

**KETCHIKAN GATEWAY BOROUGH
CITY OF KETCHIKAN
CITY OF SAXMAN**

**BOROUGH RESOLUTION NO. 2913;
CITY OF KETCHIKAN RESOLUTION NO. 21-2824;
CITY OF SAXMAN RESOLUTION NO. 09.2021.07**

A Joint Resolution of the Assembly of the Ketchikan Gateway Borough, Council of the City of Ketchikan, and Council of the City of Saxman, Opposing the Imposition of a Statewide Sales Tax

RECITALS

- A. WHEREAS**, the State of Alaska has been in a fiscal crisis, and has made efforts to cut expenses, shift costs to municipalities, and is now seeking revenue options; and
- B. WHEREAS**, while the Ketchikan Gateway Borough, City of Ketchikan, and City of Saxman, understand the difficulties faced by the effort to balance its budget, many of the State actions to address the deficit have caused meaningful negative effects to Greater Ketchikan by shifting responsibilities, costs, and burdens to our communities; and
- C. WHEREAS**, in its efforts to cut expenses, the State has reduced agency and programmatic spending which has significantly impacted all of Southeast Alaska, and Ketchikan in particular; and
- D. WHEREAS**, the State's reduction to the Alaska Marine Highway System directly impacted the communities of Southeast Alaska with a loss of transportation that in turn increased the costs of materials, services, and staffing while severely limiting available transportation options for individuals and goods; and
- E. WHEREAS**, the State has enacted programs that have shifted costs to municipalities disproportionately throughout the State, with an even higher cost burden placed on organized boroughs and the communities within them. One such program affecting Ketchikan is the Required Local Contribution (RLC), equivalent to a 2.65 mill tax levy on the full and true value of taxable real and personal property, which is only imposed on the residents of incorporated boroughs, home rule municipalities, and first class cities; and
- F. WHEREAS**, the moratorium on the School Bond Debt Reimbursement program shifted the debt cost burden from the State to the Ketchikan Gateway Borough for school facility capital projects, imposing a direct cost on the community of \$1.28

million in FY22, and in so doing has caused a delay in necessary projects which impacts the health and safety of our schools; and

- G. WHEREAS;** Governor Dunleavy’s administration has requested the Legislature to consider state revenue options, including the imposition of a statewide sales tax; and
- H. WHEREAS,** the Ketchikan Gateway Borough has a sales tax rate of 2.5 percent which, when coupled with the four percent tax rate in the City of Ketchikan and the City of Saxman, yields an existing aggregate tax rate inside the cities of 6.5 percent, one of the highest rates in the state; and
- I. WHEREAS,** sales tax is known to represent one of the most regressive taxes commonly imposed, and would cause deeper harm to the greater Ketchikan community, an area where median household income is nearly eight percent below statewide averages; and
- J. WHEREAS,** the imposition of a statewide sales tax imposed on top of existing taxes will impact Ketchikan businesses by increasing the likelihood of citizens traveling out-of-state for more favorable tax treatment on large purchases; and
- K. WHEREAS,** Ketchikan, particularly the City of Ketchikan, has suffered tremendous sales tax revenue losses as a result of the COVID-19 pandemic and the associated absence of cruise passenger spending, making the imposition of a statewide sales tax and any resulting reduction to local rates ill-timed as Ketchikan will likely not see a full rebound of sales tax revenues for many years; and
- L. WHEREAS,** an added state sales tax will lead to our citizens calling for local sales tax rates, the revenue from which is already critical to maintaining local services, to be reduced; and
- M. WHEREAS,** local sales tax revenue is the largest source of General Fund dollars in our community, and is essential for providing and maintaining critical services to our citizens; and
- N. WHEREAS,** 100 percent of the Borough’s property tax is dedicated to the local school district, leaving sales tax revenue as the principal revenue stream for the General Fund and the sole source of funds for school capital projects no longer covered by school bond debt reimbursement; and
- O. WHEREAS,** should the State intend to require local governments to collect and administer the State’s sales tax for the State, such action would create another staffing and cost burden placed upon local government; and
- P. WHEREAS,** the imposition of a statewide sales tax, coupled with the RLC and the

loss of school bond debt reimbursement, will represent yet another blow to the economy and well-being of the Ketchikan community already suffering economically.

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, COUNCIL OF THE CITY OF KETCHIKAN, COUNCIL OF THE CITY OF SAXMAN as follows:

Section 1. The Ketchikan Gateway Borough Assembly, Ketchikan City Council, and Saxman City Council oppose any effort to enact a statewide sales tax in Alaska.

Section 2. The Ketchikan Gateway Borough Assembly, Ketchikan City Council, and Saxman City Council urge the Governor and the Alaska State Legislature to consider other methods of increasing revenue in Alaska which would achieve parity between incorporated and unincorporated areas within the state, and would not create an additional burden on Southeast Alaska.

Section 3. Effective Date. This resolution shall be effective upon adoption by the Ketchikan Gateway Borough Assembly, Ketchikan City Council, and Saxman City Council.

ADOPTED by the Borough Assembly the 4th day of October, 2021.

ADOPTED by the Ketchikan City Council the 7th day of October, 2021.

ADOPTED by the Saxman City Council the 11th day of October, 2021.

Ketchikan Gateway Borough Signatures:

Rodney Dial, Borough Mayor

ATTEST:

Kacie Paxton, Borough Clerk

APPROVED AS TO FORM:

Glenn Brown, Borough Attorney

City of Saxman Signatures:

Frank Seludo, City Mayor

ATTEST:

Lori Richmond, City Clerk

City of Ketchikan Signatures:

Bob Sivertsen, City Mayor

ATTEST:

Kim Stanker, City Clerk