

H B

3 3 9

Alaska State Legislature

COMMITTEES:

Committee on Community and Regional Affairs
Committee on Transportation
Special Committee on Oil and Gas
Special Committee on Fisheries
Finance Sub-committee on Fish and Game



Directors

Kana	Stirling
Soldotna	Arctic Point
Homer	Port Graham
Seward	English Bay
Kachemak	NOVATOSE
Kashof	Halibut Cove
Nauyasik	Clam Gulch

Andre Marrou

Representative February 17, 1986

SALIENT FACTS RE: CSSH339

°Of a \$234,511,201 tax bill due the State on Prudhoe Bay oil and gas property in 1984, 92% of it was credited to the taxpayer because the local municipality siphoned it off.

°In 1984, 2.26% of the State's population took 58% of all oil and gas property tax revenue (\$215,398,538), or, approximately 10% of all State revenue.

°The North Slope Borough is \$1.2 billion(!) in debt, or, \$97,373 per capita.

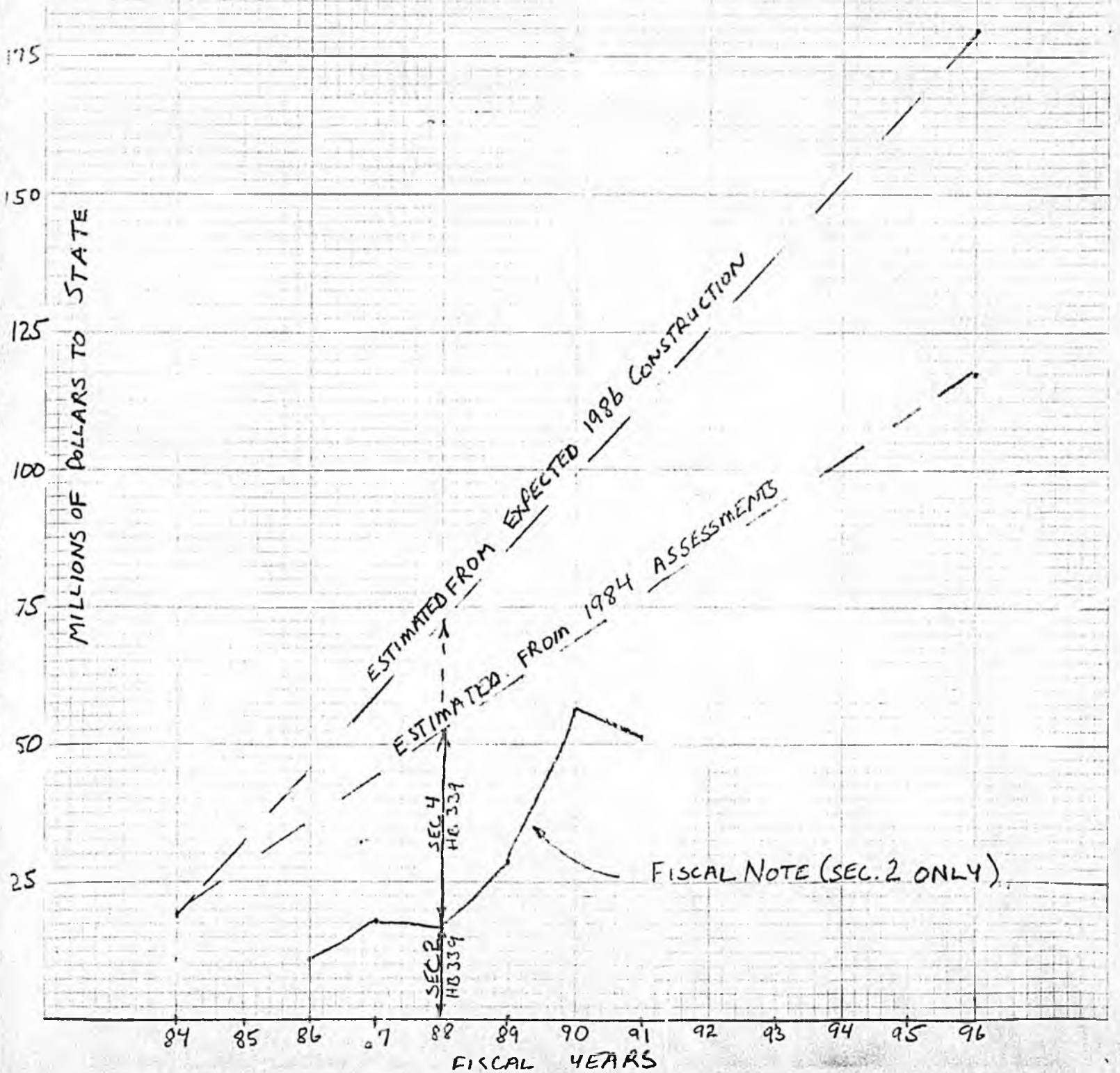
°The North Slope Borough leads the State with the highest debt to assessed valuation % ratio.

°The current situation encourages debt by municipalities.

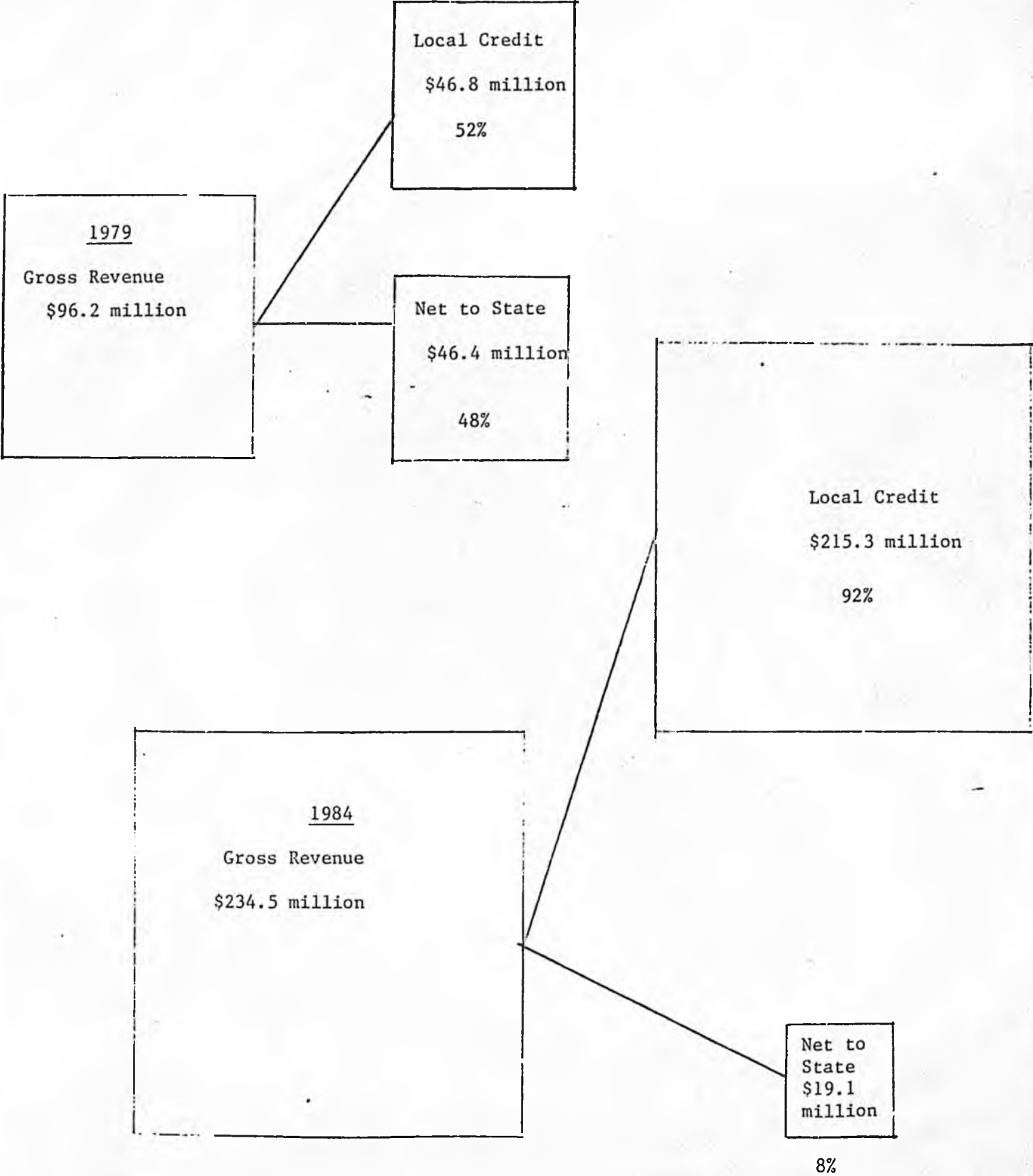
°Inaction by the Legislature will result in continued reduction of State oil and gas property tax revenue and a higher local share.

°Oil prices will stabilize and increase eventually; hence, so will the assessed oil and gas property tax base..

EFFECTS OF HB 339 ON STATE REVENUES



Distribution of State Property Tax for the North Slope Borough



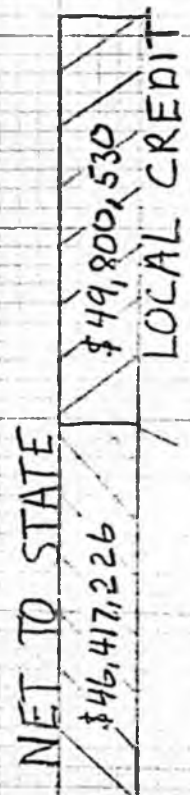
DISTRIBUTION OF OIL & GAS PROPERTY TAX FOR NORTH SLOPE BOROUGH

\$ MILLIONS OF DOLLARS \$

NOTE: PROJECTION BASED UPON 1984 ASSESSMENTS

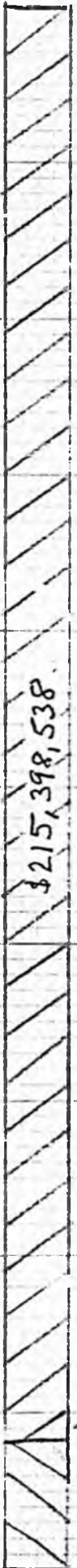
88
64
40
17

94
70
47
23



1979

NET TO STATE



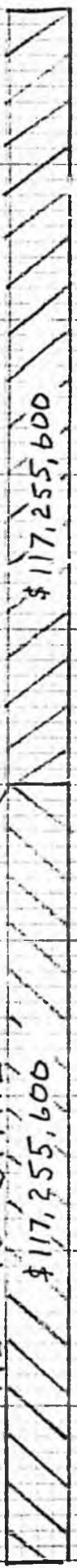
1984

LOCAL CREDIT

\$19,112,663

HB 3:9 PROJECTION

NET TO STATE



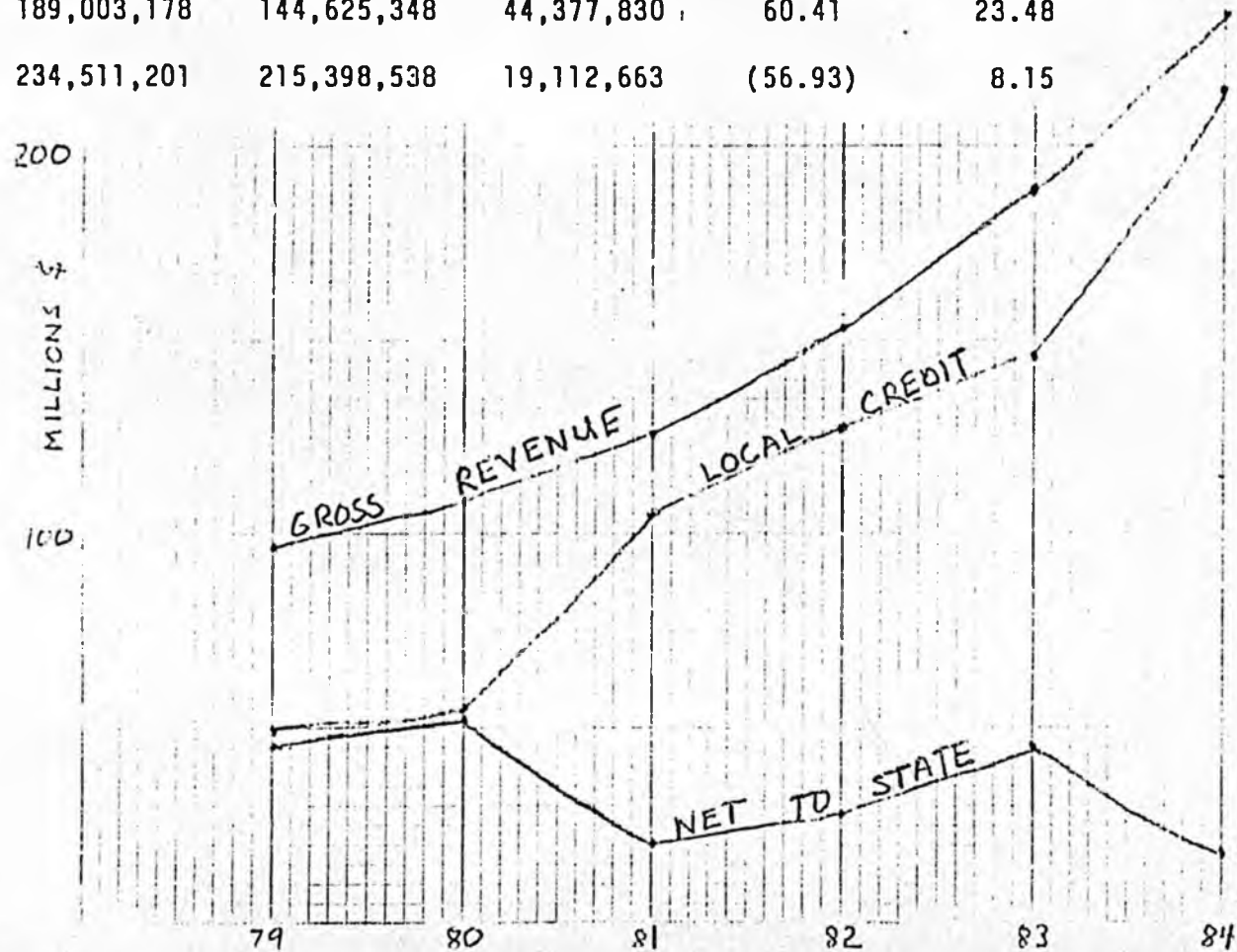
1990-1995

LOCAL CREDIT

\$117,255,600

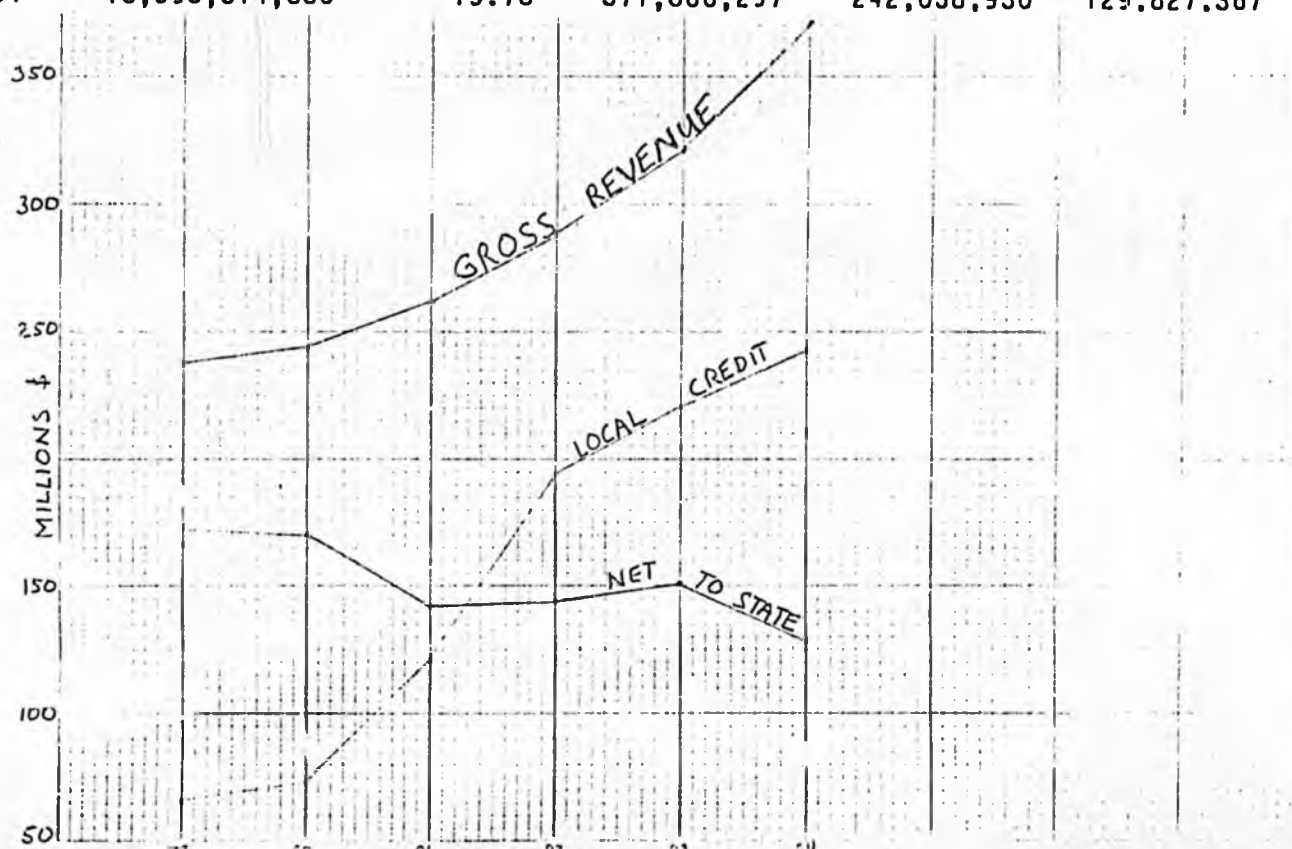
Distribution of State Property Tax For the North Slope Borough

<u>Year</u>	<u>State Assessed Value</u>	<u>Gross Revenue</u>	<u>Local Credit</u>	<u>Net to State</u>	<u>Percent Increase</u>	<u>Percent of Gross to State</u>
1979	4,810,887,800	96,217,756	49,800,530	46,417,226		48.24
1980	5,450,597,290	109,011,946	55,974,326	53,037,620	14.26	48.65
1981	6,297,616,550	125,952,331	105,150,647	20,801,684	(60.78)	16.52
1982	7,722,386,820	154,447,776	126,781,999	27,665,777	33.00	17.91
1983	9,450,158,880	189,003,178	144,625,348	44,377,830	60.41	23.48
1984	11,725,560,030	234,511,201	215,398,538	19,112,663	(56.93)	8.15



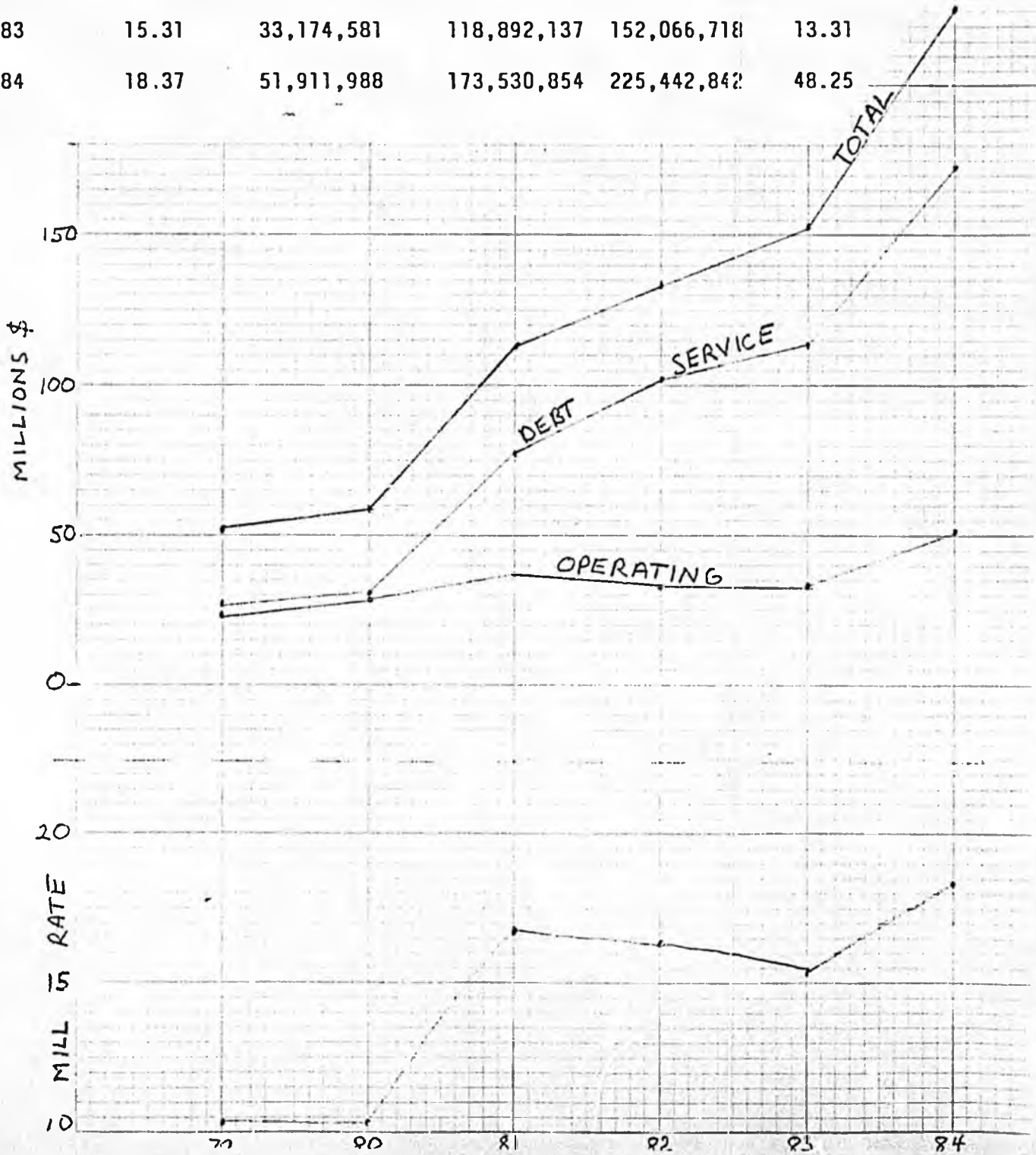
Six Year State Property Tax History

<u>Year</u>	<u>State Assessed Value</u>	<u>Percent Increase</u>	<u>Gross Revenue</u>	<u>Local Credit</u>	<u>Net to State</u>	<u>Percent Increase</u>	<u>Percent of Gross to State</u>
1979	11,946,447,380	7.85	238,928,947	66,609,309	172,319,637	(0.69)	72.1
1980	12,165,633,950	1.83	243,312,679	72,900,166	170,412,512	(1.11)	70.0
1981	13,170,633,280	8.26	263,412,665	121,116,160	142,296,505	(16.50)	54.0
1982	14,410,443,680	9.41	288,208,973	144,171,544	144,037,429	1.22	50.0
1983	16,059,836,120	11.45	321,196,722	170,818,425	150,378,297	4.40	46.8
1984	18,593,314,880	15.78	371,866,297	242,038,930	129,827,367	(13.67)	34.9



North Slope Borough Budget From All Property Taxes

<u>Year</u>	<u>Mill Rate</u>	<u>Operating</u>	<u>Debt Service</u>	<u>Total</u>	<u>% Increase</u>
1979	10.35	24,360,827	26,625,145	50,985,972	
1980	10.33	28,997,204	30,154,114	59,151,318	16.01
1981	16.70	36,142,391	77,846,541	113,988,932	92.71
1982	16.42	33,833,656	100,370,000	134,203,656	17.73
1983	15.31	33,174,581	118,892,137	152,066,718	13.31
1984	18.37	51,911,988	173,530,854	225,442,842	48.25



Representative Andre Marrou
April 8, 1985

The following chart describes the current 1984 municipal oil and gas property tax mill rates in Alaska * :

<u>Municipality</u>	<u>Mill Rate</u>	<u>Oil & Gas State Property Assessed Value</u>	<u>Municipal Credit</u>
Unorganized	0	4,030,427,300	0
North Slope	18.4	11,728,126,470	215,800,000
North Star	7.0	627,613,530	4,393,295
Anchorage	9.0	82,976,730	746,791
Kenai	5.0	577,777,800	2,888,889
Valdez	11.745	1,545,541,000	18,152,379
Mat-Su	8.0	1,626,460	13,012
Yakutat	13.0	1,900,360	24,705

*Jerry Heir (HTRE)
State Petroleum Property Assessor
Dept. of Revenue, May 2, 1984.

0**

RJM:ojb
J13/069

276-1363

215800000.+
4393295.+
746791.+
2888889.+
18152379.+
13012.+
+ 24705.=
TOTAL 242,019,071.0*

Alaska State Legislature

COMMITTEES:

Committee on Community and Regional Affairs
Committee on Transportation
Special Committee on Oil and Gas
Special Committee on Fisheries
Finance Sub-committee on Fish and Game



Andre Marrou
Representative

District 5

Kenai	Sterling
Soldotna	Anchor Point
Homer	Port Graham
Seldovia	English Bay
Kachemak	Nikolaevsk
Kasilof	Halibut Cove
Ninilchik	Clam Gulch

March 24, 1986

To: Chairman Peter Goll and Members of House C & RA Committee
From: Andre Marrou, Representative
Subject: CSSSHB 339 (O&G), Limiting Municipal Oil & Gas Property Taxes

Current State law allows an oil and gas property owner/taxpayer to credit against their state obligation of 20 mills (AS 43.56.010a) all applicable local taxes (AS 43.56.010d). This results in shifting a State-imposed property tax to municipal coffers.

The current municipal property tax rate in the North Slope Borough is 18.4 mills, which appears excessive. Certainly, it costs the State HUNDREDS OF MILLIONS OF DOLLARS YEARLY (see attached chart). For example, the State's property tax share has fallen drastically from 48% to 8% in five years, while the North Slope Borough's share has skyrocketed from 52% to 92%.

The original legislative intent was that the revenues from the 20-mill tax belong to all residents of the State, not just a few in a privileged location. It was not the intent to allow the North Slope Borough to finance an astronomical debt (\$93,637 per capita), thereby possibly jeopardizing the State's bond rating if they default in these times of decreasing oil revenues.

Allowing the oil companies to credit their local tax against the State 20-mill tax was so the municipalities could finance local services to the oil and gas properties being taxed. However, the idea that Prudhoe Bay is receiving over \$200,000,000 annually in local services is not believable. It would, in fact, be interesting to know just what services are provided, if any.

The residents of the North Slope Borough appear indifferent to their high tax rate, perhaps because of various exemptions available to them.

HB 339 proposes to split the State's 20-mill tax 50/50 between the State and the municipalities. If this bill were fully in effect in 1984, it would have increased State revenues by \$98,142,937 WITH NO INCREASE IN TAXES.

The current law has caused a lopsided distribution of revenues to some municipalities at the expense of hundreds of millions of dollars of lost revenue to the State. It also compounds this inequity by encouraging municipalities to incur large amounts of debt. The resultant debt payments are indirectly adjusted dangerously close to the price of oil.

The most important section of this bill is the effective date clause. A municipality's taxing authority to pay off current debt obligations will not be impaired! HB 339 deals only with a municipality's authority to tax for bonded indebtedness after the effective date.

* ANCSA sec. 21D; Indian Reorganization Act, 25 USC 465; Federal Supremacy Clause for Native Trust Lands; AS 18.55.250; \$10,000 Exemption per Assesment, AS 29.45.050(a)

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°Fiscal analysis by DOR

°Memo on Fiscal Note

°Constitutional Support of CSSHB 339

°Salient Facts

°Page 17 and 18 of 1985 "Alaska Taxable"

°Copies of Pertinent Statutes (2 pages)

°Charts and Tables of:

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Box Graph: Distribution of State Property Tax for the N S Borough

Bar Graph: Distribution of Oil & Gas Property Tax for the N S Borough

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Table & Graph: North Slope Borough Budget from All Property Taxes

Table: 1984 Mill Rates of affected Municipalities

SECTIONAL ANALYSIS CSSH 339 (Oil & Gas)

*Section 1.

This section makes this bill applicable to home rule municipalities.

*Section 2.

This section restricts a municipality's ability to tax to pay for bonds, only if it taxes oil and gas properties under AS 29.45.080. The 1% figure will allow municipalities to collect up to half of the 20 mill oil and gas property tax under AS 43.56.

*Section 3.

This section conforms the statutes to the limitation in section 2.

*Section 4.

This section clarifies that the taxing authority to pay off current existing debt will not be impaired.

This section is also a debt limiter that prevents municipalities from issuing more bonds after the effective date, if the taxes to pay those bonds exceed the limit in section 2.

1 FAULT].

2 * Sec. 4. The amendments to AS 29.45.100 and AS 29.47.200(a) made by
3 secs. 2 and 3 of this Act apply only to taxes levied or pledged to pay
4 general obligation bonds sold by a municipality on or after the effective
5 date of this Act. However, notwithstanding any other provision of law, a
6 municipality may not sell general obligation bonds after the effective date
7 of this Act until the municipality is in compliance with AS 29.45.100 and
8 AS 29.47.200(a) as amended by secs. 2 and 3 of this Act with respect to
9 taxes levied or pledged to pay all general obligation bonds without regard
10 to the dates of sale.

11 * Sec. 5. This Act takes effect July 1, 1986.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 5, 1985

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

POSITION PAPER

RE: SSBH 339

SPONSOR: Representative Andre Marrou

Program Effects of Bill

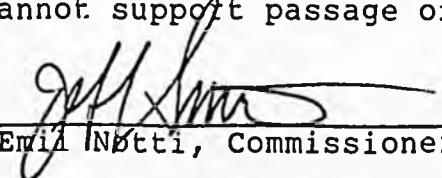
Comments

Sponsor Substitute for House Bill 339 provides for the State to be guaranteed at least 50 per cent of all property taxes levied against AS 43.56 property. Municipalities would be allowed a property tax levy against that property which would not exceed ten mills.

The Department understands and appreciates the concept that all the people of the State should be guaranteed an equal share of revenues derived from this resource, as compared with the current system of taxation which allows some municipalities to benefit in excess of 50 per cent. We do not necessarily oppose that concept.

We do however, have concerns regarding the effect of implementing that concept at the municipal level. At the present time, there is no limit on taxes to pay bonds. The language in SSBH 339 would allow taxes for the payment of bonds to be levied at any level against homes and local businesses, while limiting the levy against AS 43.56 property to ten mills. At the same time, AS 43.56 property would enjoy a full level of municipal services such as education, fire protection, police protection, etc. which would be provided through issuance of the bonds.

Although the Department does not necessarily oppose the concept proposed in the bill, we must recognize the implementation of that concept would allow unequal taxation at the municipal level. For that reason, we cannot support passage of SSBH 339.


Emil Notti, Commissioner

Offered: 3/7/86
Referred: Community & Regional
Affairs and Finance

Original sponsor: Marrou and Pignalberi

1 IN THE HOUSE
2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 339 (Oil & Gas)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the limitation on municipal
7 property taxation for the payment of bonds; and
8 providing for an effective date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 29.10.200 is amended by adding a new paragraph to read:
11 (47) AS 29.47.200(a) - (general obligation bonds)
12 * Sec. 2. AS 29.45.100 is amended to read:
13 Sec. 29.45.100. [NO] LIMITATIONS ON TAXES TO PAY BONDS. The
14 limitations provided for in AS 29.45.080 - 29.45.090 do not apply to
15 taxes levied or pledged to pay or secure the payment of the principal
16 and interest on bonds. However, taxes levied under AS 29.45.080
17 [TAXES] to pay or secure the payment of principal and interest on
18 bonds may only be levied in an amount that does not exceed one percent
19 of the assessed value of property within the municipality taxed under
20 AS 29.45.080 [WITHOUT LIMITATION AS TO RATE OR AMOUNT], regardless of
21 whether the bonds are in default or in danger of default.
22 * Sec. 3. AS 29.47.200(a) is amended to read:
23 (a) The full faith and credit of a municipality are pledged for
24 the payment of principal and interest on general obligation bonds.
25 Subject to AS 29.45.100, the [THE] municipality may levy ad valorem
26 taxes for payment [WITHOUT LIMITATION OF RATE OR AMOUNT TO PAY OR
27 SECURE THE PAYMENT] of the principal and interest on the bonds. This
28 subsection applies to home rule and general law municipalities [,
29 REGARDLESS OF WHETHER THE BONDS ARE IN DEFAULT OR IN DANGER OF DE-

1 FAULT].

2 * Sec. 4. The amendments to AS 29.45.100 and AS 29.47.200(a) made by
3 secs. 2 and 3 of this Act apply only to taxes levied or pledged to pay
4 general obligation bonds sold by a municipality on or after the effective
5 date of this Act. However, notwithstanding any other provision of law, a
6 municipality may not sell general obligation bonds after the effective date
7 of this Act until the municipality is in compliance with AS 29.45.100 and
8 AS 29.47.200(a) as amended by secs. 2 and 3 of this Act with respect to
9 taxes levied or pledged to pay all general obligation bonds without regard
10 to the dates of sale.


11 * Sec. 5. This Act takes effect July 1, 1986.

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: Representative Peter Goll, Chairman
Members of the House Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 

DATE: March 25, 1986

SUBJECT: SSHB 339 - Limitation on Municipal Oil and Gas Property Taxes

While the Alaska Municipal League shares the concern of the sponsor that tax policy be fair, and the concern that municipalities not burden their taxpayers beyond their ability to pay, the League cannot support legislation which reduces the tax base of a community, its tax-levying authority, or its ability to market bonds to provide needed services. Municipalities must be given the right to levy the same rate of tax as levied on other property within the taxing jurisdiction. For these reasons, the League agrees with the position paper provided by the Department of Community and Regional Affairs, dated March 5, 1986, to the degree it points out the potential of unequal taxation.

In this period of declining oil revenues, the League stands ready to work with the administration and the Legislature to develop good and workable debt management approaches and criteria which protect the financial ratings of the State and the municipalities, and which protect the ability of State and local governments to raise revenue and provide needed services. This legislation and others dealing with debt management have not been adequately discussed with those it affects including municipal officials and the financial community to address both these concerns.

Thank you.

Introduced: 5/11/85
Referred: House Special Committee
on Oil & Gas, Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY MARROU

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 339
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: " An Act relating to the limitation of municipal oil
7 and gas production and pipeline property taxes to pay
8 for bonds; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 29.53.055 is amended to read:

11 Sec. 29.53.055. [NO] LIMITATION ON TAXES TO PAY BONDS. The
12 limitations provided for in AS 29.53.045 or 29.53.050 do not apply to
13 taxes levied or pledged to pay or secure the payment of the principal
14 and interest on bonds. Taxes to pay or secure the payment of princi-
15 pal and interest on bonds may be levied up to one percent of the
16 assessed valuation within the municipality in any year [WITHOUT
17 LIMITATION AS TO RATE OR AMOUNT], regardless of whether the bonds are
18 in default or in danger of default.

19 * Sec. 2. AS 29.58.180(a) is amended to read:

20 (a) The full faith and credit of a municipality are pledged for
21 the payment of principal and interest on general obligation bonds.
22 Except for the limitation under AS 29.53.055, the [THE] municipality
23 may levy ad valorem taxes for payment without limitation of rate or
24 amount to pay or secure the payment of the principal and interest on
25 bonds, regardless of whether the bonds are in default or in danger of
26 default.

27 * Sec. 3. The amendments to AS 29.53.055 and AS 29.58.180(a) made by
28 secs. 1 and 2 of this Act apply only to general obligation bonds, other
29 than general obligation refunding bonds under AS 29.58.180 - 29.58.280 sold

1 by a municipality on or after the effective date of this Act.

2 * Sec. 4. This Act takes effect July 1, 1985.

Alaska State Legislature

COMMITTEES:

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Committee on Transportation
Special Committee on Oil and Gas
Special Committee on Fisheries
Finance Sub-committee on Fish and Game



Andre Marrou
Representative

District 5

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* ANCSA sec. 21D; Indian Reorganization Act, 25 USC 465; Federal Supremacy Clause for Native Trust Lands; AS 18.55.250; \$10,000 Exemption per Assesment, AS 29.45.050(a).

**HOUSE
COMMITTEE REPORT**

(7)

Date referred: 3/7/86

FURTHER REFERRALS: FINANCE

DATE: _____
The COMMUNITY AND REGIONAL AFFAIRS Committee has considered SSHB 339

"An Act relating to the limitation of municipal oil and gas production and pipeline property taxes to pay for bonds; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with _____ same title
- replace with _____ new title

and recommends _____

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

A.V.M. MARROU
Walt Furnace

SIGNING OTHER RECOMMENDATIONS:

Alto Kopas no rec.
ROD & GILL No Rec.
Walt Gumbey No rec.
F. Kaywall do not pass

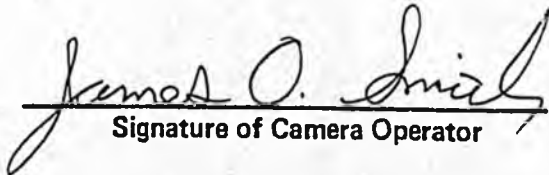
Chairman

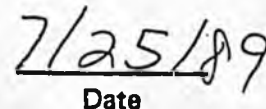


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Signature of Camera Operator


Date