

Introduced by: Mayor, Bagley, Ogle
Date: 03/05/19
Action: Adopted as Amended
Vote: 8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2019-023**

**A RESOLUTION IN SUPPORT OF MODIFYING SB 57 AND HB 59 TO ALLOW
LOCAL MUNICIPALITIES TO TAX A MAXIMUM OF 15 MILS ON OIL AND GAS
PROPERTY TAXABLE UNDER AS 43.56**

- WHEREAS,** Governor Michael Dunleavy has transmitted SB 57 and HB 59 to the legislature which would repeal the levy of tax by municipalities on oil and gas exploration, production and pipeline transportation property and repeal the credit for municipal payments against the state levy of tax on oil and property; and
- WHEREAS,** additionally this bill provides that the state would retain all tax on oil and gas, exploration, production and pipeline transportation property which would provide estimated tax revenues of \$450,000,000 to the state next fiscal year; and
- WHEREAS,** Kenai Peninsula Borough revenues from oil and gas properties are estimated at \$14,784,733 for this fiscal year which is approximately 18.3 percent of the borough's revenues for FY 2020; and
- WHEREAS,** this reduction in revenues would cripple the Kenai Peninsula Borough's ability to fund education, maintain and improve roads throughout the borough outside of the cities, provide other services including 911, hospital, solid waste, fire and emergency medical, senior citizen, and recreational services to visitors and residents in the borough and its service areas; and
- WHEREAS,** this measure would cause the Kenai Peninsula Borough to seek other sources of revenue to fund basic services which would likely be in the form of radical increases in local taxes and fees; and
- WHEREAS,** this would also drastically affect other municipalities in the state with oil and gas properties, severely impairing their ability to provide education and other services to their residents; and
- WHEREAS,** allowing municipalities to collect taxes on oil and gas property in their boundaries is just, equitable and appropriate as municipalities are impacted by their presence including incurring costs of providing education to their employees and their families, fire and emergency medical services, law enforcement, solid waste services, road services, hospital services, recreational services, 911 services, and many other services; and

WHEREAS, the general property tax rate levied by the borough is currently 4.7 mils with service area mils added on to property located in service areas and city taxes added on to property located in cities; and

WHEREAS, the highest property tax rate levied against any oil and gas property in the Kenai Peninsula Borough is currently 10.33 mills and the lowest such rate is 4.70 mils; and

WHEREAS, a more equitable approach would be to allow municipalities to levy a tax under AS 43.56 of up to 15 mils on oil and gas property thereby ensuring that the State of Alaska would receive half of the 20 mils allowed under AS 43.56 from these properties and continuing to provide much needed funding for the affected municipalities; and

WHEREAS, to be workable any such measure would also have to allow a municipality to tax oil and gas properties at a rate less than that charged to other property in the municipality to enable them to raise sufficient funds to continue providing services;

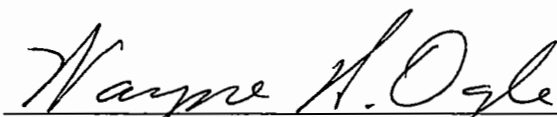
NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That Governor Dunleavy and the state legislature are strongly encouraged to modify SB 57 and HB 59 to allow municipalities to continue to levy local property taxes on AS 43.56 oil and gas properties at a rate up to 15 mils, and to charge oil and gas property a lower rate than that charged for other properties in the municipality.

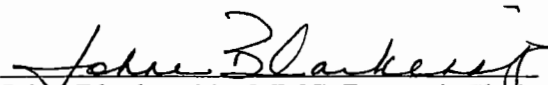
SECTION 2. That a copy of this resolution shall be sent to Governor Dunleavy, all members of the Alaska House of Representatives and all members of the Alaska State Senate.

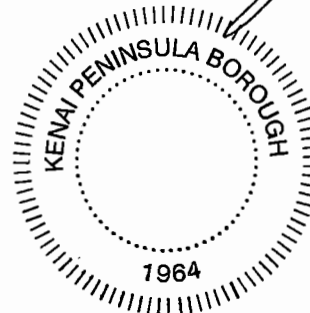
SECTION 3. That this resolution shall become effective immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 5TH DAY OF MARCH, 2019.


Wayne H. Ogle, Assembly President

ATTEST:


John Blankenship, MMC, Borough Clerk



Yes: Bagley, Blakeley, Carpenter, Cooper, Fischer, Hibbert, Smalley, Ogle
No: None
Absent: Dunne