

North Slope Borough

OFFICE OF THE MAYOR

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Harry K. Brower, Jr., Mayor

February 5, 2019

The Honorable Lisa Murkowski
522 Hart Senate Office Building
Washington, DC 20510

The Honorable Don Young
2314 Rayburn House Office Building
Washington, DC 20515

The Honorable Dan Sullivan
702 Hart Senate Office Building
Washington, DC 20510

Dear Senator Murkowski, Senator Sullivan and Congressman Young:

As you may be aware, there is apparently a move underway within Alaska's Department of Natural Resources and among some State legislators to change Federal and State law for the purpose of increasing the State's share of the National Petroleum Reserve-Alaska (NPR-A) Special Revenue Fund by limiting the revenues available to the North Slope Borough ("Borough") and NPR-A village governments impacted by activities associated with NPR-A leasing and development. I and my team have heard recently from individuals within the Dunleavy Administration, the U.S. Department of the Interior, and Congressional delegation staff all of whom wished to share their concerns on a confidential basis regarding these efforts.

In 1980, Senator Ted Stevens advanced legislation to authorize an oil and gas leasing program in the NPR-A (Pub. L. No. 96-514, codified at 42 U.S.C. § 6508). The new law contained a provision granting 50 percent of all revenues received from NPR-A leasing to the State of Alaska. However, the legislation also established a priority to provide aid to impacted communities, providing that in the allocation of the State's share of the revenues "... the State shall give priority to use by subdivisions of the State most directly or severely impacted by development of oil and gas leased under this Act."

In the early 1980s, following the issuance of leases, the State of Alaska refused to provide impact aid assistance to the Borough and local village governments located within the NPR-A. In 1985, the Borough and the villages of Barrow and Wainwright filed a lawsuit in State Superior Court. On March 18, 1986, Judge Walter L. Carpeneti determined that the State of Alaska was

acting in violation of the 1980 legislation and issued an Order so finding. This Order required the State to segregate and account for NPR-A funds and to administer such funds “. . . in such a way that it gives priority to the use of such funds by subdivisions most directly or severely impacted by development of oil and gas” in the NPR-A.

The State of Alaska complied with the Order by adopting legislation creating a Special Revenue Fund for NPR-A revenues; AS 37.05.530. Under this statute, the Borough and local communities may submit applications for grants for planning, essential public facilities, and necessary public services. In any fiscal year, after these grants are reviewed and approved, the balance of the revenues received by the State in that year from the 50 percent revenue sharing provision are deposited as follows:

- 25 percent of the gross amount of receipts to the principal of the Alaska Permanent Fund;
- Five percent of the gross amount of receipts to the Public School Trust Fund;
- Any remaining dollars after these deposits may be appropriated by the legislature to the Power Cost Equalization and Rural Electric Capitalization Fund;
- Any remaining cash balance shall lapse into the State general fund for use by the State for planning, construction, operation and maintenance of essential public facilities; and other necessary public purposes.

This system has worked reasonably well to address the real needs of the Borough and village governments located in and near the NPR-A. As you are well aware, the impacts of oil and gas leasing and development to villages and village residents in and near the NPR-A are growing. Fortunately, funding available through the NPR-A Special Reserve Fund also is growing and can be utilized to address those increased impacts. In my view, this is precisely how Senator Stevens intended his legislation to operate.

As noted above, I understand there is now an effort afoot to limit the revenues available to the Borough and village governments impacted by activities associated with NPR-A leasing and development. As you would expect, any effort to squeeze the North Slope communities will be vigorously resisted by the Borough, our villages and regional partners, and by the residents of the North Slope.

I respectfully request that you summarily reject any proposal you may receive to amend Senator Stevens’s 1980 legislation establishing an impact aid program for communities impacted by activities associated with NPR-A leasing and development. I hope to have an opportunity to speak to you personally about this matter sometime soon.

Sincerely,



Harry K. Brower, Jr.
Mayor