

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
5972 HOUSE RESOURCES

976

HOUSE COMMITTEE REPORT

(9)

Date Referred: January 9, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 1-19-89

The RESOURCES Committee recommends that:

HOUSE BILL NO. 8 [KACHEMAK BAY STATE PARK & WILDERNESS PARK]
"An Act relating to the addition of land to Kachemak Bay State Park and Kachemak Bay State Wilderness Park."

[] be replaced with _____ [] the same title
[] a new title

[] have attached amendment(s)

- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact
- zero fiscal note
- zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published: _____
- [] zero fiscal notes(s) published: _____

SIGNING DO PASS:

Cliff Davidson
Mike Navane
Richard Foley
Bob Hill
Carl ...

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Bob Hill No-Rec.
Walt Furnace No Rec.

Cliff Davidson
Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: 4/20/88 Agency Affected: DNR
 Title: Addition to Kachemak Bay
State Park BRU: Park Management
 Sponsor: Navarre/Swackhammer Components: _____
 Requestor: Senate Resource Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 89 | FY 90 | FY 91 | FY 92 | FY 93 | FY 94 |
|------------------------|-------|-------------|-------------|-------------|-------------|-------------|
| PERSONAL SERVICES | | 16.5 | 16.5 | 16.5 | 16.5 | 16.5 |
| TRAVEL | | .5 | .5 | .5 | .5 | .5 |
| CONTRACTUAL | | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| SUPPLIES | | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| EQUIPMENT | | 1.0 | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | 20.0 | 19.0 | 19.0 | 19.0 | 19.0 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|---------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|--|-------------|-------------|-------------|-------------|-------------|
| GENERAL FUND | | 20.0 | 19.0 | 19.0 | 19.0 | 19.0 |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | | 20.0 | 19.0 | 19.0 | 19.0 | 19.0 |

POSITIONS:

| | | | | | | |
|-----------|--|---|---|---|---|---|
| FULL-TIME | | | | | | |
| PART-TIME | | 1 | 1 | 1 | 1 | 1 |
| TEMPORARY | | | | | | |

ANALYSIS : (Attach a separate page if necessary)

HB 8 provides for additions to Kachemak Bay State Park and Wilderness Park of important public access points, scenic and recreational values, marine and upland habitat and areas which will enhance the tourism potential of the area.

Prepared by: Neil C. Johannsen Phone: 762-2600
 Division: Parks & Outdoor Recreation Date: 1/17/89

Approved by Commissioner: Lennie Gorsuch Date: 1-19-89
 Agency: Department of Natural Resources

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

| | | | | |
|---------------------------------|-------------------|-----------------------|-------------------|-----------------------------|
| Position Title Park Ranger I | | No. of Positions 1 | Range/Step 14A | Barg. Unit GGU |
| Time Status PPT | Start Months 5 | Location Homer | | Election District D, 5-A |
| Type of Expenditure | | Amount | | |
| 1 | 2 | 3 | | |
| Salary | 12.2 | | | |
| Benefits | 4.3 | | | |
| Premium Pay | | | | |
| Other | | | | |
| Total Personal Services | | 16.5 | | |
| Travel | | .5 | | |
| Contractual | | 1.0 | | |
| Commodities | | 1.0 | | |
| Equipment | | 1.0 | | |
| Other | | | | |
| Total Cost | | 20.0 | | |
| Funding Source for Total Cost | | | | |
| Federal Receipts | 1002 | | | |
| G. F. Match | 1003 | | | |
| General Fund | 1004 | 20.0 | | |
| I-A Receipts | 1006 | | | |
| CIP Receipts | 1051 | | | |
| Other | | | | |
| | | | | |
| | | | | |
| | | | | |

Justification
 HB 244 - Funding for a five-month seasonal Park Ranger I to be stationed in Homer. The ranger will be responsible for visitor services, resource protection, recruiting and supervising volunteers, park development and emergency services. Access to the park is primarily by water and visitors often encounter difficult tidal and weather conditions. The ranger provides essential public safety services and visitor information.

**Request For
New Position**

Agency NATURAL RESOURCES
 BRU Parks & Outdoor Recreation
 Component Parks Management

FY 90

Page 1 of 1
 Revised Date 1/17/89

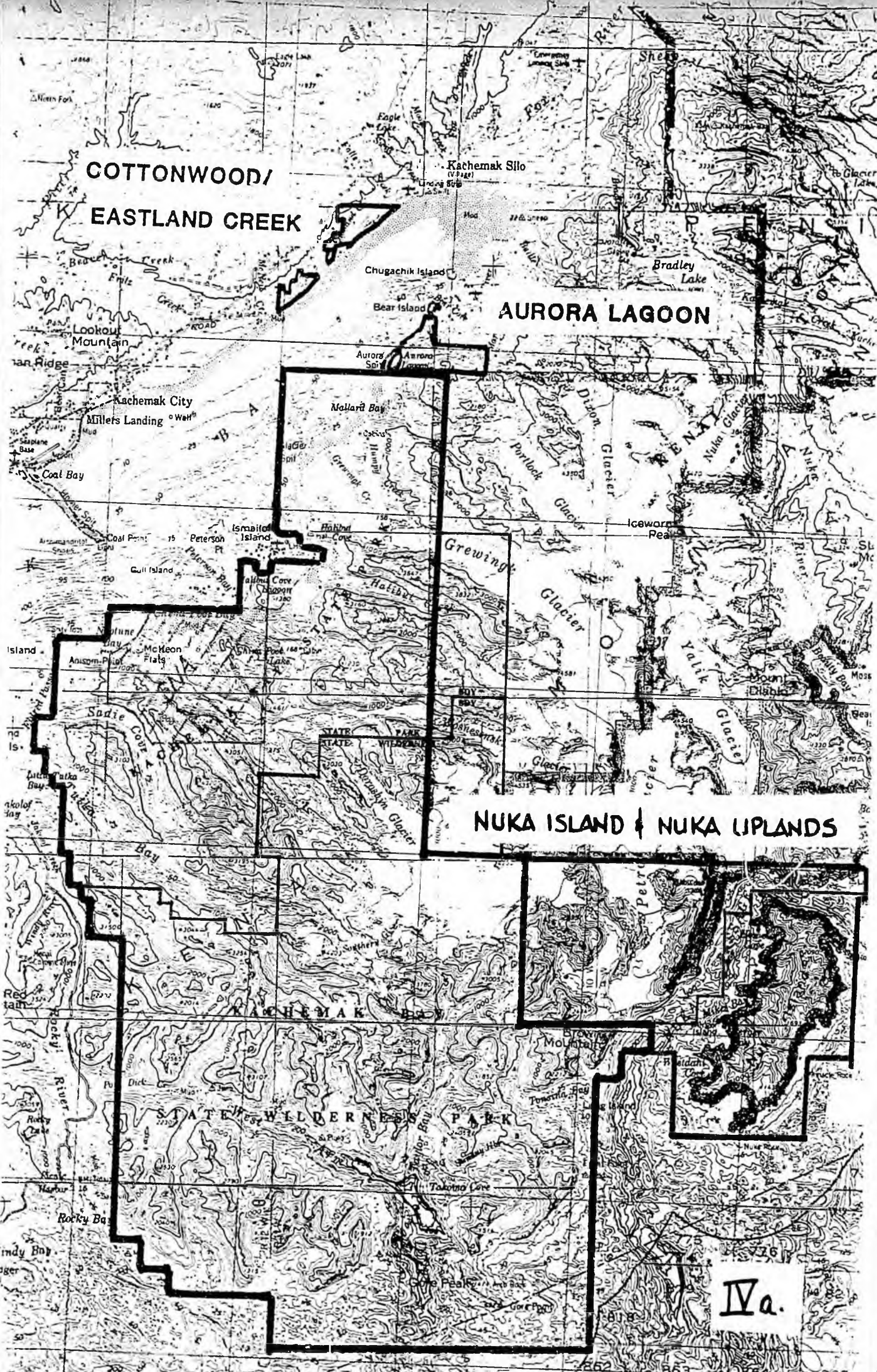
COTTONWOOD/
EASTLAND CREEK

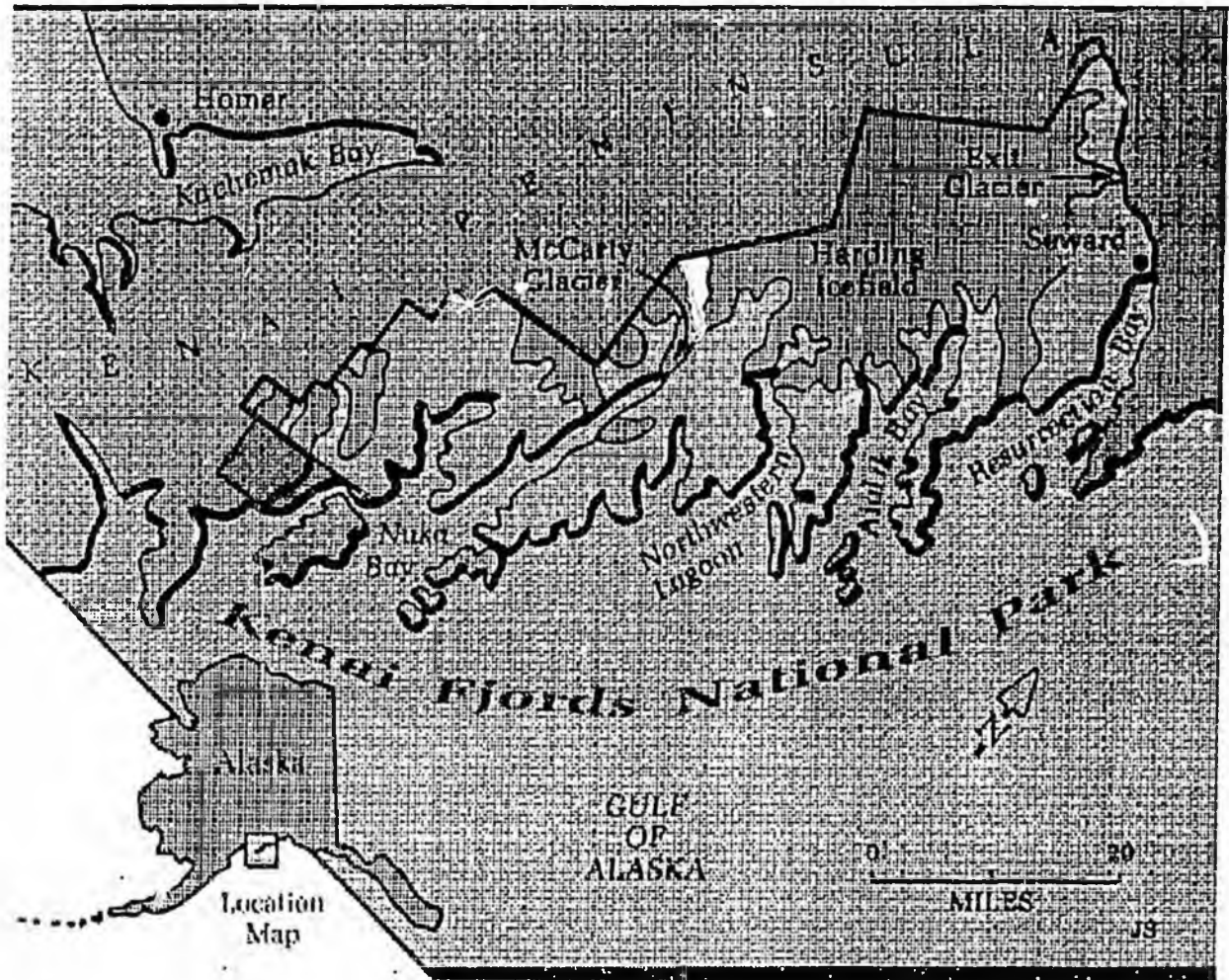
AURORA LAGOON

NUKA ISLAND & NUKA UPLANDS

STATE WILDERNESS PARK

IVa.





Reprinted from Alaska Magazine February 1988

IV b.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1798
PHONE: (907) 485-2400

January 18, 1989

The Honorable Curt Menard, Co-Chair
The Honorable Cliff Davidson, Co-Chair
House Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Representatives Menard and Davidson:

Subject: House Bill 8 adds two parcels totaling 4,800 acres to Kachemak Bay State Park and one parcel of 42,000 acres to Kachemak Bay State Wilderness Park.

Position: The Department of Natural Resources supports HB 8. The completion of the University of Alaska land settlement and the Mental Health lands agreement removed any actively competing interests in these lands.

Background: HB 8 has enjoyed wide support from the community of Homer with resolutions of support from the City of Homer, the Kenai Peninsula Borough, Homer Businessmen's Association, Chamber of Commerce and Visitor's Association, and from Commercial Fishing Groups.

Lands included in HB 8 include,

Aurora Lagoon: A 2,500 acre marine tidal estuary and rich habitat with associated uplands immediately adjacent to Kachemak Bay State Park. The lagoon is the site of several nesting eagles, and an important inter-tidal area. The area has a significant cultural history and is the location of the DeLaguna early man discovery. The lagoon is a major access point to the park and one of the very few safe boat anchorages along the parks' coastline.

Cottonwood/Eastland Creek: This 2,300 acre coastal bluff uplands on the Homer side of Kachemak Bay is the only public land along the entire coastline from Homer to the head of the bay. The area is accessible by East End Road and offers excellent potential for outstanding scenic vistas, trails, camping, and natural history interpretation. There is no other comparable parcel of land near Homer which offers such recreational opportunities for the local community and visitors.

Representative Menard
Representative Davidson

- 2 -

January 18, 1989

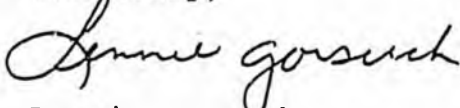
Nuka Island and Uplands: Nuka Island and uplands associated with Petrof glacier will become part of Kachemak Bay State Wilderness Park. Nuka island, located along the outer Gulf Coast, has a rugged landscape and high energy beaches exposed to wind and waves. The island is largely mountainous, but the west side has a number of attractive bays which offer good opportunities for recreational boat anchorages. The University land settlement provides the University with two 25 acre parcels in two bays for development of a wilderness lodge and recreational facilities associated with glacier trips, sealife tours, flight seeing, and excursions. The island is home to several nesting bald eagles and is a haul out area for the Stellar sea lion. Large concentrations of harbor seals and otters are common to the area. The island is an important seabird rookery with concentrations of kittiwakes, tufted and horned puffins, comorants, murre, murrelets and petrels. A survey conducted by the USFWS found Nuka Island to be one of the most heavily used bald eagle nesting areas along the entire south Kenai coast.

Timber resources on the island are marginal due to the exposed coast, rugged terrain, and a tree line ending at 500 feet elevation. The primary commercial tree stands are located on the mainland and are not included in this legislation.

Mineral potential on Nuka Island is considered poor for either minerals or sand, gravel, or construction materials. The geologic formation consists primarily of slates, greywacke, and easily eroded thinly bedded phyllites which are not known for their mineral potential. The island is unusual in that it is not a granite rock island like others in the region which contain gold in lode deposits. There are no mining claims on the island.

The department looks forward to working with the sponsor and the committee on this legislation.

Sincerely,



Lennie Gorsuch
Commissioner

cc: Bill Sponsor
Committee Members
Bob Evans

Packet Index:

- I. Memo from Rep. Navarre to Resources Committee
- II. Copy of HB 8
- III. Justification Summary
- IV.
 - (a). Map of additions
 - (b). Reproduction of map from Feb 1988 Alaska Magazine article about Kenai Fjords National Park.
- V. Resolutions of Support (for H' from last year).

JUSTIFICATION SUMMARY

NUKA ISLAND AND NUKA UPLANDS: 42,092 ACRES +/-

Nuka Island has been identified in the U.S. Congressional Record for inclusion within the boundary of the Kenai Fjords National Park. As state land, it obviously cannot be part of Kenai Fjords, but this is a good illustration of the nationally significant values this island area possesses.

(As a matter of fact, the February 1988 edition of Alaska Magazine contains an article on the Kenai Fjords National Park. The article and its accompanying illustrations still indicate Nuka Island and a portion of the Nuka uplands as part of the national park.)

Some of the significant values are:

- * The area has some of the most varied life representation of littoral and sub-littoral marine ecosystem along the Kenai Fjord area.
- * The outstanding scenic beauty complements hiking, fishing, boating and other similar recreational opportunities.
- * Management of a commercial lease for facility development on the west side of the island corresponds with the current Nuka Island Management Plan. Development of recreational and tourism use by the Division of Parks and Outdoor Recreation make Nuka Island the logical "jumping off" point for enjoyment of Kachemak Bay State Wilderness Park, Kenai Fjords National Park, and the island itself.
- * It is the only potential development link between Seward and Homer, via cruise ship and state ferry system, and is the only sheltered potential development site from Gore Point to Cape Resurrection that is also safe from earthquake and tsunami waves.
- * Nuka Island has been identified by the Kachemak Bay State Park Citizen's Advisory Board for inclusion into the park since 1982. The Nuka Island Management Plan, completed in December of 1986, cites the island's high recreational potential.

NOTE: The State of Alaska's settlement with the University of Alaska has been reached, and certain Nuka Island lands are a part of this settlement. Two sites, which are available for commercial lodge development under the Department of Natural Resources' Nuka Island Management Plan, will be transferred to the University. These consist of approximately 25 acres at Herring Pete's Cove, and 25 acres at either Mike's Bay or Home Cove. The sites were to be selected by January 1, 1989, with conveyance subject to the conditions set forth in the management plan. At this writing, staff is making inquiries to ascertain if the University has finalized its selection of those sites. In any event, provisions are made in HB 8 for the tentative sites.

JUSTIFICATION SUMMARY

COTTONWOOD CREEK & EASTLAND CREEK: 2,310 ACRES +/-

The Cottonwood-Eastland Creek parcels have been under consideration as potential park for over a decade. In 1979, the Division of Parks and Outdoor Recreation completed a recreational development feasibility study on these parcels.

While these lands are not contiguous to the balance of Kachemak Bay State Park, they will meet a strong need for recreational park land near Homer that can be readily developed. The nearest developed state park facility is the Anchor River State Recreational Area (approximately 16 miles north of Homer, on the Sterling Highway), which is primarily used for fishing and camping. The Homer Spit is the only other area with public recreational facilities (operated by the City of Homer), and the summer impact to the Spit will be relieved somewhat by development of Cottonwood-Eastland.

There are also identified archaeological sites in the area. The 1979 feasibility study noted this, and recommended investigation, evaluation and excavation, if necessary, to preserve and protect these sites. Transfer to park status would help assure this protection.

Other justification for inclusion of these parcels in this legislation include:

- * High scenic and wildlife values.
- * Developed road to area.
- * Strong possibility of year-round public use, once facilities are developed.

AURORA LAGOON: 2,553 ACRES +/-

This is a logical adjustment to the boundary of the park. In discussion with former legislators, it seems apparent that the omission of Aurora Lagoon from the original legislation creating Kachemak Bay State Park was an oversight. Currently, the lagoon is heavily utilized for recreational pursuits.

Aurora Lagoon itself offers not only high scenic and recreational values, but is one of the few areas of safe high tide moorage in this area of Kachemak Bay that is unaffected by inclement weather. In addition, there are good beach landing sites for small craft.

Other justifications include:

- * Excellent camping and hiking potential.

JUSTIFICATION SUMMARY

- * Strong potential as a public use cabin site.
- * Good recreational fishing in area - salmon, crab, clams.
- * The Kachemak Bay State Park Citizen's Advisory Board has identified Aurora Lagoon for inclusion in the park since 1984.
- * Commercial development (a wilderness lodge) is taking place on private land at nearby Bear Cove, and state park status of these public lands would enhance and encourage recreation in the Aurora Lagoon/Bear Cove area. This is an excellent area for trail development, with high scenic and recreational use.



CITY OF HOMER

CITY HALL

491 EAST PIONEER AVE.

HOMER, AK 99603-7624

FACSIMILE (907) 235-3140

(907) 235-8121

V

February 12, 1983

Representative Mike Navarre
P. O. V
Juneau, AK 99811

Dear Mike:

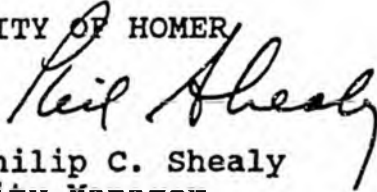
Enclosed please find a copy of Resolution 88-5 supporting House Bill 244 relating to the addition of land to Kachemak Bay State Park and Kachemak Bay State Wilderness Park as unanimously adopted by the Homer City Council on Monday, February 8, 1988.

Kachemak Bay State Park attracts thousands of visitors annually therefore the City of Homer is interested in protecting and preserving lands in the bay area for recreational and scenic use by both residents and tourists. We believe that your support of House Bill 244 is an excellent example of preservation of a valuable resource and should be promoted if at all possible.

We are grateful for your support of House Bill 244 and hope you will call upon us if we may be of any further assistance in this matter.

Sincerely,

CITY OF HOMER


Philip C. Shealy
City Manager

PCS/rah

Enclosure

CITY OF HOMER
HOMER, ALASKA

RESOLUTION 88-5

A RESOLUTION OF THE HOMER CITY COUNCIL SUPPORTING HOUSE BILL 244 RELATING TO THE ADDITION OF LAND TO KACHEMAK BAY STATE PARK AND KACHEMAK BAY STATE WILDERNESS PARK.

WHEREAS, House Bill 244 adds several parcels of state land in the Kachemak Bay area to the existing Kachemak Bay State Park (KBSP) and Kachemak Bay State Wilderness Park (KBSWP); and

WHEREAS, House Bill 244 has the strong support of the Kachemak Bay State Park Citizens' Advisory Board as well as the Homer Parks and Recreation Commission; and

WHEREAS, Kachemak Bay State Park attracts thousands of visitors annually to enjoy its mountains, glaciers, waters and forest for their recreational, scenic and wildlife values; and

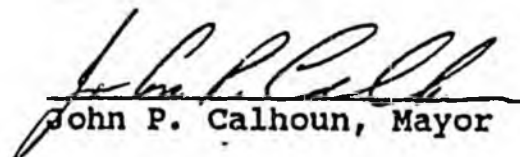
WHEREAS, the City of Homer has an interest in protecting and preserving lands in the Kachemak Bay area for the recreational and scenic uses of both residents and tourists.

NOW, THEREFORE, BE IT RESOLVED that the Common Council of the City of Homer supports House Bill 244 relating to the addition of land to Kachemak Bay State Park and Kachemak Bay State Wilderness Park.

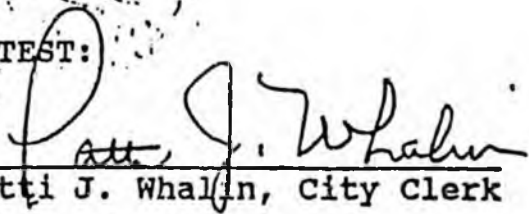
BE IT FURTHER RESOLVED that the City Manager is authorized to send copies of this resolution of support to Representative Mike Navarre, Representative C. E. Swackhammer and Senator Paul Fischer as well as Governor Cowper and Dave Stutzer, Chair of the Kachemak Bay State Park Citizens' Advisory Board and respectfully urge support of the expansion of the parks.

DATED at Homer, Alaska this 8th day of February, 1988.

CITY OF HOMER


John P. Calhoun, Mayor

ATTEST:


Patti J. Whalin, City Clerk

Introduced by: Phillips
Date: February 16, 1988
Action: Adopted
Vote: 13 Yes, 3 No

KENAI PENINSULA BOROUGH

RESOLUTION 88-15

ENDORISING HOUSE BILL 244, RELATING TO THE ADDITION OF LAND TO KACHEMAK BAY STATE PARK AND KACHEMAK BAY STATE WILDERNESS PARK

WHEREAS, the Kenai Peninsula Borough has an interest in protecting and preserving recreation and scenic use lands within its boundaries; and

WHEREAS, Kachemak Bay State Park attracts thousands of visitors annually to enjoy its mountains, glaciers, waters and forests for their recreational, scenic and wildlife values; and

WHEREAS, other available State lands in the Kachemak Bay area have been identified as appropriate park lands and will, as park lands, enhance the recreational and tourism potential of the Kachemak Bay area; and

WHEREAS, State park properties on the Homer side of Kachemak Bay will help meet the need for year-round road-accessible recreation on the Southern Peninsula; and

WHEREAS, the State lands proposed for additions are free of conflicting claims and interests, following the University settlement and the Mental Health Lands Trust agreement;

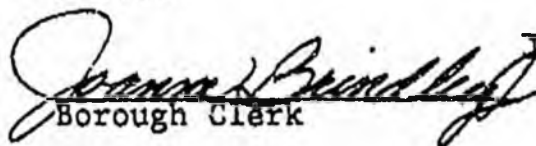
NOW THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

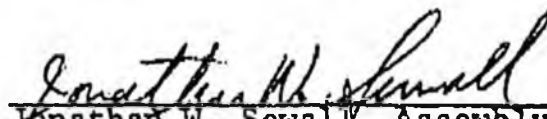
Section 1. That the Kenai Peninsula Borough endorses House Bill 244.

Section 2. That copies of this resolution be sent to Governor Cowper, Senator Paul Fischer, and Representatives Mike Navarre and C. E. Swackhammer.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH ON THIS 16th DAY OF February, 1988.

ATTEST:


Borough Clerk


Jonathan W. Sewall, Assembly President

Alaska State Legislature



WHILE IN SESSION
PO BOX 7
JUNEAU, ALASKA 99811
(907) 485-3779
HOUSE MAJORITY CLERK

HOME ADDRESS
PO BOX 169
KENAI, ALASKA 99811
(907) 262-9366
DISTRICT 5

Representative Mike Navarre

January 17, 1989

MEMORANDUM

TO: All members, House Resources Committee

FROM: Representative Mike Navarre

SUBJECT: House Bill 8, "An Act relating to the addition of land to Kachemak Bay State Park and Kachemak Bay State Wilderness Park"

Attached is back-up material for the above legislation. The measure was originally introduced last session at the request of the Kachemak Bay State Park Advisory Board (as HB 244), and passed the House by a wide margin. Unfortunately, the measure died in the Senate Rules Committee during the final hours of the Fifteenth Legislature.

The bill has been endorsed (as HB 244) by the City Council of Homer, by the Kenai Peninsula Borough Assembly, and by numerous citizen's groups and individuals. They feel, as I do, that due to the high recreational and/or wilderness value of these lands, it is in the best public interest for them not only to be maintained as public lands, but to be managed by the Division of Parks and Outdoor Recreation.

There is one change from last year's bill - the McDonald Spit lands (some 16 acres) within HB 244 are not contained in this measure. Due to the recently revived land exchange negotiations between the State and Seldovia Native Association (SNA) for SNA's inholdings within Kachemak Bay State Park, these lands have been dropped from the bill. McDonald Spit has potential for inclusion as part of a pool of lands offered to SNA as part of the exchange.

I respectfully urge the House Resources Committee's favorable consideration of House Bill 8.

HB

9

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 3, 1989

The Honorable Curt Menard
Co-Chairman
House Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Representative Menard:

To assist with your review of the ANWR issues, I have enclosed a brief breakdown of ANWR related funding and expenditures for FY 88, FY 89 and the proposed FY 90 budget as submitted in the Office of the Governor operating budget.

In addition to the Governor's Office information, I have included the expenditures for the Departments of Fish and Game, Natural Resources, and Environmental Conservation. These expenditures have been funded from existing departmental operating budgets.

Please call me if you need additional information.

Sincerely,

A handwritten signature in cursive script that reads "Michael A. Nizich".

Michael A. Nizich
Director, Division of
Administrative Services

Enclosure

cc: House Resources Committee

OFFICE OF THE GOVERNOR

ARTIC

NATIONAL

WILDLIFE

REFUGE

FY 88 - FY 89

FY 90 PROPOSED

FUNDING DATA

FY 88 ANWR APPROPRIATION

Office of the Governor, Washington, D.C.

| | |
|-------------|-------|
| Pers. Svcs. | 50.3 |
| Travel | 28.4 |
| Contractual | 285.4 |
| Total: | 364.1 |
| Staff: | 1 PFT |

ANWR was administered by the Special Counsel/State Federal Relations in the Governor's Washington, D.C., Office.

CONTRACTS:

| | |
|---|-----------------------|
| - O'Connor & Hannon | ANWR Lobbyist |
| Total Expenditures: | \$103,730 |
| - Evans/Kraft Bean & Burson Marsteller | ANWR Public Relations |
| Total Expenditures: | \$108,000 |

RSAs:

| | |
|--|--------------|
| - Department of Environmental Conservation | |
| "To provide funding for the Department of Environmental Conservation for ANWR-related personal services and travel expenses. | |
| Total Encumbrance: | \$ 93,070.00 |
| Billings to date: | 18,501.89 |
| Balance: | \$ 74,568.11 |

Breakdown of RSA:

| | |
|-------------|-----------|
| Pers. Svcs. | 11,070.00 |
| Travel | 7,000.00 |
| Contractual | 75,000.00 |

FY 88 Agency Expenditures for ANWR:

- Department of Fish and Game

| | |
|---|--------|
| Wildlife Conservation, Habitat, and Subsistence staff time | 72,100 |
|---|--------|

| | |
|---|--------|
| Wildlife Conservation, Habitat, and Subsistence travel | 16,000 |
|---|--------|

| | |
|--------|-----------|
| TOTAL: | \$ 88,100 |
|--------|-----------|

- Department of Natural Resources

| | |
|--|--------|
| Staff time for legislative review, and expert testimony | 15,600 |
|--|--------|

| | |
|--|--------|
| Travel to Washington, D.C., and North Slope | 26,900 |
|--|--------|

| | |
|---|-------|
| Materials for maps, charts, and other information provided to Congress | 2,500 |
|---|-------|

| | |
|--------|-----------|
| TOTAL: | \$ 45,000 |
|--------|-----------|

FY 88 funding for the Departments of Fish and Game and Natural Resources was made available from existing departmental operating budgets.

FY 89 ANWR APPROPRIATION

Office of the Governor, Washington, D.C.

| | |
|---------------|--------|
| Pers. Svcs. | 54.5 |
| Travel | 28.4 |
| Contractual | 107.1 |
| Miscellaneous | (20.0) |
| Total: | 170.1 |
| Staff: | 1 PFT |

CONTRACTS:

| | |
|---------------------|---------------|
| - O'Connor & Hannon | ANWR Lobbyist |
| Encumbrance: | \$64,804.70 |

FY 89 Projected Agency Expenditures:

| | | |
|--|--------|-----------|
| - Department of Environmental Conservation | | |
| ANWR related staff time | | 11,655 |
| | TOTAL: | \$ 11,655 |
| - Department of Fish and Game | | |
| Wildlife Conservation, Habitat, and Subsistence staff time | | 35,400 |
| Wildlife Conservation, Habitat, and Subsistence travel | | 6,100 |
| | TOTAL: | \$ 41,500 |
| - Department of Natural Resources | | |
| Staff time for ANWR legislation review and hearings | | 16,400 |
| Travel to Washington, D.C. and North Slope | | 26,800 |
| Materials for maps, etc. | | 1,300 |
| | TOTAL: | \$ 44,500 |

FY 89 funding for the Departments of Environmental Conservation, Fish and Game, and Natural Resources is made available from existing departmental operating budgets.

STATE OF ALASKA
 OFFICE OF MANAGEMENT & BUDGET
 DIVISION OF BUDGET REVIEW

FY '90 DRAFT OPERATING BUDGET (DEC. 15, 1988 RELEASE)

AGENCY: OFFICE OF THE GOVERNOR
 COMPONENT: ARCTIC NATIONAL WILDLIFE REFUGE

BUDGET REQUEST UNIT: EXECUTIVE OPERATIONS

***** COMPARISON OF AGENCY SUBMISSION TO GOVERNOR'S PROPOSAL *****

| DESCRIPTION | REF NUM | TRANS TYPE | PROPOSED BY | ----- AGENCY SUBMISSION ----- | | | ----- GOVERNOR'S PROPOSAL ----- | | | | | | |
|--|------------|---------------|----------------|-------------------------------|-----|-------|---------------------------------|-----------|-----|-----|-------|----------|-----------|
| | | | | PFT | PPT | TOTAL | GEN FUND | OTH FUNDS | PFT | PPT | TOTAL | GEN FUND | OTH FUNDS |
| FY '89 LEGISLATIVE CONFERENCE COMMITTEE | | | | 1.0 | 0.0 | 170.0 | 170.0 | 0.0 | 1.0 | 0.0 | 170.0 | 170.0 | 0.0 |
| Projected FY '90 Health Benefit Adjustment (\$1.6) | 2007 | MISADJ | OMB | 0.0 | 0.0 | 1.6 | 1.6 | 0.0 | 0.0 | 0.0 | 1.6 | 1.6 | 0.0 |
| Line Item Transfer to Offset Miscellaneous | | | | | | | | | | | | | |
| Reduction Imposed by the Legislature | 3006 | LIT | AGENCY | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Personal Services Shortfall | 3007 | LIT | AGENCY | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *** COMPONENT TOTALS *** | | | | 1.0 | 0.0 | 171.6 | 171.6 | 0.0 | 1.0 | 0.0 | 171.6 | 171.6 | 0.0 |

***** DERIVATION OF FY '90 PROPOSAL, BY IMPACT AND LINE ITEM *****

| DESCRIPTION | REF NUM | PERSONAL SERVICES | TRAVEL | CONTRACTUAL | | | LAND/ BUILDINGS | GRANTS/ CLAIMS | MISC. | TOTALS |
|--|------------|----------------------|--------|-------------|-------------|-----------|--------------------|-------------------|-------|--------|
| | | | | SERVICES | COMMODITIES | EQUIPMENT | | | | |
| FY '88 ACTUAL EXPENDITURES (NON-ADD) | | 53.3 | 0.0 | 313.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 367.1 |
| FY '89 LEGISLATIVE CONFERENCE COMMITTEE | | 54.5 | 28.4 | 107.1 | 0.0 | 0.0 | 0.0 | 0.0 | -20.0 | 170.0 |
| Projected FY '90 Health Benefit Adjustment (\$1.6) | 2007 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 |
| Line Item Transfer to Offset Miscellaneous | | | | | | | | | | |
| Reduction Imposed by the Legislature | 3006 | 0.0 | 0.0 | -20.0 | 0.0 | 0.0 | 0.0 | 0.0 | 20.0 | 0.0 |
| Personal Services Shortfall | 3007 | 21.9 | -21.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *** COMPONENT TOTALS *** | | 78.0 | 6.5 | 87.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 171.6 |

000143

Original sponsors: Cotten, Navarre,
Leman, et al.

| | |
|----------------------------|------------------|
| <u>Funding Information</u> | |
| General Fund | \$350,000 |
| Other Funds | -0- |
| | <u>\$350,000</u> |

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 9 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Office
7 of the Governor to promote support for oil and gas
8 development in the Arctic National Wildlife Refuge;
9 and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The sum of \$350,000 is appropriated from the general fund
12 to the Office of the Governor to promote support for oil and gas
13 development in the Arctic National Wildlife Refuge among members of the
14 Congress of the United States.

15 * Sec. 2. The unexpended and unobligated balance of the appropriation
16 made by this Act lapses into the general fund June 30, 1990.

17 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).
18
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21
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23
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27
28
29

FISCAL NOTE

REQUEST:

Revision Date: 2/8/89
Title: "An Act making a special appropriation to the Office of the Governor"
Sponsor: Cotten, Navarre, Leman, Barnes
Requestor: House Resources Committee

Agency Affected: Office of the Governor
BRU: _____
Components: ANWR Lobby Efforts

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 89 | FY 90 | FY 91 | FY 92 | FY 93 | FY 94 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | 30.0 | | | | |
| TRAVEL | | 103.2 | | | | |
| CONTRACTUAL | | 216.8 | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | 350.0 | -0- | -0- | -0- | -0- |
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
| REVENUE | -0- | -0- | -0- | -0- | -0- | -0- |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|-----|-------|-----|-----|-----|-----|
| GENERAL FUND | -0- | 350.0 | -0- | -0- | -0- | -0- |
| FEDERAL FUNDS | -0- | -0- | | | | |
| OTHER | -0- | -0- | | | | |
| TOTAL | -0- | 350.0 | -0- | -0- | -0- | -0- |

POSITIONS:

| | | | | | | |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | -0- | .5 | -0- | -0- | -0- | -0- |
| PART-TIME | -0- | -0- | | | | |
| TEMPORARY | -0- | -0- | | | | |

ANALYSIS : (Attach a separate page if necessary)

Please see attachment:

NOTE: This fiscal note assumes an appropriation period of twelve months from July 1, 1989 through June 30, 1990.

Prepared by: Representative Curt Menard *Curt Menard* Phone: 465-4944
Division: Chairman, House Resources Committee Date: 2/8/89

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

OFFICE OF THE GOVERNOR

EXECUTIVE OFFICE

Travel \$ 28.0

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$129.0

Expanded lobbyist effort @ \$18.0 per month. ANWR operating budget presently includes \$87.1, an additional \$129.0 is required.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Travel \$ 26.7

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$ 3.3

Printing, duplication, distribution of reports, materials and preparation of graphics.

DEPARTMENT OF FISH AND GAME

Travel \$ 18.5

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

DEPARTMENT OF NATURAL RESOURCES

Travel \$30.0

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional Committees. In-State travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$30.0

Costs for materials and contractual services to produce graphics, briefing booklets, displays used in hearings and briefings.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

Personal Services \$30.0

Provide 1/2 time liaison and logistical services for Kaktovik to alleviate impact experienced by village due to personnel and Congressional travel to ANWR

RESERVE CONTRACTUAL FUND \$54.5

TOTAL: \$350.0



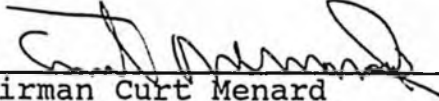
Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

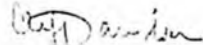
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3715

LETTER OF INTENT

It is the intent of the House Resources Committee that CS HB 9 (RES) include a reserve contractual fund of \$54,500 for unanticipated contractual services which may become necessary during FY 90. The reserve contractual fund would be available to the Executive Office of the Governor, the Department of Natural Resources, the Department of Environmental Conservation, and the Department of Fish and Game on an as needed basis and allocated at the discretion of the Governor. This particular fiscal item is in addition to the \$162,300 itemized for contractual services by the Office of the Governor.



Co-Chairman Curt Menard



Co-Chairman Cliff Davidson

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Office of the Governor
 Title: "An Act making a special appropriation to the Office of the Governor..." BRU: ANWR
 Sponsor: Cotten, Navarre, Leman, Barnes Components: ANWR Lobby Effort
 Requestor: House Resources

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 89 | FY 90 | FY 91 | FY 92 | FY 93 | FY 94 |
|------------------------|-------|----------------|------------|------------|------------|------------|
| PERSONAL SERVICES | | 30.0 | | | | |
| TRAVEL | | 103.2 | | | | |
| CONTRACTUAL | | 162.3 | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | 1,204.5 | | | | |
| TOTAL OPERATING | | 1,500.0 | -0- | -0- | -0- | -0- |
| CAPITAL | | -0- | -0- | -0- | -0- | -0- |
| REVENUE | | -0- | -0- | -0- | -0- | -0- |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|--|----------------|------------|------------|------------|------------|
| GENERAL FUND | | 1,500.0 | -0- | -0- | -0- | -0- |
| FEDERAL FUNDS | | -0- | | | | |
| OTHER | | -0- | | | | |
| TOTAL | | 1,500.0 | -0- | -0- | -0- | -0- |

POSITIONS:

| | | | | | | |
|-----------|--|-----|-----|-----|-----|-----|
| FULL-TIME | | .5 | -0- | -0- | -0- | -0- |
| PART-TIME | | -0- | | | | |
| TEMPORARY | | -0- | | | | |

ANALYSIS : (Attach a separate page if necessary)

Please see attachment

NOTE: This fiscal note assumes an appropriation period of twelve months from July 1, 1989 through June 30, 1990

Prepared by: Michael A. Nizich, Director Phone: 465-3616
 Division: Administrative Services Date: 2-2-89

Approved by Commissioner: Garrev M. Peska Date: February 2, 1989
 Agency: Chief of Staff

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

OFFICE OF THE GOVERNOR

EXECUTIVE OFFICE

Travel \$ 28.0

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$129.0

Expanded lobbyist effort @ \$18.0 per month. ANWR operating budget presently includes \$87.1, an additional \$129.0 is required.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Travel \$ 26.7

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$ 3.3

Printing, duplication, distribution of reports, materials and preparation of graphics.

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DEPARTMENT OF NATURAL RESOURCES

Travel \$ 30.0

Travel and per diem to Washington, D.C. to provide testimony before Congress, meet with Congressional committees. In-state travel including ANWR and North Slope field visits, meetings and hearings.

Contractual \$ 30.0

Costs for materials and contractual services to produce graphics, briefing booklets, displays used in hearings and briefings.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

Personal Services \$ 30.0

Provide 1/2 time liaison and logistical services for Kaktovik to alleviate impact experienced by village due to personnel and Congressional travel to ANWR.

TOTAL: \$295.5

STATE OF ALASKA

THE LEGISLATURE

1988

Source

Legislative
Resolve No.

HCS CSS:R 7(Res) am H

47



Relating to oil and gas exploration, development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS in 1980 the United States Congress suspended the operation of the Mineral Leasing Act of 1920 (30 U.S.C. 191) on the coastal plain of the Arctic National Wildlife Refuge to allow for the study of management alternatives for the coastal plain; and

WHEREAS the coastal plain has been found to have the best potential for onshore oil and gas discoveries in the United States; and

WHEREAS Congress recognized the environmental importance of the coastal plain by placing it in the national wildlife refuge system in 1980, and the wildlife and habitat deserve a high standard of protection if oil exploration and development proceed; and

WHEREAS exploration and development of oil and gas on the coastal plain could reduce the nation's trade deficit, increase energy security, prevent erosion of the oil and gas industry, improve the national and state economies, and occur with full environmental protection and safeguards; and

WHEREAS even when the strictest standards of environmental protection are applied there still can be some risk to land, water, and wildlife from development activity, and Alaskans dependent on subsistence resources of the Arctic National Wildlife Refuge should be protected in the event that there is any damage to subsistence resources; and

WHEREAS the people of Alaska, based on the provisions of the statehood compact, are to be treated equally and fairly in the

decisions of the United States government regarding revenue sharing, leasing, and development of public lands, including the coastal plain; and

WHEREAS the state's economy is in bad condition, with high unemployment, property foreclosures, and shrinking investment; and

WHEREAS the United States Department of the Interior is exploring a number of legislative proposals for the early oil and gas development of the coastal plain;

BE IT RESOLVED that the Alaska State Legislature adopts the following consensus points on management of the coastal plain, and strongly urges Congress to act on them:

(1) the United States Congress should open the coastal plain to environmentally responsible oil and gas exploration, development, and production under the authority of the Mineral Leasing Act of 1920 (30 U.S.C. 191);

(2) the United States Congress should provide for maximum participation and job opportunity for Alaska residents in coastal plain exploration and development;

(3) the United States Congress should treat Alaska equally and fairly on revenue issues and not depart from the spirit of the statehood compact; and

(4) the United States Congress should include language in any coastal plain legislation that addresses indemnification for subsistence users in Alaska, as it did in the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1653); and be it

FURTHER RESOLVED that the Alaska State Legislature urges the state administration to be involved in all aspects of the Arctic National Wildlife Refuge oil and gas development process to ensure that the best interests of the state are protected.

COPIES of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; the Honorable Jim Wright, Speaker of the U.S. House of Representatives; the Honorable George P. Shultz, Secretary of State; the Honorable Donald P. Hodel, Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman, and the Honorable James A. McClure, Ranking Minority Member, of the Senate Committee on Energy and Natural Resources; the Honorable Quentin N. Burdick, Chairman, and the Honorable Robert T. Stafford, Ranking Minority Member of the Senate Committee on Environment and Public Works; the Honorable George J. Mitchell, Chairman, and the Honorable John H. Chafee, Ranking Minority Member of the Subcommittee on Environmental Protection of the Senate Committee on Environment and Public Works; the Honorable Morris K. Udall, Chairman of the House Committee on Interior and Insular Affairs; the Honorable George Miller, Chairman, and the Honorable Charles Pashayan, Jr., Ranking Minority Member of the Subcommittee on Water and Power Resources of the House Committee on Interior and Insular Affairs; the Honorable Walter B. Jones, Chairman, and the Honorable Robert W. Davis, Ranking Minority Member of the House Committee on Merchant Marine and Fisheries; the Honorable Gerry E. Studds, Chairman of the Subcommittee on

Fisheries and Wildlife Conservation and the Environment of the House Committee on Merchant Marine and Fisheries; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

ANWR:

WHAT'S BEST

FOR ALASKA ?

BY

SHARMAN PIPER,

AIDE TO REP. SAM COTTEN

January 19, 1987

REPRESENTATIVE
SAM COTTEN
DISTRICT 15



P.O. BOX 296, EAGLE RIVER, AK 99577
POUCH V, JUNEAU, AK 99811

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

FROM: Rep. Sam Cotten, Co-Chair,
House Committee on Natural
Resources

DATE: January 19, 1987

TO: Members of the Legislature

RE: Interim report:
"ANWR: What's
Best for Alaska?"

As many of you know, the Arctic National Wildlife Refuge (ANWR) is considered the most promising unexplored oil and gas frontier in North America. If Congress opens the refuge to development, and the area lives up to its potential, then the state of Alaska could potentially receive billions of dollars in revenues. (Alaska is entitled to 90 percent of federal royalties from ANWR; by Alaska law, a portion of this must be deposited into the Permanent Fund.)

Because of these potentially huge benefits, and their effect on Alaska's future, I decided to research the issue during the interim. My goal was to determine how the state could maximize benefits from ANWR. What I discovered is that actual benefits to the state could range widely, subject to many factors that are at the discretion of Congress.

One of the most significant such factors, and something that demands our immediate attention, is the subject of land exchanges. The federal government proposes to trade oil and gas rights in ANWR to Native corporations in exchange for land in other wildlife refuges. In doing so, the government would trade away and eliminate Alaska's 90 percent royalty share.

Other important concerns are local hire, the well-being of the Porcupine Caribou Herd and the Alaska Natives who depend on the animals for subsistence.

While it can be argued that opening ANWR under any scenario will be beneficial to the state, because of the overall boost to the economy, I think it's essential that we define the state's interests, establish a public policy and determine the best strategy for accomplishing our goals.

The attached report is not meant to be a final analysis, but is offered as a starting point for discussion. There is so much activity going on now regarding ANWR that some of this information may soon be outdated. My goal is to present an overview of key issues as well as describe some of the recent events surrounding this crucial Alaska resource.

ANWR:
WHAT'S BEST
FOR ALASKA?

by

Sharman Piper,
Aide to Rep. Sam Cotten

January 19, 1987

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I. Introduction

Whether to allow oil and gas development on the coastal plain of the Arctic National Wildlife Refuge is undoubtedly one of the most significant issues in Alaska's immediate future. Unfortunately, much of the public debate has been reduced to a battle between the oil industry and the environmental community. Within this framework it is difficult to evaluate some of the complex issues that accompany this debate -- issues that directly affect how much or how little the people of Alaska could expect to benefit from production in the refuge.

Some examples: Proposed land trades between the federal government and Native corporations could cut the state's revenues in half; whether local hire is instituted or not will directly affect Alaskan employment and income that stays in the state; the well-being of the Porcupine Caribou Herd is an international issue, of vital concern to both Alaska Natives and Yukon Indians in northwest Canada.

The purpose of this report is to highlight some of these less well known issues and describe ongoing events in order to better evaluate the costs and benefits of allowing oil and gas development in the refuge. In better understanding these issues, it is hoped that it will be possible to determine what is in the public interest.

II. What is ANWR?

The Arctic National Wildlife Refuge (ANWR) is a unique section of Alaska's northeast coast prized for both its oil and gas potential and its environmental resources. Oil industry officials say the 1.5-million-acre coastal plain of ANWR has the highest oil and gas potential of any unleased land in North America; they say ANWR oil could reduce the country's reliance on imports and thus contribute to national security. On the other hand, environmental groups note that the coastal plain is the only undisturbed arctic ecosystem in the country, that it provides outstanding habitat for a multitude of fish and wildlife resources and that it is the only area on Alaska's North Slope not open to oil and gas development. Of particular concern is the Porcupine Caribou Herd, which relies on the coastal plain for crucial calving and insect relief habitat.

ANWR is currently closed to oil and gas exploration and development and can only be opened by an act of Congress. Congressional debate over whether to open ANWR, or even to allow exploratory drilling, will likely begin this year and is certain to be controversial. Due to both legal considerations and the long lead time required for Arctic oil development, the earliest that production could reasonably be expected to occur would be around the turn of the century, should Congress decide to open the coastal plain.

From the State of Alaska's perspective, ANWR holds enormous potential for future state revenues -- income that

could run into billions of dollars. Accordingly, the state supports environmentally sound oil and gas leasing in the coastal plain of ANWR. The timing of opening ANWR is particularly attractive in view of declining production and revenues from Prudhoe Bay. Under existing terms of the Mineral Leasing Act, the state would receive 90 percent of all federal revenues (royalties, rents, bonuses) from oil and gas leasing in ANWR; the federal government would receive the remaining 10 percent. In addition, the state can collect production or severance taxes. (Royalties and severance taxes from Prudhoe Bay have been the two largest components of the state's income in recent years.)

Assuming the state continues to favor opening ANWR, and wishes to maximize revenues from ANWR oil production, there are two battles that must be fought. The first is persuading Congress to open ANWR to oil and gas activity -- something that is shaping up as a major environmental and political issue. The second battle is to protect the state's 90 percent royalty share, which is being threatened on two fronts. It is threatened on one hand by Congress, which could arbitrarily reduce the state's percentage. Already there has been discussion of a 50-50 split between Alaska and the federal government. More immediately, it is threatened by potential land trades in which the U.S. Fish and Wildlife Service (USFWS) proposes to exchange oil and gas rights in the coastal plain of ANWR to Native corporations. In return, the USFWS would receive corporation lands in other federal wildlife

refuges, thus enlarging and consolidating existing wildlife refuges in Alaska. Alaska would lose its 90 percent royalty share altogether on any tracts traded to corporations.

The Arctic National Wildlife Range was established in 1960 as a federal conservation unit, in recognition of its unique environmental and wildlife resources. In the 1980 Alaska National Interest Lands Conservation Act (ANILCA), Congress expanded the refuge from 8.9 million acres to 18 million acres and gave it its present name. Of this, 8 million acres were designated as wilderness. One and a half million acres of the coastal plain were identified by Congress as having high oil and gas potential and were slated for additional study. According to the Department of the Interior, this same 1.5 million acres has the greatest biological productivity and most wildlife activity in the refuge.

It is the Department of Interior's (DOI) responsibility to study and issue a report on the area's oil and gas potential, its wildlife and environmental resources, the effects of development, and recommend whether or not development should be allowed. The report, referred to as the "1002 report" (from Title X, Section 1002(h) of ANILCA) is being prepared by the Department of the Interior. It was due to Congress in September 1986, but is slightly behind schedule. A draft report was made public on Nov. 24, 1986 and the final report is expected to be issued in March or April 1987.

DOI had originally planned to submit the final report to Congress without public comment. However, a suit was brought against the department by Trustees for Alaska (a coalition of environmental groups) who claimed DOI had violated the National Environmental Policy Act. The suit induced the department to issue the draft report and schedule public hearings in Anchorage (Jan. 5), Kaktovik (Jan. 6) and Washington, D.C. (Jan. 9). The Trustees subsequently won their case in U.S. District Court and this decision was upheld by the Court of Appeals in December 1986. As a result, DOI scheduled the hearings and must incorporate public comments and its response to these comments in the final report. At the request of Gov. Cowper, DOI extended its original 60-day comment by two weeks; the new deadline is February 6. Governor Cowper also asked DOI to hold additional hearings in Fairbanks and Arctic Village but this request was denied.

The draft report contains a recommendation by Interior Undersecretary William Horn to allow full leasing of the coastal plain. The recommendation also asks for authority to impose restrictions in order to maintain environmental integrity. Mr. Horn's recommendation is one of five options the report sets before Congress. They are: 1) full leasing (leasing the core calving of the Porcupine Caribou Herd last); 2) partial leasing (excluding most of the core calving area); 3) allowing additional exploratory drilling; 4) no action, which maintains the refuge's present status; and 5) wilderness designation. In all cases, ANWR will remain a wildlife

refuge, managed by the U.S. Fish and Wildlife Service. The Secretary of the Interior is expected to submit his final report and recommendation to Congress in the spring.

The 1002 report will formally launch the Congressional debate over whether or not ANWR should be opened. However, environmental groups have already been organizing to get the coastal plain designated as wilderness. In the last session of Congress, Rep. Morris Udall introduced a bill that would designate the coastal plain as a wilderness; he has already re-introduced the bill before the new Congress. Alaska's Congressional delegates will soon be introducing bills to open ANWR. Pro-development groups have also formed coalitions. The most prominent is the American Coalition on Energy Security which has an Alaskan affiliate. Some are calling this issue the environmental battle of the decade.

III. Land Trades

Anticipating that Congress will open ANWR to oil and gas development, the USFWS has proposed trading subsurface oil and gas rights in the coastal plain for the surface estate to land within other federal wildlife refuges in Alaska. The apparent goal is to use ANWR oil and gas rights as leverage to consolidate and enlarge other wildlife refuges in the state. The major owners of such inholdings are the Native corporations who selected these lands as a result of the 1971 Alaska Native Claims Settlement Act (ANCSA). Because the state is also a major owner of lands in refuges, it has also

engaged in trade discussions with the USFWS in order to protect its interests. The USFWS has said it does not intend to trade away a majority of the subsurface acreage in the coastal plain, although it does not appear to have a clear policy on how much it wishes to trade.

The subject of land trades is not addressed in the 1002 report, nor has it been the subject of public discussion. Some have suggested that it is inappropriate for the USFWS to enter into negotiations before Congress has decided whether or not to allow oil and gas development in the coastal plain. Others believe believe it is inappropriate for the same agency that is doing the resource assessment to be negotiating trades. Environmentalists worry that the trade negotiations may unfairly add pressure to open the refuge. On the other hand, some of those who favor development see the Native corporations as a necessary ally in the bid to open the coastal plain. The state is concerned about keeping its 90 percent royalty share as well as being concerned about who is first in line for choosing specific oil and gas tracts. While it appears that the Department of the Interior could enact such trades at an administrative level, DOI has said that such trades will be sent to Congress for approval.

The state has repeatedly asserted both a proprietary and sovereign interest in ANWR land exchanges, saying it doesn't want negotiations or exchanges to take place without its involvement. Officials within the Department of the Interior have assured the state that the state would be consulted

before any significant steps were taken. However, land exchange agreements with Native corporations have nonetheless been worked on without state participation and are still being negotiated. More recently, the state has demanded a role in the exchange negotiations. At this time, USFWS has said that exchange agreements will be signed after the final 1002 report is issued to Congress; such signings would also presumably take place before Congress acts. However, enactment of the land exchanges would only occur if Congress chooses to open ANWR and if Congress also approves the exchanges.

A. Trades Between USFWS and Native Corporations

Both the USFWS and the Native corporations would directly benefit from the proposed exchanges. The USFWS would increase its refuge holdings in other parts of the state, and the corporations would be able to trade land with low development potential for developable land with high revenue potential. The exchanges seem less beneficial to the state, since the state would lose its 90 percent royalty share on traded tracts. However, one possible advantage to having private ownership of the subsurface rights is that development might occur more rapidly than if the federal government oversaw the leasing. The Native corporations have an additional incentive to trade some of their refuge lands. Lands selected by native corporations in federal refuges that existed upon the enactment of ANCSA are required under Section 22(g) of ANCSA to be managed as refuges, something that precludes intensive

development. (This does not affect the majority of native corporation lands.) However, because these 22(g) lands already have assured refuge status, it is unclear as to why USFWS would consider it a priority to obtain them.

To date there are four Native groups involved in land exchange efforts. They are well financed, backed by oil industry expertise, and are committed to serving the interests of their shareholders. Koniag, the Kodiak-based village-regional corporation merger, first approached the USFWS about land trades two years ago. Koniag owns land within the Kodiak National Wildlife Refuge that is of interest to the USFWS. A draft agreement between Koniag and the USFWS has been prepared and is expected to serve as a model for subsequent agreements with other exchange participants. The details of the agreement have not yet been made public, but it appears to include a fail-safe mechanism should the subsurface rights prove valueless. (If a well comes up dry, then Koniag could get its traded lands back.) It also includes a proposed 1.5 percent overriding royalty to the federal government if oil is discovered.

Another land exchange effort is being spearheaded by Cook Inlet Region, Inc. (CIRI), the Anchorage-based regional corporation. CIRI is acting on its own behalf and as the main agent for several village corporations. The CIRI consortium, known as the "Native Lands Group," is offering lands within the Bristol Bay, Calista and DOYON regional areas as well as CIRI lands within the Kenai National Wildlife Refuge. CIRI

has an experienced land trade team (some of whom participated in the Cook Inlet land exchange with the state in the mid-1970s) and appears to offer land of significant interest to the USFWS.

The remaining two native groups currently involved in land exchange efforts are DOYON, Ltd., based in Fairbanks, which is offering about 600,000 acres for exchange, and the Akhiokaguyak Corporation, located on Kodiak Island.

A major stumbling block in the land exchange negotiations has been land valuation. It is not easy to assign a value to land in a refuge because lands valuable for habitat are often not suitable for development purposes. During the past year, the USFWS has appraised all the Native corporation lands offered for exchange, with the exception of some CIRI lands which are still being appraised. The appraisals will be adjusted (raised) for public interest values -- a process that will be overseen by DOI Undersecretary Horn.

To appraise the coastal plain of ANWR, DOI has divided the area into tracts of 2,560 acres each, similar to parcels used for federal oil and gas lease sales. Values were then assigned to each tract by BLM, based on oil and gas potential. The tract values are currently confidential.

Tract selection in ANWR is a key issue. To date, no tracts have been awarded. USFWS has yet to determine precisely how the tract selection process will take place; some options include lottery and competitive lease bidding. USFWS apparently intends to award tracts this spring, perhaps

as soon as mid- to late February. The state has been working to extend this date. Who gets to choose tracts first is extremely important, because tracts with the highest potential will presumably be chosen first.

It is important to note that none of these land exchanges will occur unless Congress opens up ANWR. It remains to be seen exactly how the state administration and the Legislature will formally address the exchange issue. Alaska's Congressional delegation has generally been supportive of the exchanges, though they also believe the state ought to be given equal footing in the exchange process.

One land trade between a Native corporation and the federal government has already occurred within the coastal plain, although it did not affect the 1002 area and differs from the exchanges currently under discussion. In this 1983 exchange, Arctic Slope Regional Corporation received 92,000 acres of subsurface rights underlying land acquired by Kaktovik Inupiat Corporation in return for 101,000 acres of surface land within the Gates of the Arctic National Park. (Typically, regional corporations own subsurface rights while village corporations own surface rights.) This exchange was somewhat different than currently proposed exchanges because the National Park Service, not the USFWS, was the federal agency benefitting from the exchange. However, both agencies are within the Department of the Interior. This particular exchange was done administratively; it was not sent to Congress for approval, nor did the state of Alaska play a role

in this exchange. Judging from the 1002 report resource assessment, ASRC appears to have obtained some of the most promising oil and gas acreage in the coastal plain.

ASRC has a strong interest preserving both the environmental and subsistence values of the land as well as promoting oil and gas development. The Native corporation has taken a public position of promoting development of the coastal plain, subject to proper constraints and safeguards. A Congressional decision to open ANWR to exploration and development would also automatically allow development of ASRC-Kaktovik lands.

B. Trades Between USFWS and the State

The state has both policy and revenue reasons to be involved in the land exchange process. From a policy perspective, the state wants to assert its standing and interest in national lands within the state. While it seems obvious to state officials that the state would take a vital interest in the coastal plain and should be included in any decisions affecting ANWR, it has not been a priority with the DOI to consult the state. Even though the governor's office received top level assurances that the state would be kept informed of the progress of land trade discussions, the USFWS and Native corporations have nonetheless undergone extensive negotiations without state consultation. When asked about this, the USFWS says the state has been slow to act and hasn't shown enough interest in the process until very recently.

State officials in the Department of Natural Resources have had to very aggressively assert the state's interests in the land trade discussions in order to preserve the state's options. Their task has been made more difficult by the lack of an overall state land trade policy, the change in state administrations and the accelerated land trade timetable adopted by USFWS. The bottom line is that the state became involved in the trade negotiations rather late in the game and its ability to make the best deal for all Alaskans may be compromised as a result. On the other hand, the state has recently made considerable progress in advancing state trade options and accomplished one of its immediate goals which was to slow down the process and become an equal participant. (The delay afforded by the Trustees of Alaska lawsuit gave the state valuable time in which to catch up.)

From the perspective of future revenues, it is obviously in the state's interest to preserve the existing 90 royalty share. While some state officials believe it's premature to be discussing land trades before Congress has acted and the environmental issues have been resolved, they believe that because these processes are already underway, the state runs the risk of not only being left out of the decision-making process but of having its 90 percent share traded away. For the time being, the state administration has taken the position of negotiating with the USFWS itself for the purpose of maximizing the state's options.

Accordingly, the state has offered state land for ANWR subsurface rights, becoming in effect a competitor and participant with the Native corporations. If the state owns subsurface rights, it would receive maximum benefits from any development as well as dictate the rules in the leasing process. To speed the process along and attempt to meet USFW's schedule, the state has assembled a team to appraise state lands. The state is also trying to persuade the USFWS to extend the date for tract selection so it will be on an equal footing with the Native corporations.

In February 1986 the state offered approximately 12 million acres of state land holdings adjacent to or within national parks or refuges in Alaska to the USFWS as potential trade lands. The Fish and Wildlife Service responded that it only viewed one of the state's offerings as a high acquisition priority: state holdings in Tetlin National Wildlife Refuge. The USFWS also expressed interest in other state lands around Tetlin.

In November 1986 the state made a more concrete offer to USFWS, offering the additional lands in Tetlin as well as other state lands within the Alaska Peninsula, Yukon Delta and Alaska Maritime National Wildlife Refuges. The state also offered certain state selected lands within other refuges. Additionally, the state advanced a list of lands that would be of interest to the National Park Service, including the Wrangell-St. Elias, Katmai and Lake Clark national parks. The National Park Service (NPS) appears to be very interested in

some of these park offerings although the USFWS appears to oppose NPS involvement in the proposed trades.

The USFWS has been the lead land exchange agency and is interested in acquiring refuge, not park lands. However, the Department of the Interior is the overriding agency for both NPS and USFWS and could make value judgements regarding the desirability of increasing national refuge lands or national parks.

It is worth noting that the state law requires legislative approval of any land exchanges involving lands of unequal value or if the lands are worth more than \$5 million. There is an obvious policy question of whether the state should exchange valuable habitat lands for speculatively valuable oil and gas tracts.

IV. Oil and Gas Potential

The coastal plain of ANWR is generally considered to have the greatest oil and gas potential of any onshore area in North America. It is bounded by the giant oilfields of Prudhoe Bay to the west and the Canadian oil discoveries in the McKenzie River Delta to the east. Adding to the area's attractiveness is its proximity to the Trans-Alaska Pipeline System and its potential value as a staging area for offshore development in the Beaufort Sea. Despite the currently low oil prices (and even though they are shutting down wells in other parts of the country), oil companies say they are eager to drill on the coastal plain.

The potential amount of oil will undoubtedly be a controversial issue in the decision to open ANWR.

Environmentalists argue that the area does not have a high enough potential to justify compromising its unique wilderness and wildlife value. Oil companies, who are used to high risks, argue that its apparent potential and national interest justify exploration and possible development.

Ever since the range was created in 1960, drilling has been prohibited. ANILCA restricted exploration activities to surface geological investigations, aeromagnetic surveys and winter seismic surveys. The state and the oil companies have access to the seismic information obtained by a "group shoot" of industry representatives during the winters of 1983-84 and 1984-85.

The geological analysis done to comply with ANILCA, presented in the draft 1002 report, identified 26 economically attractive areas or prospects on the coastal plain. DOI estimates there is a 19 percent chance that oil exists. Within this range, DOI estimates there is a 95% chance that 600 million barrels of oil are economically recoverable, a 5 percent chance for 9.2 billion barrels and a mean average of 3.2 billion barrels that are economically recoverable. This compares with overall reserves in place of a 95 percent chance of 4.8 billion barrels, a 5 percent chance for 29.4 billion barrels with a mean estimate of 13.8 billion barrels.

The state's Division of Geological and Geophysical Surveys made its own economic assessment, issued in a report

made public this month. (DOI used this information in its 1002 report.) State figures also point to high potential in ANWR. For reserves in place, the state estimates there is a 95 percent chance that 80 million barrels of oil exist, a 5 percent chance that 46 billion barrels of oil exist, with a 50 percent chance for 3.7 billion barrels. Assuming a recovery rate of 35 percent, state estimates show there could from 28 million to 16 billion barrels that are economically recoverable.

The oil companies have their own estimates of the area, which are confidential, but they are pleased that the 1002 report confirms their own high expectations of oil potential in the area. The bottom line is that the oil potential is highly speculative and can't be established with certainty until wells are drilled.

Only one well has been drilled to date in the area. This was done by ASRC on its land in partnership with Chevron USA, Inc. during the winter of 1984-1985. The results of the drilling are confidential. Though exploratory drilling is allowed on ASRC-Kaktovik lands, Chevron is reluctant to do more drilling unless there is some guarantee that development would be allowed.

IV. Benefits to the State

At this time it is impossible to estimate potential revenues to the state from oil development in ANWR. One category of unknowns relates to the oil itself. It's

impossible to determine the amount of recoverable reserves until exploratory drilling has occurred. Equally unpredictable is the price of oil. Another set of unknowns is political and involves Congress' decision, ownership of the oil and gas rights and what royalty share the state receives.

Despite these uncertainties, the state could potentially receive millions in annual revenues from ANWR oil. Currently the state receives about 85 percent of its income from oil revenues. Roughly speaking, half of that revenue is from royalties, half from severance taxes. It is worth noting that Alaska law requires a set percentage of royalties (on both state and federal leases) to be deposited into the Permanent Fund. For leases issued before December 1979 the rate is 25 percent; for leases after this date the rate is 50 percent.

For the purpose of discussion, the Department of Revenue estimated potential state revenues from ANWR based on certain assumptions. (See Attachment, page 31). Assuming the coastal plain contains a field the size of Kuparuk (roughly 1 billion barrels recoverable) and the world price of oil is \$20 a barrel, the Department estimated the state would receive \$95 million a year. This figure assumes a 90 percent royalty share of federal royalties (the typical royalty is 12.5 percent). With a 50 percent royalty share the state would receive \$69 million, and with no royalty share the state would receive \$35 million. With a \$25 per barrel oil, the figures would be \$160 million with 90 percent royalty share, \$116 million with 50 percent, and \$60 million with no royalty. The

Department of Revenue also concluded that (given its assumptions) development would not be feasible if the price of oil were \$15/barrel or less. However, economic feasibility is individually determined by each company.

From a strictly revenue generation standpoint, the optimum situation for the state would be to own the subsurface rights, as it does in Prudhoe Bay. In this way the state would be able to collect 100 percent of the royalties in addition to severance taxes, bonuses, corporate income taxes and property taxes. However, 100 percent ownership would come at a price, and the price is giving up state refuge lands. The next best revenue situation for the state -- and undoubtedly the best deal overall for the state -- is to maintain the status quo, with the state retaining its 90 percent royalty and the federal government retaining ownership. However, this is being attacked on two fronts. If the trades with Native corporations are enacted, it will leave the state without any royalties on the traded tracts. In this situation the Native corporations would be entitled to whatever share of rents, royalties and bonuses they work out with the federal government and the oil companies. (One possible option for the state might be to insist on a royalty share from the Native corporations, if the trades are ever finalized.)

Another threat to the state's 90 percent royalty comes from Congress, which could reduce the state's royalty in the legislation it must enact to open the coastal plain. Already

there has been discussion at the federal level about reducing Alaska's share to 50 percent. Other states commonly receive only 50 percent of the mineral revenues on federal land, with 40 percent of the federal revenues paid into the Reclamation Fund established by the Reclamation Act of 1902. In turn, those funds are used for reclamation projects in states covered by the Act. (The states must apply to use these funds.) Alaska is not covered by the Reclamation Act and thus was given a 90 percent share in the Statehood Act. It appears that Congress has the authority to change the allocation made in the Statehood Act, though the state's position is that the federal government should keep its 90 percent royalty commitment to Alaska.

Direct revenues from oil production are not the only benefit to the state, however, as private businesses and the entire state economy would be stimulated by development and the resulting increased population and cash flow. Another obvious benefit to the state is in the area of jobs, especially plentiful during the construction phase of development. This point has not been overlooked by the Alaska AFL-CIO and Teamsters Local 959 who say they will not support opening ANWR unless the oil companies make a commitment to local hire.

If the trades with Native corporations are approved and the corporations are successful, this would provide both a source of employment and increase the tax base for the state. In addition, under under ANCSA (Section 7(i)) Native

corporations must share 70 percent of their profits with the other Native corporations. This would distribute benefits of oil development among all Native corporations, thus contributing to their success and the overall economy of the state. (On the other hand, this sharing of profits may have the effect of reducing income that the state can tax.)

An additional benefit to the state from potential oil production in ANWR is that this would enhance the value of state lands immediately to the north and west of the refuge.

VI. Environmental Concerns and Traditional Uses of the Land

Environmentalists regard the coastal plain as the richest wildlife and bird habitat area in arctic America. According to the 1002 report, the coastal plain is the most biologically productive part of the refuge with the greatest wildlife activity. The coastal plain has long been recognized for its wildlife and environmental values and was formally designated as a national wildlife range in 1960. Twenty years later, with the passage of ANILCA, it almost attained wilderness status. During debate on ANILCA the House favored a wilderness designation for the coastal plain and the Senate favored further study of its hydrocarbon potential; the latter view prevailed and created Section 1002(h).

Despite Undersecretary Horn's recommendation for full leasing, the draft report makes it very clear that development on the coastal plain will have significant environmental costs: "Long-term losses in fish and wildlife resources,

subsistence uses, and wilderness values would be the inevitable consequences of a long-term commitment to oil and gas development in the area." (p. 143)

Undoubtedly the most controversial environmental issue to date is the Porcupine Caribou Herd. The herd consists of about 180,000 animals who migrate between the northwest corner of Canada's Yukon and the coastal plain. One of the conclusions of the report (questioned by the oil companies) is that full leasing, even with effective mitigation measures, could result in major population declines, reducing or displacing from 20 to 40 percent of the herd. The caribou use the coastal plain extensively during the summer, relying on it for calving and insect relief -- crucial aspects of the their life cycle. The much smaller Central Arctic Herd (about 13,000 animals) also uses western portions of the coastal plain for calving and insect relief.

The oil companies cite their good record at Prudhoe Bay and criticize those who make big distinctions between different caribou herds. However, the report cautions against trying to draw comparisons between the two herds. The Central Arctic Herd, which coexists with development in Prudhoe Bay, has more than tripled since operations began. The report attributes the Central Arctic Herd's success to three main reasons: the herd has been displaced from only part of its calving grounds, there appears to be suitable alternative habitat for caribou displaced by Prudhoe Bay activities, the density of the Central Arctic Herd is much lower than of other

arctic herds in Alaska. In addition, reduced predation (by people and wolves) has also helped the herd.

According to the report, the Porcupine herd does not appear to have as many options as the Central Arctic Herd. It notes that 78 percent of the Porcupine herd's core calving area is within the coastal plain and that geography limits the availability of suitable alternative calving or insect-relief habitats. Equally critical is the issue of barriers such as pipelines and roads that could block caribou movements. After calving, the caribou form into great herds (postcalving aggregations) that roam between the inland feeding areas and the coastal, insect-relief areas. This is a time when they need to eat and build their strength for winter; obstructions cause them to waste energy and threatens their survival.

The well-being of the Porcupine Caribou Herd is not solely an Alaskan or American issue. Native residents of Interior Alaska and northwest in Canada depend on the herd for subsistence. In December 1986, after eight years of negotiation, the U.S. and Canada initialed a treaty on the Porcupine Caribou Herd. The treaty recognizes our mutual interest in preserving the herd and its habitat. It requires both governments to cooperate on matters affecting the herd and to consider the interests of the caribou, their habitat and caribou users. The treaty, though not finalized, has been carefully worded so it does not preclude development on the coastal plain, however, the Canadians have been pushing for stronger habitat protection. The Canadian government has

reinforced its concern over the area by expressing its unhappiness over not being consulted prior to the release of the draft 1002 report.

The herd is of vital interest to Alaska Natives as well. While villagers of Kaktovik rely on both caribou and marine mammals for subsistence, residents in Interior Alaska villages such as Arctic Village, Venetie and Fort Yukon have fewer options and depend more heavily on the animals. These Alaskans have much to lose and little to gain from ANWR development since unlike Kaktovik residents, they live too far from the coast to be able to take advantage of jobs. In the public hearings on ANWR, Kaktovik residents generally favored limited leasing with strong environmental safeguards, while interior Alaska Natives and Yukon Indians generally opposed development if it negatively affected the Porcupine Caribou Herd.

In addition to caribou, the coastal plain is home to other large mammals including the second largest muskox herd in the U.S, brown bears and polar bears, which are particularly sensitive to human activities during the denning period. Other mammals in the area include small numbers of moose and Dall sheep, wolves, wolverines, ground squirrels and rodents.

Most of the 108 species of birds using the coastal plain are migratory; many are protected by international treaties. Tundra swans and snow geese are two of the more important waterfowls species using the plain. Over 300,000 snow geese,

which are especially sensitive to human disturbance, have been counted in the area at one time. Only twelve species of fish are present in the ten major streams in the coastal plain, and the nearshore waters are important for spawning and overwintering.

The 1002 report concludes that full leasing will have a major impact on caribou, muskox and snow geese. In addition, it says moderate impacts will be felt by wolves, polar bears, brown bears, wolverines and raptors.

In addition to the effects of development on wildlife and habitat, the 1002 report also notes that development will put significant stress on the coastal plain's scarce water and gravel resources. A single well may require as much as 15 million gallons of water. The report notes that digging gravel pits may provide a solution to both problems, although it is something that must be done with great care. While the oil companies can find alternate sources of water (e.g., melting snow, desalination) these alternatives are expensive and will raise the cost of development.

The report recommends numerous mitigation measures for development on the coastal plain. Among them are limiting oil exploration to the winter months, rehabilitating crucial habitat areas, constructing pipelines so caribou can cross them, educating workers about the environment, and limiting activities in calving, spawning and staging areas during critical times of the year. The oil companies have expressed concern that some of the mitigation measures are unreasonable

and excessive (they increase the cost of development). Environmental protection -- especially protection of the Porcupine Caribou Herd -- is certain to be extensively debated by Congress.

VII. Nearby Oil and Gas Activity

The wildlife refuge, with its 125 miles of coastline, is the only area on Alaska's North Slope that is currently closed to oil and gas leasing. In addition to the Prudhoe Bay area leases, there are many nearby federal and state lease sales planned for the near future. However, it appears that of all these areas, the oil industry is most interested in the coastal plain.

To the west of the coastal plain are the giant oilfields of Prudhoe Bay and Kuparuk, which are on state land. To the west of Prudhoe is the 13-million acre National Petroleum Reserve-Alaska (NPRA). No oil is currently being produced from NPRA, though many wells have been drilled and some areas have been leased. Industry interest in this area is currently low.

Additional state leases have been issued for state lands south and southeast of Prudhoe Bay between NPRA and ANWR. More lease sales in this area are scheduled through 1990, including such areas as the Kuparuk Uplands, Prudhoe Bay Uplands, and White Hills. The state is also offering leases for submerged state lands just offshore ANWR and is planning to hold the Camden Bay lease sale this year. Camden Bay

stretches across the northwest coast of ANWR. It is one section of the three-mile-wide strip of state-owned submerged land that borders the state's coastline. The remaining three-mile coastal strip (along the northeast coast of ANWR) will be offered in 1988.

Immediately north of the state's three-mile boundary is a large section of the Beaufort Sea (from west of Wainwright to the Canadian Border) that the federal government is offering for leasing in 1987. Lease Sale 97 offers approximately 21.2 million acres of federal outer continental shelf lands.

(Alaska would not receive revenues from these federal leases.)

Environmentalists criticize the draft 1002 report for not taking into account future oil and gas leasing adjacent to the coastal plain, and the cumulative effect of both onshore and offshore activity on marine life and onshore wildlife. They also criticize the report for not addressing production of natural gas. (This is because it is not expected that production of natural gas will be economically feasible any time soon.) While this potential future oil and gas activity will not have an immediate effect on ANWR, it appears that the likelihood of activity on these leases is increased if oil is produced from ANWR.

VIII. Conclusions and Recommendations

The state's official role in the decision to open the coastal plain is limited because Congress, not the state legislature, has the final say. However, the state

administration and legislature have a potentially important role in the political arena and in shaping the final legislation. Most importantly, there needs to be a determination of what course is best for Alaska.

As yet there is no consolidated state policy on ANWR. Lack of coordination and potential confusion of purpose are the result. For example, officials in DNR have been working very hard to assure the state equal footing in the land trade process while there hasn't been time to decide the overriding policy question of whether or not land trades are in the public interest. While the state's Congressional delegation, governor's office and legislature are starting to coordinate their efforts, it has been largely as a reaction to events, not to assert a clearly defined, unified state position. There is a clear role for Congress, and the oil industries and Native corporations are understandably pursuing their own best interests. However, the state has yet to carve out a strong position for itself.

If the state maintains its commitment to open ANWR (and if the Anchorage hearing was any indication, a majority of Alaskans favor opening ANWR) then it is important to figure out the most effective strategy for accomplishing this. There are several key players -- notably the environmental community, the Native corporations, the oil industry, organized labor, the government of Canada -- and it seems apparent that the state will have to make compromises with these groups in order to persuade Congress to open ANWR. A

general consensus among knowledgeable observers is that the state will have to present a unified front in Congress if it expects to open ANWR. To date, public debate on the issue has been polarized -- with one extreme supporting full leasing and the other extreme supporting a wilderness designation. In this light, a positive position for the state to take would be advocating some sort of middle ground, such as supporting limited leasing with significant environmental stipulations.

It would seem prudent for either the legislature or the governor to establish an ANWR policy committee to formulate a state policy and decide how best to present a coherent and consistent state position to Congress. Such a committee could either be entirely of government representatives (from the legislature, the governor's office, our Congressional delegation) to form a truly state interest group, or, the committee could include a mix of public and private representation with the purpose of forging acceptable compromises to all parties. Some questions that could be considered are:

-- What is the public interest for the state of Alaska? How is this compatible with and different from the goals of Congress, the oil industry, environmental community and Native corporations?

-- What is the best strategy for maximizing the benefits of ANWR for all Alaskans?

-- Should the state support opening ANWR at any cost (i.e., giving up its 90 percent royalty on traded tracts)?

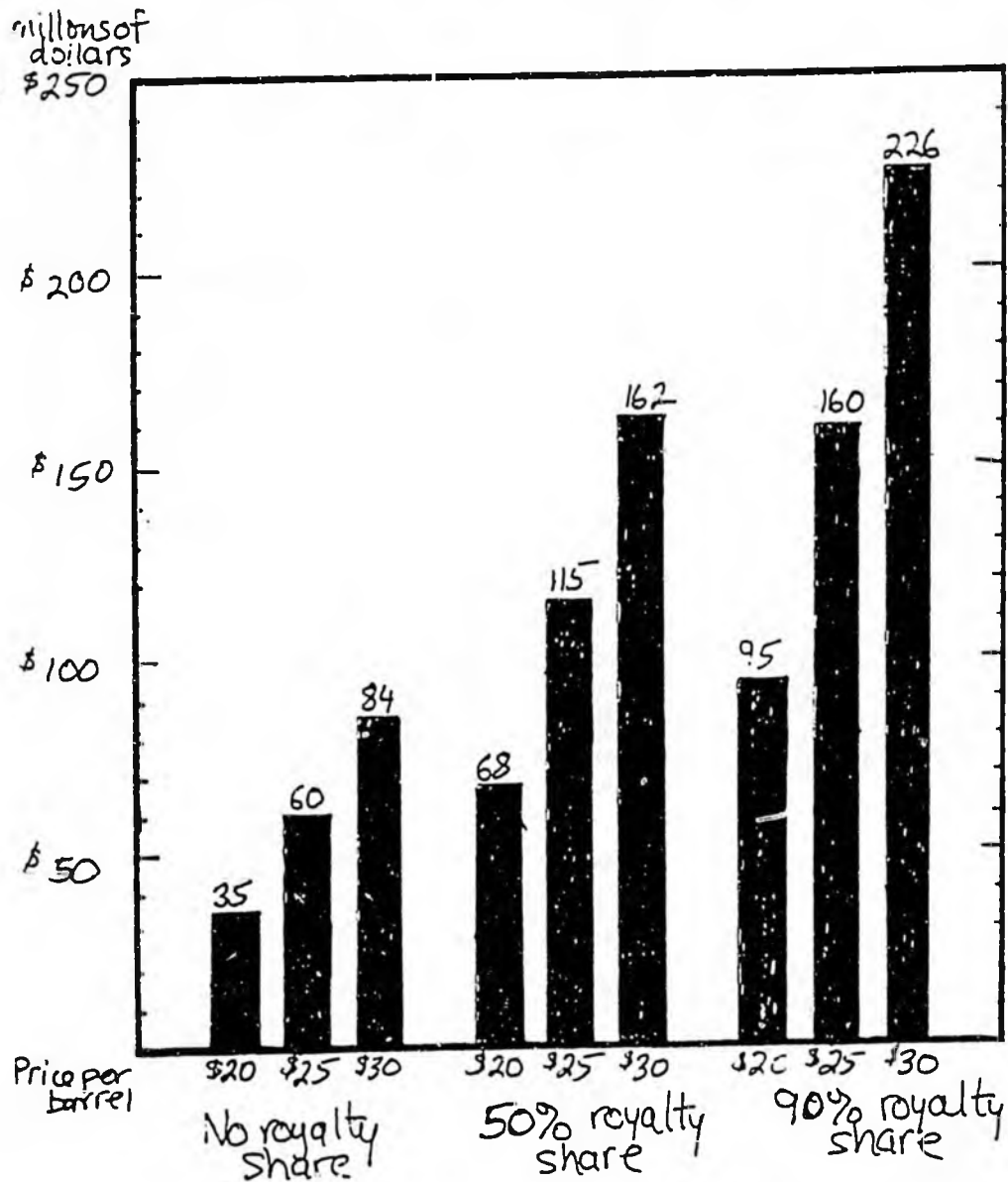
-- Should the state support land exchanges with either the Native corporations or the state?

-- Is it wise public policy to trade valuable state refuge and park lands for speculatively valuable oil and gas rights? If so, what conditions should be set?

If ANWR contains another super giant oil field, it will become an important force in Alaska's future. If the state doesn't take a leadership role in this important issue, and do it soon, it is certain that other interest groups will continue to fill the void.

IX. Attachment:

POTENTIAL ANNUAL REVENUES*
TO THE STATE FROM ANWR OIL PRODUCTION
WITH DIFFERENT ROYALTY SHARE SCENARIOS



* The numbers in this chart are derived from a hypothetical set of assumptions made by the Department of Revenue. The assumptions are described on the following two pages.

MEMORANDUM

State of Alaska

TO The Honorable Bill Sheffield
Governor

DATE May 15, 1986

FILE NO

Rod Swope, Coordinator, OMB
Division of Governmental Coordination TELEPHONE NO

FROM Vincent D. Wright *VW*
Chief of Research
Department of Research

SUBJECT Potential State Revenue
from the Arctic National
Wildlife Reserve

The Department of Revenue has been asked by the Governor's Office what the financial impact might be resulting from development of the ANWR.

The financial impact to the State of Alaska as a result of development of the ANWR is highly speculative at best at this point in time since no exploratory program has been launched. If permitting is granted for exploratory drilling and discoveries of commercial size are made then the lead time for development after discovery would be 10 to 20 years assuming economic viability.

The preliminary thinking of geologists is that the potential for significant quantities of petroleum is good.

Although estimated reserves cannot be quantified with any degree of accuracy until an exploratory drilling program is completed, the following hypothetical scenario for a billion barrel field is laid out for purposes of discussion. The numbers can be adjusted up or down as more information about size of reserves becomes known. The information is also laid out in constant dollar terms thereby rendering moot the immediate question of when development occurs. The following assumptions are made:

1. A single oil field containing 1 billion barrels of oil is discovered on Federal land in ANWR.
2. Due to cost and marketing uncertainties no natural gas is produced and sold in quantity.
3. The oil is produced from 200 wells.
4. A 125 mile pipeline moves the oil to the Trans Alaska pipeline at a cost of \$5.50/bbl.
5. Federal royalties are a fixed 12.5% of value.
6. State share of Federal royalties is 50%.
7. TAPS tariff = \$4.50/bbl.
Lower 48 Avg. West/Gulf Transport Cost = \$2.70/bbl.

The Honorable Bill Sheffield
 May 15, 1986
 Page 2

Estimated State Petroleum Revenues from the ANWR
 for Different World Oil Prices
 (1986\$)

| <u>World Price</u> | <u>Wellhead Price</u> | <u>Severance Tax</u> | <u>5% Royalties</u> | <u>Total</u> |
|--------------------|-----------------------|--------------------------------------|---------------------|--------------|
| \$15/bbl | \$ 2.30/bbl | | | |
| 20 | 7.30 | Production not economically feasible | | |
| 25 | 12.30 | \$35.42MM | \$33.31MM | \$ 68.73MM |
| 30 | 17.30 | 59.68 | 56.12 | 115.80 |
| | | 83.94 | 78.93 | 162.87 |

VDW/mkw

X. Sources

PEOPLE

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Bob Adler, Executive Director, Trustees for Alaska, Anchorage

Richard Agnew, Staff Counsel, Congressman Don Young,
Washington, D.C.

Greg Chappados, Aide to Senator Ted Stevens, Washington, D.C.

Bob Childers, participant in U.S.-Canada Porcupine Caribou
Herd treaty negotiations, Anchorage

Tom Cook, Explorations Representative for Alaska, Chevron USA,
Inc., Anchorage

John Doeble, special assistant to USFWS Regional Director
Robert Gilmore on land trades, Anchorage

James Eason, Director Division of Oil and Gas, Dept. of
Natural Resources, Anchorage

Gary Gustafson, Chief of Land Management, Dept. of Natural
Resources, Anchorage

Tom Hawkins, Director, Division of Land and Water Management,
Dept. of Natural Resources, Anchorage

Roger Herrera, Explorations Manager, Standard Alaska
Production Company, Anchorage

John Katz, head of the Governor of Alaska's office in
Washington, D.C.

Rich Kornbrath, geologist, Div. of Mining and Geology, Dept.
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"The State of Alaska's Position Regarding Oil and Gas Exploration and Development in the Arctic National Wildlife Refuge," notes for Commissioner Wunnicke, Anchorage Public Policy Forum, August 1986

EVENTS

Public Hearing on the Coastal Plain, by the Dept. of the Interior, Jan. 5, 1987, Anchorage

Resource Development Council forum on ANWR, December 1986, Anchorage

Alaska Industry Alliance breakfast on legislative priorities including ANWR, December 1986, Anchorage

Legislative briefing on ANWR issues by DNR Commissioner Wunnicke, November 1986, Anchorage

Anchorage Chamber of Commerce Luncheon on ANWR, Jan. 12, 1987

DECISION:

**THE FUTURE OF THE COASTAL PLAIN
ARCTIC NATIONAL WILDLIFE REFUGE**

NOVEMBER 1987

**Prepared for
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House Resources Committee
Alaska State Legislature
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INTRODUCTION

The United States Congress is considering legislation that would open the coastal plain of the Arctic National Wildlife Refuge (ANWR) to oil and gas exploration and production. The prospect of oil and gas development on the coastal plain is controversial. Many conservationists and local villagers oppose opening the coastal plain for environmental reasons and to prevent the short-term use of resources that should, in their view, be preserved. On the other hand, there is a strong constituency in favor of opening the coastal plain, to provide opportunities to reduce the nation's dependence on foreign oil, bring revenues into the national and state treasuries, and create new jobs.

This report summarizes the status of the important issues before Congress in the coastal plain debate, with emphasis on Alaska's concerns.

The major issues include: environmental concerns, such as wilderness protection, industrial waste management, and protection of the Porcupine caribou herd; protection of subsistence opportunities; revenue distribution arrangements between the State of Alaska and the federal government; resident hire preferences for Alaskans; and proposed land

testing conducted since 1981 and on analysis of the coastal plain's surface geology. The report states that there is a 19% likelihood of finding recoverable oil and gas on the coastal plain (a very high percentage for such an area) and that there is a mean probability of finding 3.2 billion barrels of recoverable oil. This magnitude of discovery would make the coastal plain an important oil and gas province by U.S. standards. According to some geologists, there is even the possibility of discovering Prudhoe Bay-sized oil and gas fields in the coastal plain. Prudhoe will produce over ten billion barrels of oil during its lifetime, more than twice as much as any other field in U.S. history.

The 1002 report also included Interior Secretary Hodel's recommendation that Congress open the entire coastal plain (also called the "1002 area") to oil and gas activity. Looking at the industry's environmental record at Prudhoe Bay and at the development of new methods and technologies, the Interior Department believes that the coastal plain's resources can be adequately protected in the event of oil and gas production.

One major issue not treated in the 1002 study is a set of land trades proposed by the Interior Department. In the trades, the federal government would surrender public ownership of some oil and gas rights in the coastal plain, and pick up private inholdings within other Alaska wildlife

is only indirectly related to the central issue. Recently their controversial nature has caused several influential members of Congress to request the Interior Department to drop the trades or put them aside until the decision is made whether or not to open the coastal plain.

Background

Several years ago the Interior Department began negotiating with selected Native corporations, and fragmentarily with the State of Alaska, on massive land trades that were intended to provide a set of perceived benefits for both sides:

- the consolidation of federal ownership in several Alaska wildlife refuges;
- potentially large revenues for participating Native corporations, to be derived from coastal plain oil and gas development; and
- a broader base of political support for the Interior Secretary's anticipated recommendation (in the 1992 report) that Congress open the coastal plain to oil and gas activity.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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The United States Congress is considering legislation that would open the coastal plain of the Arctic National Wildlife Refuge (ANWR) to oil and gas exploration and production. The prospect of oil and gas development on the coastal plain is controversial. Many conservationists and local villagers oppose opening the coastal plain for environmental reasons and to prevent the short-term use of resources that should, in their view, be preserved. On the other hand, there is a strong constituency in favor of opening the coastal plain, to provide opportunities to reduce the nation's dependence on foreign oil, bring revenues into the national and state treasuries, and create new jobs.

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exchanges that could place large parts of the coastal plain in private ownership (1).

In 1980 the U.S. Congress addressed federal land management questions in Alaska by passing the Alaska National Interest Lands Conservation Act, or ANILCA (P.L. 96-487). Among ANILCA's provisions were two directly affecting management of the 1.5 million acre coastal plain: Section 1002, leading to a coastal plain resource assessment by the U.S. Interior Department, and Section 1003, prohibiting oil and gas leasing and production in the Arctic Refuge, including the coastal plain.

The Interior Department's 1002 study was finalized in April 1987, after the release of a draft report in late 1986. In accordance with the ANILCA mandate, the final report included estimates of the coastal plain's oil and gas potential, description of the possible environmental effects of development, and the Interior Secretary's management recommendations.

The 1002 report stated that the coastal plain holds the best onshore potential for a major hydrocarbon discovery in North America. This assessment, shared by industry and State of Alaska geologists, is based on seismographic

1 - The House Resources Committee held a series of thirteen hearings on these issues during the 1987 legislative session. The record contains testimony by many Alaska citizens and experts.

testing conducted since 1981 and on analysis of the coastal plain's surface geology. The report states that there is a 19% likelihood of finding recoverable oil and gas on the coastal plain (a very high percentage for such an area) and that there is a mean probability of finding 3.2 billion barrels of recoverable oil. This magnitude of discovery would make the coastal plain an important oil and gas province by U.S. standards. According to some geologists, there is even the possibility of discovering Prudhoe Bay-sized oil and gas fields in the coastal plain. Prudhoe will produce over ten billion barrels of oil during its lifetime, more than twice as much as any other field in U.S. history.

The 1002 report also included Interior Secretary Hodel's recommendation that Congress open the entire coastal plain (also called the "1002 area") to oil and gas activity. Looking at the industry's environmental record at Prudhoe Bay and at the development of new methods and technologies, the Interior Department believes that the coastal plain's resources can be adequately protected in the event of oil and gas production.

One major issue not treated in the 1002 study is a set of land trades proposed by the Interior Department. In the trades, the federal government would surrender public ownership of some oil and gas rights in the coastal plain, and pick up private inholdings within other Alaska wildlife

refuges. Because of the process underlying them and their potential impact on federal and state revenues, the land trades have become very controversial, nationally and in Alaska.

Another important issue not treated in the 1002 study is federal-state revenue distribution. The Mineral Leasing Act of 1920 provides for the direct or indirect return of 90% of oil and gas revenues on public lands to the western states. Congress is considering legislation that would reduce Alaska's share of any coastal plain revenue from 90% to 50%, and the Interior Department has recommended that any leasing take place not under the Mineral Leasing Act but instead under a new "stand-alone" oil and gas leasing provision. Given the potentially large amount of revenue at stake, and the possibility that land trades could eliminate the federal (and state) share on some of the coastal plain, the revenue distribution arrangement for the Arctic Refuge is very important to Alaskans and to the national treasury.

LAND TRADES

Should the Interior Department trade away oil and gas rights on the coastal plain to acquire private inholdings in other Alaska wildlife refuges? This question is one of the most explosive in the coastal plain debate, even though it

is only indirectly related to the central issue. Recently their controversial nature has caused several influential members of Congress to request the Interior Department to drop the trades or put them aside until the decision is made whether or not to open the coastal plain.

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Another argument in favor of the trades is that they could help secure the future of Alaska Native corporations, some of which are financially troubled. Even though it is less than certain that the trades will produce any revenue for the Native corporations (if the acquired acreage proves undevelopable), the possibility that the coastal plain acreage will be oil-rich is enough to interest some corporations in the land trade opportunity.

Most Native lands (those selected from public land under the authority of the Alaska Native Claims Settlement Act of 1971) are subject to revenue sharing provisions that require the distribution of 70% of subsurface income among all of the Native regional corporations. (See Section 7(i) of the Claims Act.)

Although the trade lands would not technically be selected under the Claims Act and thus are presumed to be exempt from revenue sharing requirements, some members of Congress have discussed the idea of requiring revenue sharing on any trade acreage. This would conform the trades to the spirit of the Claims Act, which some observers believe may be violated if some corporations acquire major oil and gas interests by trade and then do not share the revenues with other Alaska Native corporations. The inclusion of a revenue sharing provision might mean that the trade process would have to be started over again; the

existing agreements are based on values (and revenue streams) that would no longer be valid.

Corporations participating in the trades have objected to such provisions because they based their land exchange offers on receipt of 100% of the revenue stream from coastal plain acreage that they might acquire; these corporations believe that the revenue sharing requirement would substantially diminish the value of the oil and gas interests that they will acquire in the coastal plain.

The value of the trades to the participating Native corporations could be immense whether or not oil is found. Oil companies have already formed partnerships with Native corporations based on the prospect of acquiring coastal plain acreage by trade. Most of the arrangements between oil companies and Native corporations remain confidential at this time, but some of the details have been made public in proxy statements released to Native shareholders.

In one such proxy statement, dated August 1987, it was revealed that a major oil company had agreed to pay almost \$50 million, plus a 14% royalty, for exclusive explorator and development rights on acreage that the Native corporation would acquire in the coastal plain. The same acreage was appraised at a lesser amount by the Interior Department during the closed-door trade sessions a couple of

months earlier, and the Interior Department included no significant royalty considerations for the federal government. The known arrangement between a major oil company and one of the Native corporations participating in the land trades reflects on the adequacy of the federal government's land appraisals and on the public process in the trades. The market test shows in this instance that the oil company believes the coastal plain oil and gas rights acquired by the Native corporation are worth much more than the value assigned by the federal government (2).

In another proxy statement providing details on a trade, a regional Native corporation reveals that it has made arrangements with a syndicate including Chevron and Standard Oil (BP) to receive over \$50 million and a 20%

2 - The proxy statement mentioned here is for Old Harbor Native Corporation, which held its annual meeting in late September. The oil industry partner is Texaco. In the trade agreement between the United States and the Native corporation, Old Harbor would 1) give up 90,000 acres of its land in and near the Alaska Maritime and Kodiak National Wildlife Refuges, retaining about 15,000 acres of its original entitlement; and 2) acquire oil and gas rights to about 58,000 acres in the coastal plain of the Arctic National Wildlife Refuge. The Interior Department appraised the acreage on both sides of the exchange at \$45,700,000. For exclusive rights to explore and develop this acreage, Texaco agrees to pay: 1) \$5,000,000 upon shareholder approval of the agreement and \$50,000 per quarter until 1993 or until passage of coastal plain legislation; 2) all land trade expenses; 3) \$2,000,000 when Congress passes the coastal plain bill; 4) \$38,700,000 if Texaco chooses to execute the trade within 40 days after Congress enacts legislation opening the coastal plain to oil and gas activity; and 5) a 14% royalty on any oil and gas eventually developed. There are other major considerations involved as well, including a 1.5% royalty for Old Harbor on any other land acquired by Texaco in the coastal plain. Old Harbor's shareholders overwhelmingly approved the Texaco agreement.