,599.6	11,783	11,929	5.95	5.873	387,841.9	123.05	37,600

Bristol Bay Borough	1,311	29,302.8	29,748.8	22,351	22,692	10.05	9.899	478,332.0	364.86	29,749
Haines Borough	1,924	34,938.1	34,400.1	18,159	17,879	3.60	3.654	274,828.2	142.84	34,400
City & Borough of Juneau	20,465	378,954.7	364,558.9	18,517	17,814	15.42	16.021	6,692,620.5	327.00	364,559
Ketchikan Gateway Borough	11,490	247,655.4	270,955.7	21,554	23,582	7.00	6.398	3,244,751.4	282.46	270,956
Mat-Su Borough	16,724	487,802.8	552,600.7	29,168	33,042	10.50	9.272	5,896,893.5	352.60	552,601
City & Borough of Sitka	7,650	180,030.6	179,644.5	23,533	23,483	4.00	4.008	720,122.5	94.13	179,645
Cordova	2,406	20,585.7	30,047.6	8,556	12,489	22.00	13.684	452,885.5	188.23	30,048
King Cove	408	1,145.4	2,863.5	2,807	7,018	10.00	4.000	11,454.0	28.07	2,864
Nenana	521	4,922.7	5,374.0	9,449	10,315	10.00	9.160	49,226.7	94.48	5,374
Pelican	169	4,368.3	4,639.3	25,848	27,451	4.00	3.784	17,473.1	103.39	4,639
Skagway	854	30,300.0	29,850.2	35,480	34,953	10.50	10.658	318,150.0	372.54	29,850
Unalaska	510	16,571.5	16,571.5	32,493	32,493	17.50	17.500	290,001.8	568.63	16,571

- 1/ Area-wide rate is shown, differential rates within the city or borough are not shown.
- 2/ Total of all property taxes (area-wide, municipal, and service area).
- 3/ From all property taxes in the city or borough

Prepared by:
Legislative Affairs Agency
Research Division
28 April 1978

COMPARISON OF PROPERTY VALUE AND PROPERTY TAX REVENUE

	<u>Full and True Per Capita Property Value</u>	<u>Index</u>	<u>Per Capita Property Tax Revenue</u>	<u>Index</u>
AVERAGE	\$19,990	100	\$232.81	100
Kodiak Island Borough	22,111	111	318.62	137
Dillingham	13,507	68	132.17	57
Nome	13,055	65	259.56	111
Petersburg	16,015	80	205.27	88
Wrangell	11,929	60	123.05	53

Bristol Bay Borough	22,692	114	364.86	158
Haines Borough	17,879	89	142.84	61
City and Borough of Juneau	17,814	89	327.00	140
Ketchikan Gateway Borough	23,582	118	282.40	121
Mat-Su Borough	33,042	165	352.60	273
City and Borough of Sitka	23,483	117	94.13	40
Cordova	12,489	62	188.23	81
King Cove	7,018	35	28.07	12
Nenana	10,315	52	94.48	41
Pelican	27,451	137	103.39	44
Skagway	34,953	175	372.54	160
Unalaska	32,493	162	568.63	244

Prepared by:
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 Research Division
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SALES TAX RATES AND REVENUE

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Because of the tremendous variances in the imposition of sales tax ordinances (transactions covered by the tax, limits imposed on sales exceeding a ceiling level, exemptions from taxation, etc.), it is difficult to compare the relative effort that each municipality has undertaken. The fact that sales tax revenues are not derived solely from the pocketbooks of residents of the municipality further complicates the matter. The only conclusions that can generally be drawn from the table is that similar communities with dramatically different per capita revenues from similar taxing rates probably apply their sales taxes quite differently. A community which comparatively receives less than a similar community could generally be considered to have untapped potentials for incremental revenues from a sales tax.

SALES TAX RATES AND REVENUE

	Sales Tax Rate (%)	Sales Tax Revenue	Per Capita Sales Tax Revenue
Kodiak Island Borough	0 - 3	\$ 862,599	\$ 109.17
Dillingham	3	173,859	137.00
Nome	3	331,000	128.05
Petersburg	5	41,928	19.72
Wrangell	5	349,974	111.03

Bristol Bay Borough	3*	244,042	186.15
Haines Borough	1 - 4	109,269	56.79
City & Borough of Juneau	1 - 3	1,309,878	64.01
Ketchikan Gateway Borough	1.5 - 4	2,316,313	201.59
Mat-Su Borough	0 - 2	311,756	18.64
City & Borough of Sitka	4	694,624	90.80
Cordova	4	398,062	165.45
King Cove	1	8,355	20.48
Nenana	2	34,631	66.47
Pelican	3	46,000	272.19
Skagway	3	101,577	118.94
Unalaska	1	354,846	695.78

*On raw fish only.

Prepared by:
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 Research Division
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DEBT CAPACITY ANALYSIS WITH REGARD TO
SCHOOL CONSTRUCTION NEEDS:
INTERCOMMUNITY COMPARISON

DEBT CAPACITY ANALYSIS WITH REGARD TO SCHOOL
CONSTRUCTION NEEDS: INTERCOMMUNITY COMPARISON

Debt capacity was analyzed by utilizing Mr. David Rose's, executive director of the Alaska Municipal Bond Bank Authority, two "rules of thumb" as general guidelines for determining the debt capacity of a community. Those "rules of thumb" are:

Rule #1: The maximum general obligation bonded debt of a community should not exceed 15%.

Rule #2: Per capita general obligation debt should not exceed \$2,000.

The chart entitled "Comparison of Debt Capacity of Selected Alaska Cities" analyzes the debt capacity (as estimated by the two rules of thumb) of the five selected communities with the debt capacity of 12 similar Alaska locations.

Using Rule #1

The average of the communities in the sample had debt up to 37.9% of its maximum recommended debt limit. A similar percentage was calculated for each community included in the review. Index numbers were also calculated to compare the relative position of each community's debt percentage to the sample average. If both are equal, the community had incurred debt at 37.9% of its maximum capacity and its index number would be listed a 1.00. Index numbers higher than 1.00 reveal debt incurring percentage higher than the average. Index numbers lower than 1.00 reveal debt percentage less than the average. Only Petersburg, Haines,

and King Cove have incurred debt in comparison to its maximum at a rate higher than the average of the communities included in the sample.

Using Rule #2

The average of the communities had debt up to 35.9% of the \$2000 maximum per capita limit. Again percentage and index numbers were calculated for each community in the sample to make cross-community comparisons. Petersburg ranked first in all the communities included in the sample.

Debt Capacity Compared to School Needs

The final three charts attached list the debt capacity utilizing the two different methods of analysis. The charts then compare that maximum debt with the requests for school construction in each community. The analysis finds that with the current 50% local match requirement for schools construction, only Dillingham and Petersburg would require a state subsidy, if the remaining maximum capacity of each town was utilized for school construction. If the local match for school construction is reduced to 20%, only Petersburg would require a state subsidy, if its remaining maximum debt was utilized for school construction.

COMPARISON OF DEBT CAPACITY OF SELECTED ALASKA CITIES

If City In Sample	Selected Cities	Total Debt	Per Capita Debt	Debt Capacity Test #1 (Debt % of Assessed Valuation Standard)	Debt Capacity Test #1 Index	Debt Capacity Test #2 (\$2000 Maximum Per Capita Debt Limit)	Debt Capacity Test #2 Index
*	Kodiak Borough	\$ 8,585,000	\$ 1,087	33.9%	89.4	54.3%	751.3
*	Dillingham	135,000	106	5.9	15.6	5.3	14.8
*	Nome	830,000	321	14.8	39.1	16.1	44.8
*	Petersburg	3,750,000	1,764	80.2	211.6	88.2	245.7
*	Wrangell	575,000	182	10.3	27.2	9.1	25.3

	Bristol Bay Borough	665,000	507	15.1	39.8	25.3	70.5
	Cordova	1,169,200	486	37.9	100.0	24.3	67.7
	Haines	2,302,448	1,197	43.9	115.8	59.9	166.9
	Juneau Borough	19,727,000	964	34.7	91.5	48.2	134.3
	Ketchikan Borough	10,262,000	893	27.6	72.8	44.7	124.5
	King Cove	393,860	965	229.2	604.7	48.2	134.3
	Mat-Su Borough	24,211,540	1,448	32.6	86.0	72.4	201.7
	Nenana	253,000	513	34.3	90.5	25.7	71.6
	Pelican	0	0	0	0	0	0
	Sitka Borough	7,948,100	1,039	29.4	77.8	51.9	70.5
	Skagway	627,000	734	13.8	36.4	36.7	102.3
	Unalaska	0		0	0	0	0
	AVERAGE		\$ 718	37.9%	100.0	35.9%	100.0

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Rule #1:00 Bond Debt as Percentage of Assessed
Valuation of Real and Personal Property
of a Community

Chart A: School Financing Needs Beyond Maximum GO Bonded Debt
Capacity (Rule #1)

Locations	Assessed Value of Real and Personal Property	Maximum GO Debt if Percentage Equals 15%	Less Existing GO Debt	Remaining Maximum GO Debt	School Needs Requests	School Needs Local Requirement		Need State Aid?		School Needs Beyond Maximum Capacity	
						20%	50%	20%	50%	20%	50%
Kodiak Island (Soro)	\$169,078,481	\$25,361,772.15	\$8,585,000	\$16,776,772.15	\$4,300,000 current	\$ 860,000 current	\$2,150,000 current	NO	NO	-	-
					\$5,800,000 projected	\$1,160,000 projected	\$2,500,000 projected	NO	NO	-	-
Dillingham	\$ 15,247,624	\$ 2,297,143.60	\$ 135,000	\$ 2,162,143.60	\$7,000,000	\$1,400,000	\$3,500,000	NO	YES	-	\$1,347,856.40
Hone	\$ 37,484,402	\$ 5,622,660.30	\$ 830,000	\$ 4,792,660.30	\$4,300,000	\$ 860,000	\$2,150,000	NO	NO	-	-
Petersburg	\$ 31,172,039	\$ 4,675,805.85	\$3,750,000	\$ 925,805.85	\$7,000,000	\$1,400,000	\$3,500,000	YES	YES	\$474,194.15	\$2,574,194.15
Wrangell	\$ 37,139,665	\$ 5,570,949.75	\$ 575,000	\$ 4,995,949.75	\$7,000,000	\$1,400,000	\$3,500,000	NO	NO	-	-

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Rule #2: Per Maximum Capita Debt should not exceed \$2,000

CHART B

SCHOOL FINANCING NEEDS BEYOND MAXIMUM GO BONDED DEBT CAPACITY (Rule #2)

Locations	Civilian Population	Maximum GO Debt if Per Capita Debt = \$2000	Less Existing GO Debt	Remaining Maximum Need GO Debt	School Needs Request	School Needs Local Requirement		Needs State Aid?		School Needs Beyond Maximum Capacity	
						20%	50%	20%	50%	20%	50%
Kodiak Island (Soro)	7,501	\$15,802,000	\$8,585,000	\$7,217,000	\$4,300,000 current	\$ 860,000	\$2,150,000	NO	NO	-	-
					\$5,800,000 projected	\$1,160,000 projected	\$2,900,000 projected	NO	NO	-	-
Billingham	1,269	\$ 2,538,000	\$ 135,000	\$2,403,000	\$7,000,000	\$1,400,000	\$3,500,000	NO	YES	-	\$1,097,000
Nome	2,585	\$ 5,170,000	\$ 830,000	\$4,340,000	\$4,300,000	\$ 660,000	\$2,150,000	NO	NO	-	-
Petersburg	2,126	\$ 4,252,000	\$3,750,000	\$ 502,000	\$7,000,000	\$1,400,000	\$3,500,000	YES	YES	\$998,000	\$2,998,000
Wrangell	3,152	\$ 6,304,000	\$ 575,000	\$5,729,000	\$7,000,000	\$1,400,000	\$3,500,000	NO	NO	-	-

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CHART C

COMPARISON OF SCHOOL NEEDS BEYOND MAXIMUM DEBT CAPACITY
USING TWO RULES OF EVALUATION

Location	Using Rule #1		Using Rule #2	
	School Needs Beyond Maximum General Obligation Bonded Debt Capacity		School Needs Beyond Maximum General Obligation Bonded Debt Capacity	
	20% Match	50% Match	20% Match	50% Match
Kodiak Island (Borough)	None	None	None	None
Dillingham	None	\$1,347,856.40	None	\$1,097,000
Nome	None	None	None	None
Petersburg	\$474,194.15	\$2,574,194.15	\$898,000	\$2,993,000
Wrangell	None	None	None	None

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SUMMARY OF MUNICIPAL TAXING EFFORT

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The two charts summarize the capacity for taxation and how heavily the municipalities are drawing from their municipal capacity. Since taxes are paid from income, we have compared the average citizen's municipal tax liability in each municipality to the average citizen's income in the same municipality. The final column on the first chart shows local tax liability as a percentage of income.

The chart entitled "Local Effort Summary" uses index numbers to further compare the municipalities' taxing effort as measured by the percentage of resident income dedicated to local taxes. The average of the 17 communities' tax revenues (per capita) is determined and assigned an index value of 100. An average is also determined for the percentage of income that is consumed by local taxes for the 17 communities. The average (5.12%) is assigned an index value of 100.

SUMMARY OF MUNICIPAL TAXING EFFORT

	Total Local Tax Revenue (\$ Thousands)	Per Capita Tax Revenue	Per Capita Income	Local Taxes as a % of Income
Kodiak Island Borough	\$ 3,380.0	\$ 427.80	\$ 8,565	4.99
Dillingham	341.6	269.17	10,220	2.63
Nome	1,002.0	387.61	10,301	3.76
Petersburg	478.3	224.99	7,683	2.93
Wrangell	737.8	234.08	7,470	3.13

Bristol Bay Borough	722.4	551.01	8,189	6.73
Haines Borough	384.1	199.63	6,612	3.02
City & Borough of Juneau	8,001.9	391.00	9,436	4.14
Ketchikan Gateway Borough	5,561.1	483.99	6,658	7.27
Mat-Su Borough	6,208.6	371.24	5,661	6.56
City & Borough of Sitka	1,414.7	184.93	8,178	2.26
Cordova	850.9	353.68	7,629	4.64
King Cove	19.8	48.55	4,586	1.06
Nenana	83.9	160.96	5,477	2.94
Pelican	63.5	375.58	3,543	10.60
Skagway	419.7	491.48	8,834	5.56
Unalaska	644.8	1,264.41	8,491	14.89

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LOCAL EFFORT SUMMARY

	<u>Per Capita Local Tax Revenue</u>	<u>Index</u>	<u>Local Taxes as a % of Income</u>	<u>Index</u>
AVERAGE	377.65	100	5.12	100
Kodiak Island Borough	427.80	113	4.99	97
Dillingham	269.17	71	2.63	51
Nome	387.61	103	3.76	73
Petersburg	224.99	60	2.93	57
Wrangell	234.08	62	3.13	61

Bristol Bay Borough	551.01	146	6.73	131
Haines Borough	199.63	53	3.02	59
City and Borough of Juneau	391.00	104	4.14	81
Ketchikan Gateway Borough	483.99	128	7.27	142
Mat-Su Borough	371.24	98	6.56	128
City and Borough of Sitka	184.93	49	2.26	44
Cordova	353.68	94	4.64	91
King Cove	48.55	129	1.06	21
Nenana	160.96	43	2.94	57
Pelican	375.58	99	10.60	207
Skagway	491.48	130	5.56	109
Unalaska	1264.41	335	14.89	291

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