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# Alaska Legislative Digest

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## **Those new North Slope oil revenues: Here's who gets what**

Those new oil fields being built on the North Slope will boost production but it is unclear how much new revenue they will deliver to the state budget, which is hard-pressed. Two sets of analyses by the state Department of Revenue provide a glimpse of who-gets-what of the new oil pie as it grows, and the results are interesting. Combining revenues from Pikka, a new oil field on state lands, and Willow, on federal lands, the state will receive \$3.160 billion in cumulative new income by 2034 (Pikka will start production in 2026 and Willow in 2029). The North Slope Borough, five of its villages and Arctic Slope Regional Corp. will get a combined Pikka and Willow income of \$2.739 billion by 2034. The federal government would receive \$2.115 billion in federal income taxes and the federal share of royalty from Willow, which is on National Petroleum Reserve-Alaska lands. The state revenue department analyses included the producers' share (Santos Ltd. and its partner Repsol) for Pikka, but did not estimate the producer (ConocoPhillips) share at Willow. Of note is that 70% of the royalties from Pikka to Arctic Slope Regional Corp., estimated at \$692 million by 2034, are shared with other Alaska Native regional and village corporations under terms of the 1971 Alaska Native Claims Settlement Act. These royalties come from portions of the mineral rights on the Pikka leases jointly held by the state and ASRC. This 70% share of ASRC's royalties shared with other Native corporations is important because the Red Dog Mine in Northwest Alaska, now the major source of ANCSA resource revenue sharing, will be winding down in 2031. ASRC revenue-sharing from Pikka royalties won't replace that from Red Dog, but it will help.

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## **School scores are out: Finger-pointing resumes**

The school year is still early but already there is renewed blame and finger-pointing over student performance, which signals more jousting to come between Gov. Mike Dunleavy and state legislators over school funding and the governor's education policy proposals. On Sept. 5, the Department of Education and Early Development, or DEED, released results of the 2025 AK STAR (student performance) assessments, which showed minor growth in children's reading and math scores, despite an infusion of new state funds to school districts.

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## . . . Revenues . . .

### **Big share of oil revenue to North Slope: Here's a deeper look**

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A big share of the future oil revenues from Pikka and Willow oilfields will go to the North Slope Borough and five villages in the National Petroleum Reserve-Alaska, or NPR-A, and to Arctic Slope Regional Corp. (70% of ASRC's income is shared.) Looking at Pikka first, because it is on state lands, a cumulative \$1.7 billion will go to the state by 2033, with the bulk of this from the state share of the royalty, which constitutes \$1.3 billion of the revenue. State production tax revenue will be modest, at \$34 million, because producers are allowed to deduct their capital investments. The state's portion of the state oil and gas property tax (the only state property tax) is also modest, at \$33.9 million cumulative by 2033, because this is essentially shared with the North Slope Borough. The state also receives corporate income tax income, which is estimated at a cumulative \$152 million by 2033.

### **Willow project revenue split is interesting, and complicated**

The revenue department's analysis of ConocoPhillips' Willow project has an unusual income distribution. The North Slope Borough and five villages would receive the lion's share of estimated income, or \$1.744 billion cumulative through 2033. The state's total share is estimated at \$1.448 billion. The federal share is \$1.4 billion under the analysis.

Since the state receives none of the 50% of Willow NPR-A royalty (this goes to the North Slope communities) the state's share of Willow revenues is modest. Cumulative through 2033, the state would receive \$447.9 million, with \$53 million of this from the state's share of oil and gas property tax; \$106 million from the state production tax, and \$288.9 million from the state corporate income tax.

The North Slope Borough and community share, cumulative through 2033, is estimated at \$1.744 billion and comes in two ways: One is the borough's traditional share of the state oil and gas property tax on facilities and pipelines. This is \$474 million through 2033. The second is the Willow 50% royalty share of \$1.27 billion that goes to North Slope communities through the state of Alaska. (The state receives the money and under federal law appropriates it to the communities). The federal government share of \$1.397 billion cumulative through 2033 consists of \$1.279 billion as the federal 50% share of NPR-A royalties and \$118 million cumulative from federal corporate income tax.

### **Revenue department estimates benefit of increased oil in Trans Alaska Pipeline System**

The state revenue department is also now publishing estimates of increased revenue to the state from all North Slope oil due to more oil flowing through the pipeline from new projects. This lowers the per-barrel pipeline transport costs and raises the value of oil on the North Slope, resulting in new revenues from all fields. In the analyses Willow's benefit is estimated at an added \$231.7 million cumulative to the state through 2033, or \$46 million average yearly for production starting in 2029. For Pikka the benefit is an average new revenue per year of \$29.5 million with Pikka starting up in early 2026, its target.

## Should slope “impact aid” be shared?

### **Five villages would get \$3 billion over life of Willow oil field. Should it be shared?**

Some of the funds going to North Slope entities from new oil fields on the North Slope, such as Willow in the National Petroleum Reserve-Alaska, or NPR-A, and Pikka, on state lands, are under traditional mechanisms, such as North Slope Borough property taxes on industry facilities and Arctic Slope Regional Corp.’s share of royalties under the Alaska Native Claims Settlement Act from state leases at Pikka. But other provisions in federal law requiring the state to give priority to projects to mitigate impacts on communities of NPR-A oil production is unusual. The requirement, now in state law as well, has the Legislature appropriating funds from the state’s 50% share of NPR-A federal royalties. In FY 2024 this amounted to \$41.54 million in grants to the communities. The amount available will increase sharply when ConocoPhillips begins production at its new Willow field in 2029. Over 30 years, Willow’s most productive years, the cumulative share of royalties would reach \$3 billion.

State statutes are very liberal on what constitutes “impact” from oil production and in the three decades the program has existed (NPR-A revenues were small over most of that time) the communities funded general government, cultural centers, boat ramps, alcohol treatment and a variety of other public services, including infrastructure like inter-community winter trails. State law requires that funds left, and not used by the communities, go to fund other state programs such as to the Alaska Permanent Fund, rural Power Cost Equalization and, if any money is left, the state General Fund

### **Here’s the controlling language in federal and state law:**

“In the allocation of such funds (The NPR-A Community Impact Fund) 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 section.” This issue has been tested in court. Prior to 1984 the Legislature essentially used the state’s 50% NPR-A revenue share for general government, but the City of Barrow sued, arguing that the Legislature was failing to comply with the intent of the federal NPR-A law. Barrow won, and the Legislature reconstituted the program in its current state.

However, as time goes on and state finances continue to tighten, the Legislature will likely revisit this. One statute change that would likely comply with the Barrow v. State decision is to tighten the definition of projects that qualify as “impacts” from petroleum (the current definition is very loose) which would have the effect of disqualifying many projects. These could be funded instead by the North Slope Borough from its general funds, or by the state. This will be particularly important in 2029, when Willow starts operation. The NPR-A Community Impact Fund is well-intentioned, with its genesis in 1976 when the North Slope Borough asked Alaska Sen. Ted Stevens to insert the language in the federal legislation transferring the NPR-A from the U.S. Navy to the Department of the Interior. At the time, construction of the trans-Alaska oil pipeline was in full swing and Alaska communities like Fairbanks and Valdez were heavily affected by economic and social impacts.

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## . . . Education . . .

### **New state student assessments renew contentious debate over education**

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State DEED Commissioner Deena Bishop said, “we are not meeting” expectations and that it is time to “move the discussion beyond funding levels” (to schools) and focus on student achievement, by which Bishop meant the governor’s policy proposals, which are controversial in the Legislature and the education community. Education advocates took this as a dig at their push for more and more reliable funding for schools in deference to the governor’s ideas, many of which are championed by national conservative groups. Caroline Storm, director of the Coalition for Education Equity, said: “It is disappointing that the Commissioner issued a press release disparaging the efforts of Alaska school districts. School district leaders have spent years trying to balance budgets as state funding has not kept pace with inflation. Cutting teachers, aides, support staff and administrative positions is not going to lead to improved outcomes no matter how many times the Commissioner talks about policy and innovation,” Storm said. State Sen. Loki Tobin, D-Anch., who chairs the Senate Education Committee, said new state money approved by legislators earlier this year is just starting to show up in schools and wouldn’t have affected student scores in the AK STAR assessments, which were done earlier. The assessments show minor growth in reading in grades 3-5 and grade 8 and a 2% increase in math scores in grades 4, 5 and 8. Other grade levels showed performance stagnant and in some cases declining, Commissioner Bishop said.

### **Should NPR-A impact money be shared?**

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At the time the state was short of money to help municipalities deal with the impacts, which were severe. North Slope communities were worried and felt that the NPR-A impact fund could ensure that similar shortages of money wouldn’t impede their ability to deal with problems. However, so far no problems have developed and in fact seem unlikely given that NPR-A drilling and pipeline work won’t begin to approach the scale of TAPS construction in the 1970s.

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