

**SB**

**186**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
MAY 05 2001  
SENATE FINANCE  
COMMITTEE

DATE: April 9, 2001

FURTHER:

Date of 5-Day Notice: \_\_\_\_\_  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 6 May 2001

Finance Committee considered SENATE BILL NO. 186

*LIMIT MUNICIPAL G.O. BOND DEBT*

"An Act establishing a limit on the general obligation debt that may be authorized and issued by home rule and general law municipalities; and providing for an effective date."

and recommends:

- be replaced with CS SB 186 (FIN)
- adopt previous CS forthcoming (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

- Senate Bill:**  
 same title  
 new title
- House Bill:**  
 same title  
 technical title  
 new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Revenue	5/10		✓	

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>		X		
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>				⊗ PAINT BALL LEGISLATION
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR:				

# FISCAL NOTE

REPORTED OUT  
MAY 06 2001  
SENATE FINANCE  
COMMITTEE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CS SB 186 (FIN)  
(S) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title: Limit Municipal General Obligation Bond Debt BRU: Revenue Operations  
Sponsor: Senate Finance Component: Tax Division  
Requester: Senate Finance Component Number: \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	5,574.5	12,559.2	18,168.8	29,299.0	37,097.2	43,900.6

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF - Oil & Gas Property Revenue	5,574.5	12,559.2	18,168.8	29,299.0	37,097.2	43,900.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	5,574.5	12,559.2	18,168.8	29,299.0	37,097.2	43,900.6

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
The projected State Oil & Gas Revenues from CS SB 186 (FIN) is based on previous projections from the Legislative Finance Division less the amount of new annual \$1,000 per resident bonding provision contained in Section 15 (b) of the proposed committee substitute.

Prepared by: SENATE FINANCE COMMITTEE Phone 465-1881

Senator: /s/ SENATOR KELLY & DONLEY Date 5/5/2001  
Committee Cochair



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FAX COVER SHEET

DATE: 5/6/01 TIME: 1:45pm

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND  
SENATE FINANCE COMMITTEE SECRETARY  
PHONE: 465-4935  
FAX: 465-2187

NOTES: Final Please

CS SB 186 (FIN) 22-LS0851\F

5/4/01

no changes

Thx

Mindy

SENATE FINANCE COMMITTEE  
~~2000~~ **COMMITTEE ACTION**

5/6/01

<b>Bill Number</b>	SB 186		
<b>Amendment</b>	CS "F"		
<b>Motion</b>	Move from Cmte		
<b>Motion by</b>	Donley		
<b>Objection by</b>	Olson		
<b>Removed</b>			
<b>Second Objection by</b>			
<b>Committee Member</b>	<b>Y</b>	<b>Vote</b>	<b>N</b>
Senator Green	✓		
Senator Hoffman			✓
Senator Leman	✓		
Senator Olson			✓
Senator Ward	✓		
Senator Wilken	✓		
Senator Austerman		—	
Co-Chair Donley	✓		
Co-Chair Kelly	✓		
<b>Tally</b>			
Yea	6		
Nay	2		
Absent	1		
<b>MOTION</b>	PASS		

adopted

WORK DRAFT

WORK DRAFT

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22-LS0851\F  
Cook  
5/4/01

**CS FOR SENATE BILL NO. 186(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to municipal taxes on oil and gas production and pipeline property;**  
2 **establishing a limit on the general obligation debt that may be authorized and issued by**  
3 **home rule and general law municipalities; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **\* Section 1.** AS 29.10.200 is amended by adding a new paragraph to read:

6 (60) AS 29.47.185 and 29.47.305 (limitations on new or additional  
7 general obligation debt).

8 **\* Sec. 2.** AS 29.45.080 is amended by adding a new subsection to read:

9 (f) A municipality may not levy and collect taxes on property taxable under  
10 AS 43.56 in excess of 1.9 percent of the assessed value of the property. This  
11 subsection only applies to a municipality if the assessed value of all taxable property  
12 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
13 in the municipality.

14 **\* Sec. 3.** AS 29.45.080(f) is amended to read:

1 (f) A municipality may not levy and collect taxes on property taxable under  
2 AS 43.56 in excess of 1.8 [1.9] percent of the assessed value of the property. This  
3 subsection only applies to a municipality if the assessed value of all taxable property  
4 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
5 in the municipality.

6 \* Sec. 4. AS 29.45.080(f) is amended to read:

7 (f) A municipality may not levy and collect taxes on property taxable under  
8 AS 43.56 in excess of 1.7 [1.8] percent of the assessed value of the property. This  
9 subsection only applies to a municipality if the assessed value of all taxable property  
10 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
11 in the municipality.

12 \* Sec. 5. AS 29.45.080(f) is amended to read:

13 (f) A municipality may not levy and collect taxes on property taxable under  
14 AS 43.56 in excess of 1.6 [1.7] percent of the assessed value of the property. This  
15 subsection only applies to a municipality if the assessed value of all taxable property  
16 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
17 in the municipality.

18 \* Sec. 6. AS 29.45.080(f) is amended to read:

19 (f) A municipality may not levy and collect taxes on property taxable under  
20 AS 43.56 in excess of 1.5 [1.6] percent of the assessed value of the property. This  
21 subsection only applies to a municipality if the assessed value of all taxable property  
22 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
23 in the municipality.

24 \* Sec. 7. AS 29.45.080(f) is amended to read:

25 (f) A municipality may not levy and collect taxes on property taxable under  
26 AS 43.56 in excess of 1.4 [1.5] percent of the assessed value of the property. This  
27 subsection only applies to a municipality if the assessed value of all taxable property  
28 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
29 in the municipality.

30 \* Sec. 8. AS 29.45.080(f) is amended to read:

31 (f) A municipality may not levy and collect taxes on property taxable under

1 AS 43.56 in excess of 1.3 [1.4] percent of the assessed value of the property. This  
2 subsection only applies to a municipality if the assessed value of all taxable property  
3 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
4 in the municipality.

5 \* Sec. 9. AS 29.45.080(f) is amended to read:

6 (f) A municipality may not levy and collect taxes on property taxable under  
7 AS 43.56 in excess of 1.2 [1.3] percent of the assessed value of the property. This  
8 subsection only applies to a municipality if the assessed value of all taxable property  
9 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
10 in the municipality.

11 \* Sec. 10. AS 29.45.080(f) is amended to read:

12 (f) A municipality may not levy and collect taxes on property taxable under  
13 AS 43.56 in excess of 1.1 [1.2] percent of the assessed value of the property. This  
14 subsection only applies to a municipality if the assessed value of all taxable property  
15 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
16 in the municipality.

17 \* Sec. 11. AS 29.45.080(f) is amended to read:

18 (f) A municipality may not levy and collect taxes on property taxable under  
19 AS 43.56 in excess of one [1.1] percent of the assessed value of the property. This  
20 subsection only applies to a municipality if the assessed value of all taxable property  
21 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
22 in the municipality.

23 \* Sec. 12. AS 29.45.090(a) is amended to read:

24 (a) A municipality may not, during a year, levy an ad valorem tax for any  
25 purpose in excess of three percent of the assessed value of property in the  
26 municipality. Except for property that is subject to the limitation provided for in  
27 AS 29.45.080(f), all [ALL] property on which an ad valorem tax is levied shall be  
28 taxed at the same rate during the year.

29 \* Sec. 13. AS 29.45.100 is amended to read:

30 Sec. 29.45.100. Application of [NO] limitations on taxes to pay bonds.  
31 Except as provided in (b) of this section, the [THE] limitations provided for in

1 AS 29.45.080 - 29.45.090 do not apply to taxes levied or pledged to pay or secure the  
2 payment of the principal and interest on bonds. Taxes to pay or secure the payment of  
3 principal and interest on bonds may be levied without limitation as to rate or amount,  
4 regardless of whether the bonds are in default or in danger of default.

5 \* **Sec. 14.** AS 29.45.100 is amended by adding a new subsection to read

6 (b) The limitation provided for in AS 29.45.080(f) applies to ad valorem taxes  
7 levied or pledged to pay or secure the payment of the principal or interest on bonds  
8 issued on or after January 1, 2002, regardless of whether the bonds are in default or in  
9 danger of being in default.

10 \* **Sec. 15.** AS 29.47 is amended by adding a new section to read:

11 **Sec. 29.47.185. Limitations on new or additional general obligation bonds.**

12 (a) Except as provided in (b) of this section, a municipality may not incur new or  
13 additional general obligation bond debt for a purpose described in AS 29.47.180 or for  
14 another purpose for which a municipality may authorize and issue its general  
15 obligation bonds if the proposed new or additional general obligation bond debt, when  
16 added to the current total general obligation bonded indebtedness of the municipality,  
17 including the authorized but unsold bonds of the municipality, would cause the total  
18 general obligation bonded indebtedness of the municipality to exceed \$15,000 per  
19 capita based on the number of residents of the municipality.

20 (b) If a municipality has a total general obligation bonded indebtedness that,  
21 on July 1, 2001, exceeds \$15,000 per capita based on the number of residents of the  
22 municipality, the municipality may only incur additional general obligation debt  
23 during each state fiscal year thereafter in an amount that does not exceed \$1,000 per  
24 capita based on the number of residents of the municipality on the first day of the  
25 fiscal year during which the indebtedness is incurred. This subsection no longer  
26 applies to a municipality when the total general obligation bonded indebtedness of the  
27 municipality reaches an amount that does not exceed \$15,000 per capita based on the  
28 number of residents of the municipality.

29 (c) For purposes of (a) and (b) of this section, the population of the  
30 municipality shall be determined under AS 29.45.080(e) and 29.45.090(d).

31 (d) The limitations of (a) and (b) of this section apply to the entire general

1 obligation bonded indebtedness of a unified municipality or borough, whether incurred  
2 as areawide debt, nonareawide debt, or debt involving a service area.

3 \* **Sec. 16.** AS 29.47 is amended by adding a new section to read:

4 **Sec. 29.47.305. Limitation. u new or additional bonds to refund general**  
5 **obligation bonds of the municipah.** (a) A municipality with a total general  
6 obligation bonded indebtedness that exceeds \$15,000 per capita based on the number  
7 of residents of the municipality may only issue general obligation refunding bonds if  
8 the principal and interest on the refunding bonds must be entirely repaid on or before  
9 the date the final payment would have been due on the bonds being refunded.

10 (b) For purposes of (a) of this section, the population of the municipality shall  
11 be determined under AS 29.45.080(e) and 29.45.090(d).

12 (c) The limitation of (a) of this section applies to the entire general obligation  
13 bonded indebtedness of a unified municipality or borough, whether incurred as  
14 areawide debt, nonareawide debt, or debt involving a service area.

15 \* **Sec. 17.** Sections 1, 15, and 16 of this Act take effect immediately under  
16 AS 01.10.070(c).

17 \* **Sec. 18.** Sections 2 and 12 - 14 of this Act take effect January 1, 2002.

18 \* **Sec. 19.** Section 3 of this Act takes effect January 1, 2003.

19 \* **Sec. 20.** Section 4 of this Act takes effect January 1, 2004.

20 \* **Sec. 21.** Section 5 of this Act takes effect January 1, 2005.

21 \* **Sec. 22.** Section 6 of this Act takes effect January 1, 2006.

22 \* **Sec. 23.** Section 7 of this Act takes effect January 1, 2007.

23 \* **Sec. 24.** Section 8 of this Act takes effect January 1, 2008.

24 \* **Sec. 25.** Section 9 of this Act takes effect January 1, 2009.

25 \* **Sec. 26.** Section 10 of this Act takes effect January 1, 2010.

26 \* **Sec. 27.** Section 11 of this Act takes effect January 1, 2011.

adopted

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22-LS0851\c

Cook

5/2/01

**CS FOR SENATE BILL NO. 186(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SECOND LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to municipal taxes on oil and gas production and pipeline property;**  
2 **establishing a limit on the general obligation debt that may be authorized and issued by**  
3 **home rule and general law municipalities; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **\* Section 1.** AS 29.10.200 is amended by adding a new paragraph to read:

6 (60) AS 29.47.185 and 29.47.305 (limitations on new or additional  
7 general obligation debt).

8 **\* Sec. 2.** AS 29.45.080 is amended by adding a new subsection to read:

9 (f) A municipality may not levy and collect taxes on property taxable under  
10 AS 43.56 in excess of one percent of the assessed value of the property. This  
11 subsection only applies to a municipality if the assessed value of all taxable property  
12 in the municipality equals or exceeds \$500,000 multiplied by the number of residents  
13 in the municipality.

14 **\* Sec. 3.** AS 29.45.090(a) is amended to read:

1 (a) A municipality may not, during a year, levy an ad valorem tax for any  
2 purpose in excess of three percent of the assessed value of property in the  
3 municipality. Except for property that is subject to the limitation provided for in  
4 AS 29.45.080(f), all [ALL] property on which an ad valorem tax is levied shall be  
5 taxed at the same rate during the year.

6 \* Sec. 4. AS 29.45.100 is amended to read:

7 **Sec. 29.45.100. Application of [NO] limitations on taxes to pay bonds.**  
8 **Except as provided in (b) of this section, the** [THE] limitations provided for in  
9 AS 29.45.080 - 29.45.090 do not apply to taxes levied or pledged to pay or secure the  
10 payment of the principal and interest on bonds. Taxes to pay or secure the payment of  
11 principal and interest on bonds may be levied without limitation as to rate or amount,  
12 regardless of whether the bonds are in default or in danger of default.

13 \* Sec. 5. AS 29.45.100 is amended by adding a new subsection to read

14 (b) The limitation provided for in AS 29.45.080(f) applies to ad valorem taxes  
15 levied or pledged to pay or secure the payment of the principal or interest on bonds  
16 issued on or after January 1, 2002, regardless of whether the bonds are in default or in  
17 danger of being in default.

18 \* Sec. 6. AS 29.47 is amended by adding a new section to read:

19 **Sec. 29.47.185. Limitations on new or additional general obligation bonds.**

20 (a) A municipality may not incur new or additional general obligation bond debt for a  
21 purpose described in AS 29.47.180 or for another purpose for which a municipality  
22 may authorize and issue its general obligation bonds if the proposed new or additional  
23 general obligation bond debt, when added to the current total general obligation  
24 bonded indebtedness of the municipality, including the authorized but unsold bonds of  
25 the municipality, would cause the total general obligation bonded indebtedness of the  
26 municipality to exceed \$15,000 per capita based on the number of residents of the  
27 municipality.

28 (b) For purposes of (a) of this section, the population of the municipality shall  
29 be determined under AS 29.45.080(e) and 29.45.090(d).

30 (c) The limitation of (a) of this section applies to the entire general obligation  
31 bonded indebtedness of a unified municipality or borough, whether incurred as

1 areawide debt, nonareawide debt, or debt involving a service area.

2 \* **Sec. 7.** AS 29.47 is amended by adding a new section to read:

3 **Sec. 29.47.305. Limitations on new or additional bonds to refund general**  
4 **obligation bonds of the municipality.** (a) A municipality may not issue general  
5 obligation refunding bonds if the general obligation refunding bond debt, when added  
6 to the current total general obligation bonded indebtedness of the municipality,  
7 including the authorized but unsold bonds of the municipality, would cause the total  
8 general obligation bonded indebtedness of the municipality to exceed \$15,000 per  
9 capita based on the number of residents of the municipality.

10 (b) For purposes of (a) of this section, the population of the municipality shall  
11 be determined under AS 29.45.080(e) and 29.45.090(d).

12 (c) The limitation of (a) of this section applies to the entire general obligation  
13 bond indebtedness of a unified municipality or borough, whether incurred as  
14 areawide debt, nonareawide debt, or debt involving a service area.

15 \* **Sec. 8.** Sections 2 - 5 of this Act take effect January 1, 2002.

16 \* **Sec. 9.** Sections 1, 6, and 7 of this Act take effect immediately under AS 01.10.070(c).

*Distributed  
by Service Bureau*

**TABLE 8**  
**FULL VALUE DETERMINATION**  
As of January 1, 2000

Boroughs/Unified Municipalities	AS 29.45	AS 43.56	Full Value Determination	Population	Per Capita Full Value
	Local Taxable Full Value	State Taxable Oil & Gas Full Value			
<b>Aleutians East Borough</b>	<b>\$97,167,900</b>	<b>\$0</b>	<b>\$97,167,900</b>	<b>2,225</b>	<b>\$43,671</b>
Akutan	\$9,103,000	\$0	\$9,103,000	408	\$22,311
Cold Bay	\$4,969,200	\$0	\$4,969,200	97	\$51,229
False Pass	\$1,727,300	\$0	\$1,727,300	68	\$25,401
King Cove	\$28,845,400	\$0	\$28,845,400	691	\$41,744
Sand Point	\$41,299,700	\$0	\$41,299,700	842	\$49,050
Outside Cities	\$11,223,300	\$0	\$11,223,300	119	\$94,313
<b>Municipality of Anchorage</b>	<b>\$16,488,453,800</b>	<b>\$86,273,020</b>	<b>\$16,574,726,820</b>	<b>259,391</b>	<b>\$63,899</b>
<b>Bristol Bay Borough</b>	<b>\$204,802,200</b>		<b>\$204,802,200</b>	<b>1,258</b>	<b>\$162,800</b>
<b>Denali Borough</b>	<b>\$121,643,100</b>	<b>\$0</b>	<b>\$121,643,100</b>	<b>1,871</b>	<b>\$65,015</b>
Anderson	\$10,743,100	\$0	\$10,743,100	517	\$20,780
Outside Cities	\$110,900,000	\$0	\$110,900,000	1,354	\$81,905
<b>Fairbanks North Star Borough</b>	<b>\$4,582,337,900</b>	<b>\$258,225,360</b>	<b>\$4,840,563,260</b>	<b>83,773</b>	<b>\$57,782</b>
City of Fairbanks	\$1,388,344,300	\$0	\$1,388,344,300	31,697	\$43,800
City of North Pole	\$298,731,000	\$0	\$298,731,000	1,616	\$184,858
Outside Cities	\$2,895,262,600	\$258,225,360	\$3,153,487,960	50,460	\$62,495
<b>Haines Borough</b>	<b>\$204,022,700</b>	<b>\$0</b>	<b>\$204,022,700</b>	<b>2,475</b>	<b>\$82,433</b>
City of Haines	\$131,422,400	\$0	\$131,422,400	1,775	\$74,041
Outside Cities	\$72,600,300	\$0	\$72,600,300	700	\$103,715
<b>City &amp; Borough of Juneau</b>	<b>\$2,632,035,700</b>	<b>\$0</b>	<b>\$2,632,035,700</b>	<b>30,852</b>	<b>\$85,312</b>
<b>Kenai Peninsula Borough</b>	<b>\$3,787,636,500</b>	<b>\$461,506,410</b>	<b>\$4,249,142,910</b>	<b>48,952</b>	<b>\$86,802</b>
City of Homer	\$310,123,200	\$0	\$310,123,200	4,154	\$74,657
Kachemak City	\$31,698,000	\$0	\$31,698,000	419	\$75,652
City of Kenai	\$415,803,000	\$3,811,330	\$419,614,330	7,005	\$59,902
City of Selkovia	\$21,766,300	\$0	\$21,766,300	284	\$76,642
City of Seward	\$239,541,800	\$0	\$239,541,800	3,010	\$79,582
City of Soldotna	\$302,412,000	\$786,040	\$303,198,040	4,140	\$73,236
Outside Cities	\$2,466,292,200	\$456,909,040	\$2,923,201,240	29,940	\$97,635
<b>Ketchikan Gateway Borough</b>	<b>\$1,116,923,700</b>	<b>\$0</b>	<b>\$1,116,923,700</b>	<b>13,961</b>	<b>\$80,003</b>
City of Ketchikan	\$591,302,900	\$0	\$591,302,900	8,320	\$71,070
City of Saxman	\$19,689,600	\$0	\$19,689,600	371	\$53,072
Outside Cities	\$505,931,200	\$0	\$505,931,200	5,270	\$96,002
<b>Kodiak Island Borough</b>	<b>\$977,967,800</b>	<b>\$0</b>	<b>\$977,967,800</b>	<b>13,989</b>	<b>\$69,910</b>
Akhlok	\$481,300	\$0	\$481,300	101	\$4,765
City of Kodiak	\$576,603,700	\$0	\$576,603,700	6,893	\$83,651
Larsen Bay	\$6,301,700	\$0	\$6,301,700	137	\$45,998
Old Harbor	\$5,581,400	\$0	\$5,581,400	276	\$20,222
Ouzinkle	\$3,980,400	\$0	\$3,980,400	256	\$15,548
Port Lions	\$7,509,600	\$0	\$7,509,600	243	\$30,904
Outside Cities	\$377,509,700	\$0	\$377,509,700	6,083	\$62,060
<b>Lake &amp; Peninsula Borough</b>	<b>\$69,030,900</b>	<b>\$0</b>	<b>\$69,030,900</b>	<b>1,816</b>	<b>\$38,013</b>
Chignik	\$13,229,300	\$0	\$13,229,300	103	\$128,440
Egegik	\$5,090,500	\$0	\$5,090,500	117	\$43,509
Newhalen	\$3,503,200	\$0	\$3,503,200	178	\$19,681
Nondalton	\$3,762,700	\$0	\$3,762,700	224	\$16,798
Pilot Point	\$1,883,300	\$0	\$1,883,300	92	\$20,471
Port Heiden	\$2,867,500	\$0	\$2,867,500	125	\$22,940
Outside Cities	\$38,694,400	\$0	\$38,694,400	977	\$39,605

**TABLE 8 - Continued**  
**FULL VALUE DETERMINATION**  
As of January 1, 2000

Boroughs/Unified Municipalities	AS 29.45	AS 43.56	Full Value Determination	Population	Per Capita Full Value
	Local Taxable Full Value	State Taxable Oil & Gas Full Value			
<b>Matanuska-Susitna Borough</b>	<b>\$3,251,559,400</b>	<b>\$5,325,940</b>	<b>\$3,256,885,340</b>	<b>57,288</b>	<b>\$56,851</b>
City of Houston	\$52,139,300	\$0	\$52,139,300	836	\$62,368
City of Palmer	\$194,910,800	\$1,317,650	\$196,228,450	4,385	\$44,750
City of Wasilla	\$407,787,000	\$0	\$407,787,000	5,213	\$78,225
Outside Cities	\$2,596,722,300	\$4,008,290	\$2,600,730,590	46,854	\$55,507
<b>North Slope Borough</b>	<b>\$305,692,600</b>	<b>\$10,553,757,880</b>	<b>\$10,859,450,480</b>	<b>9,355</b>	<b>\$1,160,818</b>
Anaktuvak Pass	\$4,112,800	\$0	\$4,112,800	314	\$13,098
Atkasuk	\$3,156,200	\$0	\$3,156,200	274	\$11,519
City of Barrow	\$160,735,700	\$0	\$160,735,700	4,438	\$36,218
Kaktovik	\$5,264,600	\$0	\$5,264,600	259	\$20,327
Nuiqsut	\$4,968,500	\$0	\$4,968,500	486	\$10,223
Point Hope	\$5,392,700	\$0	\$5,392,700	794	\$6,792
Walnwright	\$6,219,000	\$0	\$6,219,000	545	\$11,411
Outside Cities	\$115,843,100	\$10,553,757,880	\$10,669,600,980	2,245	\$4,752,606
<b>Northwest Arctic Borough</b>	<b>\$381,186,000</b>	<b>\$0</b>	<b>\$381,186,000</b>	<b>6,873</b>	<b>\$55,461</b>
Ambler	\$3,538,400	\$0	\$3,538,400	286	\$12,372
Buckland	\$3,208,200	\$0	\$3,208,200	428	\$7,496
Deering	\$1,905,000	\$0	\$1,905,000	148	\$12,872
Kiana	\$5,157,000	\$0	\$5,157,000	398	\$12,957
Kivalina	\$3,456,400	\$0	\$3,456,400	366	\$9,444
Kobuck	\$1,124,900	\$0	\$1,124,900	94	\$11,967
Kotzebue	\$80,395,500	\$0	\$80,395,500	2,932	\$27,420
Noorvik	\$6,586,700	\$0	\$6,586,700	632	\$10,422
Selawik	\$8,089,300	\$0	\$8,089,300	767	\$10,547
Shungnak	\$3,022,600	\$0	\$3,022,600	255	\$11,853
Outside Cities	\$264,702,000	\$0	\$264,702,000	567	\$466,847
<b>City &amp; Borough of Sitka</b>	<b>\$658,298,100</b>	<b>\$0</b>	<b>\$658,298,100</b>	<b>8,681</b>	<b>\$75,832</b>
<b>City &amp; Borough of Yakutat</b>	<b>\$44,561,300</b>	<b>\$0</b>	<b>\$44,561,300</b>	<b>729</b>	<b>\$61,127</b>
<b>SUMMARY</b>	<b>\$34,923,319,600</b>	<b>\$11,365,088,610</b>	<b>\$46,288,408,210</b>	<b>543,489</b>	<b>\$85,169</b>

**Local Taxable**

The full value of real & personal property that can be taxed under state law as equalized by the Office of the State Assessor according to standards defined in Attorney General Opinion No. 18, 1962.

**State Taxable Oil & Gas Property, AS 43.56**

The assessed value of oil and gas exploration, production and transportation property as determined by the Gas Property, Oil & Gas Audit Division, Department of Revenue

**Full Value Determination**

The full value of property taxable under state law (AS 29.45) and oil & gas property assessed by the State Department of Revenue under AS 43.56

**Per Capita Value**

The average per capita value based upon total full value including oil and gas property. Population is based on the State Revenue Sharing Program.

**TABLE 8 - Continued**  
**FULL VALUE DETERMINATION**  
As of January 1, 2000

Cities in the Unorganized Borough	AS 29.45	AS 43.56	Full Value Determination	Population	Per Capita Full Value
	Local Taxable Full Value	State Taxable Oil & Gas Full Value			
Bethel	\$187,995,600	\$0	\$187,995,600	5,471	\$34,362
Cordova	\$171,031,900	\$2,765,050	\$173,796,950	2,435	\$71,375
Craig	\$103,150,100	\$0	\$103,150,100	2,136	\$48,291
Delta Junction	\$48,344,300	\$0	\$48,344,300	889	\$54,381
Dillingham	\$148,150,600	\$0	\$148,150,600	2,302	\$64,357
Eagle	\$10,902,000	\$0	\$10,902,000	152	\$71,724
Emmonak	\$6,216,300	\$0	\$6,216,300	818	\$7,599
Galena	\$18,043,700	\$0	\$18,043,700	563	\$32,049
Hoonah	\$25,060,000	\$0	\$25,060,000	877	\$28,575
Hooper Bay	\$7,690,000	\$0	\$7,690,000	1,028	\$7,481
Hydaburg	\$8,141,600	\$0	\$8,141,600	369	\$22,064
Keekuk	\$17,642,900	\$0	\$17,642,900	745	\$23,682
Klawock	\$31,525,500	\$0	\$31,525,500	673	\$46,843
Nenana	\$16,800,100	\$0	\$16,800,100	435	\$38,621
Nome	\$211,123,500	\$0	\$211,123,500	3,615	\$58,402
Pelican	\$12,621,800	\$0	\$12,621,800	137	\$92,130
Petersburg	\$254,224,500	\$0	\$254,224,500	3,415	\$74,443
St. Mary's	\$4,535,700	\$0	\$4,535,700	475	\$9,549
Saint Paul	\$56,104,000	\$0	\$56,104,000	673	\$83,364
Skagway	\$177,458,900	\$0	\$177,458,900	825	\$215,102
Tanana	\$5,771,200	\$0	\$5,771,200	301	\$19,173
Togiak	\$11,585,300	\$0	\$11,585,300	841	\$13,776
Unalakleet	\$17,545,000	\$0	\$17,545,000	805	\$21,795
Unalaska	\$383,163,500	\$0	\$383,163,500	4,178	\$91,710
Valdez	\$362,808,500	\$623,410,970	\$986,219,470	4,164	\$236,844
Whittier	\$41,256,400	\$468,220	\$41,724,620	280	\$149,017
Wrangell	\$150,471,600	\$0	\$150,471,600	2,549	\$59,032

**SUMMARY**

Cities in the Unorganized Borough	AS 29.45	AS 43.56	Statewide Population		Per Capita Full Value*
	Local Taxable Full Value	State Taxable Oil & Gas Full Value	Full Value Determination	Population	
Outside Taxing Jurisdictions	(Not Determined)	\$1,318,461,680	\$1,318,461,660		
Boros/Unified Municipalities	\$34,923,319,600	\$11,365,088,610	\$46,288,408,210	543,489	\$85,169
Cities in the Unorganized Borough	\$2,489,364,500	\$626,644,240	\$3,116,008,740	41,917	\$74,338
<b>Total</b>	<b>\$37,412,684,100</b>	<b>\$13,310,194,510</b>	<b>\$50,722,878,610</b>	<b>622,000</b>	<b>\$81,548</b>

\*Excludes formula-calculated values for second class cities under 750 in population located within the unorganized borough

Distribution  
by Senate Finance

**TABLE 19**  
**POPULATION, VALUATION AND G.O. BONDED DEBT**

Municipality	2000 Population	'00 Full Value Determination	'00 Per Capita Full Value	'00 Municipal G.O. Debt	'00 Per Capita Debt
<b>Boroughs</b>					
Aleutians East Borough	2,225	\$97,167,900	\$43,671	\$5,710,000	\$2,556
Municipality of Anchorage	259,391	\$16,574,726,820	\$63,899	\$604,320,000	\$2,330
Fairbanks North Star Borough	83,773	\$4,840,563,260	\$57,782	\$104,985,000	\$1,253
City of Fairbanks	31,697	\$1,388,344,300	\$43,800	\$7,025,000	\$222
Haines (City)	1,775	\$131,422,400	\$74,041	\$1,630,000	\$918
City & Borough of Juneau	30,852	\$2,632,035,700	\$85,312	\$21,984,000	\$713
Kenai Peninsula Borough	48,952	\$249,142,910	\$86,802	\$20,432,195	\$417
City of Homer	4,154	\$310,123,200	\$74,657	\$3,118,457	\$751
City of Kenai	7,005	\$419,614,330	\$59,902	\$795,000	\$113
City of Seward	3,010	\$239,541,800	\$79,582	\$13,025,000	\$4,327
City of Soldotna	4,140	\$303,198,040	\$73,236	\$2,620,000	\$633
Ketchikan Gateway Borough	13,961	\$1,116,923,700	\$80,003	\$13,185,000	\$944
City of Ketchikan	8,320	\$591,302,900	\$71,070	\$15,765,000	\$1,895
Kodiak Island Borough	13,989	\$977,967,800	\$69,910	\$17,025,000	\$1,217
Lake & Peninsula Borough	1,816	\$69,030,900	\$38,013	\$3,445,000	\$1,897
Matanuska-Susitna Borough	57,288	\$3,256,885,340	\$56,851	\$104,201,666	\$1,819
City of Palmer	4,385	\$196,228,450	\$44,750	\$1,740,000	\$397
City of Wasilla	5,213	\$407,787,000	\$78,225	\$6,442,143	\$1,236
North Slope Borough	9,355	\$10,859,450,480	\$1,160,818	\$602,546,512	\$64,409
City of Kaktovik	259	\$5,264,600	\$20,327	\$730,000	\$2,819
City & Borough of Sitka	8,681	\$658,298,100	\$75,832	\$16,995,000	\$1,958
City & Borough of Yakutat	729	\$44,561,300	\$61,127	\$820,000	\$1,125
<b>Cities</b>					
City of Bethel	5,471	\$187,995,600	\$34,362	\$768,630	\$140
City of Cordova	2,435	\$103,150,100	\$42,361	\$3,225,000	\$1,324
City of Craig	2,136	\$103,150,100	\$48,291	\$1,255,000	\$588
City of Hoonah	877	\$25,060,000	\$28,575	\$1,801,635	\$2,054
City of Nenana	435	\$16,800,100	\$38,621	\$448,209	\$1,030
City of Nome	3,615	\$211,123,500	\$58,402	\$802,950	\$222
City of Petersburg	3,415	\$254,224,500	\$74,443	\$2,395,000	\$701
City of St. Paul	673	\$56,104,000	\$83,364	\$8,962,877	\$13,318
City of Skagway	825	\$177,458,900	\$215,102	\$538,000	\$652
City of Unalaska	4,178	\$383,163,500	\$91,710	\$7,152,212	\$1,712
City of Wrangell	2,549	\$150,471,600	\$59,032	\$4,245,000	\$1,665

**SUMMARY**

(Statewide General Obligation Bonded Debt: July 1, 2000)

	Population	Full Value	Per Capita Full Value	Total Debt	Per Capita Debt
Municipal Totals (with debt)	556,962	\$47,088,052,210	\$84,544	\$1,600,134,486	\$2,873
State of Alaska G.O. Debt				\$0	
Statewide Total	622,000	\$50,722,878,610	\$81,548	\$1,600,134,486	\$2,573

Tax Supported  
New Issue

## North Slope Borough, Alaska

### Rating

General Obligation Bonds .....A-

### Analyst

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### Issuer Contact

James P. Sharpe  
Director, Administration and Finance  
1 907 852-2611

### New Issue Details

Approximately \$96,700,000 General Obligation Bonds, Series 2000B, are scheduled to sell on Sept. 6 through negotiation via a syndicate led by George K. Baum and Co. The capital appreciation bonds mature June 30, 2006-2011 and are not subject to early redemption.

**Security:** The bonds are secured by the borough's full faith and credit and unlimited ad valorem tax pledge.

**Purpose:** Bond proceeds will be used to fund various capital projects, including water, sanitation, and health facilities; roads; light, power, and heat; and educational facilities.

### ■ Outlook

North Slope Borough's credit quality rests in the sizable oil and gas reserves remaining in the area and the resulting ongoing private sector investment, as well as the strong balance in the borough's permanent fund. Taxable value is based on the huge capital investment in equipment required for oil and gas extraction and exploration. These activities are dominated by Atlantic Richfield Co. (ARCO) and BP Amoco Group, which, together, account for 88% of the borough's taxable value. A merger of the two companies is not expected to affect production. Investment in enhanced recovery methods has extended the estimated productive lives of existing fields, offsetting the incremental decline in production on the North Slope. The borough's financial position is sound, and high debt is mitigated by rapid amortization.

### ■ Rating Considerations

The borough's credit features are unique, since its economy depends almost entirely on the oil and gas industry, with little potential for diversification. Enhanced recovery methods have increased the oil fields' productivity and useful lives, as well as the amount of property and improvements the borough can tax. The maturity of the Prudhoe Bay field, with potential declines in oil exploration by the borough's major oil producers, could significantly affect the borough's tax base. New discoveries will not yield nearly the magnitude of oil at Prudhoe Bay. However, oil exploration in the region is still considerable, and the existing corporate residents have shown a continued commitment to the region. Oil production in the borough represents approximately 15% of total U.S. output.

The borough's financial position is sound, marked by satisfactory year-end fund balances and sizable reserves. In fiscal 1999, even after a \$32 million drawdown reflecting the borough's adoption of the Government Accounting Standards Board's Statement 31 (GASB No. 31), requiring the reporting of unrealized investment gains and losses, the ending general fund balance was a strong 29.5% of expenditures. The borough's permanent fund market value was \$469.9 million as of May 31, 2000. The borough is planning for expected assessed valuation declines by frequently updating long-range forecasting and providing reserves for future operating needs.

A statewide referendum on the fall 2000 ballot would limit the property tax levy for any purpose to 1% of assessed value, with annual increases of the lesser of the rate of inflation or 2%. No provision is made for additional taxing capacity to pay debt service on general obligation bonds issued after Dec. 31, 2000. The initiative would severely limit the borough's ability to continue to carry out its extensive capital improvement plan and would reduce its operational

flexibility. Debt service on bonds outstanding as of Dec. 31, 2000 is not affected by the limitation.

Extremely high construction costs in the area and the wide variety of services the borough provides result in a high debt burden. For these reasons, as well as the rapid debt retirement, debt service represents almost one-half of operating expenses, although the percentage has been decreasing. Given the borough's aggressive repayment schedule, projected debt issuance is not expected to increase the debt burden.

### ■ Strengths

- Vast wealth represented by the borough's natural resources, primarily oil and gas.
- Sound financial position and sizable reserves.
- Rapid debt amortization.

### ■ Risks

- Economic concentration in one industry and primarily in two companies that are planning to merge.
- Projected declines in tax base, combined with operating tax levy limit, will constrain financial flexibility.

### ■ Debt

Property tax revenues from oil production have enabled the borough to implement an extensive capital program, providing water and sewer facilities and other services to residents throughout its 94,887-square-mile land area. The area's remoteness, vast land area, and harsh climate greatly increase construction costs. Using the traditional comparison of debt to population, debt is an extraordinarily high, but declining, \$53,613 per capita, including temporary oil field workers. However, since almost all the debt is repaid by oil company property taxes, debt to market value is a much more representative statistic. By that measure, the debt burden is still high, at 6.6% of

market value, but not exceptionally so. The borough is expected to maintain a rapid debt amortization schedule, with all outstanding debt retired by 2011.

The borough's significant current capital needs are primarily to extend water and sewer and other utility services to seven outlying villages, build schools, and complete mandated projects. Much of the infrastructure is funded, so future needs will decline from prior levels. Projects are generally on schedule and within budget. Water and sewer projects are about 65% complete, although an unanticipated need to upgrade power plants to handle water and sewer needs has caused a \$68 million shortfall. Given the magnitude of the capital program, this is not a major setback. An emergency debt service reserve fund for bonds issued on or before June 30, 1992 was fully transferred to the general fund in fiscal 2000, when all bonds issued prior to fiscal 1993 matured.

A statewide referendum on the fall 2000 ballot would limit the property tax levy for any purpose to 1% of assessed value, with annual increases of the lesser of the rate of inflation or 2%. No provision is made for additional taxing capacity to pay debt service on general obligation bonds issued after Dec. 31, 2000. Since the borough is well above this limit, the initiative would severely limit the borough's ability to continue to carry out its extensive capital improvement plan and would reduce its operational flexibility. Debt service on bonds outstanding as of Dec. 31, 2000, including the bonds now offered, is not affected by the limitation. Should the initiative be approved, the borough is likely to issue additional debt before year end.

### ■ Finances

The borough funds an extensive array of services, including education, a community college, police and fire, search and rescue, health and hospitals, utilities, libraries, and intravillage transportation. North Slope's financial position is sound, exhibiting strong year-end balances, along with sizable reserves. Annual operating results have generally been positive.

The general fund balance totaled \$67.1 million, or 20.5% of expenditures, at June 30, 1999, all of which was reserved, primarily for future operations. A \$32.1 million decline in fund balance resulted partly from lower investment earnings than in the prior year and the adoption of GASB No. 31, requiring the reporting of unrealized investment gains and losses. The decline in fund balance relating to the change in

### Debt Statement

(\$000)

This Issue	96,700
Outstanding General Obligation Debt	609,615
Capital Leases	<u>13,286</u>
Total Debt	719,600

### Debt Ratios

Debt Per Capita (\$)*	53,613
As % of Market Value**	6.6

\*Population: 13,422 (2000 estimate).

\*\*Market value: \$10,840,076,224 (2000).

Note: Numbers may not add due to rounding.

### General Fund Financial Summary (\$ Mil., Fiscal Years Ended June 30)

	1997	1998	1999
Property Taxes	223.9	215.3	211.5
Investment Earnings	39.6	45.8	28.2
Other Revenues	23.9	23.4	22.3
Total Revenues	287.4	284.5	262.0
Debt Service	164.1	157.1	152.5
General Government	50.3	48.0	54.5
Other Expenditures	74.0	71.9	72.7
Total Expenditures	288.5	277.0	279.7
Transfers			
From Permanent Fund	48.4	19.4	20.8
From Emergency Debt Service Reserve	14.8	13.7	1.9
From Capital Projects Fund	27.4	15.8	4.3
To Capital Projects Fund	(17.2)	(16.1)	(12.9)
Other	(32.7)	(30.1)	(28.6)
Total Transfers In/(Out)	40.7	2.7	(14.5)
Surplus/(Deficit)	35.7	10.3	(32.1)
Total Fund Balance	84.7	84.7	67.1
Unreserved Fund Balance as % of Expenditures	23.6	23.6	(2.5)
Permanent Fund (Market Value)	327.7	423.8	491.7
Emergency Debt Service Reserve	16.9	3.2	1.3

Note: Numbers may not add due to rounding.

unrealized assets was \$15.3 million. The borough also appropriated a portion of its reserve for water and sewer operations, as planned, and used fund balance to purchase a term life insurance policy that will result in savings over time.

The borough's permanent fund totaled \$469.9 million at May 31, 2000, a decline from the June 30, 1999 balance which represented growth of 11% from the prior year's balance, including 16.2% in investment earnings and a transfer out to the general fund. Up to 75% of the fund can be invested in domestic common stock. Foreign securities can represent no more than 20% of the portfolio. The permanent fund is held in perpetuity, and the corpus can be used only with voter approval. The permanent fund charter now requires 5.5% of the average total value of the fund over the three prior years to be transferred to the general fund annually. The annual yield has averaged more than 10% since 1993 and 13% per year since the fund's inception in 1984. The borough's long-term projections assume, and its investment strategy targets, a 9% annual return.

The borough maintains and updates a 17-year forecast, which projects financial requirements considering foreseeable revenue declines. Continuously decreasing property tax revenues and the elimination of the emergency debt service fund in fiscal 2000 are offset by the availability of the reserve for water and sewer expenditures, growth in permanent fund transfers as assets increase, and declining debt service costs.

While the borough's property tax levy for debt service is unlimited, the tax rate for operations and maintenance is limited by the state through a formula based on market value and population. The operations and maintenance tax rate was 5.47 mills for fiscal 2000. The borough always levies at the maximum rate. The total levy, including debt service and operations, has been maintained at 18.5 mills. The millage increased slightly in fiscal 2000 to 18.59, due to an unanticipated increase in fuel costs. While the debt service levy is unlimited, as a practical matter, the borough has only moderate leeway to increase the levy without affecting rates paid by the oil companies. The 17-year forecast assumes the 18.5-mill rate throughout that period, contingent on the failure of the tax limitation referendum in November. Debt service expense accounted for a very high 47% of expenditures in fiscal 1999, although it is down from 62% in the late 1980s.

Property taxes made up 71.8% of fiscal 1999 general fund revenues. Collections are excellent, at nearly 100% on a current basis and, in most years, slightly more than 100% on a total basis. The permanent fund transfer accounted for 7.1% of fiscal 1999 general fund sources. By the end of the 17-year forecast, permanent fund transfers are projected to make up 24% of revenues and property taxes 43%.

A lawsuit filed by a Ketchikan Gateway Borough taxpayer, challenging the method of taxing oil and gas properties by certain Alaska municipalities, including North Slope Borough, could significantly reduce the assessed value of North Slope Borough's taxable oil and gas property. The state Superior Court granted summary judgment in favor of the borough and other defendants, and the case was appealed to state Supreme Court. A decision is expected shortly. The issues raised in the suit have arisen over the last 20 years, and the borough's interpretation of taxation statutes has consistently been affirmed. The borough believes the taxpayer's claims are without merit. In addition, any potential adverse effect on assessed value is likely to take place over a protracted time period.

### ■ Economy

The borough encompasses a vast area, nearly 95,000 square miles, north of the Arctic Circle and represents about 15% of Alaska's land mass. It contains one of the nation's most valuable oil and gas reserves. North Slope's Prudhoe Bay and Kuparuk oil fields, by far the most active in the area, currently produce approximately 1.1 million barrels of oil per day, about 15% of the nation's domestic output. The

Prudhoe Bay field contains about 11% and 16% of U.S. reserves of oil and natural gas, respectively.

The borough's tax base consists almost entirely of improvements to oil and gas properties, representing 97% of assessed value. ARCO and BP Amoco account for 88% of taxable value. Approval of the merger between the two companies was contingent on the sale of ARCO's Alaska holdings. Phillips Petroleum Co. will purchase the assets within six months. Phillips has not yet announced its investment plans for the region; however, the borough does not expect the merger to result in a decrease in overall investment, and foresees lower production costs.

Voters in the borough, the City of Valdez, and the Fairbanks North Star Borough approved measures creating the Alaska Gas Line Port Authority in October 1999. The authority was created to construct a natural gas pipeline from the North Slope to Valdez. The ability to transport natural gas could significantly enhance property values in the borough, but the project is still in the planning stage and its completion is several years away.

Enhanced recovery methods and recent discoveries of new oil fields have pushed production levels above earlier estimates and extended the fields' projected lives. While overall output has declined in recent years, production levels have exceeded projections. The enhanced recovery methods represent substantial investment by the oil companies, resulting in increased assessed valuation and a lengthening of the taxable assets' active lives, some of which offsets depreciation of existing taxable property. However, since the borough taxes only improvements to the properties and not the reserve or production, new revenue is limited to private sector investments made on the North Slope. Equipment and other improvements placed offshore are not subject to borough taxes.

Recent discoveries in and around the Arctic National Wildlife Refuge and the National Petroleum Reserve Alaska (NPRA) may lead to additional oil and gas exploration, although, in both fields, exploration and development require federal approval. The Secretary of

the Interior has approved exploration and development of portions of the NPRA. The borough has not assumed any activity from these fields in its long-range projections.

Despite a trend of declining oil prices, the value of the borough's tax base is only 9% lower than that of a decade earlier. Lower oil prices and revenue for oil producers do not necessarily mean less property tax revenue, because the property tax valuation is not based on the revenues generated by those facilities. However, oil companies had been active and successful in appealing assessed values when oil prices declined in the mid- to late 1980s. More recently, the oil companies successfully petitioned the state to reduce the inflation rate on equipment assessments. The borough assumes a zero inflation rate beyond the current fiscal year in its long-term projections.

A decline in fiscal 2000 assessed valuation resulted from delays in oil company investments. The borough anticipates increased values for the next few years as these deferred investments are made before values resume their decline. Reductions are assumed to accelerate, reaching an annual rate of 10%. The borough has developed a sophisticated valuation model with assistance from the state petroleum property assessor and oil and gas companies.

With the inclusion of temporary seasonal workers, current population is estimated at 13,422, compared with a year-round population of 5,979 as of the last census. The borough's per capita income levels are comparable to those of the state and above the national average, reflecting Alaska's high cost of living. North Slope's 1999 unemployment rate increased to 7.8% from a moderate 5.1% in 1998. Fluctuations in employment are likely attributable to volatility in oil prices, although both unemployment and oil prices have increased this year. Employment is heavily concentrated in mining (40% of employment) and government (31%), primarily at the borough level, where the mayor has made maintaining jobs a priority.

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Submitted by: Sen Donley

**Sponsor Statement  
for  
Draft CS for SB 186 (FIN)  
"Establishing a General Obligation Bond  
Limit for Local Governments"**

SB 186 limits the amount of bonding exposure a local government may incur by placing a \$15,000 per resident ceiling on municipal general obligation bond debt. The legislation also gradually reduces the mill rate on oil and gas property for municipalities with a per capita assessed value of all taxable property of over \$500,000.

The March 23, 2001 Bullock v. State decision by the Alaska Supreme Court has necessitated this legislation. Over the next decade, these limitations will gradually add over \$100 million per year to the state general fund.

In 1973, the legislature adopted a statute that allows the state to levy a 20-mill property tax on property used for the exploration, production and pipeline transportation of oil and gas, known as AS 43.56 property. Municipalities may also tax this same AS 43.56 property using one of two methods made available in this state statute. Subsequently, the taxpayers (oil & gas companies) are allowed a credit against their state tax liability for the 20-mill state property tax for taxes paid to a municipality. For example, if a municipality levies a tax of \$9,000 on "43.56" oil and gas property, from which the state was to receive \$10,000 in taxes, the state would receive \$1,000, the difference between the two.

AS 43.56 was established to distribute oil and gas property tax revenues equally throughout the state even though the oil & gas properties are not similarly situated. It was the intent of AS 43.56 to prevent pockets of wealth in our state at the expense of other areas. However, the intent of this law (AS 43.56) has not been recognized by state agencies. This has cost the state general over \$100 million per year in income from the oil and gas property taxes.

SB 186 corrects this inequity by clearly establishing a per resident bond debt limitation of \$15,000 per resident. This new limit is over five times the amount of the statewide average for per resident debt.

SB 186 contains a provision that allows communities over the 15,000 per resident floor to issue annual debt of up to \$1000 per resident while they are reducing their pre-existing indebtedness to reach the \$15,000 limitation.

The legislation also allows a community over the 15,000 per resident floor to re-finance existing debt so long as the length of the term of bond does not change.

Other than the North Slope Borough (NSB), every community in the state is far below the

Senate Bill 186  
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\$15,000 limitation set out in SB 186. In 2000, the NSB per resident debt is \$64,409. The next highest community is the City of St. Paul with per resident debt of \$13,318. The statewide average is \$2,873.

The legislation also incrementally reduces the mill rate, over a ten-year period, to one percent on oil and gas property for municipalities with a per capita assessed value of all taxable property of over \$500,000.

In 2000, the NSB per resident full value determination on all taxable property is \$1,160,818. The next highest community is the City of Valdez with a per resident full value determination of \$236,844. The statewide average is \$81,548.

In 1999 Donald Bullock Jr. and the Ketchikan Gateway Borough filed suit to correct this inequity in a different manner by alleging that state agencies have failed to enforce the limitations on the municipal taxation of oil and gas related property under AS 43.56. However, on March 23, 2001 the Alaska Supreme Court ruled against the suit necessitating this legislation.

A 2000 FITCH bonding analysis of the NSB reports their bonding capacity is used primarily to extend water and sewer and other utility services to seven outlying villages, build schools and complete mandated projects. The report also states that:

*"Much of the infrastructure is funded, so future needs will decline from prior levels."*

In addition, the NSB has a permanent fund that was valued at \$470 million on May 31, 2000. With much of its capital infrastructure funded and a sizable permanent fund, the NSB would not be adversely affected by these new bonding limitations.

SB 186 preserves the intent of the 1973 AS 43.46 oil and gas taxation legislation and distributes state revenues from oil and gas property taxation more equitably across the state to the benefit of all residents. This reasonable and prudent limitation on excessive municipal debt will eventually increase state revenues and help reduce the state fiscal gap by over \$100 million per year.

DD/jja



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

**Sponsor Statement  
for  
Draft CS for SB 186 (FIN)  
"Establishing a General Obligation Bond  
Limit for Local Governments"**

SB 186 limits the amount of bonding exposure a local government may incur by placing a \$15,000 per resident ceiling on municipal general obligation bond debt. The legislation also limits the mill rate to one percent on oil and gas property for municipalities with a per capita assessed value of all taxable property of over \$500,000.

The March 23, 2001 Bullock v. State decision by the Alaska Supreme Court has necessitated this legislation. Over the next decade, these limitations will gradually add over \$100 million per year to the state general fund.

In 1973, the legislature adopted a statute that allows the state to levy a 20-mill property tax on property used for the exploration, production and pipeline transportation of oil and gas, known as AS 43.56 property. Municipalities may also tax this same AS 43.56 property using one of two methods made available in this state statute. Subsequently, the taxpayers (oil & gas companies) are allowed a credit against their state tax liability for the 20-mill state property tax for taxes paid to a municipality. For example, if a municipality levies a tax of \$9,000 on "43.56" oil and gas property, from which the state was to receive \$10,000 in taxes, the state would receive \$1,000, the difference between the two.

AS 43.56 was established to distribute oil and gas property tax revenues equally throughout the state even though the oil & gas properties are not similarly situated. It was the intent of AS 43.56 to prevent pockets of wealth in our state at the expense of other areas. However, the intent of this law (AS 43.56) has not been recognized by state agencies. This has cost the state general over \$100 million per year in income from the oil and gas property taxes.

SB 186 corrects this inequity by clearly establishing a per resident bond debt limitation of \$15,000 per resident.

Other than the North Slope Borough (NSB), every community in the state is far below the \$15,000 limitation set out in SB 186. In 2000, the NSB per resident debt is \$64,409. The next highest community is the City of St. Paul with per resident debt of \$13,318. The statewide average is \$2,873. Even though it represents a reduction to the bonding limit, there is no impact to existing debt.

The legislation also reduces the mill rate to one percent on oil and gas property for municipalities with a per capita assessed value of all taxable property of over \$500,000.

Senate Bill 186  
Sponsor Statement  
Page 2

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SB 186 preserves the intent of the 1973 AS 43.46 oil and gas taxation legislation and distributes state revenues from oil and gas property taxation more equitably across the state to the benefit of all residents. This reasonable and prudent limitation on excessive municipal debt will immediately increase state revenues and eventually help reduce the state fiscal gap by over \$100 million per year.

DD/jja



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

**Sponsor Statement  
for  
Senate Bill 186  
"Establishing a General Obligation Bond  
Limit for Local Governments"**

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DD/jja

SENATE FINANCE COMMITTEE

SIGN-IN

SB 186-LIMIT MUNICIPAL G.O.BOND DEBT

NAME: AV GROSS Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

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NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions