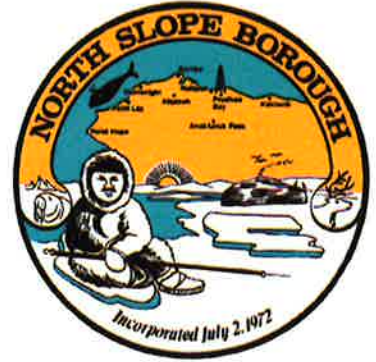


North Slope Borough

OFFICE OF THE MAYOR

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Harry K. Brower, Jr.,

Dear Representatives Tarr and Josephson,

Today, the North Slope Borough is testifying to express our concerns and opposition to HB 111. First, I want to begin by stating that it is my privilege to serve the people of the North Slope Borough as their Mayor. We are unified and resilient people; we value family and love and respect for our children and elders. We are also people that survive and thrive in changing times.

We as people, who live across the entire North Slope, have witnessed dramatic changes over the last four decades. When oil was first discovered in Prudhoe Bay, it started a chain of events that have had tremendous impacts to our region. Because of the visionary leadership of the people who walked before us, we have opportunities to better the lives of all the people that call the North Slope their home. That has been my primary focus of my administration since I was sworn into office.

The Borough's economy continues to be strong; however, the Borough's fiscal stability should never be taken for granted. Our economy is predominately based on oil and gas development. That means it depends on global markets and economic conditions, the oil industry's investment and development options around the world, state and federal policy, and the success of exploration activities on the North Slope. Many of these things are beyond our control, but we do have some influence in decisions relating to how exploration and development activities are conducted in our region.

With the State's Economic pressures and fiscal deficit, the Borough will be forced to make some tough economic and financial decisions to fulfill the gap in providing key essential services to our region where previously was funded by the State. The proposed policy under HB111 will further limit the Borough's resources to providing such services to our North Slope communities.

Simply, raising taxes on our state and region's most important industry during a time of low oil prices is not a wise policy. Oil Companies across the North Slope including Service and Support companies have already laid off thousands of their workforce and postponed project development due to low oil prices. By increasing taxes, the state runs the risk of seeing more job losses, less investment, and less production.

To put this into financial perspective, the Borough's operating budget is heavily contingent on the Borough's population. As part of our operating tax cap calculation, the Borough gets the benefit of counting half of the workforce into our population since they work at least half of the calendar year in the North Slope oil fields. The Borough's population has decreased by

approximately 940 people over the last year due primarily to layoffs by industry, resulting in a decrease of approximately \$13 million in our operating budget, which essentially limits our abilities to continue providing key services to our region. With the proposal of HB 111, our financial resources will be that much more limited.

The current oil tax policy has made a significant difference in the level of activity in our Borough. It increased investment, employment, and encouraged exploration and development across the North Slope.

Like the state, the North Slope Borough has a direct stake in a vibrant oil industry. When industry is confident in the future and its partner - - the State of Alaska - - they make investments. These investments lead to jobs for our residents, expand our tax base, and provide us with the financial opportunities to provide the same services taken for granted by our fellow citizens in more populated areas.

The reality is, when changes are made to oil & gas taxes, our people, our Borough, and our Native Corporations are the first to feel the impacts. We do not believe that HB 111 will bring more jobs, encourage more investment, or lead to more oil flowing down the pipeline. And that is why we raise our voice in opposition.

Public policy matters. We've already endured years of federal policies geared towards shutting down development across the North Slope. Let's not compound these impacts by imposing state fiscal policies that can be just as harmful.

Instead, let's work to fix our economic problems by keeping our state economic engine running at maximum capacity. If some tweaks to our existing tax structure need to be made, then let's work together to find solutions that work for the state and industry.

We are all partners in our state's economy. It is our hope that we can all work together as Alaskans to solve the challenges we face, and not try and pick winners and losers, so we can build a sustainable future for generations to come.

Respectfully,



Harry K. Brower, Jr.,
Mayor

cc: Representative Dean Westlake
Governor Bill Walker