

Municipal Advisory Group
Resolution 2004-01

Whereas the intent of the Stranded Gas Development Act is to provide a mechanism for achieving the fiscal certainty that potential project sponsors indicate they need before proceeding with the large investment needed to bring Alaska North Slope natural gas to market;

Whereas the Stranded Gas Development Act allows the state to contract away municipalities' ability to collect property tax under AS43.56, municipal sales and use tax, municipal special assessments, a comparable tax or levy imposed by the state or a municipality, or other state or municipal taxes or categories of taxes identified by the commissioner;

Whereas the Stranded Gas Development Act requires a Municipal Advisory Group be established to provide advice to the State of Alaska Department of Revenue;

Whereas State of Alaska has received and accepted an application from a qualified sponsor group under the Stranded Gas Development Act, is considering other applications, and is reviewing other proposals for the development of Alaska North Slope Gas;

Whereas the Stranded Gas Development Act offers sponsors of stranded gas projects an opportunity to negotiate fiscal contracts with the State of Alaska, thereby potentially increasing the certainty for calculating taxes and royalties over the life of the project and thus increasing the competitiveness of the project and reducing fiscal risks;

Whereas under the Stranded Gas Development Act, the Commissioner of Revenue may negotiate terms for inclusion in a proposed contract with a qualified sponsor providing for periodic payment in lieu of one or more taxes that otherwise would be imposed by the state or a municipality;

Whereas the Stranded Gas Development Act requires a qualified sponsor to provide a detailed description of options to mitigate the increased demand for public services and other negative effects caused by the project;

Whereas the Stranded Gas Development Act requires applicants to provide a description of the methods and terms under which the applicant is prepared to make gas available to meet the reasonably foreseeable demand in the state for gas within the economic proximity of the project during the term of the proposed contract;

Whereas the State of Alaska has established a Municipal Advisory Group consisting of representatives of revenue-affected municipalities, economically-affected municipalities, and the unorganized borough;

Whereas the purpose of the Municipal Advisory Group is to make recommendations to the State on an acceptable revenue stream and structure to local governments in lieu of taxes and for the commissioner to report periodically on the development of the contract provisions that affect the municipalities;

Whereas the Stranded Gas Development Act implies a payment in lieu of traditional municipal taxes may be needed to make a gasline project viable;

Whereas another purpose of the Municipal Advisory Group is to assist the State of Alaska in determining the social and economic impacts on municipalities of the construction and post-construction of an Alaska gasline project, and the attendant costs of those impacts to municipalities;

Whereas a fixed line-wide payment in lieu of taxes may not allow for changing conditions within a municipality or the state, such as those changes created by new voter approved bonds, increased mill rates, and formation of new local governments;

Whereas it is incumbent upon municipal officials to communicate clearly to residents about public revenues;

Whereas the Municipal Advisory Group desires the Alaska gasline project to maximize training and hiring of workers and contractors from within the state, leading to enhanced workforce and economic development;

Therefore be it resolved by the Municipal Advisory group that:

- 1) No reduction or deferral in municipal taxes is acceptable without appropriate justification from the State of Alaska and the project sponsor;
- 2) The State of Alaska should weigh the cost benefit of a tax exemption with the difficulty of administering an exemption from specific taxes;
- 3) The State of Alaska should devise a payment in lieu of taxes structure that provides certainty for municipalities at least through the end of the stated contract period;
- 4) The State of Alaska should ensure the payment in lieu of taxes structure recognizes the loss to present and future forms of local government of the opportunity to respond to changing conditions through changing tax rates;
- 5) The State of Alaska should provide incentives to the successful applicant under the Stranded Gas Development Act to ensure the training and hiring of Alaskans for the construction, operations and maintenance of the gasline;
- 6) The State of Alaska should require that the successful applicant will include take-off points at strategic locations along the pipeline to make gas available to meet the reasonably foreseeable demand for in-state natural gas use;
- 7) The State of Alaska should ensure there will be a fair tariff to the points of in-state takeoff of gas;
- 8) The State of Alaska should ensure that affected municipalities' combined share of the economic rent of the approved project should correlate with the revenue stream of the project by negotiating that the present value of the aggregate amount of payment in lieu of taxes is not less than the amount that would have been collected under AS 43.56, AS29.45 and 29.46.