

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 30, 2006

8:06 a.m.

MEMBERS PRESENT

Representative Kurt Olson, Co-Chair
Representative Bill Thomas, Co-Chair
Representative Pete Kott
Representative Gabrielle LeDoux
Representative Mark Neuman
Representative Sharon Cissna
Representative Woodie Salmon

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Reggie Joule
Senator Donny Olson

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 171(FIN)(efd fld)
"An Act amending the National Petroleum Reserve - Alaska special revenue fund; and establishing the Special Legislative Oil and Gas NPR-A Development Impact Review Committee and defining its powers and duties."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 171

SHORT TITLE: NPR-A COMMUNITY GRANT PROGRAM

SPONSOR(s): SENATOR(s) WILKEN

04/12/05	(S)	READ THE FIRST TIME - REFERRALS
04/12/05	(S)	CRA, FIN
04/20/05	(S)	CRA AT 1:30 PM BELTZ 211
04/20/05	(S)	Heard & Held
04/20/05	(S)	MINUTE(CRA)
04/22/05	(S)	CRA AT 1:30 PM BELTZ 211
04/22/05	(S)	Moved SB 171 Out of Committee

04/22/05 (S) MINUTE(CRA)
 04/25/05 (S) CRA RPT 3DP
 04/25/05 (S) DP: STEVENS G, WAGONER, STEDMAN
 04/26/05 (S) FIN AT 9:00 AM SENATE FINANCE 532
 04/26/05 (S) Heard & Held
 04/26/05 (S) MINUTE(FIN)
 01/26/06 (S) FIN AT 9:00 AM SENATE FINANCE 532
 01/26/06 (S) Heard & Held
 01/26/06 (S) MINUTE(FIN)
 02/01/06 (S) FIN RPT CS FORTHCOMING 4DP 2DNP
 02/01/06 (S) DP: WILKEN, GREEN, BUNDE, DYSON
 02/01/06 (S) DNP: HOFFMAN, OLSON
 02/01/06 (S) FIN AT 9:00 AM SENATE FINANCE 532
 02/01/06 (S) Moved CSSB 171(FIN) Out of Committee
 02/01/06 (S) MINUTE(FIN)
 02/03/06 (S) FIN CS RECEIVED TECH
 TITLE CHANGE
 02/16/06 (S) ENGROSSED
 03/01/06 (S) TRANSMITTED TO (H)
 03/01/06 (S) VERSION: CSSB 171(FIN)(EFD FLD)
 03/01/06 (H) READ THE FIRST TIME - REFERRALS
 03/01/06 (H) CRA, FIN
 03/28/06 (H) CRA AT 8:00 AM CAPITOL 124
 03/28/06 (H) Heard & Held
 03/28/06 (H) MINUTE(CRA)
 03/30/06 (H) CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

AL CLOUGH, Deputy Commissioner
 Office of the Commissioner
 Department of Commerce, Community, & Economic Development
 Juneau, Alaska

POSITION STATEMENT: Provided the committee with responses to questions asked at the prior hearing on SB 171.

JO GROVE, Grants Manager
 Fairbanks Office
 Office of Community Advocacy
 Department of Commerce, Community, & Economic Development
 Fairbanks, Alaska

POSITION STATEMENT: During hearing of SB 171, answered questions.

EDWARD ITTA, Mayor
 North Slope Borough
 Barrow, Alaska

POSITION STATEMENT: Expressed concerns with SB 171.

PATRICIA STITH
North Slope Borough Grants Division
North Slope Borough
Barrow, Alaska

POSITION STATEMENT: During hearing of SB 171, answered questions.

DORA NUKAPIGAK
Nuiqsut, Alaska

POSITION STATEMENT: During hearing of SB 171, expressed concerns with regard to NPR-A development.

NATHANIEL OLEMAUN, JR., Mayor
City of Barrow
Barrow, Alaska

POSITION STATEMENT: Testified in opposition to SB 171.

JOHN HOPSON, JR., President/CEO
Olgoonik Corporation
Wainwright, Alaska

POSITION STATEMENT: Testified in opposition to SB 171.

RAYMOND NEAKOK, JR., Vice Mayor
City of Nuiqsut
Nuiqsut, Alaska

POSITION STATEMENT: During hearing of SB 171, related the impacts of all the NPR-A hearings on the ability to hunt and fish.

ROBERT SUYDAM, Wildlife Biologist
North Slope Borough Department of Wildlife Management
North Slope Borough
Barrow, Alaska

POSITION STATEMENT: During hearing of SB 171, expressed the need to accumulate more data with regard to impacts to the area.

DAVID SMITH, City Administrator
City of Nuiqsut
Nuiqsut, Alaska

POSITION STATEMENT: During hearing of SB 171, discussed the impacts to the administration of the City of Nuiqsut.

SENATOR GARY WILKEN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of SB 171.

ACTION NARRATIVE

CO-CHAIR KURT OLSON called the House Community and Regional Affairs Standing Committee meeting to order at [8:06:01 AM](#). Representatives Olson, Thomas, Kott, LeDoux, Neuman, and Cissna were present at the call to order. Representative Salmon arrived as the meeting was in progress. Also in attendance were Representative Joule and Senator Olson.

SB 171-NPR-A COMMUNITY GRANT PROGRAM

[8:06:29 AM](#)

CO-CHAIR OLSON announced that the only order of business would be CS FOR SENATE BILL NO. 171(FIN)(efd fld), "An Act amending the National Petroleum Reserve - Alaska special revenue fund; and establishing the Special Legislative Oil and Gas NPR-A Development Impact Review Committee and defining its powers and duties."

[8:06:50 AM](#)

AL CLOUGH, Deputy Commissioner, Office of the Commissioner, Department of Commerce, Community, & Economic Development (DCCED), pointed out that the committee packet should include a document that responds to the questions asked at the prior hearing of SB 171. He highlighted that the document provides a table that outlines the Tongass National Forest receipts to the state between fiscal years (FY) 01 and 06. The document also specifies the amount of general funds (GF) that were provided to the North Slope Borough communities between 2000-2006. Mr. Clough turned to the question as to why funds from the Tongass National Forest receipts weren't placed in the permanent fund. To that, he explained that the federal law that distributes the Tongass National Forest receipts is fairly specific in regard to the distribution of those funds. He then cautioned the committee when reviewing the data set for capital projects for the North Slope Borough communities and indicated the need to review it in its totality. Department staff are working to provide a more detailed spreadsheet, which it hopes to provide to members by the end of the week. He highlighted that there are a number of funding sources other than NPR-A monies that go to the North Slope communities. The data provided to the committee today, he explained, attempts to capture the non NPR-A

monies. However, some of the funds include monies from various other programs, such as the safe communities and temporary physical relief monies. The data provided to the committee at this point relates the total state dollars without including the pass through federal dollars.

[8:10:11 AM](#)

MR. CLOUGH opined that the NPR-A program has been a difficult program for DCCED to administer over the years. He further opined that DCCED staff has attempted to perform their job consistent with the law and regulations and make the program work. In fact, the department has made internal changes in order to have a better program that provides better support to the communities. He informed the committee that department staff become frustrated with regard to the definition of "impact." To that end, the department welcomes legislative input/guidance with regard to what constitutes "impact," although the department believes that the administration of this program should remain an executive branch function within DCCED rather than be moved to the legislative branch through the proposed legislative committee. He suggested that perhaps legislative guidance with regard to participation of those departments in the review process would be beneficial.

[8:13:52 AM](#)

REPRESENTATIVE LEDOUX asked if DCCED administers the grants for the Tongass National Forest receipts.

MR. CLOUGH replied no, and explained that those are pass through formula-based funds to the communities. He likened those to state revenue sharing and safe community funding. In further response to Representative LeDoux, Mr. Clough confirmed that it's not based on individual grants.

[8:14:32 AM](#)

CO-CHAIR THOMAS recalled that last year there was a handling fee charged for the DCCED process, which was basically to cut a check. Therefore, he asked if the department charges any handling fees for the Tongass National Forest or NPR-A receipts.

MR. CLOUGH replied no for NPR-A receipts, and offered to check on that in regard to the Tongass National Forest receipts.

CO-CHAIR THOMAS recalled the Exxon Valdez oil spill and the impact it had on the entire fishing industry. He questioned how one can define "impact."

8:17:08 AM

REPRESENTATIVE NEUMAN recalled the situation in which an operating grant for a cultural center was approved in 2002, although the center was never built.

8:18:03 AM

JO GROVE, Grants Manager, Fairbanks Office, Office of Community Advocacy, Department of Commerce, Community, & Economic Development (DCCED), related her understanding that a grant was awarded to build a cultural center that was never built for various reasons. That same year a grant was awarded for operation of a new facility. However, she highlighted that no funds were expended for that cultural center. In fact, those funds were allocated elsewhere to help maintain and operate an existing part of city offices in the same community.

REPRESENTATIVE NEUMAN recalled his conversation with folks in the area of the proposed cultural center who believe those funds were distributed to hook up natural gas to residents in another area. He then turned to the changes in the administration and inquired as to how those impact the oversight of the program.

MS. GROVE clarified that she was not responsible for the administration of the NPR-A program when the cultural center request was approved, although the administration of the NPR-A program has come to be her responsibility. She then informed the committee that she has worked with the department in administering grant programs for almost 30 years. Ms. Grove highlighted that the department has many systems in place to ensure accountability and has made many significant improvements over the past few years in identifying accountability issues and working with the staff of the communities that receive these projects. She further highlighted that department staff regularly visit these communities and review the facilities that are being operated with or maintained by these funds. Ms. Grove pointed out that these projects are cost reimbursable and thus communities must submit all financial records for review prior to any payment. Although the aforementioned doesn't ensure 100 percent accountability, it certainly helps, she said.

8:22:13 AM

REPRESENTATIVE CISSNA asked if the funding for the cultural center was actually ever used for something different.

MS. GROVE answered that to her knowledge those funds were reprogrammed to benefit the community in order to support existing city offices, a portion of which is a cultural center.

[8:23:13 AM](#)

REPRESENTATIVE LEDOUX asked if legislative oversight as proposed in SB 171 has ever occurred.

MS. GROVE replied not to her knowledge.

[8:23:56 AM](#)

CO-CHAIR OLSON inquired as to the changes the department has made in the last couple of years that would address the sponsor's concerns.

MS. GROVE answered that there are very detailed grant agreements outlining all of the responsibilities of the grantees, including insurance, accounting records, and reporting requirements. In fact, the department is in the progress of improving the progress reporting in order to obtain more detail to address some of the concerns that have been raised. Furthermore, the department has made it a point to visit some of the communities more frequently, although travel expenses are a challenge. She informed the committee that at least once a year the department conducts workshops on the program to which the North Slope communities are invited. In further response to Co-Chair Olson, Ms. Grove related that those meetings are generally conducted in Barrow.

MR. CLOUGH relayed that one of the first changes was to host the aforementioned meetings within the region impacted rather than Anchorage.

[8:26:38 AM](#)

EDWARD ITTA, Mayor, North Slope Borough, paraphrased from the following written testimony [original punctuation provided]:

Now that you've had a chance to hear the sponsor and the Administration talk about SB 171's proposed changes to the NPR-A Impact Aid Grant Program, I

appreciate this opportunity for people from the NPR-A communities to tell you what it's like in the places that are directly affected by industry activity.

As you know, the NPR-A grant program was born 25 years ago after these petroleum reserve lands were transferred from the Navy to the Department of Interior with the intent of pursuing commercial development. Senator Stevens was aware that activity in NPR-A had already caused a lot of impacts in the local communities, and he wanted them to receive a healthy share of the non-federal revenues from development. It wasn't Senator Stevens' desire to wrap these villages up in complex arguments about what constitutes a direct impact or an indirect impact. That is a recent invention by this bill's sponsor.

Senator Stevens' intention - as it was expressed in the federal law that created the program - was pretty simple. He recognized that community impacts had occurred in the past and would occur in the future. He knew that these lands were the most important subsistence territory for the majority of North Slope residents. And he wanted the impacted communities to receive benefits at a level that corresponds to development.

The obvious and simple way to do that - as it was established in the federal law - is to let impact aid rise and fall with revenues. The revenue levels would give a general indication of current and future activity, and a general indication of impacts. The impact aid program would give communities a way to respond and to prepare for the increasing level of impacts that were likely to occur.

And that is exactly what is happening. From 1987-1995, there was some revenue generated from existing leases, then it went quiet for a few years before the big sales in 1999, 2002 and 2004 took place. Suddenly, more than 2.8 million acres are leased, and with the price of oil up so high, the industry is really eager. There will also be a lease sale later this year that offers the area north of Teshekpuk Lake for the first time.

If you want to talk about impacts to the communities, Teshekpuk Lake is a good place to start. That area is a tremendous magnet for waterfowl of all kinds, as a nesting and molting area. Birds come from thousands of miles away in the spring. The Teshekpuk caribou herd is also based there, migrating in and out through a narrow neck of land between the eastern edge of the lake and the ocean.

In terms of subsistence, the Teshekpuk area is the focal point of the whole region and all four of our NPR-A communities harvest from these wildlife populations while they are in the Teshekpuk region or during their migratory travels. If you want to make people nervous on the North Slope, just tell them that the industry is gearing up to move into the Teshekpuk area, especially the most sensitive area north of the lake, where the greatest concentrations of wildlife are found.

Well, that is exactly what we were told by BLM [Bureau of Land Management] when they released their Record of Decision on Northeast NPR-A last month.

I bring this up because it is a good illustration of the way that impacts can take effect. When you are a subsistence hunter, you don't need an oil rig next to your campsite before there's an impact. You don't need a rig or a road or a seismic crew. For some of the most serious impacts, all you need is a threat.

The area around Teshekpuk Lake - especially on the north side of it - is a subsistence breadbasket. When I talk to people in the villages and Barrow, the idea that those lands are about to be leased isn't just a piece of worrisome news. It hits them in the stomach. It is a threat to their culture, because it is a threat to activities at the core of their culture. I think you understand that this is not just about hunting. It's about preserving the activities that make our culture possible. For the Native people up north, the new threat around Teshekpuk Lake is one more threat to the continuation of their culture.

So people in all of the NPR-A communities are experiencing a new impact - before the ground has even been leased. That is the nature of impacts in a

cross-cultural situation. They are not always easy to understand or even identify, because they are created in the context of one culture and received in the context of another culture. The more you try to tie specific actions to specific effects, the more you will miss some of the most profound impacts. These are the ones that come from a feeling deep inside our people that their traditional hunting grounds are gradually being taken away for another use, a use that will disrupt the wildlife we depend on. Disrupting the wildlife disrupts the people. And while it takes time to figure out how much the wildlife are affected, it doesn't take any time for people to feel worried and threatened and stressed.

[8:34:09 AM](#)

MAYOR ITTA continued:

That's why the villages apply for youth programs and recreation facilities. They are trying to create alternative activities for kids in a culture that is under stress. They apply for school counselors and anti-drug programs, because they're trying to head off some of the only source of stress on our kids and communities. But it is one source, and with BLM's decision to open up the Teshekpuk lands that have always been protected, it is a lot bigger source of stress than it used to be. Villages trying to create alternative programs in a community that is stressed and head off when culture feels it's under siege. NPR-A is clearly not the only source of stress on our kids and communities. But it is one source, and with BLM's decision to open up the Teshekpuk lands that have always been protected, it is a lot bigger source of stress than it used to be.

I think this kind of widespread social impact that is hard to get your arms around - and hard to quantify - was anticipated by the federal law. It is the kind of impact that stays under the radar, but it is real and very disturbing. It's the undercurrent that affects everyone, while the more obvious impacts affect one village more than another. Nuiqsut is in the eye of the storm now, but it was a quiet village ten years ago. Wainwright is still a pretty quiet village, but they feel this undercurrent, this fundamental shift in

land use priorities. They go to the BLM meetings and see maps of the 2.8 million acres that have been leased for exploration in the hunting grounds. Development starts on the drawing board, not on the drill rig, and so do impacts.

The people of Wainwright and Atkasuk and Barrow and Nuiqsut see what's coming across the Colville River. What's coming is a seismic shock to their subsistence view of the world. They've heard that there might be ten billion barrels under there. For someone who depends on a very different use of that land, it creates a real impact, and that impact is directly tied to development. And like any social or cultural impact, it's very hard to show a direct cause-and-effect link.

I believe that is why the federal law leaves a lot of latitude in its approach to impact aid. Sure, there have to be guidelines and a demonstration of impact. Maybe we haven't always done the best possible job of communicating these impacts. But we are making progress on that. The DCED staff congratulated our grants people in this last round of applications; they said our impact justifications were much stronger than in the past.

It's very hard to prove a direct link between a seismic crew marching across the tundra and a change in the behavior of animals or humans in the area. We can't do it, and the Legislature can't do it. And yet that is the kind of hard-wired relationship between activities and impacts that the sponsor of this bill wants to require. If that's what he wants, then his argument is not with us, and it is not with the program as it operates now. His argument is with the federal law that provides this money in the first place. His argument is with Senator Stevens, who saw the need for impact assistance at the local level and created the program.

[8:38:40 AM](#)

MAYOR ITTA continued:

So I believe that some of the most profound impacts are these very subtle changes in the minds and hearts

of our people as they see the industry march to the west across the breadbasket of their traditional lands. There are plenty of smaller, everyday impacts too. They happen so often that we don't even think about them. They might be incidents where we are called on to help the industry. We respond without thinking about it, because that's what you do when someone is in trouble in the Arctic. Our Search and Rescue department has flown 200 miles out to sea to Medivac someone from a seismic ship. We fly Medivac to remote industry campsites to pick up sick or injured workers. It's happened several times in the past few months. In fact, just last week our emergency response team saved the life of an oil worker who had both legs trapped in an auger at a remote drilling site. He didn't come out of it so good, but he's still alive, and it's because we are the first responder on the Slope. Not the state or the feds or the industry. In fact, some of the lifesaving equipment that was used in this rescue was paid for by an NPR-A grant. You won't hear about grants like that when you're listening to the bill's sponsor. That's because they are part of the success of the NPR-A grant program.

One of the most dramatic images of an NPR-A impact that you'll ever see is in one of the packets you have on your desk. It's the booklet of photos called "North Slope Borough Impacts from Oil and Gas Development." There should be a flagged page, and if you look at that page and the one after it, you'll see a photo taken in NPR-A last fall. It shows a massive amount of equipment and moveable facilities in a staging area at Cape Simpson. Next to that city of equipment is what looks like a tiny shack. And that's what it is - it's a subsistence cabin that marks a hunting area used by a Barrow family for generations. Hundreds of cabins like this dot the tundra in NPR-A. Many are on Native allotments that belong to families from every NPR-A community. So the next time somebody tries to tell you how far away some of these communities are from Alpine, remember this picture. It's quite a way from Alpine too, but it's very close to where lots of our families go every summer to spend time on the tundra and hunt and fish and camp.

From the sponsor's presentation on SB 171, you aren't getting a true picture of what's happening in NPR-A. You're not hearing what the real impacts are, and you're not learning about the vast majority of successful grants that have made this program a success. You're being led to believe that hundreds of thousands of dollars have been sent to communities, where they are pocketed without living up to the grant conditions. I didn't hear the sponsor mention one very important thing about all NPR-A grants. And that is that these grants are not funded up front. They are reimbursable, so it's not State dollars at risk if there is poor performance. It's local dollars. If the communities can't show the Department legitimate expenses, they don't get the grant money. That sounds like pretty good accountability to me.

[8:43:13 AM](#)

MAYOR ITTA continued:

So what is this bill really about? It's about fixing the program ... fixing the program so that very little aid ends up going to the communities. The real intent of this bill is to make a political football out of the impact aid program. It's a two-step process. First, you take decision-making away from the administrative branch - where decision-making for every other state grant program exists. You move the grant reviewing, scoring and awarding process away from the professionals who do this work every day and into the political realm of the Legislature.

Second, you ratchet down hard on this slippery concept of impacts. What you end up with is a really tough task for a revolving group of people who are appropriately focused on politics and finances, and have plenty of ideas for other ways to use that money. It's a setup for decisions based on politics, not on the subtleties of impacts or federal intent.

The bill creates a timetable for dealing with these grant applications that adds to the problem. This timetable forces you to review and score and award a bunch of grants in the midst of the legislative session. Does the Legislature really want to be dealing with village grant applications during the

session when you've got things like PPT [petroleum production tax] on your plate? And do you really think this will yield better, more thoughtful decisions? I think your best bet is to work with the department and with us to make the program stronger, not to gut it.

I'm sure there are ways to improve the program. Some of them are already being put in place. But the approach outlined in Senate Bill 171 is overkill. All we're asking of the Legislature is to preserve a fair, non-political process, and you don't get that by taking the grant professionals out of the picture, the same kind of professionals that you trust with every other state grant program. It just doesn't make sense.

It is important to note that SB 171 does not provide any new definitions or guidelines for judging impacts. It only changes who is reviewing the grant applications. I think you can see how this would add to our concerns that this bill doesn't make anything more fair or more open. If the Legislature wants to set up a special subcommittee to review these impact aid grants, it doesn't take a legislative change. A subcommittee was formed in Senate Finance last year.

If legislators are just worried that these communities might be getting too much money, the situation may resolve itself without any legislative action. The federal energy bill passed last year gives the Secretary of the Interior the authority to reduce or eliminate any and all bonus or lease payments on development in NPR-A. That would deprive the State as well as the local communities, so maybe what we should be doing here is working together to protect revenues.

We have plenty of reasons to work together on all kinds of resource development issues. The North Slope Borough has been a major supporter of onshore oil and gas for years. We have sent some of the most effective foot soldiers to work the halls of Congress on opening ANWR [Arctic National Wildlife Refuge]. At times, we have cooperated with industry wishes on the North Slope, even when our heart told us not to. If you look at the record, you'll see that we have tried to be strong partners for responsible development.

What do we get in return? In recent years, it seems like we've been faced with a flurry of bills like this - bills that are nothing more than a thinly-veiled attempt to punish us for living on the North Slope, and for receiving benefits at the same time as we absorb all the impacts from oil and gas activity ... activity that sends billions of dollars of wealth to the rest of the state.

We believe in the partnership, but sometimes it feels less like a partnership and more like a target range, and we're the target. I have met some of you on this committee, and I don't think that is your attitude. But it is the attitude behind this legislation, and I hope you won't buy into the attitude or the bill. It would be a loss for all of us as we try to create a better future for Alaska.

[8:50:05 AM](#)

MAYOR ITTA continued:

A number of people from the NPR-A communities are here today, and they have a lot of experience with some of the things I've mentioned. I want you to know that they are not here on our dime. They paid their own way so they could tell you how important the program is to their communities. The mayor of Atqasuk was on the way down here when she had a death in the family and had to turn around. But her written testimony should be in your file.

I want to thank you again, Mister Chairman, for allowing us to have this time with the committee today. It means a lot to us, and we really appreciate your interest in getting some local input on the bill.

Quyanagpak.

[8:52:05 AM](#)

REPRESENTATIVE KOTT opined that Mayor Itta just provided one of the best presentations he has heard in his 14 years in the legislature. Representative Kott recalled Mayor Itta explaining that the work is performed prior to the grant application

process and the grant money being received. He inquired as to how many grant applications are rejected.

MAYOR ITTA said that he couldn't answer, but deferred to staff.

8:53:36 AM

PATRICIA STITH, North Slope Borough Grants Division, North Slope Borough, informed the committee that only a few of the grant applications submitted are funded because it depends upon the amount of funding available.

8:54:04 AM

REPRESENTATIVE SALMON opined that what happens with NPR-A and the impact it causes elicits a similar feeling to that the Gwich'in people have with regard to ANWR. He stressed that [those impacted by NPR-A and ANWR] utilize the same food chain. However, the Gwich'in people don't receive any impact aid.

MAYOR ITTA agreed that the two are parallel situations.

8:56:16 AM

CO-CHAIR OLSON recalled U.S. Senator Ted Stevens' presentation before the legislature during which he spent much time addressing the need to maintain the NPR-A.

8:57:00 AM

DORA NUKAPIGAK informed the committee that she is a resident of Nuiqsut. She related that she is the mother of three boys who have illustrated great interest in being hunters like their mother and father. Hunting brings food to the table as well as to the table of others who depend on others to hunt for them. With industry in her backyard, she expressed fear with regard to her son's future ability to provide for his family and share with others. With Alpine development, satellite construction, and the nearest oil rig being 4.5 miles from Nuiqsut, Ms. Nukapigak said that she sees impacts in every day life. However, these impacts began some 80 years ago with seismic [testing] for NPR-A, which is evidenced by the abandoned [oil] drums. Still, the government hasn't cleaned up these old well sites.

MS. NUKAPIGAK then related that her mother has shown her the places where she used to hunt in the region and where there has

been a change in or lack of game as industry has moved west. She expressed concern that she too will have to tell her son where she once hunted and fished. She then related a story of an elderly woman who visited her allotment after 30 years and found it was fenced with [oil industry] infrastructure [located on it]. With the oil industry moving west, the land loss will not stop and people will continue having to find new places to hunt.

[9:02:57 AM](#)

MS. NUKAPIGAK reminded the committee that in 1998 assurances related to NPR-A were given. However, when those were eliminated, she lost trust in the government and provided a different perspective with regard to what development will do. There is so much activity that it's overwhelming to the people in the area, she opined. Furthermore, there are social impacts that arise as well. She related that the local leaders as well as the general population of the area are feeling the effects of this development because everyone is attending the meetings. In fact, there are meetings every other day in Nuiqsut. She opined that meetings have taken the place of hunting in Nuiqsut. She related the following quote: "Oil does not have to live with us, but that we as Inupiats have to live with oil."

[9:05:49 AM](#)

REPRESENTATIVE CISSNA thanked the bill sponsor for allowing the committee to hear what is going on now and she also thanked the witnesses for sharing.

MS. NUKAPIGAK encouraged the committee to come to Nuiqsut to see the reality of the situation.

[9:07:32 AM](#)

NATHANIEL OLEMAUN, JR., Mayor, City of Barrow, began by informing the committee that he was the mayor at the time when the impact aid fund was started by U.S. Senator Stevens. He opined that the NPR-A impact aid grant program has been a useful tool to keep the city afloat. He explained that the City of Barrow had to restructure its finances in order to utilize the grants. He recalled difficulties with grant projects in the past, which are now being addressed. The City of Barrow began feeling impacts starting back in 1939. He related that in the 1940s four of the closest hunting grounds were destroyed during seismic testing, which resulted in the location of the hunting

grounds shifting to the Teshekpuk Lake area that remains a plentiful hunting area. However, now those areas are being impacted as well.

[9:12:38 AM](#)

MAYOR OLEMAUN recalled the 10 years during which he worked at Prudhoe Bay and the impact he saw to the North Slope from the very beginning. He recalled the city in the 1970s when it needed funds for essential services and the time he spent working for the city for free. He related that [the City of Barrow] has constructed recreation centers; retractable boat ramps; boardwalks; Boys & Girls Club; et cetera. The aforementioned wasn't available when he was a boy because the outside was his playground. The aforementioned facilities were made possible with the NPR-A impact aid fund. He recalled fighting this fight over 30 years ago and indicated that he didn't believe then that he would still be fighting that same fight now. Mayor Olemaun concluded by stating his opposition to SB 171.

[9:19:44 AM](#)

JOHN HOPSON, JR., President/CEO, Olgoonik Corporation, paraphrased from the following written testimony [original punctuation provided]:

I'm the President and CEO of Olgoonik Corporation, the village corporation of Wainwright, which is 80 air miles southwest of Barrow. I'm a hunter, fisherman, member of the Wainwright Whaling Captains Association, a former North Slope Borough Assemblyman and Wainwright city mayor and councilman. I'm active in local organizations, such as search and rescue and the volunteer fire department.

Wainwright is a second-class city with powers of recreation, boats and harbors, and cemetery sites. Other local government services are provided by the North Slope Borough.

I speak in opposition to Senate Bill 171, because it is designed to make us less eligible for NPR-A impact aid grants at a time when oil development is spreading across the North Slope faster than ever and challenging our subsistence way of life.

It is hard to separate the effects of NPR-A activities from other oil development, including offshore. It is also hard to separate the effects of current NPR-A activities from those of the past or the ones that we see coming our way in the near future. When we think about oil and gas development, we don't separate one kind from another. They are all part of the same thing - a big change in the way we live and a challenge to our traditional subsistence lifestyle.

There have been generations of seismic activity in the places where we hunt and fish. These hunting grounds extend far to the south and east, as well as west of the village. The elders tell us how the movements of some animals have been changed by seismic activity over the years. Sometimes when the migrations are disrupted, they do not return to their previous path after the noise stops, so the animals are harder for us to get to.

We get caribou from the Teshekpuk herd and we hunt for birds that over winter in the eastern part of NPR-A. These animals don't come around so much like they used to, and we have to travel farther and farther to find them. That means it is more difficult and more expensive for us, in terms of travel and time away from jobs or families. There is a very real cost to us.

[9:22:26 AM](#)

MR. HOPSON continued:

When the North Slope Borough does their census, they ask about subsistence activities, and they found that more than 80 percent of the people in Wainwright get at least half of their food from subsistence. So it is not something we do in our spare time for fun. We grew up with subsistence, and it is part of who we are. There's not much in our local store anyway, but we hunt and fish as a big part of our livelihood, and we depend on wildlife for our meals.

People in Wainwright also don't have many jobs for income, so we really need access to fishing and hunting and whaling. The borough's official unemployment rate for our community is 35 percent, but

from what we can tell as residents, the real unemployment rate is more like 60 percent or higher, depending on the time of year. And that rate is rising, since the borough has had to cut back on jobs and services in the last five or six years. We may have more jobs than a lot of villages around Alaska, but almost 20 percent of our families live below the poverty line in terms of cash income, and they really feel it when it gets more expensive to go out after the caribou and other animals.

That's why NPR-A grant projects like our boat launch are so important to us. Access to many of our best hunting and fishing areas is by boat, and we really need a decent boat launch to get our boats in the water. It is not a recreational boat launch, but a health and safety issue and a matter of survival for us to harvest wildlife from the ocean and the inland areas.

I understand that politics has a lot to do with this legislation, and I can't give you much advice on that. But I hope you won't be fooled into believing that people in our villages are rich and the streets are paved with gold. The streets are paved with ice most of the year, and we live pretty simple lives.

[9:24:52 AM](#)

MR. HOPSON continued:

Our life has already been changed by oil and gas development. Some of the changes are good - like better schools and pretty good basic services in our communities. Some of the changes have really hurt our culture and put our kids and our language and our traditions at risk. We don't completely understand how industry activities and village impacts all work together. Neither do you, and I hope you won't pretend that you can sit here and tell us what impacts are in our village. It gets pretty complicated when you put two totally different cultures together. We're just trying to hold on to our culture for ourselves and our kids. I hope you won't make it harder by taking away a source of revenue that has made a big difference for our community.

[9:25:39 AM](#)

RAYMOND NEAKOK, JR., Vice Mayor, City of Nuiqsut, paraphrased from the following written testimony:

Hello my name is Raymond Neakok Jr. son of Raymond Neakok Sr. and Marie Kunaknanan Neakok. My grandfather's birthplace is near the Alpine development at a place called Nigliq at the mouth of the Nechelik Channel. His name is Arthur Taqtu Neakok. And my grandmother's birthplace is between Wainwright and Barrow. Her name is Hester Tahklin Neakok. My grandfather on my mother's side birthplace is approximately 4 miles from the mouth of the Anaktuvuk River. His name is Samuel Hugo originally, but was changed to Samuel Kunaknana by the census takers for whatever reasons unknown to me. And my grandmother was born at Cross Island the current home base for Whalers in Nuiqsut.

[9:28:03 AM](#)

MR. NEAKOK continued:

Currently the residents of Nuiqsut are expected to attend 20 to 25 meetings a month nearly all at the Local, State, and Federal level. Many of the attendees are elders who have testified time and time again for the past 30 years or so. I for instance had a choice where I should be this past weekend. Should I attend the SB 171 hearing or go out and hunt for food for my family and to possibly trade for other foods that are not available in the Nuiqsut area. Which is clearly an IMPACT related to NPR-A development at its present phase. I thank you for your time at this very hour.

[9:30:53 AM](#)

CO-CHAIR THOMAS thanked Mr. Neakok for speaking as a Native by introducing his family lineage.

MR. NEAKOK encouraged the committee to visit Nuiqsut.

[9:32:04 AM](#)

ROBERT SUYDAM, Wildlife Biologist, North Slope Borough Department of Wildlife Management, North Slope Borough, informed the committee that for the past 16 years Barrow has been his home and office during which time he has completed a Master's degree through the University of Alaska - Fairbanks. He noted that this year he will complete a PhD through the University of Washington. In the years he has worked and lived in Barrow, Mr. Suydam related that he has spent a great deal of time in the NPR-A hunting, fishing, studying wildlife, and observing oil and gas activities.

MR. SUYDAM said that on the surface, SB 171 is about impacts and particularly about mitigating impacts. However, there are many data gaps in the NPR-A due to the fact that data gathering isn't a priority for BLM. Furthermore, there aren't many biologists who live and work in the NPR-A or the North Slope. For example, the Alaska Department of Fish & Game (ADF&G) only has one biologist that lives and works in the North Slope Borough. Mr. Suydam emphasized that collecting base line information is incredibly important, especially in the Arctic. The Arctic is variable and thus there is the need for an extended data set in order to understand how the system works. Furthermore, climate change is an issue for the Arctic. He explained that scientists/resource managers are attempting to sort out the impacts related to oil and gas industry and climate change. The goal is to ensure that observations of impact are attributable to the correct culprit, which requires data. Because the federal and state agencies aren't collecting such data, the North Slope Borough has applied for impact funds in order to fill the data gaps. He related that the borough is reviewing the movements of caribou from the Teshekpuk Lake herd; monitoring the distribution, abundance, and reproductive success of various water fowl species in NPR-A; determining the movements and habitat use of important fish species; and collecting data on contaminants. Still, many data gaps exist. Again, Mr. Suydam said that one can't adequately predict the effects of climate change without data and there is no understanding of the cumulative effects from the various activities in the area.

[9:38:01 AM](#)

MR. SUYDAM acknowledged that the oil and gas activity benefits those on the North Slope, but noted that there are also negative impacts. He related his belief that the point of today's hearing is to discuss the best way to mitigate impacts. He recalled that the sponsor has said that SB 171 would make the

process of evaluating proposals more objective. However, Mr. Suydam opined that if SB 171 passes, the decisions regarding funding mitigation proposals will become less objective. He further opined that with the passage of SB 171, the opportunity to collect base line information may be compromised. Therefore, Mr. Suydam encouraged the committee to strengthen a system that already works and isn't broken.

[9:39:04 AM](#)

REPRESENTATIVE CISSNA asked if there is any review of toxicity in subsistence foods and the potential sources of the toxins.

MR. SUYDAM answered that a fair amount of data has been collected on the contaminants in subsistence use species. Many of those contaminants have been heavy metals or organic contaminants. However, there is very little data regarding hydrocarbon contaminants and the components of oil that may enter the food chain. One of the impact funds that the borough has received attempts to [collect that data] with regard to the contaminants in fish. The aforementioned [data] would offer base line data that would allow understanding whether there has been contamination from oil activity.

[9:40:35 AM](#)

REPRESENTATIVE NEUMAN recalled studies that say there is more wildlife around Prudhoe Bay than prior to the development in the area. He related his understanding that private industry provides biologists who work in the area. He then asked whether Mr. Suydam works with those biologists and whether Mr. Suydam believes there is more wildlife in the area.

MR. SUYDAM agreed that the caribou herds, particularly the Central Arctic herd, have increased. It seems that oil and gas activity hasn't had a major impact on the Central Arctic caribou herd. However, he highlighted that the impacts on animals may not [directly relate] to the number of the animals. He explained that it may be difficult for hunters to take caribou because they are deflected. Furthermore, there is no knowledge as to the cumulative impact of the oil and gas industry on animals and thus he reiterated the need to have good base line data in order to predict and mitigate impacts.

[9:43:25 AM](#)

DAVID SMITH, City Administrator, City of Nuiqsut, related that city government is inundated with correspondence and documentation regarding what is occurring within the area. In fact, the city receives 60 or more documents a month that need review and comment. Additionally, there are many meetings, most of which occur in August and January. Currently, the city is interfacing with ConocoPhillips Alaska, Inc. representatives on a weekly basis. Mr. Smith informed the committee that there are 50-100 transient workers at a work camp from December to April. City officials have been told that the work camp is in the process of doubling and thus the city is expecting 150 outside transient oil workers next winter as the NPR-A activities become dominant. The city government has four full-time employees, four to six part-time employees, five to six residents that are employed at Alpine or Kuparuk, and ten to fifteen individuals who work seasonally for about sixty days in order to build and maintain the ice roads. Mr. Smith related that as Nuiqsut residents find employment in Alpine or Kuparuk, which is only 8-20 miles away from Nuiqsut, those residents move to Fairbanks. Therefore, Mr. Smith suggested that Nuiqsut's population is either stabilized or decreasing.

[9:46:22 AM](#)

MR. SMITH informed the committee that the City of Nuiqsut is in the process of obtaining a gas line from Alpine. He related that \$10 million of the funds to do so came from NPR-A [impact aid fund] and \$10 million came from the North Slope Borough. The fee for the gas will be \$125 month.

[9:46:59 AM](#)

REPRESENTATIVE CISSNA asked if Mr. Smith has any documentation regarding the data that must be kept and the meetings that must be attended.

MR. SMITH answered that currently, the [City of Nuiqsut] is accumulating historical data regarding the cumulative impacts, which would include the number of meetings. He said that the data is available and could be provided upon request as could the report the [city] council.

[9:48:35 AM](#)

SENATOR GARY WILKEN, Alaska State Legislature, sponsor, thanked those who testified today to make the legislation better. However, he said that he took great exception with Mayor Itta's

comment that SB 171 is punitive because this legislation is about following federal law and funding the needs of the entire state. With regard to Mr. Clough's testimony regarding alternative revenue sources, he noted that "4356" properties have provided \$1.2 billion to the North Slope Borough. The aforementioned is the ad valorem tax that is placed on oil and gas properties. He informed the committee that just this year the aforementioned tax generated \$189 million. Those communities that have a tax on oil and gas properties can receive an equal amount per the mill levy from the general fund money created by the ad valorem tax. Last year the North Slope Borough had a \$189 million, the Fairbanks North Star Borough had \$4.3 million, Valdez had \$13 million, and Kenai had \$7 million. What was left was the \$46 million appropriated during the budget process. Therefore, Senator Wilken characterized the \$190 million average amount the North Slope Borough received as a significant revenue source.

[9:52:06 AM](#)

SENATOR WILKEN stated his disagreement with the notion that the program isn't broken. He related that for two years he has had no sense of what the committee was thinking due to stonewalling and destruction of records. With regard to the upcoming Teshekpuk Lake lease sale, Senator Wilken highlighted that the wants and needs of the North Slope Borough and the environmental community haven't fallen on deaf ears as there will be 389,000 acres that will be leased, of which the leasing companies cannot develop more than 1 percent of that area. With regard to the "The march across the NPR-A," he noted that the seismic work that began in the 1950s has been halted for years. Current seismic work reaches out 30 miles beyond the NPR-A border and is done by noninvasive acoustic machinery only during the winter, and thus no footprint is left behind. He then related information regarding how the Teshekpuk Lake caribou herd has grown, even through seismic work.

[9:54:52 AM](#)

SENATOR WILKEN, in response to Representative Neuman, expressed the hope that U.S. Senator Stevens would want the state to follow federal law, which is what SB 171 does. In further response, Senator Wilken confirmed that he has discussed SB 171 with U.S. Senator Stevens. He mentioned that he understands U.S. Senator Stevens' concerns and U.S. Senator Stevens understands his concerns.

[9:56:18 AM](#)

CO-CHAIR THOMAS related his understanding that under SB 171 the money [from the oil and gas tax] goes to the permanent fund. However, people don't want that money to be touched. He inquired as to whether the sponsor would consider other ideas.

SENATOR WILKEN pointed out that the constitution specifies that the money the state receives from mineral resources must be deposited into the permanent fund. With regard to how to get the money out of the permanent fund, he related his belief that the permanent fund earnings can be accessed with a majority vote of the legislature.

[9:57:35 AM](#)

REPRESENTATIVE CISSNA commented that it's remarkable that the entire state enjoys so much wealth from the petroleum industry. However, she expressed concern regarding whether this legislation will set precedent in the state because different groups in the state have realized some substantial revenue sources due to resource development in the area. She expressed the desire to share the wealth equally in the state.

SENATOR WILKEN, referring to whether SB 171 sets precedent, replied no. He then reminded the committee that this is the only program that is placed before the permanent fund and thus necessitates accountability and public disclosure.

[10:00:26 AM](#)

CO-CHAIR OLSON closed public testimony.

[10:01:22 AM](#)

CO-CHAIR OLSON related that he and Co-Chair Thomas believe the sponsor has raised some good points, but the past problems fall at the department level. Therefore, he suggested that all involved sit together to work toward a solution.

[SB 171 was held over.]

[10:02:10 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 10:02 a.m.