



Subsistence
Use Cabin



Improperly
capped well site
at Cape Simpson



Aerial shot of oil seepage onto tundra-Cape Simpson

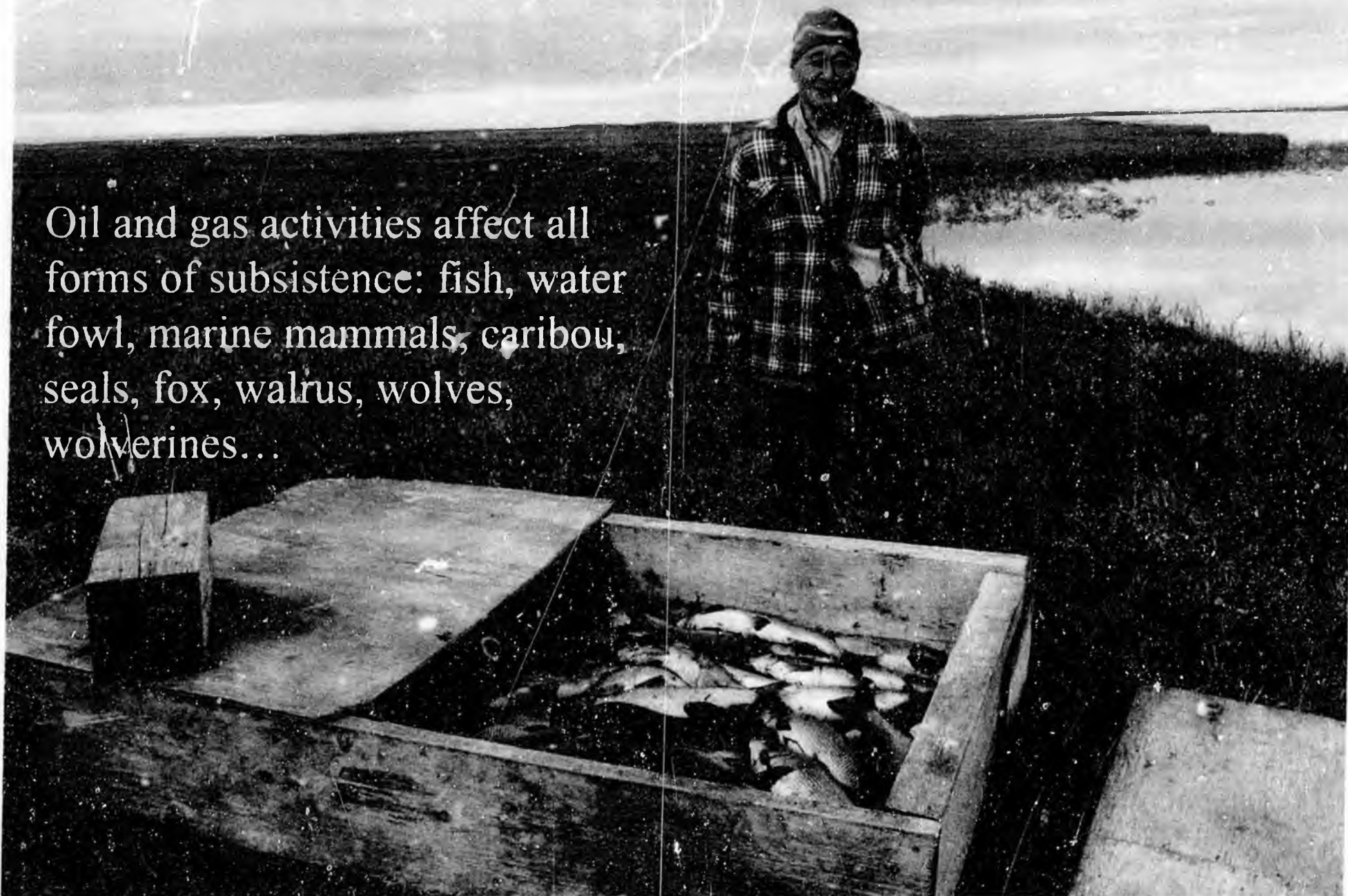


Caribou migration routes are within the NPR-A and Cape Simpson. Caribou are very vital to the Inupiat way of life.





Oil and gas activities affect all forms of subsistence: fish, water fowl, marine mammals, caribou, seals, fox, walrus, wolves, wolverines...





Cape Simpson well site—oil on the tundra

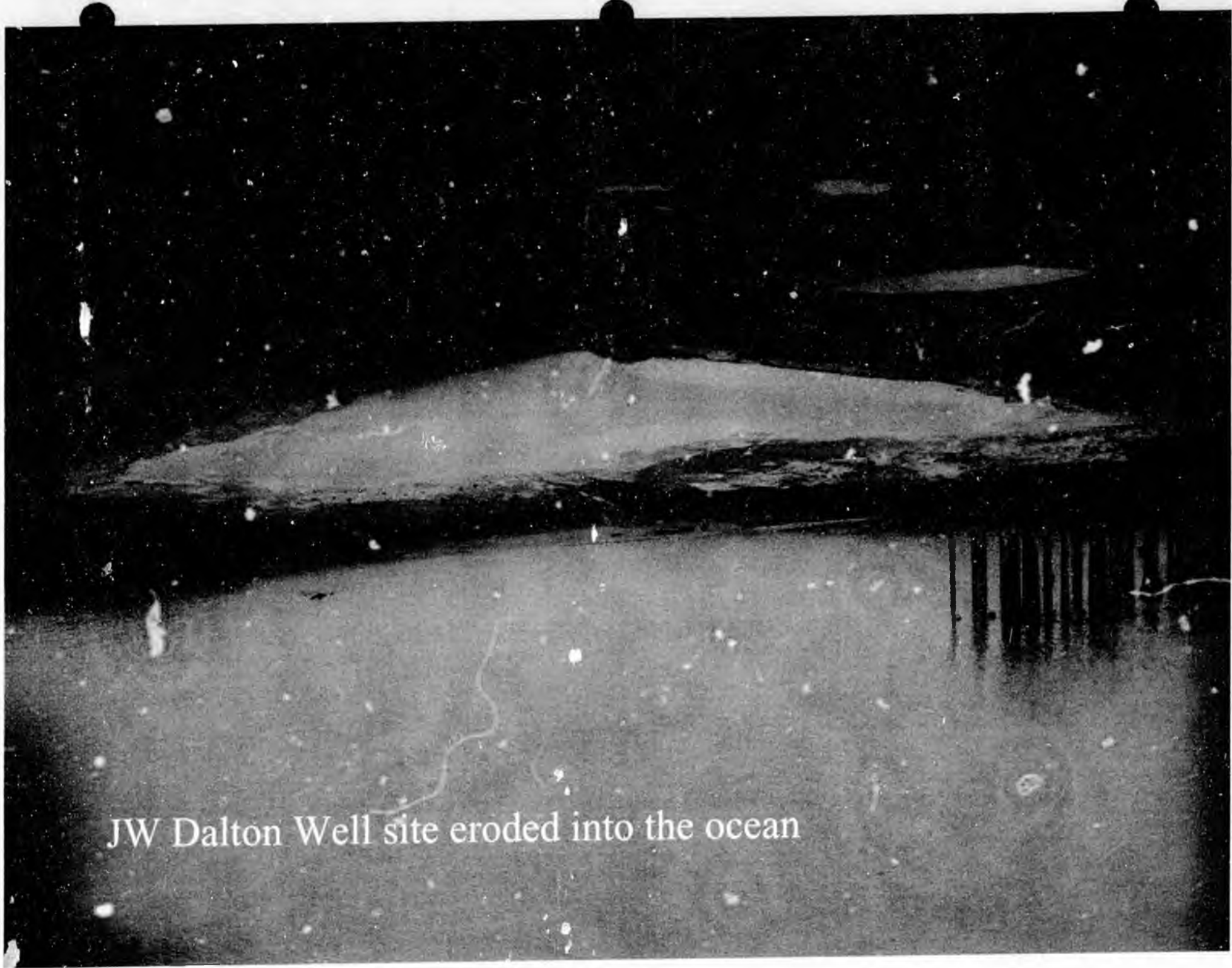




JW Dalton Well Site was active
from April – August 1979.

After 5 months of operation it was
closed.

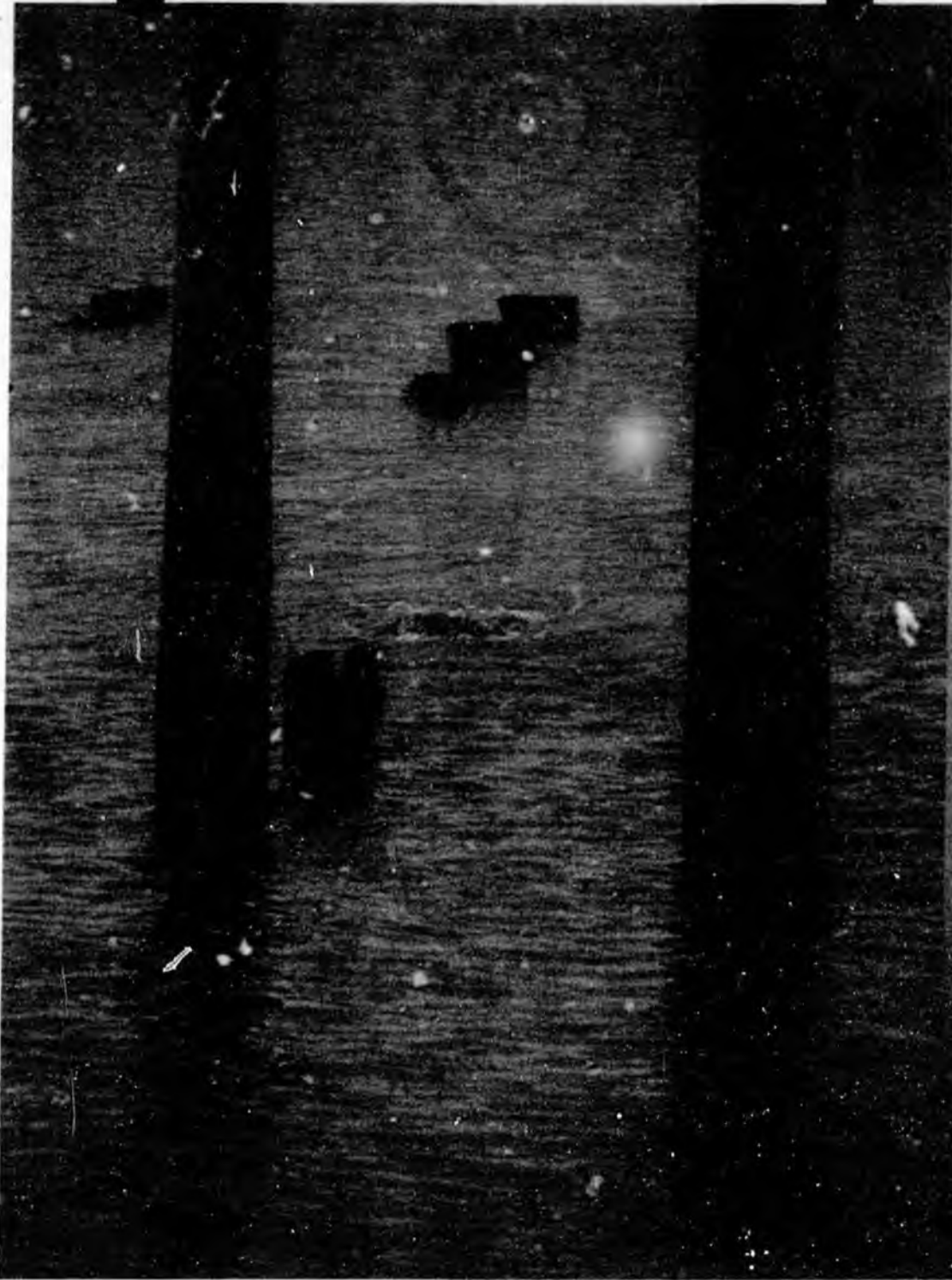
25 + years later, the NPR-A
communities are still dealing with
the impacts of this development.



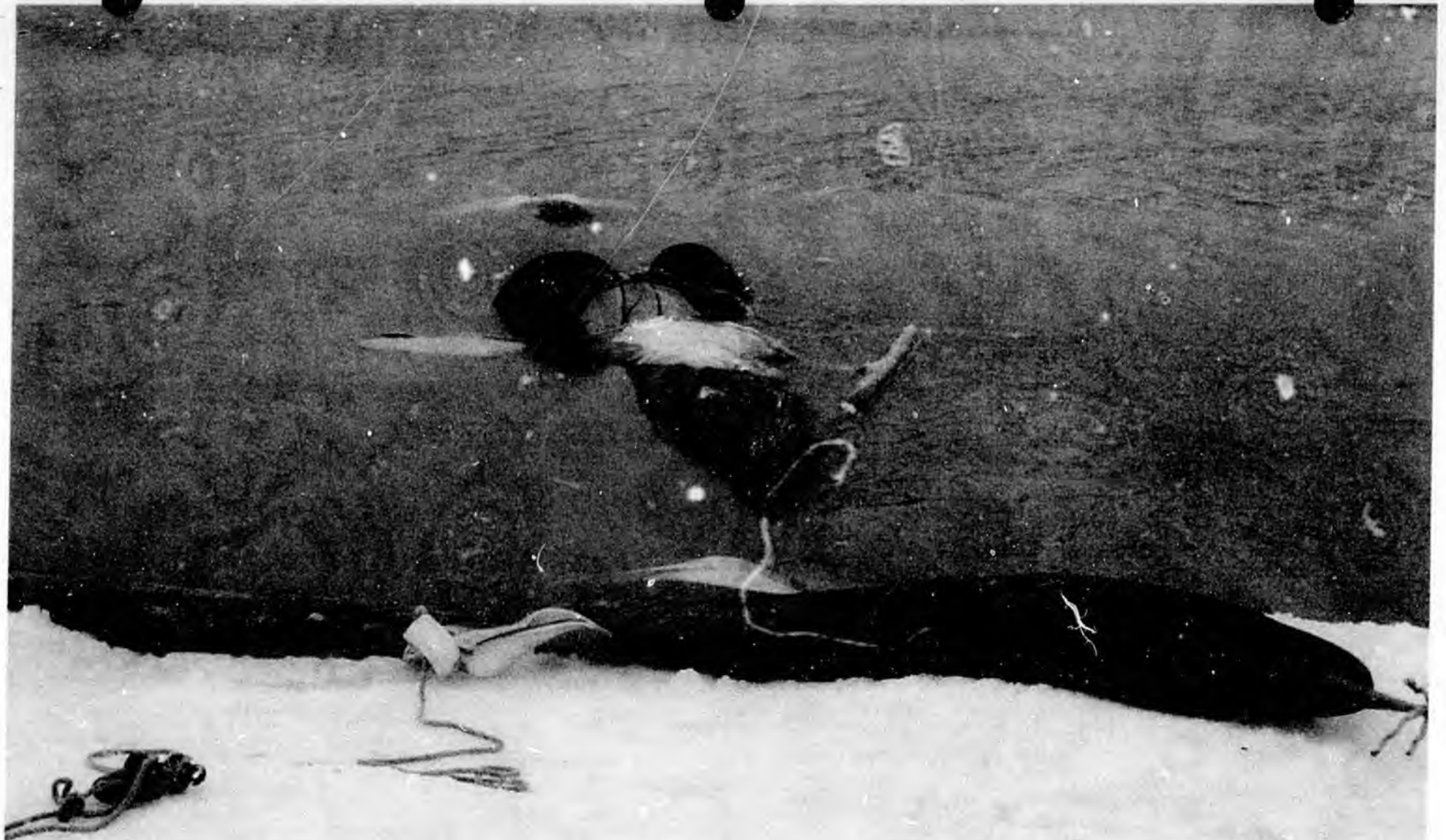
JW Dalton Well site eroded into the ocean



JW Dalton Erosion from 1979 platform

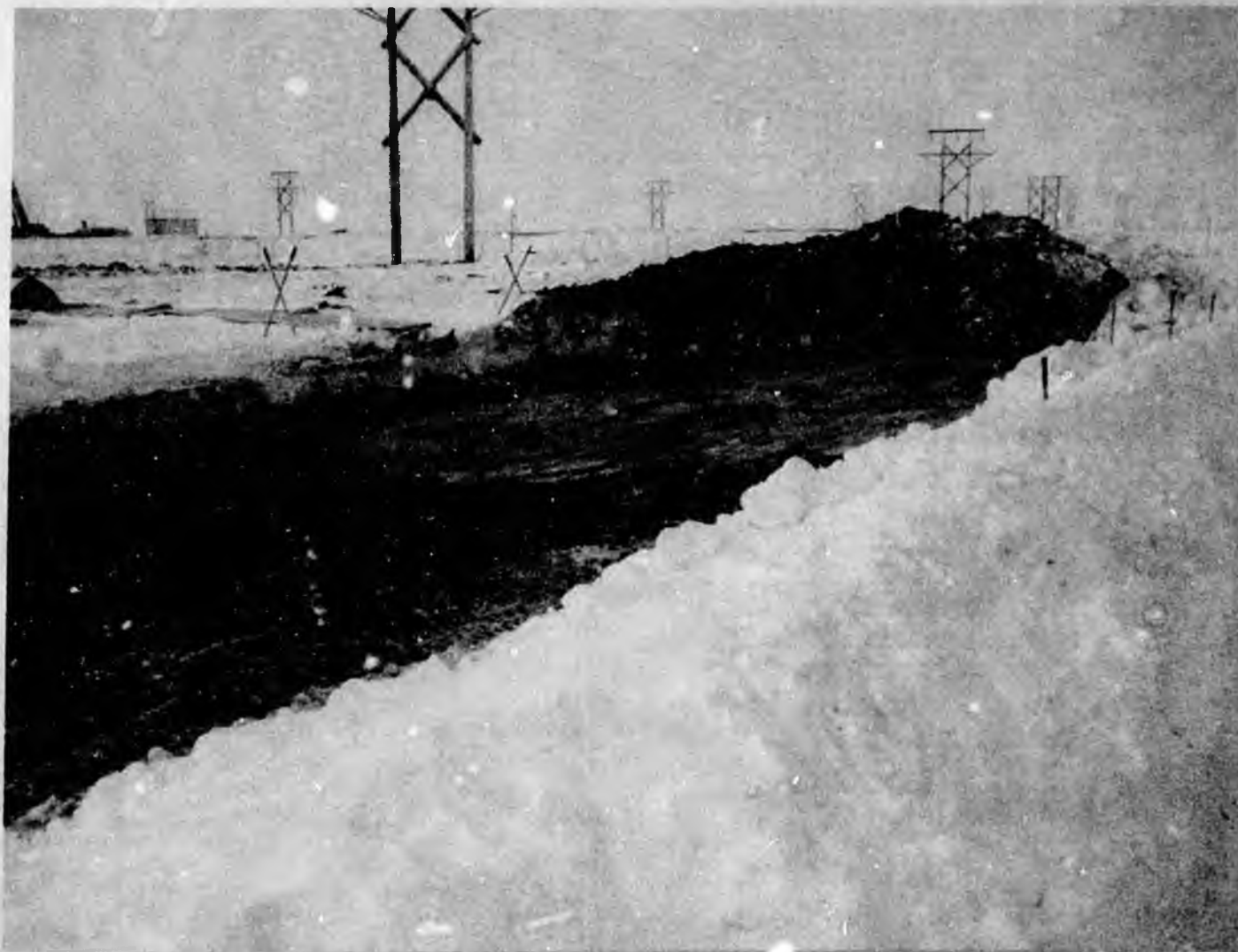


Gas leak from the JW
Dalton site. Gas leaking
directly into the ocean
affecting the marine
mammals and
subsistence hunting.

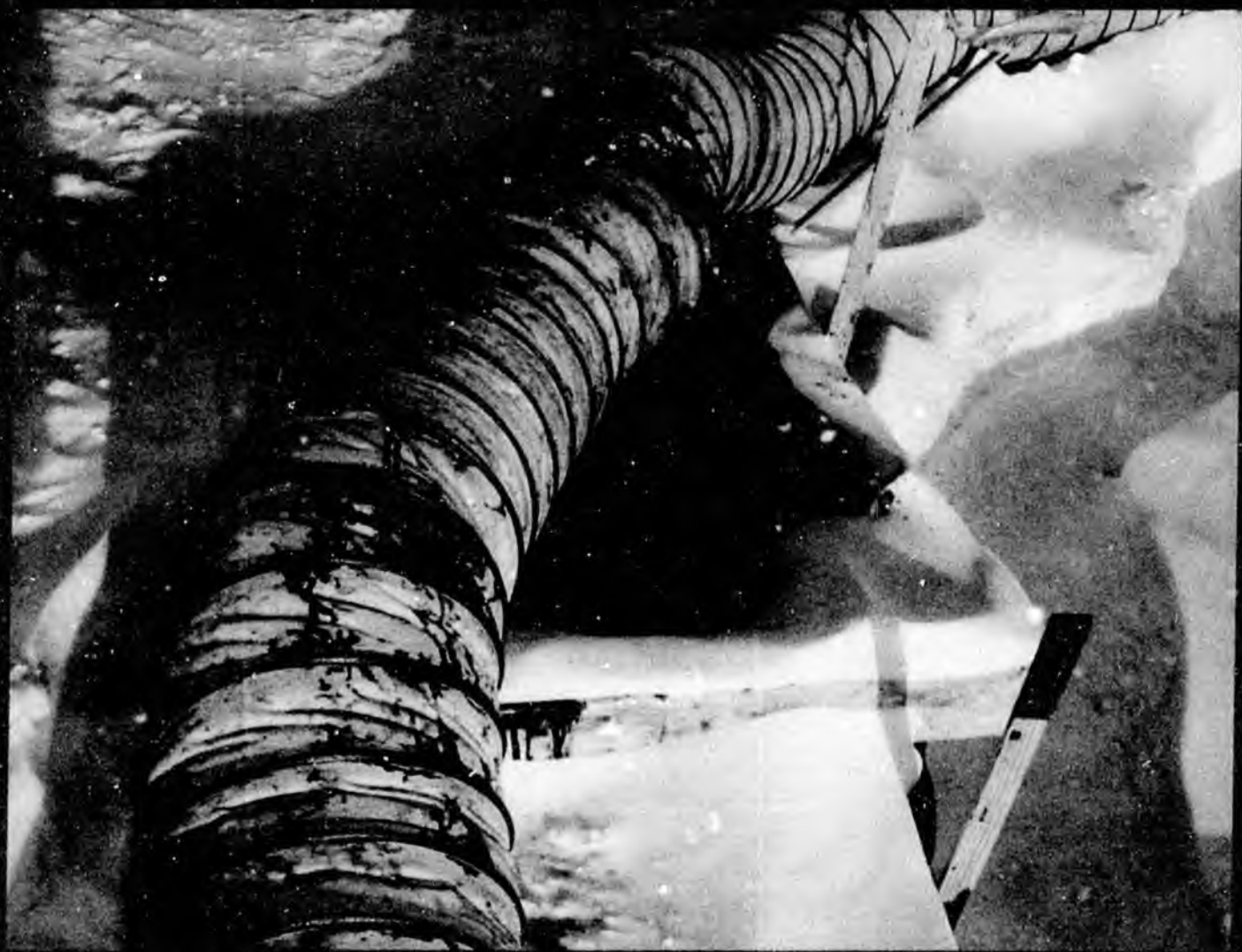


Whaling is a centuries old Iñupiat Tradition
and is still done by the NPR-A villages of
Barrow, Nuiqsut and Wainwright





Oil spilled onto the snow



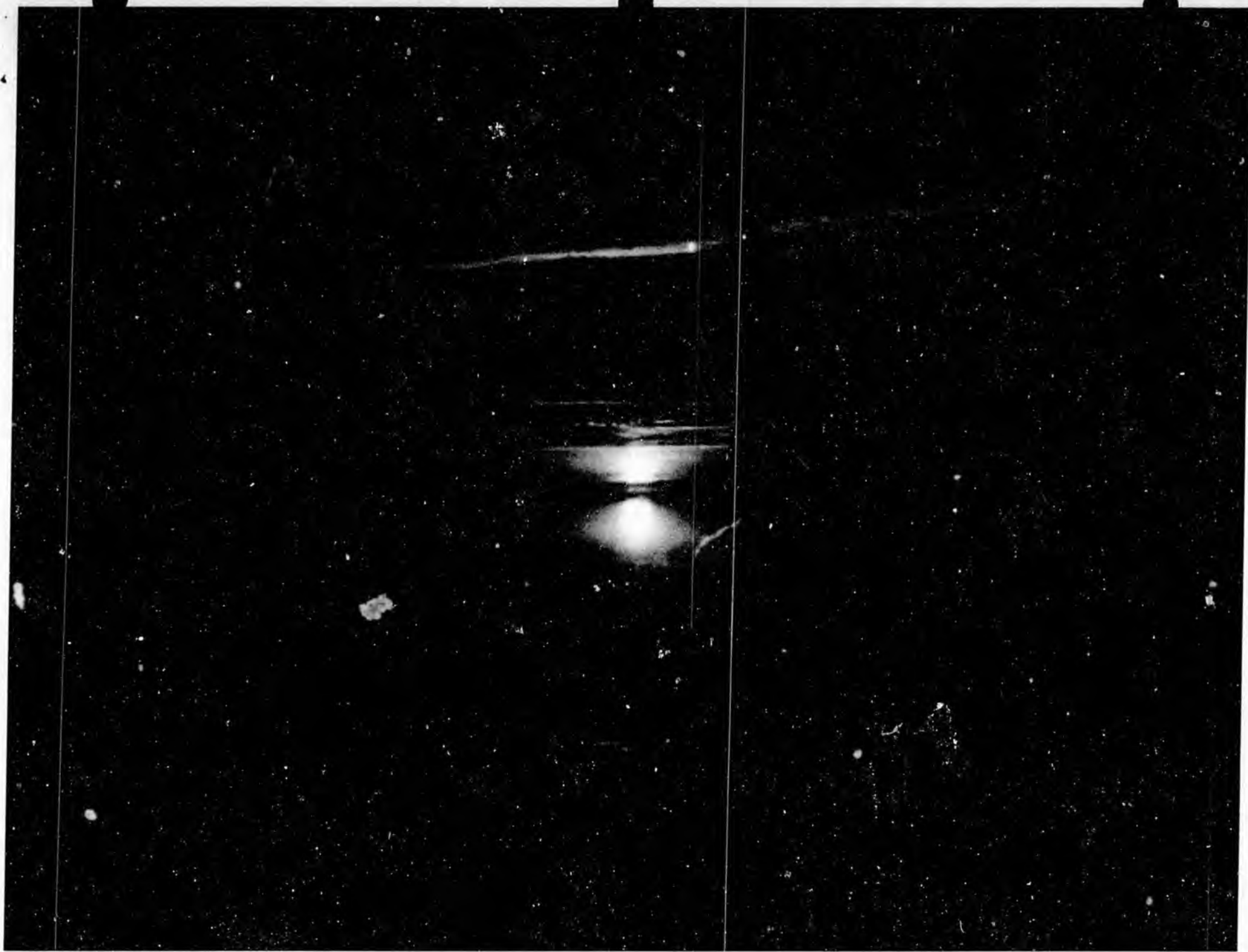


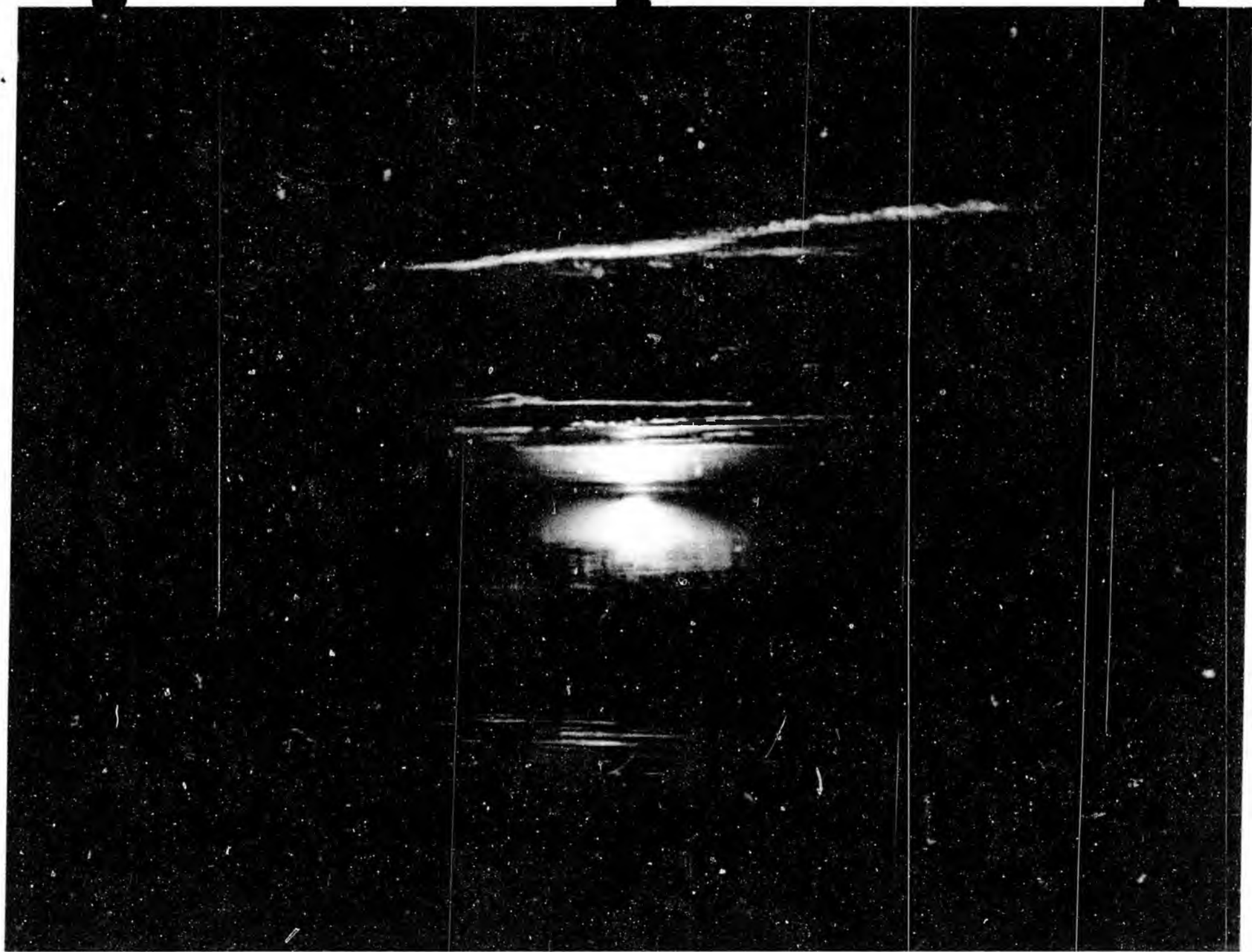
Spill Clean up—Haz Mat Suits on the tundra



Aerial view of spill area

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**North Slope community testimony
Suggested schedule**

**House CRA Committee
Thursday, March 29, 2006**

<u>Speaker</u>	<u>Affiliation</u>	<u>Estimated time</u>
✓ Edward Itta	Mayor, North Slope Borough	20 minutes
✓ Dora Nukapigak (Noo- <u>KAH</u> -pee-gawk)	Subsistence hunter, Nuiqsut (Noo- <u>IK</u> -soot)	5 "
✓ Nate Olemaun, Jr. (<u>OO</u> -lay-mahn)	Mayor, City of Barrow	5 "
John Hopson, Jr.	President, Olgoonik Corporation (O- <u>LOO</u> -go-nick) - Wainwright	5 "
✓ Raymond Neakok (<u>NAY</u> -ah-coke)	Subsistence hunter, Nuiqsut (Noo- <u>IK</u> -soot)	5 "
Robert Suydam (Soo- <u>DAM</u>)	Biologist, North Slope Borough	5 "
David Smith	City Administrator, Nuiqsut (Noo- <u>IK</u> -soot)	5 "
	Fudge factor	<u>10</u> "
	Total time	60 "

Mr. Raymond Neakok Jr.
P.O. Box 89061
Nuiqsut, Alaska
99789
Home Phone 907-480-4808
e-mail (neakokjr@astacalaska.net)

Testimony from a resident of Nuiqsut

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

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

Sincerely *Raym Neakok Jr.*

Thursday, March 30, 2006

The Community and Regional Affairs Committee will come to order.
Let the record reflect that it is _____ am, March 30, 2006.

Let the record reflect we have a quorum. Members present are

- Representative Thomas
- Representative LeDoux
- Representative Kcct
- Representative Neuman
- Representative Cissna
- Representative Salmon

Today we'll continue our hearing on SB 171, NPR-A Community Grant Program. We have a lot to cover today so I'd appreciate it if everyone keep their testimony brief. We have a number of people on line from the North Slope Borough to answer questions.

First I'd like to call on the Dept. - Mr. Clough will you join us?

What changes has the department made in how the grant requests are processed?

(if appropriate) Do you feel that the changes have addressed the problem brought up by Sen. Wilken?

(You will have people on line from the North Slope Borough to answer questions. You need to hold DCCED to 30 minutes or less as there will be about 7 or 8 people testifying in house. You will need to try and control the length of questions from the committee (Sharon?) so they don't wander off the subject.)

Sen. Wilken has raised some valid points. However, it appears the problems with the administration of the grants lies more with the department than with the impacted villages and the North Slope Borough. It is the wish of Co-Chair Thomas and I that the department, the villages, and the borough work together to arrive at a resolution that will satisfy all parties.

PAST
SEN. WILKIN

Testimony of Edward S. Itta
Mayor, North Slope Borough

on SB 171 – Amending NPR-A Grant Program

House Community and Regional Affairs Committee
March 30, 2006

Thank you, Mr. Chairman.

Now that you've had a chance to hear the sponsor and the Administration talk about SB 171's proposed changes to the NPR-A Impact Aid Grant Program, I appreciate this opportunity for people from the NPR-A communities to tell you what it's like in the places that are directly affected by industry activity.

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

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

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

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

If you want to talk about impacts to the communities, Teshekpuk Lake is a good place to start. That area is a tremendous magnet for waterfowl of all kinds, as a nesting and molting area. Birds come from thousands of miles away in the spring. The Teshekpuk

caribou herd is also based there, migrating in and out through a narrow neck of land between the eastern edge of the lake and the ocean.

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

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

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

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

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

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

I think this kind of widespread social impact that is hard to get your arms around – and hard to quantify – was anticipated by the federal law. It is the kind of impact that stays under the radar, but it is real and very disturbing. It's the undercurrent that affects everyone, while the more obvious impacts affect one village more than another. Nuiqsut is in the eye of the storm now, but it was a quiet village ten years ago. Wainwright is still a pretty quiet village, but they feel this undercurrent, this fundamental shift in land use priorities. They go to the BLM meetings and see maps of the 2.8 million acres that have been leased for exploration in the hunting grounds. Development starts on the drawing board, not on the drill rig, and so do impacts.

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

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

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

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

grant. You won't hear about grants like that when you're listening to the bill's sponsor. That's because they are part of the success of the NPR-A grant program.

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

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

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

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

The bill creates a timetable for dealing with these grant applications that adds to the problem. This timetable forces you to review and score and award a bunch of grants in the midst of the legislative session. Does the Legislature really want to be dealing with village grant applications during the session when you've got things like PPT on your plate? And do you really think this will yield better, more thoughtful decisions? I think

your best bet is to work with the department and with us to make the program stronger, not to gut it.

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

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

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

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

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

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

A number of people from the NPR-A communities are here today, and they have a lot of experience with some of the things I've mentioned. I want you to know that they are not here on our dime. They paid their own way so they could tell you how important the program is to their communities. The mayor of Atkasuk was on the way down here when

she had a death in the family and had to turn around. But her written testimony should be in your file.

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

Quyanaqpak.

SB

265

ALASKA STATE LEGISLATURE

SESSION

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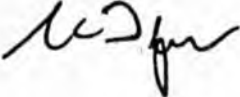
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SENATOR BERT K. STEDMAN

MEMORANDUM

TO: Rep Kurt Olson, Co-Chair, Community & Regional Affairs
Rep Bill Thomas, Co-Chair, Community & Regional Affairs

FROM: Senator Bert Stedman 

DATE: April 5, 2006

RE: Request to Schedule SB 265 for a Committee Hearing

SB 265 seeks to increase the bond authority of the Alaska Municipal Bond Bank Authority from \$500 million to \$750 million.

The bill unanimously passed the Senate on March 22nd, 2005. In addition, it received hearings in both the Senate Community & Regional Affairs Committee and the Senate Finance Committee. The bill has enjoyed bipartisan support throughout the process.

I have enclosed the following background information for the benefit of your Committee members and respectfully request you schedule a hearing for SB 265 at your earliest convenience:

- SB 265
- Fiscal Note
- Sponsor Statement
- Fact Sheet
- Letter of Support from William Corbus, Commissioner of Revenue
- Excerpt from Alaska Public Dept 2005-2006 regarding Alaska Municipal Bond Bank activities

Thank you for prompt consideration of this request. If you have additional questions regarding SB 265, please contact Miles Baker on my staff.

ALASKA STATE LEGISLATURE

SESSION

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SENATOR BERT K. STEDMAN

SPONSOR STATEMENT SB 265

"An Act increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; and providing for an effective date."

Senate Bill 265 seeks to increase the bond authority of the Municipal Bond Bank from \$500,000,000 to \$750,000,000.

The Alaska Municipal Bond Bank was statutorily created to offer Alaskan communities more efficient and cost effective bonds. By pooling communities together in packaged bond sales, the Bond Bank realizes savings for communities by reducing the cost of issuance and enhancing underwriter interest. Thirty-five communities representing every region of the state use the Bond Bank. Over the last three years alone, the Bond Bank has issued over \$298 million in bonds to fund 37 loans to Alaskan communities and saved Alaskans over \$25 million.

The Bond Bank results in real financial benefits to municipalities and the state by lowering the overhead costs of bond issuances: **(1) Fixed costs are reduced.** For example, when three communities combine their bond issuance into one combined Bond Bank issue, fixed costs are paid once as opposed to each community paying them individually; **(2) Investor interest is increased.** Bond sales of less than \$5 million tend to receive less interest from underwriting firms. The Bond Bank combines communities into larger transactions resulting in more investor interest; **(3) Credit rating is improved.** The Bond Bank also maintains a credit rating that is better than almost all the communities in Alaska. A better credit rating means less risk to investors correlating to less interest expense to municipalities. The state also realizes savings in reimbursement costs for its share of bonded debt service.

The Bond Bank bonding authority has been increased several times in the last thirty years. Most recently, in 2003, the limit increased from \$300 million to \$500 million. As of February 2006 the Bond Bank had \$449,985,878 in outstanding bonds. Thus, only \$50,014,122 is available for additional loans to communities. Applications to the Bond Bank over the next six months will total approximately \$80 million. Without passage of SB 265, municipalities will not be able to take advantage of the program. This is important legislation for our communities and the state. I ask for your support in seeing swift passage of this bill.

Contact: Miles Baker, Aide to Senator Bert Stedman at (907) 465-3873

DISTRICT A

Ketchikan • Sitka • Petersburg • Wrangell

Pelican • Elfin Cove • Port Alexander • Saxman • Meyers Chuck • Thorne Bay • Coffman Cove • Hollis



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Senator Bert Stedman

Current Version: SB 265

Contact: Miles Baker, 465-3873

Fact Sheet for: Senate Bill 265

Short Title: BONDS OF BOND BANK AUTHORITY

Summary:

- Increases the bond authority of the Alaska Municipal Bond Bank from \$500 million to \$750 million.

Benefits:

- Allows Alaskan communities to borrow funds for necessary capital improvements.

Background:

- The Alaska Municipal Bond Bank was formed to bring communities together so bond sales could be packaged in a manner that lowers the overhead costs to communities and reduces risk for investors. The bond bank only has the legal authority to loan out an additional \$50 million. However, it will receive applications for bonds totaling \$80 million over the next six months. SB 265 increases the bank's bonding authority and allows those communities to issue bonds and receive adequate funding for capital improvements.

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 265
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Alaska Municipal Bond Bank Authority Bond Cap RDU Revenue Programs and Services
 Component Alaska Municipal Bond Bank
 Sponsor Senator Stedman
 Requester Senator Stedman Component No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual	50.0	100.0	100.0	100.0	100.0	100.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	50.0	100.0	100.0	100.0	100.0	100.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Bank Investment Earnings	50.0	100.0	100.0	100.0	100.0	100.0
TOTAL	50.0	100.0	100.0	100.0	100.0	100.0

Estimate of any current year (FY2006) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Bond Bank is a self supporting public corporation of the State of Alaska. The Bond Bank saves communities, and often the state through reduced reimbursements, by borrowing more efficiently and with enhanced credit strength compared to individual communities borrowing capability.

Increasing the statutory cap on borrowing from \$500 million to \$750 million will allow the Bond Bank to continue to meet the capital needs of Alaska's municipalities. The contractual cost noted above reflects an anticipated continued increased use of the Bond Bank by communities. The costs incurred will be directly correlated to future increased borrowing activity of the Bond Bank due to the increase in the borrowing cap. All costs will be funded from Bond Bank fund earnings.

Prepared by: Deven Mitchell Phone 465-3409
 Division Alaska Municipal Bond Bank Authority Date/Time 2/10/06 12:00 AM
 Approved by: Jerry Burnett Date 2/10/2006
 Agency Department of Revenue

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110400
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Senator Bert Stedman
Chair, Senate Community and Regional Affairs Committee
State Capitol, Room 30
Alaska State Legislature
Juneau, AK 99801

February 13, 2006

Dear Senator Stedman,

I am writing in support of Senate Bill 265, an act increasing the overall debt limit for the Alaska Municipal Bond Bank Authority. Unless we act quickly on this legislation, the Bond Bank will reach its statutory debt issuance limit this year and municipalities could lose the opportunity to proceed on schedule with capital projects this year.

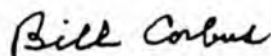
The Alaska Municipal Bond Bank Authority was created in 1975 to assist Alaska municipalities issue bonds for local projects. The Bond Bank Authority is able to realize savings for municipalities by pooling bonds in large numbers and obtaining lower interest rates that result in reduced costs, and often better terms overall, than municipalities could obtain on their own.

Senate Bill 265 will raise the limit on the total outstanding bond debt the Authority may carry on its books from \$500 million to \$750 million. The Legislature last raised this limit in 2003, and prior to that in 1984. An increase in the amount of the Authority's indebtedness limit will not have a fiscal impact on the state's General Fund. Bond Bank debt is not a direct liability of the state, and the municipalities that use the Authority pay all of the debt service on the bonds.

As of February 9, 2006, the Bond Bank has \$449,985,878 in bonds outstanding. The existing limit in statute is \$500 million in total bonds outstanding. Additional projects scheduled for funding in the next 12 months total up to \$90 million. Without the increase in the statutory cap, the Authority will be forced to turn away up to \$40 million in community loan applications

Thank you for your consideration, and please let me know if you have any questions. Or you also may contact Deven Mitchell, Executive Director of the Authority, at 465-3750.

Sincerely,



William A. Corbus
Commissioner

D. Alaska Municipal Bond Bank

The Alaska Municipal Bond Bank (Bond Bank) was created as a public corporation by the State in 1975 for the purpose of lending money to Alaska's governmental units for their capital projects. The Bond Bank is empowered to issue bonds, the proceeds of which are used to purchase bonds, notes or certificates of participation of State municipalities. Most of the Bond Bank bonds maintain a Capital Reserve Fund with the State's moral obligation attached. As of June 30, 2005 the total principal amount of outstanding bonds and notes of the Bond Bank was \$409,410,878. Of this total amount outstanding, \$303,920,000 represents general obligation bonds, \$94,485,000 represents revenue bonds, and \$11,005,878 represents notes issued under the Coastal Energy Loan Program. General obligation and revenue bonds are serviced by the Bond Bank and are secured, in part, by past State appropriations to the Bond Bank, certain revenue streams of the municipality borrowing the proceeds, and additional moneys of the Bond Bank placed in a statutory capital reserve fund. The

Bond Bank is covenanted to notify the State legislature of any failure to maintain the capital reserve fund at their required levels. The State legislature may appropriate funds to the Bond Bank to restore capital reserve funds to required amounts. (See "Moral Obligation Debt"). The Coastal Energy Loan Program notes do not have a claim on any capital reserve funds of the Bond Bank and are payable solely from the payments of the municipalities participating in the Program.

On May 22, 1997 the Bond Bank Board approved a proposal that staff support, office space and administrative service would be provided to the Bond Bank by the Alaska Department of Revenue, Treasury Division (DOR) effective July 1, 1997. An agreement between the Bond Bank and the DOR was finalized on August 29, 1997.

a. Advantages to Municipalities

The advantages to Alaska's municipalities of using the Bond Bank are several. Interest rates are lower because of the additional security achieved through the structure of the Bond Bank as well as the diversification of risk achieved by pooling municipal bond issues through the Bond Bank. The Bond Bank's general obligation program is currently rated A by Standard and Poor's and A2 by Moody's Investor Service; while the revenue program is rated A by Standard and Poor's and A by Fitch Ratings. These are higher ratings than most of Alaska's municipalities can achieve independently. The Bond Bank, carrying the name of the State of Alaska and being a more frequent issuer, is better known than many of Alaska's smaller units of government. This enhances the marketability of the bonds to investors nationally.

b. Municipal Debt Purchased

The Bond Bank has assisted 40 of Alaska's municipalities obtain financing for capital projects. These communities are geographically distributed throughout Alaska and represent virtually all sectors of the State's economy.

TABLE 3.7
Alaska Municipal Bond Bank
June 30, 2005 General Obligation Bond
Outstanding Loans to Municipalities
\$(thousands)

Governmental Unit	Outstanding Loan Amount	Percentage of Total
Northwest Arctic Borough	66,165	22.49%
Kenai Peninsula Borough	33,839	11.50%
City & Borough of Sitka	33,385	11.35%
Aleutians East Borough	30,196	10.27%
Kodiak Island Borough	23,680	8.05%
Ketchikan Gateway Borough	23,570	8.01%
City of Wasilla	16,070	5.46%
City of Fairbanks	12,255	4.17%
City of Petersburg	8,270	2.81%
City of Ketchikan	8,175	2.78%
City of Seward	7,660	2.60%
City of Valdez	4,924	1.67%
City of Nome	4,640	1.58%
City of Unalaska	4,565	1.55%
Lake and Peninsula Bor.	3,049	1.04%
City of Cordova	2,690	0.91%
City of Palmer	2,680	0.91%
City of Adak	1,500	0.51%
City of North Pole	1,350	0.46%
City of Homer	1,340	0.46%
City of Craig	1,035	0.35%
City of Haines	970	0.33%
City of Wrangell	854	0.29%
City of Soldotna	490	0.17%
City of Kaktovik	420	0.14%
City & Borough of Yakutat	265	0.09%
City of Hoonah	120	0.04%
Total	\$ 294,157	100.00%

Source: Alaska Municipal Bond Bank

c. Security for Bonds

Municipal general obligation bonds are usually issued to finance facilities that do not generate revenue, such as schools, roads, public safety and municipal buildings. They are issued with the approval of the municipal voters and are secured by the full faith and credit of the municipality. Municipalities within the State of Alaska have no taxing limitations for debt service requirements.

The Bond Bank's mainstream program was created in 1976 by its General Bond Resolution (issuance of Bond Bank General Obligation Bonds). A total of 71 general obligation bond series have been issued in order to secure funds to purchase \$596.2 million in municipal debt.

Bonds issued by the Bond Bank to purchase municipal general obligation bonds are secured by:

- Full faith and credit of each respective community with no taxing limitation for the general bonded debt issued to the Bond Bank.

- The debt service reserve fund under the bond resolution for that issue of Bond Bank bonds. The reserve fund generally is funded in an amount equal to maximum annual debt service on the Bond Bank bonds.
- The statutory Bond Bank reserve fund monies available and not pledged to bond issues, which may be used to restore the debt service reserve fund under the bond resolution to an amount equal to maximum annual debt service to the Bond Bank bonds.
- The statutory right of the Bond Bank, in the event of default, to demand and receive from a State agency any funds held by that agency which are payable to the defaulting municipality.
- The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels.

d. Bond Authorization

The Bond Bank may not issue in excess of \$75 million in revenue bonds during any fiscal year without legislative approval.

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank bonds outstanding at any time to \$150 million. This statute was amended in 1983, 1984, and 2003 to raise the limit to \$200 million, \$300 million, and 500 million respectively. Total Bond Bank bonds and notes outstanding as of June 30, 2005, were \$409.4 million. Thus, the limit on additional bond issuance at that time was \$90.6 million.

e. Bonds Issued and Outstanding

The types of Bond Bank Bonds issued and outstanding are summarized in Table 3.8.

TABLE 3.8
Alaska Municipal Bond Bank
Summary of Bonds Types Issued and Outstanding
\$(thousands)

Type	Amount Issued	Outstanding at 6/30/05
General Obligation Bonds	\$ 685,245	\$ 303,920
Revenue Bonds	174,805	94,485
Coastal Energy Bonds	21,348	-
Coastal Energy Loan Fund	20,525	11,006
	<u>\$ 901,923</u>	<u>\$ 409,411</u>

The Coastal Energy Reserve and Loan Bonds do not have the State's moral obligation attached. All Bond Bank general obligation and revenue bonds do.

Under the Coastal Energy Loan Fund, the Bond Bank issued \$5.0 million 1986 Series A Coastal Energy Bonds payable to the National Oceanic and Atmospheric Administration (NOAA). The proceeds of these bonds were used to purchase port revenue bonds from the City of Nome.

The 1986 Series A Bonds are not general obligations of the Bond Bank and are payable only from bond proceeds received from the City of Nome.

A complete listing of debt issued by the Bond Bank and outstanding is found in Table 3.9.

TABLE 3.9
Alaska Municipal Bond Bank
Debt Issued and Outstanding
\$(thousands)

	Date	Amount Issued	Outstanding at 6/30/05
1976 General Resolution General Obligation Bonds			
1995 Series A	5/1/1995	13,975	2,330
1995 Series C	10/1/1995	5,110	1,090
1995 Series D	12/1/1995	1,985	90
1996 Series A	2/1/1996	5,000	610
1996 Series B	9/1/1996	7,705	895
1997 Series A	2/1/1997	1,605	385
1997 Series B	10/1/1997	12,185	1,435
1998 Series A	4/1/1998	7,950	6,500
1998 Series B	12/1/1998	3,715	1,830
1999 Series A	4/1/1999	13,385	10,045
2000 Series A	3/1/2000	9,805	2,830
2000 Series B	5/15/2000	10,730	2,960
2000 Series C	8/1/2000	21,645	6,360
2000 Series D	10/1/2000	1,800	1,580
2000 Series E	11/15/2000	16,390	11,050
2000 Series F	11/15/2000	1,175	810
2001 Series A	8/1/2001	15,475	14,270
2001 Series B	10/15/2001	3,835	3,480
2002 Series A	5/1/2002	15,445	12,470
2002 Series B	8/15/2002	11,590	11,055
2003 Series A	2/12/2003	9,305	8,745
2003 Series B	4/8/2003	3,075	2,035
2003 Series C	5/22/2003	8,250	6,800
2003 Series D	8/7/2003	14,520	13,965
2003 Series E	9/30/2003	32,020	31,125
2003 Series F	10/15/2003	3,235	1,690
2003 Series G	1/6/2004	24,110	22,825
2004 Series A	2/5/2004	20,270	19,190
2004 Series B	4/8/2004	17,425	16,690
2004 Series C	7/21/2004	14,575	14,575
2004 Series D	12/1/2004	13,925	13,925
2005 Series A	3/22/2005	32,655	32,655
2005 Series B	5/4/2005	27,625	27,625
Total		401,495	303,920

TABLE 3.9 (Continued)
Alaska Municipal Bond Bank
Debt Issued and Outstanding
\$(thousands)

Total General Obligation Bonds		<u>401,495</u>	<u>303,920</u>
Revenue Bonds			
1995 Series A Revenue Bonds	6/1/1995	3,225	2,265
1997 Series A Revenue Bonds	10/1/1997	15,225	13,935
1998 Series A Revenue Bonds	12/1/1998	13,210	6,170
1998 Series B Revenue Bonds	12/1/1998	2,525	1,105
1999 Series A Revenue Bonds	12/1/1999	1,865	1,660
2000 Series A Revenue Bonds	5/1/2000	2,430	445
2000 Series B Revenue Bonds	12/1/2000	3,000	2,725
2001 Series A Revenue Bonds	8/1/2001	1,725	1,550
2001 Series B Revenue Bonds	8/1/2001	2,525	2,285
2002 Series A Revenue Bonds	12/1/2002	6,250	5,380
2003 Series A Revenue Bonds	3/1/2003	5,685	2,935
2003 Series B Revenue Bonds	5/15/2003	19,000	19,000
2003 Series C Revenue Bonds	7/2/2003	1,015	820
2004 Series A Revenue Bonds	8/26/2004	28,845	28,845
2004 Series B Revenue Bonds	9/1/2004	5,365	5,365
Total		<u>111,890</u>	<u>94,485</u>
Coastal Energy Loan Fund			
City of Nome			
Port Authority	FY 86	5,000	5,000
City of St. Paul			
Fuel Tank Farm	FY 88	6,563	6,006
		<u>11,563</u>	<u>11,006</u>
Total Alaska Municipal Bond Bank Debt		<u>\$ 524,948</u>	<u>\$ 409,411</u>

Source: Alaska Municipal Bond Bank Authority

E. Alaska Railroad Corporation

Legislation signed into law during 1984 established the Alaska Railroad Corporation as a public corporation of the State to manage the Alaska Railroad upon its acquisition from the Federal Government until its possible transfer to private ownership. The corporation is administratively placed within the Department of Commerce and Economic Development. The corporation has the power to issue bonds if such issuance is approved by law. Bonds issued by the corporation would not bear the full faith and credit of the State. The Railroad is not authorized to issue State moral obligation bonds.

By Chapter 77, SLA 1994, the Railroad is authorized to issue revenue bonds in the principal amount of \$55.0 million for the construction and acquisition of the Alaska Discovery Center for the Ship Creek Project in Anchorage.

Chapter 71, SLA 2003 authorized the ARRC to issue up to \$17 billion in revenue bonds to finance the construction of a natural gas pipeline and related facilities, subject to an agreement with a third party to pay the debt service and other costs of the bonds. To date, no bonds have been issued.

Chapter 46, SLA 2004 authorized the ARRC to issue up to \$500 million in revenue bonds, subject to an agreement with a third party to pay the debt service, and other related bond costs, to finance the cost of extending its rail line to Fort Greely, Alaska. To date, no bonds have been issued.