

LEGISLATIVE RESEARCH SERVICES

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Changes in Municipality of Anchorage Property Taxes Required to Compensate for Proposed Fiscal Year 2020 Cuts in State Education Funding to the Anchorage School District

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How much would property taxes for the Municipality of Anchorage (MOA) need to increase to compensate for the estimated cuts to the Anchorage School District (ASD) in the Governor's amended fiscal year (FY) 2020 education budget?¹

The impact to the ASD budget from Governor Dunleavy's amended proposed FY 2020 operating budget and proposal to eliminate the state's school bond debt reimbursement program is an estimated reduction of \$138.58 million.² Based on FY 2018 MOA tax assessments and average area-wide mill rates; and approximations of 2018 MOA median home sales and assessed values; our calculations indicate an increase of 25.26 percent in property tax levies would be needed to compensate for proposed education funding cuts to the ASD. As the attached table shows, those compensatory increases would equate to an average area-wide rise in mill rates from 16.06 to 20.12. That change in levy rates would translate to an increase in tax payments of \$406 per \$100,000 in property value. The components of this change result from the following factors, and the **resulting property tax increase**:

State base student allocation (BSA) reduction:	\$227
Elimination of bond debt reimbursement:	\$120
Local contribution limit loss due to BSA reduction:	\$58

Based on estimated values, for a home assessed at the area-wide 2018 median of approximately \$346,918, property taxes would increase from \$5,572 to \$6,979—a difference of \$1,407.

We hope this is helpful. If you have questions or need additional information, please let us know.

¹ For notes on, and sources of, the figures discussed in this report, please see the attached table. Property tax increases do not consider the MOA tax cap limit imposed by Ordinance 12.25.040.

² This estimate, provided by the requester of this report and prepared by the Office of ASD Finance on February 15, 2019, revises an earlier estimate of prepared by ASD Superintendent Dr. Deena Bishop of \$152.4 million. Our report does not consider an additional cut of approximately \$3.2 million from the elimination of state funding for pre-K programs in the district.

**Changes in Municipality of Anchorage (MOA) Property Taxes Required to Compensate for
Proposed Fiscal Year (FY) 2020 Cuts in State Education Funding
to the Anchorage School District (ASD)**

(Shaded areas are Legislative Research calculations)

FY 2018 Budgeted Property Tax Assessments ¹	\$548,728,375
Current Average MOA Area-Wide Mill Rate ¹	16.06
Tax per \$100,000 in Property Value	\$1,606
Estimated Proposed State Education Funding Cuts to MOA ²	\$138,584,200
Education Decrease as a Percent of Total MOA Property Tax	25.26%
Total Mill Rate to Compensate for Education Cuts	20.12
Tax per \$100,000 in Property Value to Compensate	\$2,012
Difference Between Current and Compensatory Tax per \$100,000 in Value	\$406
Components of Reductions and Mill Rate Increases to Compensate	
State Base Student Allocation Reduction ²	\$77,684,716
<i>Resulting Mill Rate Increase</i>	2.27
<i>Tax per \$100,000 in Property Value to Compensate</i>	\$227
Local Contribution Reduction Resulting from State BSA Change ²	\$19,799,484
<i>Resulting Mill Rate Increase</i>	0.58
<i>Tax per \$100,000 in Property Value to Compensate</i>	\$58
Elimination of State Bond Debt Reimbursement ²	\$41,100,000
<i>Resulting Mill Rate Increase</i>	1.20
<i>Tax per \$100,000 in Property Value to Compensate</i>	\$120
Impact on Estimated Median Assessed Value Home	
2018 Anchorage Estimated Median Assessed Home Value ³	\$346,918
2018 Property Tax Assessment on Median Value Home	\$5,572
Property Tax Assessment on Median Value Home to Compensate for Proposed Education Cuts	\$6,979
Difference: Current vs. Compensatory	\$1,407
<p>Notes and Sources : Figures may not sum due to rounding. Property taxes include those on real and personal property. Property tax increases do not consider the MOA tax cap limit imposed by Ordinance 12.25.040.</p> <p>1) MOA "2018 Revised General Government Operating Budget-2018 Established Tax Levies," pp. 56-57, https://www.muni.org/Departments/budget/operatingBudget/Documents/Web-Complete%20Revised%202018%20Q.pdf . The MOA has 58 taxing districts with varying mill rates. Actual mill rates and taxes paid will likewise differ depending on property location within the municipality. District-level mill rates are available on p. 58 of the 2018 MOA revised budget. As used in relation to property tax, 1 mill is equal to \$1 in property tax, which is levied per every \$1,000 of a property's determined taxable value;2) Revised preliminary estimate, 02/15/2019, by Office of ASD Finance, provided to Legislative Research by the requester of this report;</p> <p>3) Assessed home value is calculated at 96 percent of average reported 2018 home sales prices as provided by two articles in the <i>Alaska Journal of Commerce</i> (AJC) as follows: for Home sales prices: Connie Yoshimura, "Inside Real Estate: Lack of Inventory Has Kept Anchorage Housing Prices Stable," AJC, April 11, 2018, http://www.alaskajournal.com/2018-04-11/inside-real-estate-lack-inventory-has-kept-anchorage-housing-prices-stable#.XGiCPehKiUl ; and, for the relationship between sales prices and MOA assessments: Connie Yoshimura, "Inside Real Estate: It's Property Tax Time for Anchorage," AJC, July 11, 2018, http://www.alaskajournal.com/2018-07-11/inside-real-estate-its-property-tax-time-anchorage#.XGiBruhKiUk .</p>	