

**Testimony of Charlotte Brower
Mayor, North Slope Borough, Alaska
April 1, 2014**

**Before the
House Resources Committee
Alaska State Legislature
Legislative Hearing on SB138**

Good morning Co-chairman Feige, Co-chairman Saddler, and members of the House Resources Committee.

My name is Charlotte Brower. I am the Mayor of the North Slope Borough. This is the second time I've testified before you this session, so you already know how proud I am to be the wife of a whaling captain with six children and twenty-five grandchildren.

Thank you for the opportunity to speak on SB138, a bill that authorizes the State of Alaska to move forward on developing a natural gas pipeline from the North Slope to tidewater.

Today I would like to talk about some of the concerns and interests of the North Slope Borough regarding SB 138 and the Heads of Agreement, which is a separate document that outlines the guiding principles of the Alaska LNG Project.

Before we talk about concerns, its important that say 'Thank You' to our Good Lord for the opportunity to be having this discussion on how to build a 60 billion-dollar project to develop our natural gas. There's a lot of people who would love to have something like this on the table.

Please let me take a moment to acknowledge our appreciation for your efforts on behalf of our residents. You are truly deciding the future of our state, and on behalf of the North Slope Borough, I commend you. Quyanapqak.

As Alaskans, we've learned from the past that large projects like this can set a positive course for our future. But we also know that in order to provide the maximum possible benefits, we have to be prepared for the impacts. For example, the Trans Alaska Oil Pipeline has provided billions of dollars of revenue and jobs, but we also learned lessons about demands for public services to deal with social services, job training, infrastructure, public safety, and education.

That brings me to the points that should be addressed in Senate Bill 138 and the Heads of Agreement document before this committee.

The Heads of Agreement has language in Article 9.3 that states the “Parties” intend for the project’s fiscal terms to be included in project-enabling contracts. Subject to “consultation” with local governments, the Administration will establish payments in lieu of property tax (PILT).

The word “consultation” is not defined in the HOA document, but I would like to acknowledge Governor Parnell for signing an Administrative Order that establishes a municipal advisory group.

At some point in the future, we see that the process for enabling contracts is an “up or down” ratification vote by the Legislature after the Administration submits them to you for approval. If the local taxing authority of municipal governments is going to be modified to provide fiscal certainty, then we must be a meaningful part of the process up front.

The second issue that has been discussed amongst the mayors has been whether the enabling contracts will be used to reclassify properties that are currently taxable under AS 43.56. This is the state law regarding property taxes on oil & gas infrastructure.

This is one of those issues where we don't know if this should be a concern. But no one has told us that we shouldn't be concerned. Perhaps there's a good reason why these current properties aren't specifically excluded from the provisions of SB138. Until there's something that explains this issue, as municipal governments we must speak up to protect our current tax base. That's the point I want to put on the record today.

The last time I testified before the House Resources Committee, I spoke in support of HJR26. HJR26 is a resolution calling upon the United States Congress to pass legislation that establish a revenue sharing program from the proceeds of oil and gas development on the outer continental shelf off our shores. Thank you to Co-chair Saddler and all of your for helping get this resolution passed. By working together as Alaskans, we are sending a message for receiving a fair and equitable distribution of revenues that come from energy development off our shores.

It was our combined message as state and local governments that we will need resources to keep up with infrastructure requirements, expand emergency response and search and rescue capabilities, and work to maintain healthy communities and a healthy ecosystem.

When it comes to dealing with the impacts of oil and gas development, the basic discussion between offshore and onshore is not really that much different. As the local government responsible for providing basic essential services, the North Slope Borough is there to help provide for cost of schools, emergency response, health and social services, and public safety.

Like most other municipal governments, the North Slope Borough relies upon our authority to levy a property tax in order to generate the revenue to provide these public services. That is why any discussion to exempt property taxes from a project of this magnitude gives me cause for concern.

This is not the first time we've discussed the development of a natural gas pipeline and the issue of fiscal stability for the project. And I continue to believe that municipal taxes are not the issue that makes or breaks the margin on a project that could exceed \$50 billion.

No one wants to see a natural gas pipeline more than myself. I see the opportunity for my grandchildren to have good jobs, and I also want to see access to affordable energy for my grandchildren's children.

In order to get jobs and access to affordable energy, our villages will need good schools, housing, and other basic services in order to take advantage of the opportunities. And for that reason, I am here today to speak up for the ability of our municipal government to have the authority to meet those needs.

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