



## **KENAI PENINSULA BOROUGH**

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**DAVID R. CAREY  
BOROUGH MAYOR**

### **MEMORANDUM**

**TO:** Gary Knopp, Assembly President  
Members, Kenai Peninsula Borough Assembly

**FROM:** David R. Carey, Mayor *Whlary*

**DATE:** February 17, 2011

**SUBJECT:** Ordinance 2011-03, repealing the sales tax exemption of non-prepared food items

All revenue from borough sales taxes are required to be used for borough school purposes. Beginning January 1, 2009, non-prepared food items were exempted from sales taxes for nine months each year by voter initiative. Using FY2008 as a base year for each comparison, education funding increased by \$3.3 million for FY2009, by \$4.2 million for FY2010, and by \$5.5 million for FY2011. With the implementation of the exemption effective January 1, 2009, halfway through FY09, the estimated resulting lost tax revenue was approximately \$1,550,000 for FY2009, \$2,800,000 for FY2010, and is estimated to be about \$2,800,000 for FY2011.

This ordinance would repeal the non-prepared food tax exemption beginning September 1, 2011, which should help to provide the funds needed to adequately fund the Kenai Peninsula Borough School District. Education has consistently been a high priority in this borough and the school district is the largest single employer in this area. These funds are needed to adequately fund educational services for our community.

Your favorable consideration of this ordinance would be appreciated.