

# CITIZENS TAX REVENUE CAP INITIATIVE

*Petition Certified on September 16, 2019*

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## SUMMARY OF ORDINANCE TO BE ENACTED As Submitted by Sponsors

### ORDINANCE ESTABLISHING MAXIMUM ALLOWABLE TAX REVENUES

"SHALL SECTIONS 8.04.290 AND 8.04.300 OF THE FAIRBANKS NORTH STAR BOROUGH CODE OF ORDINANCES BE ENACTED AS FOLLOWS? 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 JUDGEMENTS ENTERED AGAINST THE BOROUGH; AND TO PAY FOR EXPENSES IN EMERGENCIES. SECTIONS 8.04.300 PROVIDES A FORMULA AND DEFINITIONS FOR THE LIMITATIONS OF SECTION 8.04.290.

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### ORDINANCE AS SUBMITTED BY SPONSORS

AN ORDINANCE THAT LIMITS THE AMOUNT OF BOROUGH TAX THAT CAN BE LEVIED

BE IT ORDAINED:

Section 1. Classification. Sections 8.04.290 and 8.04.300 below are of a general and permanent nature and shall become a part of the code of the Fairbanks North Star Borough.

Chapter 8.04

### ORDINANCE ESTABLISHING MAXIMUM ALLOWABLE TAX REVENUES

Sections:

8.04.290	Total amount of borough tax that can be levied or imposed.
8.04.300	Computation of maximum allowable tax revenues.

#### 8.04.290 Total amount of borough tax that can be levied or imposed:

A. Except as provided in this section, the total amount of municipal tax that can be levied or imposed during a fiscal year shall not exceed the total amount approved by the borough assembly for the preceding year by more than a percentage determined by adding the percentage increase in the Consumer Price Index for Fairbanks (or the Federal Consumer Price Index for Anchorage if there is none available for Fairbanks) from the preceding fiscal year.

B. The limitations set forth in subsection (A) of this section do not apply to the following:

1. Tax on new construction or property improvements which occur during the current fiscal year;
2. Any appropriation made to pay or secure payment of principal and/or interest on bonds;
3. Taxes required to fund services authorized by voter approved ballot issues;
4. Funding of new judgements entered against the Fairbanks North Star Borough;
5. Special appropriations necessary on an emergency basis to fund unavoidable expenses ensuring the public peace, health or safety.

C. The Borough Assembly shall use the formula and definitions for computation of the total amount of borough tax that can be levied or imposed by applying the provisions of FNSBC 8.04.300 and shall, by May 31st of each fiscal year, publish its calculations showing these computations for each taxing jurisdiction.

8.04.300 Computation of maximum allowable tax revenues:

The maximum tax revenue allowed under FNSBC 8.04.290 is computed for the next fiscal year as follows:

A. Formula. The formula for the computation of maximum allowable tax revenue is  $(A-B) + D + F = G$ , where:

1. "A" equals the amount of tax revenue derived from actual taxes levied on taxable real property in each taxing jurisdiction in the current fiscal year and all other tax revenues;
2. "B" equals the amount of the actual payment of principal and interest on bonds made in the current fiscal year, less actual state reimbursement for school construction debt;
3. "D" is product of the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for Fairbanks, Alaska (or for Anchorage, Alaska if not available for Fairbanks) during the prior fiscal year (CPI) and the net taxes levied (A-B) in the current fiscal year;
4. "F" equals the total amount of all exclusions under FNSBC 8.04.290(B), and is the sum of all the following:
  - F.1 The taxes on new construction or property improvements equal the projected tax revenue from the value of that new construction or property improvements, computed by multiplying the tax rate applied to properties in that taxing jurisdiction during the current fiscal year by the assessed value of the new construction and property improvements;
  - F.2 The principal and interest due in the next fiscal year on bonds, less state reimbursement for school construction debt, plus any over-adjustment or under-adjustment to actual reimbursement from the current year;
  - F.3 Taxes to provide voter-approved services;
  - F.4 Taxes for new judgements;
  - F.5 Special appropriations necessary on an emergency basis.

B. The point in time to use for the proper calculation of allowable property tax mill rates, for all taxing jurisdictions, shall be the next tax rolls as certified by the borough assessor on July 1st of each year. This specific point in time shall be utilized for both the figures in the prior year and the current year.

C. As used in FNSBC 8.04.290 and this section, the following definitions apply:

*"Current fiscal year"* is the fiscal year during which the next fiscal year budget is prepared;

*"Emergency"* is the imminent threat of or the occurrence of widespread damage, injury, or loss of life resulting from any natural or man-made cause, including, but not limited to, fire, explosion, flood, earthquake, landslide, mud slide, volcanic activity, avalanche, weather conditions, epidemic, blight, infestation, riot, loss of public utilities, shortage of food, water, fuel or clothing, or the accidental release or discharge of toxic substances or hazardous substances. "Emergency" does not include appropriations for the normal operations of a service area or the Department of Emergency Operations;

*"Fiscal year"* means the fiscal year (July 1st through June 30th) for the Fairbanks North Star Borough;

*"New construction or property improvements"* means any improvement which generates a taxable value not on the tax roll for the current assessment year, including but not limited to:

1. Construction which increases the value of the property,
2. Any change in the status of land.

*"New judgement"* means the judgement reserved sufficient to cover the total cost of all judgements and arbitration awards during the next fiscal year, including:

1. Principal, interests, fees and costs;

2. Additional services which may be required by a court order.

"*Next fiscal year*" is the fiscal year following the current fiscal year and for which the new budget is being prepared;

"*Prior fiscal year*" is the fiscal year immediately preceding the current fiscal year;

"*Taxing jurisdiction*" means a taxing unit of the Fairbanks North Star Borough. A service area is a taxing jurisdiction.

"*Voter-approved services*" includes but is not limited to:

1. A service specifically authorized by the voters of a taxing jurisdiction in any ballot issue;
2. Programs directly related to voter-approved capital projects which are in addition to services in the current fiscal year budget;
3. Services added by the creation or alteration of the boundaries of a taxing jurisdiction if the creation or alteration of the boundaries of said taxing jurisdiction were approved by the voters of said taxing jurisdiction. Taxes required to provide a "*voter-approved service*" are the estimated first full-year costs of voter-approved services less revenue other than taxes projected to be generated from the voter-approved services, for the number of months in the next fiscal year for which the voter-approved services will be provided;

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Section 2. (not to be codified). Ballot Summary and Question. The ballot summary shall read substantially as follows:

SUMMARY OF ORDINANCE TO BE ENACTED

ORDINANCE ESTABLISHING MAXIMUM ALLOWABLE TAX REVENUES

"SHALL SECTIONS 8.04.290 AND 8.04.300 OF THE FAIRBANKS NORTH STAR BOROUGH CODE OF ORDINANCES BE ENACTED AS FOLLOWS? 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 JUDGEMENTS ENTERED AGAINST THE BOROUGH; AND TO PAY FOR EXPENSES IN EMERGENCIES. SECTIONS 8.04.300 PROVIDES A FORMULA AND DEFINITIONS FOR THE LIMITATIONS OF SECTION 8.04.290.

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Section 3. (not to be codified). The explanation of the meaning of the vote on this question put to the voters shall appear as follows:

**A "YES" vote means that the current "tax cap" will remain in effect. This "tax cap" will be enacted in borough code, and be unable to be modified or negated for a period of two years.**

**A "NO" vote means that the current "tax cap" will be able to be modified or negated by action of the Borough Assembly."**

Section 4. Effective date. This ordinance shall take effect no sooner than two years after the effective date of the previous vote on 8.04.290 and 8.04.300, and following certification of the 2020 election.