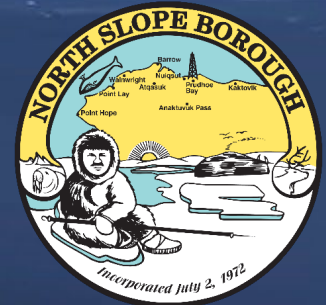


NORTH SLOPE BOROUGH

PRESENTATION TO THE HOUSE FINANCE COMMITTEE –
HB 381 OIL AND GAS PROPERTY TAX - AKLNG



Introductions and Objective

Participants	Position
Josiah A. Patkotak	Mayor
Fadil Limani	Director of Finance
Cody Rice	Oil and Gas Policy Advisor



Foundation of the Borough and Resource Development

- The North Slope Borough has maintained a long history of supporting responsible resource development as a cornerstone of economic opportunity, infrastructure investment, and local self-determination across North Slope region. Since its incorporation in 1972, the Borough has worked to balance economic growth with environmental stewardship and protection of the subsistence lifestyle that remains central to Iñupiat culture and community wellbeing.
- The formation of the North Slope Borough coincided with the emergence of large-scale oil and gas development at Prudhoe Bay. Local leaders recognized that resource development would have profound impacts on the region and sought to ensure that North Slope communities would have a meaningful voice in decisions affecting their lands, waters, and people.
- Under the leadership of Mayor Eben Hopson Sr. and other Iñupiat leaders, the Borough established a framework that supported responsible development while advocating for local benefits, environmental protections, and respect for subsistence resources. The Borough's approach emphasized that Arctic development could proceed successfully when local communities were included as active partners.

Historical Partnership Between the North Slope Borough and Resource Development Industry

For decades, the North Slope Borough has maintained a cooperative and solutions-oriented relationship with the oil and gas industry while preserving its constitutional taxing authority and responsibility to provide essential municipal services.

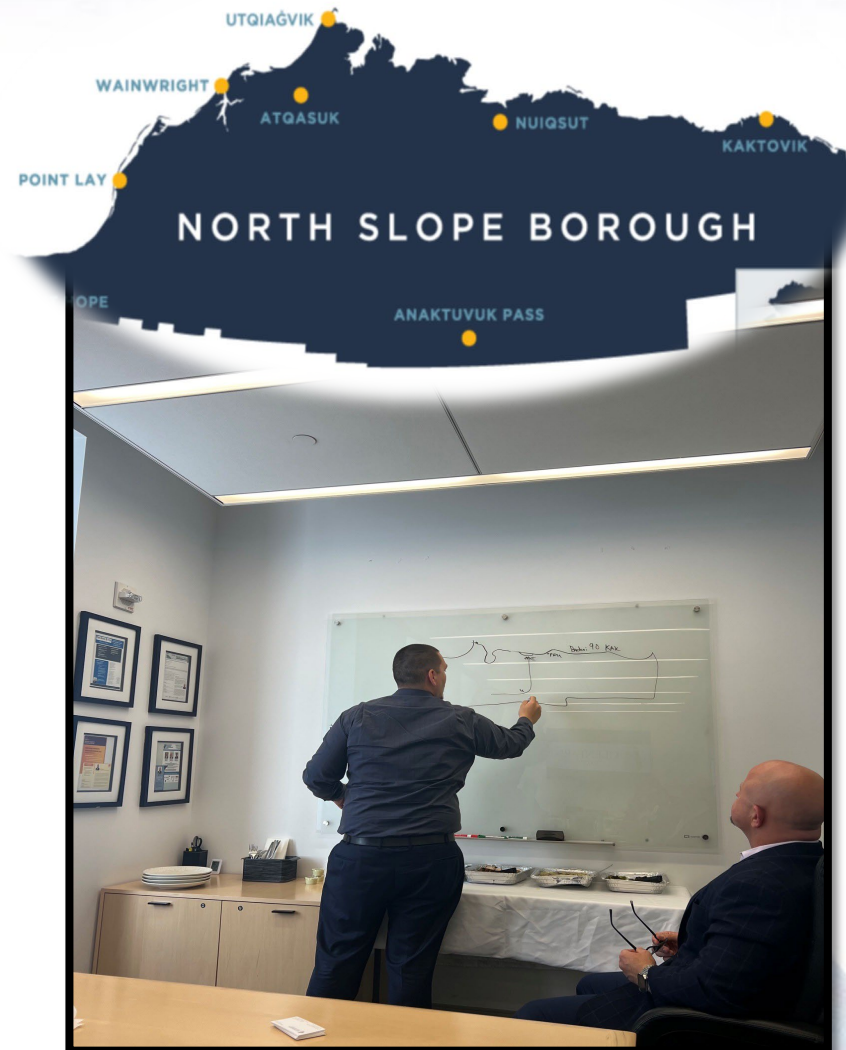
Examples of continued collaboration include:

- TAPS Tax Agreements
- Point Thomson Tax Settlement
- NPRA Advocacy and Regional Coordination
- Willow Project Support
- Municipal Debt issuance for BP Resource Development Project
- Land Access Litigation and Resolution Efforts
- Endangered Species Protection



OVERVIEW OF THE BOROUGH

- The Borough encompasses an area of approx. 95,000 square miles in Northern Alaska north of the Arctic Circle.
- The Borough extends 650 miles from Point Hope on the Chukchi Sea to the Canadian border and 225 miles south from Point Barrow.
- Our Borough's residents reside in eight communities: Utqiagvik, Anaktuvuk Pass, Atqasuk, Kaktovik, Point Hope, Nuiqsut, Wainwright, and Point Lay.



BOROUGH GOVERNANCE

- The North Slope Borough (NSB) was incorporated as Alaska's first home rule borough in 1972 following the development of Prudhoe Bay oil resources and adopted its home rule charter in 1974. As a home rule municipality under the Alaska Constitution, the NSB may exercise any power not prohibited by State law, including broad authority over taxation, municipal finance, planning, and public services.
- The Borough operates under a strong executive mayoral system, with executive authority vested in the Mayor and legislative authority vested in an eleven-member Assembly elected at large from communities across the North Slope.
- The Borough's governmental structure was designed to provide coordinated local governance within one of the most remote and infrastructure-intensive regions in the United States. As industrial development expanded across the North Slope, the Borough assumed substantial responsibility for providing essential public services and infrastructure necessary to support both local residents and large-scale resource development.



BOROUGH SERVICES

- In many parts of Alaska, the State directly funds or operates major infrastructure and public services.
- On the North Slope, however, the Borough often assumes responsibilities that elsewhere are partially or substantially supported by the State.
- This creates significantly higher local governmental obligations. **Approx. \$205 million annually in operating funds.***
- **North Slope Borough Services include:**
 - Education and related infrastructure
 - Public safety
 - Water and sewer
 - Roads and transportation infrastructure
 - Health and social services
 - Search and rescue services
 - Housing solutions
 - Power generation and distribution (among others)

*Does not include capital infrastructure



BOROUGH RESOURCES FY26

Revenue By Type	Amount
Property Tax	\$503,224,207
Total Federal Intergovernmental	1,688,860
Total State Intergovernmental	2,011,600
Total Charge for Services	9,676,560
Investment Income	7,331,574
Total General Fund Revenues	<u>\$523,932,802</u>

Note: 96% of the Borough's revenue is comprised of oil and gas property tax. Excludes one time operating transfers.

BOROUGH EXPENDITURES FY26

Expenditure	Amount
NSB Departments	\$ 417,468,656
NSB School District	38,766,371*
Ilisagvik College	12,035,792
Transfers	27,105,887
Annual Debt Service	99,724,522
Total	\$ 595,101,228

Note: * Does not include supplemental funding initiatives of approx. \$5.5 million.



Borough's Debt Profile

Debt Service as of January 30, 2026

		<u>Issue</u>	<u>Type</u>	<u>Current Principal</u>	<u>Final Maturity</u>
GO Bond (AA+,AA,AA)		Series 2025	CIB	\$ 188,945,000	FY30
		Series 2024 A	CIB	\$ 90,580,000	FY36
		Series 2024 B School	CIB	\$ 23,955,000	FY36
		Series 2023 A	CIB	\$ 62,315,000	FY30
		Series 2023 B School	CIB	\$ 12,645,000	FY34
		Series 2022 A	CIB	\$ 71,530,000	FY29
		Series 2022 B School	CIB	\$ 7,320,000	FY33
		Series 2022 C	CIB	\$ 3,380,000	FY26
		Series 2021 B	CIB	\$ 9,195,000	FY28
		Series 2021 C	CIB	\$ 31,175,000	FY26
		Series 2021 D School	CIB	\$ 6,105,000	FY32
	Series 2020 B School	CIB	\$ 3,750,000	FY31	
		Total	\$ 510,895,000		

North Slope Borough's Taxing and Bonding Authority

- The North Slope Borough's taxing authority is grounded in both the Alaska Constitution and Alaska statutory law, particularly:
 - **AS 29.45 (Municipal Property Taxation)** –authorizes municipalities to levy property taxes unless specifically exempted by law.
 - **AS 43.56 (Oil and Gas Property Taxation).** Centralized assessment by DOR of oil and gas properties at full and true value.
- The Borough levies taxes on the assessed values through the local mill rates.
- This framework has operated for decades with established administrative and judicial precedent at all levels from the SARB, Superior Court, and to the Alaska Supreme Court.
 - The system creates statewide valuation consistency and local fiscal stability
 - Values are based on physical infrastructure and major North Slope facilities represent long lived capital investments that depreciate gradually overtime.
 - Property is assessed using replacement cost, new, less depreciation
 - Valuation considers the economic life of the proven reserves
 - Assessment and appeals procedures are clearly defined in statute
 - This form of assessment methodology provides stable and predictable local revenues



North Slope Borough's Taxing and Bonding Authority Continued

State of Alaska Statute AS § 29.45.080 imposes a tax cap formula to determine the maximum allowable tax a municipality may levy and collect on oil and gas production and pipeline property.

<u>CALCULATION OF O & M BUDGET TAX CAP</u>		<u>FY 23-24</u>	<u>FY 24-25</u>	<u>FY 25-26</u>	<u>FY 26-27</u>
Assessed Value	<i>a</i>	23,780,273,194	25,392,717,167	29,204,818,568	28,000,000,000
Average Per Capita Full & True Values	<i>b</i>	193,114	201,201	214,582	233,310
Average Value Multiplier Per Alaska Statutes	<i>c</i>	375.00%	375.00%	375.00%	375.00%
Average Full Value (b x c)	<i>d</i>	724,178	7254,504	804,683	874,913
NSB Population	<i>e</i>	15,939	15,947	16,684	18,098
Equivalent Tax Base (d x e)	<i>f</i>	11,542,665,173	12,032,071,301	13,425,322,830	15,834,166,425
Maximum O&M Mills per statute	<i>g</i>	30.000	30.000	30.000	30.000
Operating Budget Levy Allowed (f x g)	<i>h</i>	346,279,955	360,962,139	402,759,685	475,024,993
<u>TOTAL LEVY BUDGET</u>					
O&M Budget Applied	<i>i</i>	346,279,955	360,962,139	402,759,685	400,033,000
Required Debt Payment	<i>j</i>	81,527,160	95,852,843	122,635,001	103,687,000
Total (i + j)		427,807,115	456,814,982	525,394,686	503,720,000
<u>FULL VALUE MILL RATES</u>					
O&M Budget Mills (i / a)		14.56	14.22	13.79	14.29
Required Debt Service Mills (j / a)		3.43	3.77	4.20	3.70
Total Full Value Mills		17.99	17.99	17.99	17.99
<u>REDUCED VALUE MILL RATES</u>					
Equivalent Tax Base (f above)		11,542,665,173	12,032,071,301	13,425,322,830	15,834,166,425
O&M Millage Based Reduced Values (i / f)		30.00	30.00	30.00	25.26
Debt Millage Based On Reduced Values (j / f)		7.06	7.97	9.13	6.55
Total Reduced Value Mills		37.06	37.97	39.13	31.81

IMPORTANCE OF STABLE PROPERTY TAXATION TO GENERAL OBLIGATION BONDS

- General obligation (GO) bonds are backed by the Borough's full faith and credit.
- Stable ad valorem taxation supports long-term municipal financing.
- Bond markets favor predictable property tax revenues tied to durable infrastructure assets.
 - Credit rating agencies significantly evaluate stability and predictability of municipal revenues
 - Ad valorem taxation is recognized as a proven and financeable revenue system.

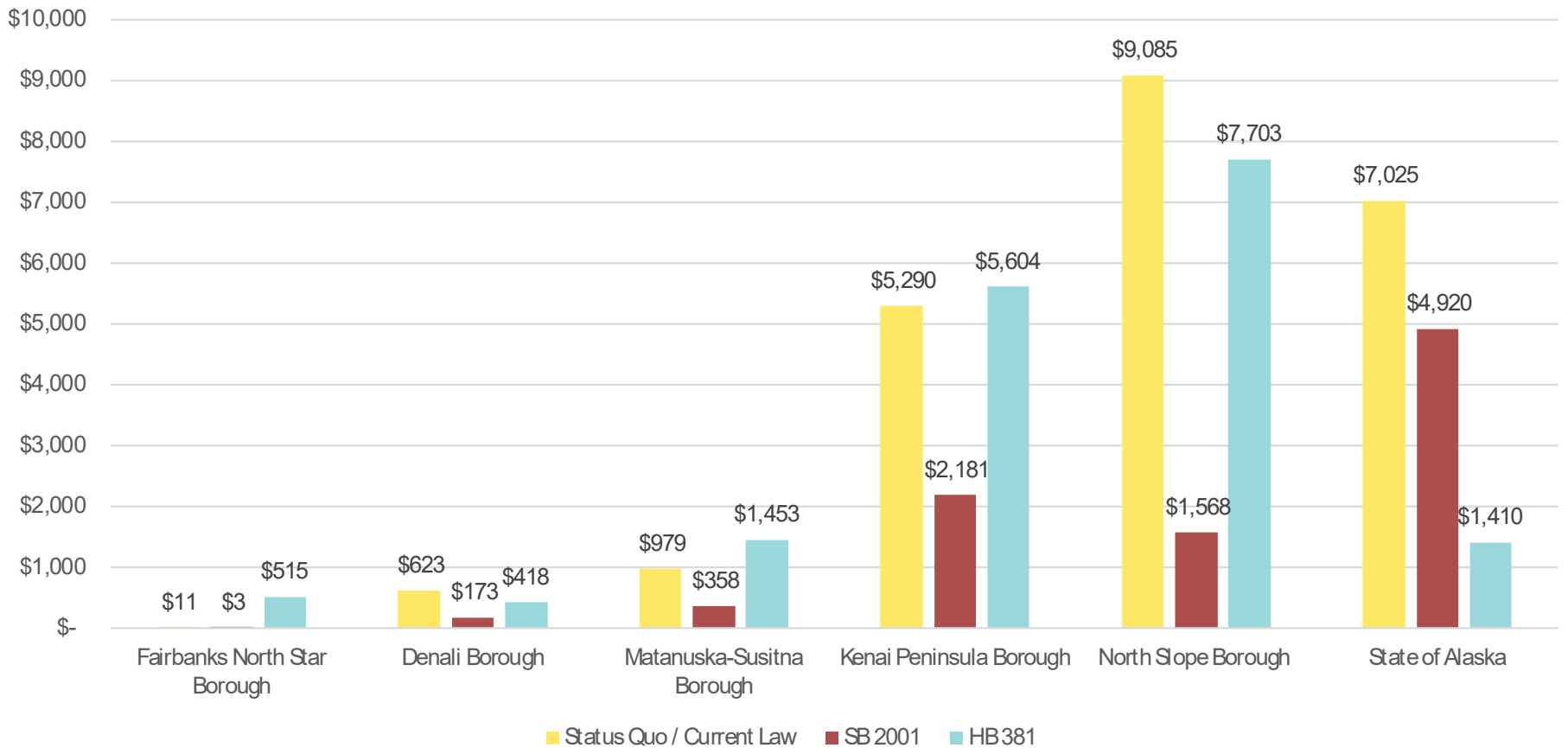


North Slope Borough's Concern with Proposed Legislation

- The initial legislation proposes replacing ad valorem taxation with an alternative volumetric tax (AVT).
 - The proposal alters a long-established and constitutionally grounded tax framework
 - The AVT is non-existent anywhere in the United States and the proposed tax structure lacks any long-term historical precedence especially in municipal governments
 - Most producing states continue relying on ad valorem taxation for energy infrastructure
 - AVT taxes fluctuate based on production, operations, and market demand and operational interruptions or commodity downturns may reduce revenues substantially
 - The proposal weakens local taxing authority and municipal independence and flexibility
 - The proposal shifts financial risk toward local governments
 - The Borough relies heavily on predictable revenues for operational and long-term capital planning as 96% of the Borough's revenues is tied to oil and gas infrastructure
 - The AVT framework introduces volatility and reduces the predictability and durability of Borough revenues
 - Potential impacts include reduced bonding capacity and increased borrowing costs including negatively affect investor confidence
 - The proposal may weaken the Borough's ability to sustain essential public services

Fiscal Analysis of Proposed Legislation

Cumulative Nominal Cashflows to 2062 (US\$MM)



Fiscal Analysis of Proposed Legislation

Three Findings

Primary-source verification across 15 Lower-48 LNG projects in Texas and Louisiana

1

The Lower-48 LNG industry pays ~17 mills on FMV — not 2

Verified average across 15 projects: 16.7 mills nominal, 13.6 mills on a 40-year project-life basis. Alaska's 20-mill statutory cap is approximately 1.5x the Lower-48 project-life average, not 10x it.

2

Lower-48 jurisdictions compete via abatement depth, not low headline rates

Texas Chapter 312 + Chapter 313/JETI provides 10-year abatement stacks worth ~\$0.65B per project. Louisiana ITEP provides 15-year abatement (10-yr initial + 5-yr renewal) worth ~\$1.98B per project. Both jurisdictions then revert to nominal rates within a few mills of Alaska's statutory cap.

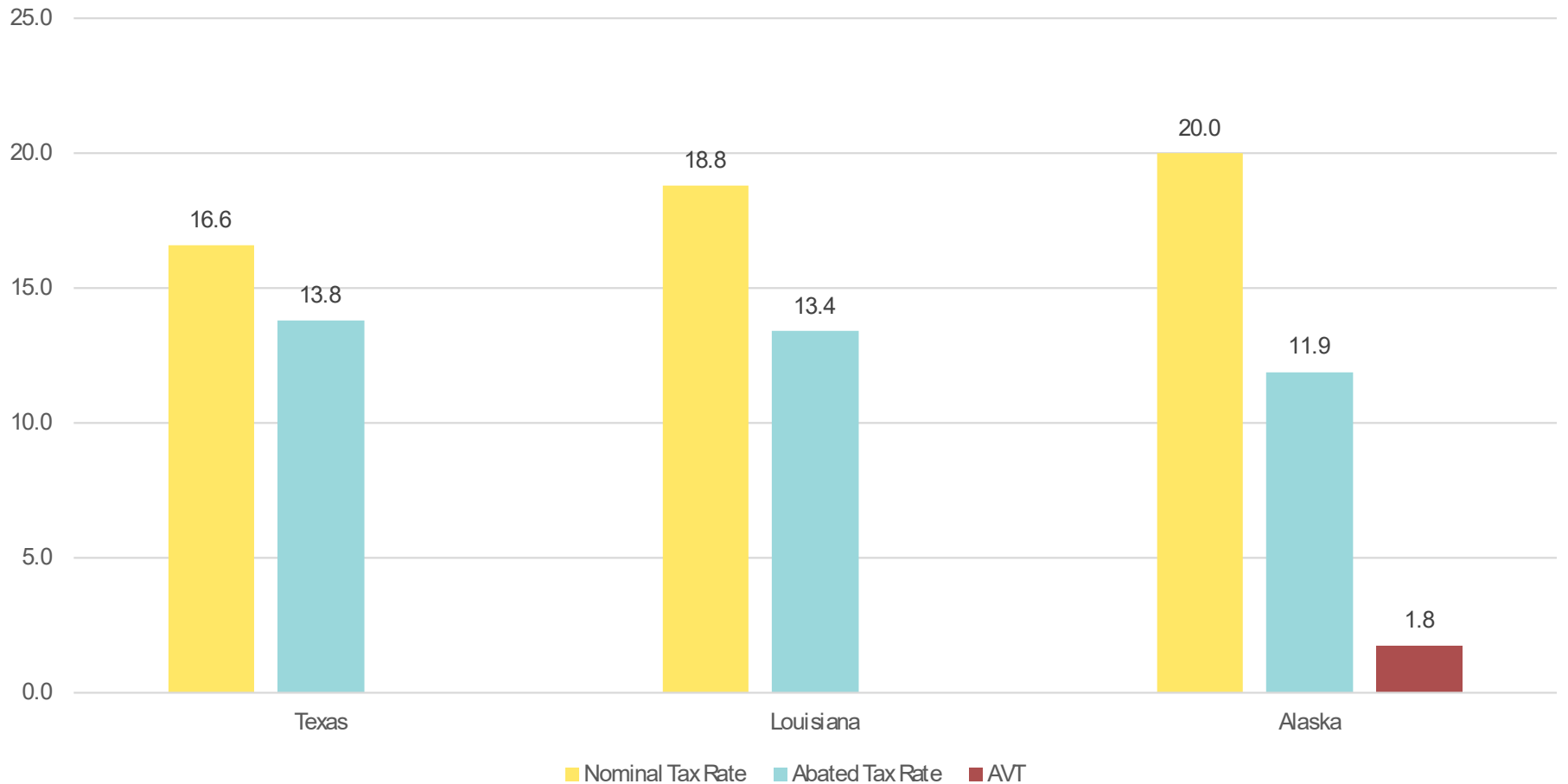
3

A 2-mill permanent AVT places Alaska below the entire Lower-48 distribution

The lowest-taxed LNG project in the Lower 48 (Plaquemines Parish, LA) pays 7.7 mills on a 40-year project-life basis — 4.4x higher than the proposed Alaska AVT. A 2-mill permanent rate is not parity with the Lower-48; it is several mills below the floor of the Lower-48 distribution.

Fiscal Analysis of Proposed Legislation

Property Tax Rates by State - LNG Export Facilities
Effective Mills on Full Market Value (FMM) - L48 Avg. vs AK



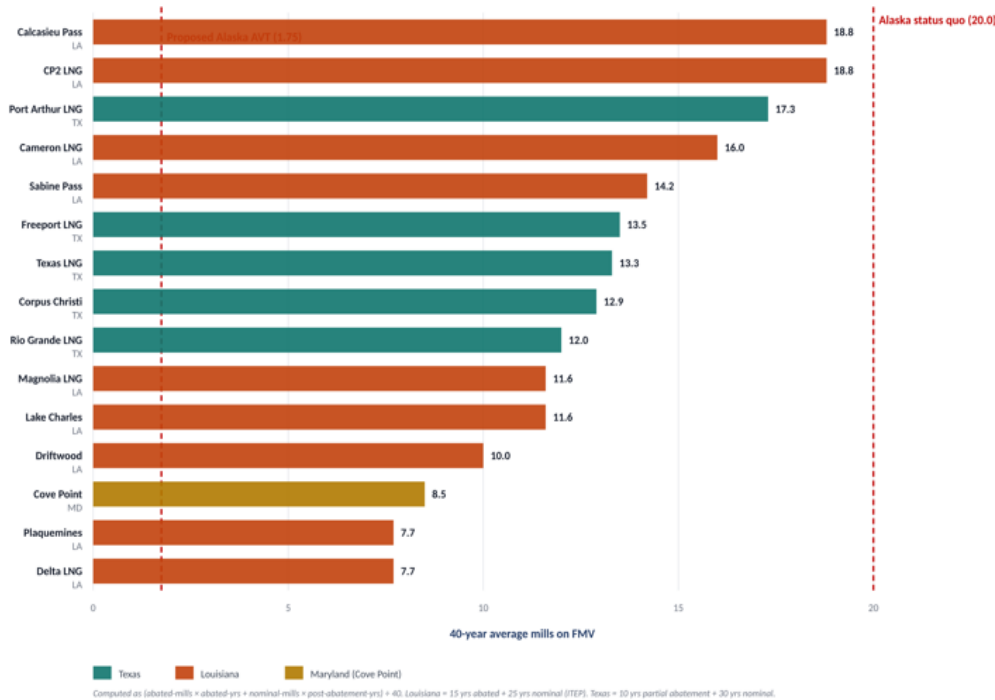
Fiscal Analysis of Proposed Legislation

40-Year Project-Life Property Tax Rates

Lower-48 LNG projects ranked by FMV-equivalent rate, time-weighted across all 40 years

40-Year Project-Life Property Tax Rates — Lower-48 LNG Export Projects

Mills on FMV, time-weighted across abatement and post-abatement years



REFERENCE POINTS

20.0 mills
Alaska status quo (AS 43.56 cap)

1.75 mills
Proposed Alaska AVT

Every L48 LNG project

sits **above** the proposed Alaska AVT rate.

Even Plaquemines — the lowest — pays **4.4x** what AVT would impose.

North Slope Borough Policy Considerations and Proposed Alternative Framework

- Notwithstanding AS 43.56 or any other provision of law, a municipality in which taxable gasline project property is located may elect, in lieu of the levy and collection of ad valorem taxes otherwise imposed under AS 43.56, to receive:
 - (1) an equity interest in the gas line project, or
 - may be structured as an ownership interest, revenue interest, or other equivalent economic participation
 - (2) ad valorem taxes under AS 29.45
 - enable municipalities to negotiate directly with the project for alternative revenue arrangements, Equity Participation, including Payments in Lieu of Taxes (PILT), or other mutually agreed-upon structures.
 - Exempt AKLNG project property from the statutory tax cap under AS 29.45.080-.090, including limitations tied to education funding provisions under Title 14



North Slope Borough Policy Considerations and Proposed Alternative Framework

- Establish legislative language surrounding non-precedential effect

Sample language: Nothing in this Act shall be construed to establish, alter, impair, limit, waive, expand, or otherwise affect the tax classification, assessment methodology, valuation standards, taxing authority, or applicability of taxes imposed under AS 43.56 or AS 29.45 with respect to any other property, project, facility, infrastructure, improvement, or taxpayer not expressly addressed herein.

It is the intent of the legislature that the provisions of this Act be narrowly and project-specifically construed and applied solely to the property and circumstances expressly identified in this Act. The legislature further intends that this Act shall not be interpreted to create precedent, establish interpretive guidance, support analogous treatment, or otherwise influence the assessment, valuation, taxation, or exemption of any other property or taxpayer subject to taxation under AS 43.56 or AS 29.45.



BOROUGH'S PARTNERSHIP WITH SOA

- Since inception, the Borough has continued to be a good faith partner in fulfilling the needs and obligations of State across the North Slope.
- The Borough has not levied taxes to its full taxing authority, resulting in remaining resources going to the State.
 - In the last 38 yrs. the State has received in excess of \$1.1 Billion in property tax revenues as a result of the Borough electing not to tax to its statutory authority.
 - This represents an average of more than 11% of the Borough's property tax revenue for the said timeframe.





Alaskans Agree:
**APPROVE
WILLOW**

**American Oil &
American Jobs** 