

ALASKA LEGISLATURE COMMITTEE FILES, 2005-2006 86/2

11729 SENATE COMMUNITY & REGIONAL AFFAIRS

SB

158

ALASKA STATE LEGISLATURE

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Charlie Huggins Senator

4/3/05

Sponsor Statement

SB 158 – “An Act prohibiting the imposition of municipal sales and use taxes on state construction contracts and certain subcontracts; and providing for an effective date.”

During the course of business in the last couple of years, subcontractors in the construction industry, who work in some areas of the state, have experienced negative financial impact due to the imposition of local sales taxes on state DOT/PF funded projects.

In the case of a construction contract being awarded and a primary contractor doing business with the state, the state is the purchaser of those services and, as such, the legal incidence for the tax falls on the state. Based on the state's sovereign immunity and the fact that the state is immune from taxation no tax is owed.

However, when a subcontract is awarded and a primary contractor hires another contractor to do work for him, the subcontractor is not working directly for the state, but for the original contractor, and in some cases a sales tax has been levied on the value of the subcontract.

In one instance, on a Nome Airport Project, a construction contract was awarded to Quality Asphalt Paving (QAP). QAP and Dimond Electric entered into a subcontract directly in connection with the project funded under the construction contract. Dimond Electric was assessed a sales tax of over \$20,000 on the value of their subcontract. This tax was unexpected and not considered in their bid.

The state cannot afford to have an increase in the cost of construction projects due to the levying of sales taxes on state construction contracts or subcontracts directly awarded in connection with the project funded under the construction contract. While all municipalities do not assess this sales tax the policy needs to be consistent statewide.

SB 158 will prohibit the imposition of municipal sales and use tax on state construction contracts and certain subcontracts and remedy the inequity that exists.

Contact Information - Deborah Grundmann 465-4711

Fifty Years Serving Alaska



NECA

ALASKA CHAPTER
1953-2003

May 15, 2003

Commissioner Mike Barton
Alaska Dept. of Transportation
and Public Facilities
5132 Channel Dr.
Juneau, AK 99801-7898

Re: City of Nome Sales Tax

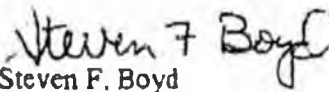
Dear Commissioner Barton:

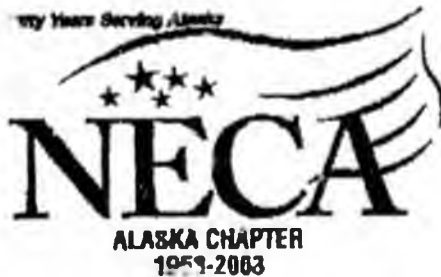
I am writing to you regarding an issue one of our member contractors is facing in Nome, Alaska as a result of their status as a subcontractor to Quality Asphalt Paving on the Nome Airport R/W 27 Rehabilitation & Obstruction Removal, #AP 3-02-0199-1201/60905. The City of Nome has taken action to assess and collect a sales tax on the value of the subcontract of Dimond Electric and in fact other subcontractors as well. Dimond Electric has unsuccessfully tried to reason with the City of Nome that not only is this not a retail sale, but the project is owned by the State of Alaska which does not pay sales tax on its purchases. Unfortunately, the City has indicated that they will be filing a lawsuit to collect the tax they have estimated as due and Dimond is faced with an expensive legal defense.

The reason we bring this to your attention is in the hope that your department may be able to investigate this and possibly intervene. If the City of Nome prevails in this action, the State will eventually be facing higher construction costs in every community with a local sales tax as word of this practice spreads. In the instant case, several subcontractors who bid the work as they normally do will suffer unexpected and substantial costs that they will not be able to recover.

If you need further information please feel free to contact me at 907 561-1958 or Dave Lantz with Dimond Electric at 907 344-1121.

Sincerely,
Alaska Chapter, NECA


Steven F. Boyd



November 13, 2004

Senator John Cowdery
Alaska State Senate
716 W. 4th Ste. 500
Anchorage, AK 99501

Dear Senator Cowdery:

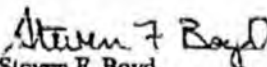
Congratulations on your recent reelection to the State Senate. Our contractor members look forward to another four years of your experience and leadership in the State Senate.

During the course of business in the last two years, subcontractors in the construction industry who work in some rural areas have experienced negative financial impact due to the imposition of local sales taxes on State D.O.T. funded projects. In our efforts to mitigate this impact, our research has shown that while the General Contracting entity is not subject to local sales tax due to their direct relationship with the State D.O.T. (which is exempt from local sales tax), the subcontractors who have a relationship to the General Contractor have been ruled to be subject to the local sales tax. Efforts on the local level, the legal system and pleas to the State D.O.T. have been fruitless. We are therefore requesting a meeting with you to provide you with the information we have and a request to pursue legislative remedy to this inequity.

I would like to suggest a meeting on the morning of November 23rd if possible since one of our out of town members who has done considerable work on this issue will be in town and available. Obviously we realize you probably have a busy schedule and we will work with you and your staff to set something up.

Thank you for your consideration.

Sincerely,
Alaska Chapter, NECA


Steven F. Boyd
Chapter Manager

CC: Scott Bringmann, Alcan Electrical & Engineering
David Lantz, Dimond Electric Co.
Ralph Kibby, Chatham Electric

712 West 36th Avenue • Anchorage, Alaska 99503
(907) 561-1958 • Fax (907) 561-8833

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
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Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 5, 2005

SUBJECT: Taxation of construction contracts; sectional summary (SB 158)

TO: Senator Charlie Huggins, Chair
Senate Transportation Committee
Attn: Deborah Grundmann

FROM: Tamara Brandt Cook
Director *TBC*

Sec. 1. Adds to the list of statutes that apply as limitations on home rule municipalities (boroughs and unified municipalities) a reference to the new subsection added in bill sec. 3.

Sec. 2. Adds to the list of statutes that apply as limitation on home rule municipalities (cities) a reference to the new subsection added in bill sec. 4.

Sec. 3. Prevents a borough from levying a sales or use tax on state construction contracts or on subcontracts awarded in connection with the state construction project. (For an example of a definition of public construction see AS 36.95.010(3) in the State Procurement Code.)

Sec. 4. Prevents a city from levying a sales or use tax on state construction contracts or on subcontracts awarded in connection with the state construction project.

Sec. 5. Immediate effective date.

TBC:jad
05-193.jad

Kevin Ritchie

From: Dean Baugh [Dbaugh@ci.homer.ak.us]
Sent: Tuesday, April 05, 2005 7:58 AM
To: AML-Kevin Ritchie (Kevin@AKML.org)
Subject: FW: Alert Sales Tax SB 158

FYI

Dean Baugh
Finance Director
City of Homer

(907)235-8121 x2233
Fax (907) 235-3140
dbaugh@ci.homer.ak.us
www.ci.homer.ak.us

-----Original Message-----

From: Chapman, Craig [mailto:CChapman@borough.kenai.ak.us]
Sent: Tuesday, April 05, 2005 7:28 AM
To: 'Dean Baugh'
Cc: Tankersley, Troy
Subject: RE: Alert Sales Tax SB 158

Dean,

I will let Troy respond in more detail, however, I wanted to get a few thoughts in

1. What about food and lodging paid for by the contractor and subs while they are in the working on a project?
2. What about equipment rental, this includes equipment rented for the project and equipment under lease or rental agreements that will be used on a project?

Craig Chapman

-----Original Message-----

From: Dean Baugh [mailto:Dbaugh@ci.homer.ak.us]
Sent: Monday, April 04, 2005 7:32 PM
To: Barbara Rolfe; Christine Sasse (csasse@ci.valdez.ak.us); Deven Mitchell (E-mail); Kristin Erchinger (E-mail); Marti Wilkison (E-mail); Mary Munk; Michael Jones; Pam Epps; Pam Epps; Rick Miller (E-mail); Robin Feltman (E-mail); Ron Woolf; Terry Eubank; abrarkin@ci.unalaska.ak.us; accountant@northpolealaska.com; akutan@gci.net; bcalkins@haines.ak.us; bharbaugh@borough.kenai.ak.us; bobn@city.ketchikan.ak.us; ralvin_kubota@ci.juneau.ak.us; cchapman@borough.kenai.ak.us; cdominquez@city.kodiak.ak.us; city@ci.delta-junction.ak.us; cityaccounts@nuvuk.net; citygrants@nuvuk.net; cityhall@mtaonline.net; craig_duncan@ci.juneau.ak.us; cwallace@borough.kenai.ak.us; Dean Baugh; dlgfinnt@nushtel.com; dlw@cityofsitka.com; don@bristolbay.com; egreene@otz.net; eval@city.ketchikan.ak.us; finance@ci.whittier.ak.us; finance@theborough.com; findir@ci.petersburg.ak.us; findir@wrangell.com; fitz@cityofsitka.com; gburton@ci.dillingham.ak.us; I.eliason@att.net; james@co.north-slope.ak.us; janet@cityofsitka.com; jhassinger@gci.net; jnsoileau@ci.fairbanks.ak.us; johnvoss@arctic.net; jsinz@borough.kenai.ak.us; kercii@cityofseward.net; kissell@ci.anchorage.ak.us; kjarrell@bssd.org; kshort@kib.co.kodiak.ak.us;

kveech@matsugov.us; Laura_houston@key.com; lestenkofsnp@hotmail.com; Lisa Vaughn;
lsemmens@ci.kenai.ak.us; lwalters@cityofbethel.org; mayod2@alyeska-pipeline.com;
mdouglas@kpbsd.k12.ak.us; melodym@seward.net; millerRE@muni.org;
mlamb@co.fairbanks.ak.us; mlewis@ci.soldotna.ak.us; mroyall@city.kodiak.ak.us;
mwilkison@ci.soldotna.ak.us; pattyk@city.ketchikan.ak.us; paula.bush@north-slope.org;
pmacdonald@co.fairbanks.ak.us; pracct@aptalaska.net; raikumspw@ci.anchorage.ak.us;
rgifford@cityofseward.net; roanb@sbcglobal.net; rstrahan@cityofbethel.org; sally@cityofsitka.com;
scolligan@ci.wasilla.ak.us; seldcity@xyz.net; sheglin@city.kodiak.ak.us; sholt@borough.kenai.ak.us;
sptcity@arctic.net; susan_randlett@dec.state.ak.us; tclayton@matsugov.us;
tleonard@ci.wasilla.ak.us; ttankers@borough.kenai.ak.us
Subject: FW: Alert Sales Tax SB 158

-----Original Message-----

From: Kevin Ritchie [mailto:kevin@akml.org]
Sent: Monday, April 04, 2005 2:22 PM
To: Dean Baugh
Cc: Kathie; Annie
Subject: Alert Sales Tax SB 158

Dear Dean

Please pass this on to Finance Directors and Sales Tax administrators. This bill introduced last Friday already has a hearing Wednesday April 6th at 1:30 p.m. in Senate Community and Regional Affairs

Thanks
Kevin

I need to know if municipalities are impacted by this new exemption to municipal sales tax. At this point the only impacted community I know of is Nome. The primary issue is taxation of subcontractors working on a state construction contract.

SB 158 "A borough (or city) may not levy or collect a sales or use tax on a construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract."

NEW E-MAIL: kevin@akml.org
Kevin Ritchie, Executive Director
Alaska Municipal League
office: 907-586-1325
Fax: 907-463-5480

Kevin Ritchie

From: Tankersley, Troy [ttankers@borough.kenai.ak.us]
Sent: Tuesday, April 05, 2005 7:25 AM
To: 'Dean Baugh'
Cc: 'kevin@akml.org'
Subject: RE: Alert Sales Tax SB 158

Dean, Kevin,

I would like to expand on what Craig has indicated:

I will let Troy respond in more detail; however, I wanted to get a few thoughts in

1. What about food and lodging paid for by the contractor and subs while they are in the working on a project?
2. What about equipment rental, this includes equipment rented for the project and equipment under lease or rental agreements (i.e. heavy equipment, port-a-potties, etc.) that will be used on a project?
3. Most costs associated to a project are costs of doing business regardless of who the contract is for. These costs are and should be built in when a contractor bids on a particular project. Additional to this are direct costs associated for a project (i.e. contractor who purchases lumber to build a home). These costs are normally exempted via a Resale Certificate issued to the contractor or subcontractor doing business within the KPB. The State of Alaska is an exempt government entity, so when the contractor bills the State of Alaska for the project no sales tax would be included provided the State of Alaska issues a government check, government purchase order, government credit card or government procurement card. Thus, the end result is the direct costs are exempted entirely, but the indirect costs or operational costs are taxed to the contractor.
4. A contractor or subcontractor is NOT a government entity (by IRS rules) and thus, should not be given the same treatment as one.

Kenai Peninsula Borough
 Craig Chapman, Controller
 Troy Tankersley, Accounting Supervisor, Sales Tax

-----Original Message-----

From: Dean Baugh [mailto:Dbaugh@ci.homer.ak.us]
Sent: Monday, April 04, 2005 7:32 PM
To: Barbara Rolfe; Christine Sasse (csasse@ci.valdez.ak.us); Deven Mitchell (E-mail); Kristin Erchinger (E-mail); Marti Wilkison (E-mail); Mary Munk; Michael Jones; Pam Epps; Pam Epps; Rick Miller (E-mail); Robin Feltman (E-mail); Ron Woolf; Terry Eubank; abrankin@ci.unalaska.ak.us; accountant@northpolealaska.com; akutan@gci.net; bcalkins@haines.ak.us; bharbaugh@borough.kenai.ak.us; bobn@city.ketchikan.ak.us; calvin_kubota@ci.juneau.ak.us; cchapman@borough.kenai.ak.us; cdominiquez@city.kodiak.ak.us; city@ci.delta-junction.ak.us; cityaccounts@nuvuk.net; citygrants@nuvuk.net; cityhall@mtaonline.net; craig_duncan@ci.juneau.ak.us; cwallace@borough.kenai.ak.us; Dean Baugh; dlginnt@nushtel.com; dlw@cityofsitka.com; don@bristolbay.com; egreene@otz.net; eval@city.ketchikan.ak.us; finance@ci.whittier.ak.us; finance@theborough.com; findir@ci.petersburg.ak.us; findir@wrangell.com; fitz@cityofsitka.com; gburton@ci.dillingham.ak.us; I.eliason@att.net; james@co.north-slope.ak.us; janet@cityofsitka.com; jhassinger@gci.net; jnsoileau@ci.fairbanks.ak.us; johnvoss@arctic.net; jsinz@borough.kenai.ak.us; kerch@cityofseward.net; kissell@ci.anchorage.ak.us; kjarrell@bssd.org; kshort@kib.co.kodiak.ak.us; kveech@matsugov.us; Laura_houston@key.com; lestenkofsnp@hotmail.com; Lisa Vaughn; lsemmens@ci.kenai.ak.us; lwalters@cityofbethel.org; mayod2@alyeska-pipeline.com;

mdouglas@kpbsd.k12.ak.us; melodym@seward.net; millerRE@muni.org;
mlamb@co.fairbanks.ak.us; mlewis@ci.soldotna.ak.us; mroyall@city.kodiak.ak.us;
mwilkison@ci.soldotna.ak.us; pattyk@city.ketchikan.ak.us; paula.bush@north-slope.org;
pmacdonald@co.fairbanks.ak.us; pracct@aptalaska.net; raiskumspw@ci.anchorage.ak.us;
rgifford@cityofseward.net; roanb@sbcglobal.net; rstrahan@cityofbethel.org; sally@cityofsitka.com;
scolligan@ci.wasilla.ak.us; seldcity@xyz.net; sheglin@city.kodiak.ak.us; sholt@borough.kenai.ak.us;
sptcity@arctic.net; susan_randlett@dec.state.ak.us; tclayton@matsugov.us;
tleonard@ci.wasilla.ak.us; ttankers@borough.kenai.ak.us
Subject: FW: Alert Sales Tax SB 158

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SB 158 "A borough (or city) may not levy or collect a sales or use tax on a construction contract awarded by the state or a state agency, or on a subcontract awarded in connection with the project funded under the construction contract."

NEW E-MAIL: kevin@akml.org
Kevin Ritchie, Executive Director
Alaska Municipal League
office: 907-586-1325
Fax: 907-463-5480

Kevin Ritchie

From: Paul Day [daypar72@pci.net]
Sent: Tuesday, April 05, 2005 7:48 AM
To: Kevin Ritchie
Subject: SB 158

Kevin,

I think most communities that use Boyd, Chandler & Falconer as their legal firm (Nome, Sand Point, Unalaska and others) have a policy of collecting sales tax from sub-contractors doing business in their community regardless of the funding source(s). Brooks Chandler (272-8401) can speak to this better than I.

Paul Day

Kevin Ritchie

From: Larry Semmens [lsemmens@ci.kenai.ak.us]
Sent: Tuesday, April 05, 2005 6:56 AM
To: Kevin Richie
Subject: stx

Hi Kevin

What can happen with this type of exemption is that the contractor claims everything they buy is exempt. Not just the materials that are consumed in the project. We dealt with this on the Bradley Lake project. Generally I think the KPB stx already exempts most of what contractors of any type do under the resale exemption. So I don't know how much this would affect.

Larry Semmens
Finance Director
City of Kenai

SB

171

GARY WILKEN

SENATOR
Fairbanks

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Fairbanks, Alaska 99701
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Tel: (907) 465-3709 (outside Fbks)
Fax: (907) 465-4714
Website: www.garywilken.com
E-Mail: Senator.Gary.Wilken@legis.state.ak.us

SPONSOR STATEMENT

Senate Bill 171 NPR-A Community Grant Program

Senate Bill 171 examines the National Petroleum Reserve – Alaska (NPR-A) Mitigation Grant Program administered by the Department of Commerce, Community, and Economic Development (DCCED) and modifies the selection process to provide for active oversight by the legislature.

The bounty of NPR-A is thought by many to match or exceed the oil and gas deposits found at Prudhoe Bay or Kuparuk. As was mentioned in the *Anchorage Daily News*, February 15, 2005, "(The) Bureau of Land Management estimates NPR-A northeast corner could hold more than 2 billion barrels of crude oil and 3.5 trillion cubic feet of natural gas." All Alaskans look forward to the time when they can enjoy the benefits of reasonable and responsible development of these natural resources.

When members of the United State Congress authorized competitive leases in NPR-A in 1980, they recognized that development in the petroleum reserve might severely impact communities in or near the area. The federal legislation directed that the revenue generated through NPR-A development be used first to mitigate direct impacts, if any, to municipalities, and then by the rest of the State of Alaska. This federal directive in 1980 created two troubling issues that today pose significant problems.

First, the federal legislation is in direct conflict with the Alaska State Constitution. The State of Alaska receives from the federal government 50 percent of royalties and lease payments from the oil and gas development in

NPR-A. As required by federal law, these funds are available, before consideration of any other public purpose, to communities that demonstrate impact from resource development in NPR-A. This directive is at odds with Article IX, Section 15 of our constitution.

"At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund."

Senate Bill 171 recognizes this unsettling conflict, but does not overtly address or remedy the conflict between our State Constitution and federal law. This issue, while bothersome, is set aside for another day. Instead, this legislation speaks to the second troublesome issue of how the federal NPR-A payments are distributed to Alaska communities that may be severely impacted by oil and gas development within the National Petroleum Reserve. With the sizeable increase in NPR-A lease payments since 2000 and with the clear expectation of future and profitable growth, now is the time to revisit how the NPR-A payments are distributed and why. It is the charge of the legislature to devise a method to fairly allocate the financial benefits of NPR-A to all citizens of Alaska while, at the same time, recognize and mitigate the direct impact of development on certain communities as required by federal law.

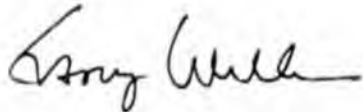
In response to a 1986 Alaska Superior Court decision, Senate Bill 171 sets in place a system to grant impact assistance to municipalities most directly or severely impacted by oil and gas activity within the National Petroleum Reserve – Alaska. First, the Department of Commerce, Community, and Economic Development shall review and conduct a preliminary evaluation of each grant application to determine whether the community can demonstrate *"extraordinary municipal and educational operating expenditures attributable to oil and gas development in NPR-A that are beyond the municipality's reasonable capability to meet."* (See SB 171, page 3, lines 3-6) The department will submit a list of all qualifying projects to the legislature.

Second, the Special Legislative Oil and Gas NPR-A Development Impact Review Committee, composed of three Senate finance members and three House of Representative finance members, will review the submitted applications and within 45 days forward the committee's recommendation to the respective finance committees for possible funding.

Third, twenty-five percent of the NPR-A payments will be deposited to the principal of the Alaska Permanent Fund and .5 percent to the Public School Trust Fund, as required in AS 37.14.110. If the amounts awarded to qualified municipalities as grants exceed the available money, each deposit in the previously mentioned funds and each grant will be reduce proportionately.

And last, a successful grantee shall submit to the Department of Commerce, Community, and Economic Development a financial report and a copy of an independent audit or review covering any previous grants before any subsequent grants are awarded.

I would appreciate your support for Senate Bill 171.

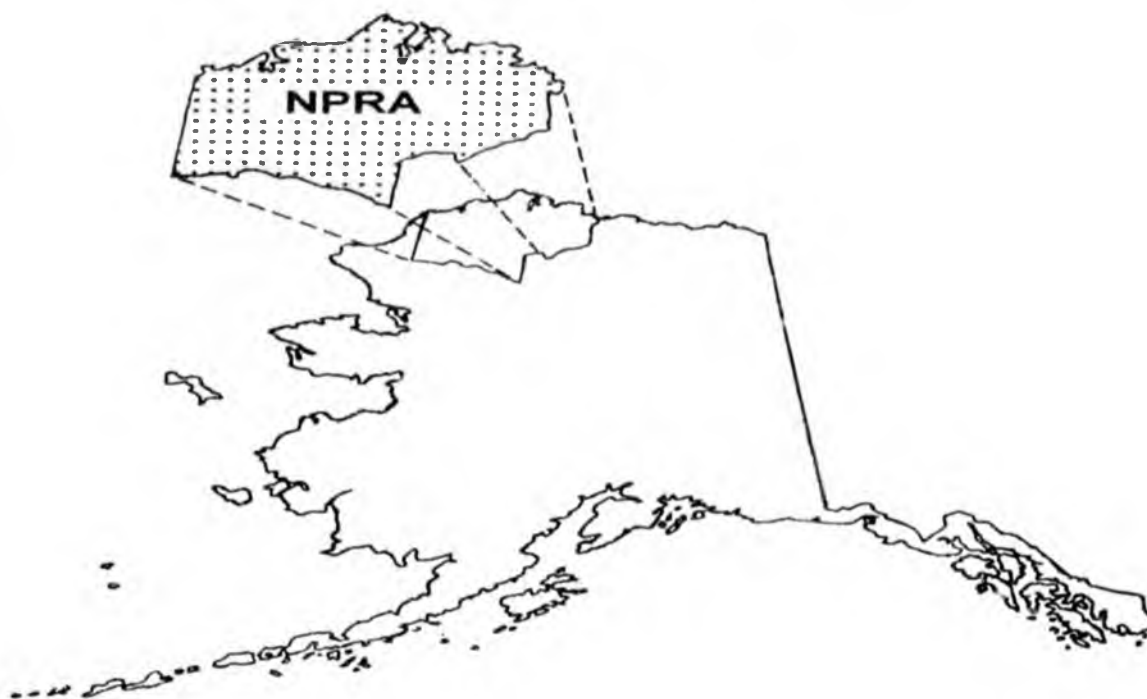
A handwritten signature in cursive script, appearing to read "Erny Will".

APPLICANT	PROJECT TITLE	COMMUNITIES TO BENEFIT	AMOUNT REQUESTED	AVERAGE SCORE	\$ RECOMMENDED FOR AWARD	RECOMMENDATION OR CONTINGENCY (IF ANY)
North Slope Borough	Continue Studies to Investigate Wildlife/Subsistence (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,461,368	92	2,461,368	
North Slope Borough	Wainwright City Office Renovation	Wainwright	38,114	91	38,114	
North Slope Borough	Social & Cultural Impact Study - Phase 2	ATQ, BAR, NUI & WAIN	275,880	91	275,880	
North Slope Borough	Wainwright Youth Program	Wainwright	229,500	87	229,500	
North Slope Borough	Oil Spill Response Team (3-years)	ATQ, BAR, NUI & WAIN	737,867	87	737,867	
North Slope Borough	Police Officers for NPRA Villages (3-years)	ATQ, BAR, NUI & WAIN	1,486,689	87	1,486,689	
North Slope Borough	Health, Survival & Sustainability of Key Subsistence Resources (3-years)	AKP, ATQ, BAR, NUI, WAIN	654,426	87	654,426	
	Local Government Operations	Nuiqsut	375,000	85	375,000	
North Slope Borough	Wainwright Softball Field	Wainwright	35,000	85	35,000	
City of Atkasuk	Youth Center Addition to Community Center	Atkasuk	680,000	83	680,000	
North Slope Borough	Fire Equipment & Training	ATQ, BAR, NUI & WAIN	1,114,543	83	250,000	Request reduced by applicant to \$250,000 on 1/22/05
North Slope Borough	Workforce Development Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	3,729,451	83	3,729,451	
City of Barrow	City Impound & Disposal Site Project	Barrow	174,389	82	174,389	
	Cultural Coordinator	Nuiqsut	93,000	82	93,000	Fund as part of the LGO grant
North Slope Borough	Atkasuk Energy Assessment	Atkasuk	100,042	82	100,042	
North Slope Borough	Mayor's Job Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,527,961	82	2,527,961	
North Slope Borough	Police Importation Combat Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	1,101,512	82	1,101,512	
North Slope Borough	North Slope Science Initiative (3-years)	AKP, ATQ, BAR, NUI, WAIN	425,578	82	425,578	
North Slope Borough	Wainwright Local Government Operations	Wainwright	311,500	81	311,500	
City of Barrow	City Hall Building Addition Feasibility Study	Barrow	69,413	81	69,413	
North Slope Borough	Village Capacity Building (3-years)	Borough-wide (including non-NPRA)	968,182	81	968,182	Renegotiate scope & budget to ensure outcome meets community needs
City of Nuiqsut	Youth Center Operations & Maintenance	Nuiqsut	150,000	81	150,000	Committee award to NGB to administer in village benefit
North Slope Borough	NPRA Technical Review Team (3-years)	AKP, ATQ, BAR, NUI, WAIN	1,468,508	81	1,468,508	
City of Atkasuk	Local Government Operations	Atkasuk	336,468	80	336,468	
City of Barrow	Roller Rink Renovation Feasibility Study	Barrow	63,556	80	63,556	
North Slope Borough	Wainwright Lagoon Boat Launch	Wainwright	525,000	78	525,000	Complete design before release of funds

North Slope Borough	Police Facility HVAC Replacement	Barrow	750,000	78	0	Application withdrawn by applicant on 1/22/05
City of Barrow	Basic Local Government Operations	Barrow	1,608,853	77	1,385,843	Reduced award by \$223,010
North Slope Borough	Allied Health Training Center (4-years)	AKP, ATQ, BAR, NUI, WAIN	4,800,000	77	3,400,000	Reduced award by \$1,400,000
North Slope Borough	Utility Master Plan/Emergency Plan	Borough-wide (including non-NPRA)	106,221	75	106,221	
North Slope Borough	Misdemeanor Probation Officer (3-years)	Barrow	346,071	75	346,071	
City of Nuiqsut	Design/Install Retractable Boat Ramp	Nuiqsut	1,500,000	74	200,000	
THE 31 APPLICATIONS ABOVE WERE RECOMMENDED FOR NPRA GRANT FUNDING.					\$24,706,539	TOTAL SCORE 74+
City of Barrow	Paint Piuraagvik & City Hall	Barrow	347,965	72	0	Do not fund.
City of Barrow	Clean Up Crew Program (2-years)	Barrow	119,893	71	0	Do not fund.
North Slope Borough	Remote Meter Reading Technology	Borough-wide (including non-NPRA)	455,250	71	0	Do not fund.
North Slope Borough	NPRA Village Fire Stations Renovation	ATQ, BAR, NUI & WAIN	1,500,000	70	0	Do not fund.
City of Barrow	KBRW Quest Internship Program	Barrow	72,400	70	0	Do not fund.
City of Barrow	Archive City Documents	Barrow	716,656	70	0	Do not fund.
North Slope Borough	School Counselors Extended Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,410,185	66	0	Do not fund.
North Slope Borough	NSBSD High School Voc/Tech (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,472,194	66	0	Do not fund.
North Slope Borough	K3-K4 Early Childhood Education Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	3,615,147	62	0	Do not fund.
North Slope Borough	Enhancing Education Through Technology (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,272,809	59	0	Do not fund.
North Slope Borough	District & Community Library & Media Centers (3-yr)	AKP, ATQ, BAR, NUI, WAIN	1,200,492	58	0	Do not fund.
North Slope Borough	Administration & Finance Training Grant	ATQ, BAR, NUI & WAIN	207,092	57	0	Do not fund.
North Slope Borough	Search & Rescue Training and Equipment (3-years)	AKP, ATQ, BAR, NUI, WAIN	832,027	56	0	Do not fund.
City of Barrow	Public Facilities Operations & Maintenance	Barrow	650,921	55	0	Do not fund.
City of Barrow	Native Village of Barrow Wellness Court Program	Barrow	298,500	55	0	Do not fund.
North Slope Borough	911 Emergency Dispatch Upgrade	AKP, ATQ, BAR, NUI, WAIN	1,013,423	53	0	Do not fund.
North Slope Borough	Inupiat Community Education (3-years)	AKP, ATQ, BAR, NUI, WAIN	3,209,813	49	0	Do not fund.
North Slope Borough	Education in Context Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,442,277	46	0	Do not fund.
North Slope Borough	Fire/Search & Rescue Communications Upgrade	Borough-wide (including non-NPRA)	1,731,203	0	0	Do not fund, duplicate of FY04 NSB
	Design/Construct Multi-Use Center	Nuiqsut	1,200,000	0	0	Do not fund, duplicate of FY00 NSB
	School Recreation Activities	Nuiqsut	54,000	0	0	Do not fund, duplicate of FY05 NSB

National Petroleum Reserve - Alaska
Impact Mitigation Program

Report to the First Session
of the Twenty Fourth Legislature
State Fiscal Year 2005



State of Alaska
Frank Murkowski, Governor
Dept Commerce Community & Economic Development
Edgar Blatchford, Commissioner

Issued January 2005



DIVISION OF COMMUNITY ADVOCACY

Frank H. Murkowski, Governor

January 14, 2005

The Honorable Ben Stevens
Senate President
Twenty-Fourth Alaska State Legislature
State Capitol, Room 111
Juneau, Alaska 99801-1182

The Honorable John Harris
Speaker of the House
Twenty-Fourth Alaska State Legislature
State Capitol, Room 208
Juneau, Alaska 99801-1182

Dear President Stevens and Speaker Harris:

This document is the Division of Community Advocacy's report on the status of the National Petroleum Reserve-Alaska (NPR-A) Impact Mitigation Program.

The State of Alaska receives 50% of the federal revenues from oil and gas lease sales located in the NPR-A. Those revenues are deposited into the NPR-A Special Revenue Fund to provide grants to communities impacted by oil and gas development. This report provides information on the program and the status of the grants previously approved.

Please contact me if you have any questions about the NPR-A Program or this report.

Cordially,

A handwritten signature in black ink, appearing to read "Michael Black".

Michael Black, Director
Division of Community Advocacy

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Alaska Regulations (03 AAC 150)

NPR-A Impact Mitigation Program History and Overview

As authorized December 12, 1980 by 42 U.S.C. Chapter 78, Sections 6501-6508, the Federal Government, through the Department of Interior, Bureau of Land Management, allows for the exploration and development of oil and gas within the National Petroleum Reserve-Alaska (NPR-A).

Although the federal government manages the NPR-A, Section 6508 of the federal statute requires that fifty-percent of the money received by the federal government from the "sales, rentals, bonuses, and royalties on leases issued..." be paid to the State of Alaska. Leases awarded by the federal government are usually for ten years and require that each company holding a lease pay a decreasing annual amount.

In accordance with Section 6508, the monies are to be used by "the State of Alaska for (a) planning, (b) construction, maintenance, and operation of essential public facilities, and (c) other necessary provisions of public service: *Provided further*, That in the allocation of such funds, the State shall give priority to use by subdivisions of the State most directly or severely impacted by development of oil and gas leased under this section."

The State of Alaska began receiving payments in State fiscal year (FY) 1983. To segregate these monies, in SLA 1984, Chapter 94 the Alaska Legislature enacted AS 37.05.530 (a) and (b). This statute established the National Petroleum Reserve Alaska Special Revenue Fund. Henceforth, NPR-A payments were to be deposited within the NPR-A Fund and used to support:

1. NPR-A Impact Mitigation grants to communities in accordance with AS 37.05.530 (c) through (e) which established the NPR-A Impact Mitigation Program. Under this program, communities may apply for assistance, i.e. grants, to fund projects that fall within federal and state guidelines. As required, priority is given to those communities most directly or severely impacted by oil and gas development.
2. Of the remaining lease payments, not needed to fund NPR-A Impact Mitigation grants, twenty-five percent is transferred to the Alaska Permanent Fund per AS 37.05.530(g).
3. Of the remaining payments, not needed to fund NPR-A Impact Mitigation grants, one-half percent is transferred to the Public School Trust Fund per AS 37.05.530(g).
4. Up to the entire amount of the remaining payments may be appropriated by the Legislature to the Power Cost Equalization and Rural Electric Capitalization Fund per AS 37.05.530(g).
5. Any remaining payments are then transferred to the State's General Fund per AS 37.05.530(g).

Prior to 1984, half of the total NPR-A funds received by the State were deposited in the Alaska Permanent Fund, one-half percent in the Public School Trust Fund and the remainder was deposited in the General Fund and used to fund various Legislative appropriations. In 1985 the North Slope Borough, Wainwright and Barrow filed suit alleging that the State's method of allocating the NPR-A payments was in conflict with federal law. The decision in *Barrow v. State*, No. 1JU-85-2634, established that: (1) the State's distribution of NPR-A revenue had been incorrect and it did conflict with federal requirements; (2) the State needed to "reconstitute" the NPR-A Fund in part; and (3) henceforth, the State would allow first priority to the municipalities and/or communities most directly impacted by the NPR-A development.

As a result of the litigation, the NPR-A Fund was reconciled and reconstituted as of October 1987. It was also reconciled and reconstituted again as of September 1990 and again as of June 1992.

Multiple reconciliation's between actual NPR-A payments received and cash available in the NPR-A Fund were necessary because:

The NPR-A payments (deposited in the NPR-A Fund) were being used to fund two programs. In addition to funding the NPR-A Impact Mitigation Program the payments were also funding grants awarded by the Department of Administration under the Municipal Grants Program; and

- (1) In FY 92 AS 37.05.530 was amended and required a recalculation of available cash in the NPR-A Fund annually back to FY 87.

SLA 1985, Chapter 96; SLA 1986, Chapter 128; SLA 1988, Chapter 173; and SLA 1990, Chapter 208 appropriated, repealed, and reappropriated the grants funded from NPR-A payments but administered under the Municipal Grants Program by the Department of Administration. These projects and their grants are not reflected in this report. This report addresses only the grants that were/are funded from NPR-A payments *and* awarded under the NPR-A Impact Mitigation Program.

FY 87 was the first year of the actual NPR-A Impact Mitigation Program. The general procedure remains the same today as in 1987. Periodically, the Department is notified by the U.S. Department of Interior, Bureau of Land Management (BLM) that the federal government will be offering tracts of land for lease in the National Petroleum Reserve-Alaska. The Department then provides public notice that funding may become available for NPR-A Impact Mitigation grants and requests that communities submit project proposals (grant applications). The Department establishes a review committee, makes award recommendations, and if both NPR-A lease revenue and a Legislative appropriation is received, the Department awards NPR-A Impact Mitigation grants to specific communities for specific projects.

The Bureau of Land Management (BLM) receives payments from the NPR-A leases in two installments each year. The first installment includes payments received between April 1 and September 30; the second installment includes payments received between October 1 and March 31. BLM forwards fifty-percent of the amount received to the State of Alaska in two installments, usually received by December 31st and May 31st.

Each year, the Department requests a Legislative capital appropriation for that year's anticipated fifty-percent. The appropriation and subsequent revenue are then used to fund NPR-A grants according to AS 37.05.530.

Aggregate information for the initial years of the NPR-A Impact Mitigation Program is reflected below. Project specific information is provided beginning on page 7 of this report.

<u>State Fiscal Year</u>	<u># of Projects and Communities</u>	<u>\$ Awarded</u>
FY 87	11 Projects 5 Communities	6,558,162
FY 88	0	0
FY 89	1 Project 1 Community	937,000
FY 90	8 Projects 4 Communities	836,745
FY 91	7 Projects 5 Communities	590,000
FY 92	7 Projects 4 Communities	567,378
FY 93	4 Projects 4 Communities	447,126
FY 94	4 Projects 4 Communities	18,941
FY 95	4 Projects 4 Communities	25,538
FY 96 through FY 99	0	0
Total		\$9,780,890

By FY 96 all existing NPR-A leases had been terminated, relinquished, or had expired. The Bureau of Land Management (BLM) notified the Department that additional NPR-A payments would not be forthcoming. Therefore, the NPR-A Impact Mitigation Program was inactive from FY 96 through FY 99.

The NPR-A Impact Mitigation Program remained inactive until the early part of calendar year 1999. At that time the Department was notified that BLM would be entering into new ten-year (approximate) leases in May 1999 on tracts of land in the NE planning area of the National Petroleum Reserve-Alaska.

BLM estimated that upon issuance of the leases, the federal government would receive approximately \$80,000,000 in fees. Alaska would receive fifty-percent, approximately \$40,000,000, about six months after the leases were awarded.

In anticipation of the forthcoming \$40,000,000 in payments, the Alaska State Legislature appropriated funding for NPR-A Impact Mitigation grants in FSSLA99 Chapter 2, Section 63. Additionally, the Department provided public notice and requested impacted communities to submit grant applications for potential projects. The Department established a review committee, evaluated the grant applications and in April 2000 recommended award of 24 grants totaling \$28,000,000 to four communities.

In January 2000 the State received \$40,298,622 in payments. The State retained \$28,000,000 of the cash within the NPR-A Fund for the NPR-A Impact Mitigation grants. As required by AS 37.05.530(g) the remaining cash was distributed to the Alaska Permanent Fund, Public School Trust Fund, and the Power Cost Equalization and Rural Electric Capitalization Fund.

In the two years following the May 1999 leases, BLM received slightly over \$3.3 Million annually. Alaska continued to receive fifty-percent, or approximately \$1,683,850 in FY 02 and \$1,686,105 in FY 03. Companies will continue to pay a declining annual lease amount to the federal government through 2009 or 2010. The State will continue to receive fifty-percent of the fees (approximately \$1,700,000).

In May 2002 the State was notified by BLM that new ten-year leases would be awarded June 3, 2002. BLM awarded leases on 60 tracts in the NPR-A NE planning area, totaling approximately 579,269 acres. BLM estimated the initial lease fees at \$63,811,496. The State's fifty-percent was estimated at approximately \$31,905,748. The total received in April 2003 was actually \$34,556,369.

In anticipation of the continuing payments from the May 1999 leases and the initial payments from the June 2002 leases, the Department requested a \$35,300,000 capital appropriation for FY 04, to be funded with the NPR-A payments. The Department requested and received grant applications from impacted communities and awarded 30 projects totaling \$25,011,457 to three communities in March 2003. The actual amount received in April 2003 was \$34,556,469. As required by AS 37.05.530(g) the remaining cash was distributed to the Alaska Permanent Fund, Public School Trust Fund, and the Power Cost Equalization and Rural Electric Capitalization Fund.

The State will continue to receive fifty-percent of the fees (approximately \$830,000) on the 2002 leases through 2012 or 2013.

Effective October 16, 2003 the NPR-A program regulations were amended to change the date by which grant applications must be postmarked (for receipt by the Department) from September 15th annually to November 15th annually. This was the only change made to the regulations.

For FY 05, the State originally anticipated receiving approximately \$3,190,170 for the NPR-A Impact Mitigation Grants. Applications were received in November 2003. The Department established a review committee, evaluated the grant applications and in December 2003 recommended award of 10 grants totaling \$3,030,000 to three communities. However, in May 2004 when it became apparent that the funds available had been reduced from initial estimates, the tentative awards were reduced to the actual amount received (\$2,530,586). Nine grants were awarded to three communities.

In June 2004, BLM awarded new leases on approximately 165 tracts of land in the NPR-A NW planning area. BLM has estimated the initial lease fees at \$53,904,491. The State anticipates receiving approximately \$2,500,000 as the first installment from BLM for rent and bonuses received between 4/1/04 and 9/30/04 on the leases awarded in May 1999 and June 2002. The second installment is estimated at \$26,900,000 for bonus bids received between 10/1/04 and 3/31/05. The State expects to receive this payment in May 2005.

The Department provided public notice and requested impacted communities to submit FY06 grant applications for potential projects in September 2004. Department staff also traveled to Barrow in September to provide NPR-A assistance and grant training to eligible communities. A total of 53 applications requesting approximately \$52,000,000 in grant funding were received by the deadline. As of mid-January 2005, no awards have been announced.

Aggregate information is reflected beginning on page 7 of this report. Project specific information is provided beginning on page 12.

<u>SLA and State Fiscal Year (FY)</u>	<u># of Projects and Communities</u>	<u>\$ Awarded</u>
FSSLA 1999 Chapter 2 Section 63 - FY 00	24 Projects 4 Communities	28,000,000
SLA 2000 - FY 01	0	0
SLA 2001 Chapter 61 Section 85 - FY 02	10 Projects 3 Communities	1,683,850
SSSLA 2002 Chapter 1 Section 29 - FY 03	8 Projects 3 Communities	1,686,105
SLA 2003, Chapter 82 Section 11 - FY 04	30 Projects 3 Communities	25,011,457
SLA 2004, Chapter 159 Section 6 - FY 05	9 Projects 3 Communities	2,530,586
Total		\$58,911,998

FY 87 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Community Center Operations & Maintenance	99,000	Fund 50% of operating costs; only partly related to NPR-A development.	Closed 3/90
Atkasuk	Community Center Expansion	500,000	Project provides space for additional cultural programs; related to mitigation of cultural impacts.	Closed 1/88
Atkasuk	Basic Local Government Operations	90,000	Fund administrator position and miscellaneous office equipment/supplies. Administrator to develop strategies and plan for dealing with future NPR-A impacts and other grants.	Closed 9/90
Barrow	Boat Ramps	825,000	Related to subsistence impacts.	Closed 9/92
North Slope Borough	Barrow - Residential Care	539,637	Partly related to NPR-A impacts; fund a portion of operating costs. Serves regional needs.	Closed 9/90
North Slope Borough	Barrow - Juvenile Detention	3,000,000	Related to incremental impacts of NPR-A development. Serves regional needs.	Closed 6/93
North Slope Borough	Comprehensive Subsistence Management Plan	232,500	Related to overall subsistence impacts of NPR-A development.	Closed 9/91
Nuiqsut	Dry Boat Storage	551,395	Related to subsistence impacts. Fund construction of storage facility but not entrepreneurial activity unrelated to NPR-A impacts. Maintenance and operation costs partly related; funded at 50%.	Closed 9/90
Nuiqsut	Basic Local Government Operations	109,250	Large expansion of municipal government. Fund full-time administrator 1-1/2 years and miscellaneous office equipment/supplies. Administrator to develop strategies and plan for future impacts and administer other grants. Fund 50% (\$19,250) of request for computer/recreation equipment, only partly related to impacts.	Closed 10/89
Wainwright	Boat Ramp Construction	550,000	Related to mitigation of subsistence impacts. One boat ramp on sea and one on river.	Closed 11/88
Wainwright	Boat Ramp Planning	61,380	Planning Boat Ramp project (see above).	Closed 5/88
Total		\$6,558,162		

FY 89 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
North Slope Borough	Alcohol and Drug Abuse Facility	937,000	Residential and emergency respite care, alcohol and drug abuse treatment center located in Barrow. Serves regional needs.	Closed 10/91
	Total	\$937,000		

FY 90 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Basic Local Government Operations	79,130	Continuation funding of FY 87 award. Related to mitigation of NPR-A impacts.	Closed 7/91
Atkasuk	Community Center Planning and Operations	96,982	Maintenance of facility related to expected long-term impacts of NPR-A.	Closed 4/91
Barrow	Cultural Center Planning	48,250	Related to mitigation of cultural impacts of NPR-A. Fund planning/design of facility.	Closed 8/91
Barrow	Basic Local Government Assistance	74,788	Fund each position by half; City to make up difference.	Closed 10/90
Barrow	City's Public Facilities Operations & Maintenance	238,843	Maintenance of public facilities related to expected long-term impacts of NPR-A.	Closed 11/90
Nuiqsut	Community Center/City Hall Operations & Maintenance	57,900	Previous NPR-A grant funded expansion of center. Operations & Maintenance of facilities related to counteracting long-term cultural impacts from NPR-A.	Closed 1/91
Wainwright	Basic Local Government Operations	82,961	Goal: properly process and disseminate information and have adequate management in order for City to properly function. Related to mitigation of NPR-A impacts.	Closed 5/91
Wainwright	Community Center Operations & Maintenance	157,891	Maintenance and operation of center related to expected long-term impacts of NPR-A.	Closed 7/91
	Total	\$836,745		

FY 91 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Community Center Operations & Maintenance	21,181	On-going maintenance and operation of facility related to impacts of NPR-A.	Closed 7/91
Barrow	Volunteer Fire Department Operations	133,980	Project pertains to life/health/safety.	Closed 11/91
Barrow	Search and Rescue Operatio	104,000	Project pertains to life/health/safety.	Closed 11/91
Barrow	City Facilities Operations & Maintenance	49,319	On-going maintenance and operation of facility related to impacts of NPR-A.	Closed 4/91
North Slope Borough	Arctic Women in Crisis	200,000	Facility and program serves regional needs; pertains to life/health/safety.	Closed 9/91
Nuiqsut	Boat Storage Operations & Maintenance	30,500	On-going maintenance related to NPR-A impacts.	Closed 8/91
Wainwright	Community Center Operations & Maintenance	51,020	On-going maintenance and operation of facility related to impacts of NPR-A.	Closed 7/91
Total		\$590,000		

FY 92 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Basic Local Government Assistance	69,802	Equipment/Office Supplies; Freight; Salaries/Benefits; Administrative/Audit Costs; Phone; Office Utilities.	Closed 8/92
Atkasuk	Community Center Operations & Maintenance	14,328	Maintenance and operation of center related to expected long-term impacts of NPR-A.	Closed 1/92
Barrow	Public Facilities Operations & Maintenance	146,951	Operation of public facilities related to long-term impacts of NPR-A.	Closed 10/92
Nuiqsut	Basic Local Government Assistance	49,963	Salary/Benefits; Equipment/Office Supplies.	Closed 4/92
Nuiqsut	Utilities Operations & Maintenance	5,878	City facility utility costs.	Closed 4/92
Wainwright	Basic Local Government Assistance	66,128	Equipment/Freight; Administrative Costs; Office Utilities; Salary/Benefits; Maintenance of city vehicle.	Closed 9/92
Wainwright	Community Center Operations & Maintenance	14,328	On-going maintenance and operation of facility related to long-term impacts of NPR-A.	Closed 9/92
Total		\$367,378		

FY 93 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Initial</u>	<u>Increase</u>	<u>Total</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Basic Local Government Assistance	21,280	28,720	50,000	Equipment/Office Supplies; Freight; Salaries/Benefits; Administrative/Audit Costs; Phone; Office Utilities.	Closed 4/93
Barrow	Public Facilities Maintenance and Operations	61,286	138,714	200,000	Operation of public facilities related to long-term impacts of NPR-A.	Closed 6/93
Nuiqsut	Basic Local Government Assistance	21,280	68,720	90,000	Office Benefits; Equipment/Office Supplies.	Closed 6/93
Wainwright	Basic Local Government Assistance	21,280	85,846	107,126	Equipment/Freight; Administrative Costs; Office Utilities; Salaries/Benefits; Maintenance of city vehicle.	Closed 6/93
Total		\$125,126	\$322,000	\$447,126		

FY 94 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Basic Local Government Assistance	4,167.02	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 3/94
Barrow	Public Facilities Operations & Maintenance	6,439.94	Funds for utilities in association with public facilities.	Closed 3/94
Nuiqsut	Basic Local Government Assistance	4,167.02	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 12/93
Wainwright	Basic Local Government Assistance	4,167.02	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 4/94
Total		\$18,941		

FY 95 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Basic Local Government Assistance	8,171.27	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 7/95
Barrow	Public Facilities Operations & Maintenance	7,661.50	Funds for utilities in association with public facilities.	Closed 6/95
Nuiqsut	Basic Local Government Assistance	3,319.98	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 6/95
Wainwright	Basic Local Government Assistance	6,384.58	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 7/95
Total		\$25,538		

NPR-A Impact Mitigation Grants Awarded - Based on April 2000 Recommendations
 FY 00 Appropriation (page 1 of 2)

Grantee	Project	Amount	Comments	Grant Status
Atkasuk 00- NPRA-4-16	Community Center Maintenance and Operations	90,000	Maintenance and operation of center related to expected long-term impacts of NPR-A.	Closed 10/01
Atkasuk 00- NPRA-4-15	Basic Local Government Operations	2,000	Fund salaries for new positions and increase of hours on current positions from part-time to full-time.	Closed 4/02
Barrow 00- NPRA-4-11	Public Facilities - Maintenance and Operations	650,000	Fund staff and other expenses to operate city recreation facilities.	Closed 8/02
Barrow 00- NPRA-4-12	Renovation/Upgrade of Barrow Teen Center and Community Center	1,000,000	These facilities are needed due to increase in NPR-A activities. The City's ability to absorb this impact through existing facilities and services is limited.	Active
Barrow 00- NPRA-4-13	Design, Construction & Purchase Retractable Boat Ramp	1,000,000	NPR-A uplands development will displace subsistence users from some areas. A boat ramp will provide subsistence hunters better access to the ocean.	Active
Barrow 00- NPRA-4-14	Maintenance Building Construction	630,000	Need for warm storage can be linked to mitigation of foreseeable NPR-A impacts.	Active
North Slope Borough 00- NPRA-4-01	Village Power Plant/Electrical Distribution & Waste Heat Conversion Upgrade	10,069,367	NPR-A development will impact power generation and distribution. Upgraded power production and distribution will mitigate population growth impacts and increasing 'westernization' of local lifestyles.	Active
North Slope Borough 00- NPRA-4-02	All Infrastructures Services Study	1,500,000	Studies will identify additional and continuing effects of NPR-A development on public facilities and the provision of public services. Impacts known or anticipated now can be supplemented with new data and forecasts.	Active
North Slope Borough 00- NPRA-4-03	Nuiqsut Above Ground Service Connections	2,100,000	A total of 124 residential, commercial, and public facilities were connected to water and sewer service.	Closed 3/03
North Slope Borough 00- NPRA-4-04	Nuiqsut Police Officer for 3 years	100,000	The community is presently impacted by NPR-A development. An additional officer will help the city address NPR-A related impacts.	Closed 9/01
North Slope Borough 00- NPRA-4-05	Wainwright Community Center Renovations	191,283	Will provide improved facilities for locals who have family members working away from home in NPR-A related employment. Improved opportunity for social and community support.	Closed 6/03
North Slope Borough 00- NPRA-4-06	Fire Department Equipment & Training	1,114,150	Current firefighting equipment is old and outdated. Existing fire trucks are not equipped to handle the new city water system. Provides an essential public service. Need is linked to anticipated growth in service demand caused by NPR-A development.	Closed 6/03
North Slope Borough 00- NPRA-4-07	Harvest Monitoring Subsistence Documentation Project	100,000	The need for harvest monitoring is clearly related to the foreseeable impacts of oil and gas development. Subsistence hunting is a culturally important activity. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife.	Closed 4/02
North Slope Borough 00- NPRA-4-08	Survey & Inventory of Fish Resources in the Lakes & Streams of Eastern NPR-A	150,000	The need for the inventory is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife.	Closed 1/04
North Slope Borough 00- NPRA-4-09	Tracking & Analysis of Teshekpuk Lake Caribou Herd Movement and Distribution	150,000	The need for the tracking and analysis is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife.	Closed 12/02
Sub-Total		18,753,800		

NPR-A Impact Mitigation Grants Awarded - Based on April 2000 Recommendations
 FY 00 Appropriation (page 2 of 2)

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
North Slope Borough 00- NPRA-4-10	Waterfowl Surveys	150,000	The need for the survey is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of impact on wildlife.	Closed 11/01
North Slope Borough 00- NPRA-4-25	Nuiqsut Natural Gas Piping Distribution	3,800,000	Project originally awarded to City of Nuiqsut but was re-negotiated with the NSB. NPRA development will create a higher demand for fuel use. Impacts include larger volumes and more frequent shipping, handling, increased air pollution, fuel spills and leaks, expanded fuel storage needs. This grant and 00-NPRA-4-26 were originally awarded to Nuiqsut who chose in 10/01 to have the NSB administer both projects on their behalf.	Active
North Slope Borough 00- NPRA-4-26	Nuiqsut Natural Gas Home/Building Conversion	2,200,000	Same as above.	Active
North Slope Borough 00- NPRA-27	Nuiqsut Natural Gas Pipeline	1,580,000	Provides funding for the final installation and start up of the natural gas system from the natural gas processing module at the Alpine oil production facility pad to the in-village gas distribution system in Nuiqsut.	Active
North Slope Borough 00- NPRA-28	Nuiqsut City Hall/Kisik Center Renovation	943,753	Project originally awarded to City of Nuiqsut but was re-negotiated with the NSB. Renovations include mechanical and electrical upgrades to correct code deficiencies and construction of an addition. The addition will include a multi-purpose room of approximately 1,500 SF, restrooms, mechanical room and a combined custodial closet and storage area.	Active
Nuiqsut 00- NPRA-4-17	Basic Government Operation/Maintenance	200,000	Funds used to supplement staff salaries for a full-time mayor/administrator, grants administrator, clerk & bookkeeper.	Closed 8/01
Nuiqsut 00- NPRA-4-18, 19, 20, 23*	See * Below	61,078	In 10/03, the City passed a resolution to transfer the unexpended funds from four grants (\$2,479,121.42) to the NSB to administer two priority projects on their behalf (see * below). Project expenditures on the four grants prior to closure totaled \$61,078.	Closed *
Nuiqsut 00- NPRA-4-24	Install Graveyard Fencing	111,369	Provides mitigation for foreseeable NPR-A impacts through the protection of cultural resources.	Closed 3/04
	Sub-Total (page 1)	\$ 18,953,800		
	Sub-Total (page 2)	\$ 9,046,200		
	Total	\$ 28,000,000		

*Note: Grants previously awarded to the City of Nuiqsut for City Hall/Kisik Center Renovation (00-NPRA-4-18 @ \$340,000); Cultural Center Construction (00-NPRA-4-19 @ \$939,800); Day Care Construction Operation and Maintenance (00-NPRA-4-20 @ \$495,400); and Design and Construction of Retractable Boat Ramp (00-NPRA-4-23 @ \$765,000) were officially Closed effective Oct/Nov 2001. Unexpended funds from these four grants were transferred to the North Slope Borough to administer two priority projects in Nuiqsut: 00-NPRA-27 and 00-NPRA-28 (see details on each grant above). The total funding for these two grants (\$2,523,752.62) also includes the unexpended balance remaining on 00-NPRA-4-24 (original award \$156,000; unexpended balance \$44,631.20).

**NPR-A Impact Mitigation Grants Awarded - Based on January 2001 Recommendations
FY 02 Appropriation**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Barrow 01- NPRA-05	Public Facilities - Maintenance and Operation	334,540	Project will maintain safe and improved recreational facilities. This alleviates adverse social and cultural impacts from oil and gas development.	Closed 2/04
North Slope Borough 01- NPRA 01	Harvest Monitoring , Subsistence Documentation	100,000	This is Phase II of the FY00 study.	Closed 3/04
North Slope Borough 01- NPRA-02	Waterfowl Surveys	150,000	This is Phase II of the FY00 surveys.	Closed 3/04
North Slope Borough 01- NPRA-03	Tracking & Analysis of the Teshekpuk Lake Caribou Herd	150,000	This is Phase II of the FY00 study.	Closed 6/04
North Slope Borough 01- NPRA-04	Wainwright Basic Operations	250,000	Project provides operations assistance including partial salary costs, expenses and staff training necessary to successfully operate the local government.	Closed 5/03
North Slope Borough 01- NPRA-07	Nuiqsut Cultural Center Operations	288,000	Project originally awarded to City of Nuiqsut but is pending re-negotiation with the Borough. Project will help alleviate cultural impacts from oil and gas development.	Pending
North Slope Borough 01- NPRA-08	Nuiqsut Teen Center Operation & Maintenance	121,310	Project originally awarded to City of Nuiqsut but was re negotiated with the Borough. Funds staff salaries including adult supervisors and recreation aides, training, travel, utilities and supplies.	Active
North Slope Borough 01- NPRA-09	Nuiqsut Wooden Deck Ball Court Construction	30,000	Project originally awarded to City of Nuiqsut but is pending re-negotiation with the Borough. The court is essential for recreational use by the youth.	Pending
North Slope Borough 01- NPRA-10	Nuiqsut Emergency Hunting Shelters Construction	60,000	Project originally awarded to City of Nuiqsut but is pending re-negotiation with the Borough. Project provides a health/safety benefit to hunters.	Pending
Nuiqsut 01- NPRA-06	Basic Government Operations and Maintenance	200,000	Grant funds used for staff salaries and expenses.	Closed 8/04
Total		\$1,683,850		

**NPR-A Impact Mitigation Grants Awarded - Based on December 2001 Recommendations
FY 03 Appropriation**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk 02- NPRA-02	Renovate Recreation Center	49,000	This phase includes installation of an efficient waste heating system.	Active
Atkasuk 02- NPRA-01	City Operations	249,057	Project supplements operations with partial salaries for the mayor, janitor, recreational aides and city clerk.	Closed 6/04
Barrow 02- NPRA-04	Summer Youth Program	50,000	Project includes the annual Summer Clean-up Program which employs up to 60 youth as a service to the community.	Closed 6/04
Barrow 02- NPRA-03	Public Facilities Operations	350,000	Project will maintain safe and improved recreational facilities and supplement funding for the Summer Youth Program.	Active
North Slope Borough 02- NPRA-08	Wainwright Basic Operations	250,000	Project provides operational assistance such as salaries, equipment and training to city staff with the goal of increased efficiency and an improved level of service to residents.	Active
North Slope Borough 02- NPRA-07	Nuiqsut Natural Gas Project	450,000	Project provides an alternative to high energy costs and increased demand created by the oil and gas activity.	Active
North Slope Borough 02- NPRA-05	Capacity Building	100,000	This involves each community within the Borough, encouraging consolidation of resources between city & tribal governments to result in the formation of partnerships to generate revenue necessary for a common goal: economic viability of the NPR-A communities.	Active
North Slope Borough 02- NPRA-06	Mayor's Workforce Job Training Program	188,048	Project mitigates impacts by supplying entry-level employment in village positions that have been vacated due to oil and gas development.	Closed 11/03
Total		\$1,686,105		

**NPR-A Impact Mitigation Grants Awarded - Based on March 2003 Recommendations
FY 04 Appropriation (page 1 of 3)**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk 04- NPRA-21	Local Government & Community Center Operations & Maintenance	368,621	Project supplements operations with partial salaries for the mayor, janitor, recreational aides and city clerk as well as costs to operate and maintain community center.	Active
Barrow 04- NPRA-02	Renovate Multi-Purpose Facility	53,719	Project will upgrade and expand existing public services currently provided at the Roller Rink and purchase necessary equipment and supplies.	Active
Barrow 04 NPRA-23	Public Facilities Operations and Maintenance	420,705	Project will maintain safe and improved recreational facilities and supplement funding for the Summer Youth Program.	Active
Barrow 04- NPRA-01	Recreation Building Addition Feasibility	40,000	Project will complete a feasibility study for the renovation and construction of the recreation building.	Active
Barrow 04- NPRA-22	Basic Local Government Operations and Maintenance	1,309,806	Project will fund in part the operation and maintenance of the city council, administration and recreation departments.	Active
Barrow 04- NPRA-24	Quest Mentorship Program with KBRW	265,000	Project will fund the Quest Mentorship Program through KBRW AM/FM radio station. Grant funds will be used to purchase necessary equipment for training interns and contractual services for implementation of the program.	Active
Barrow 04- NPRA-25	Addition to Cemetery Road	44,230	Project will construct a one-quarter mile road, drainage culverts, and shoulder work to gain access to cemetery. Funds for design, purchase of road materials, freight, supplies, labor.	Active
North Slope Borough 04- NPRA-03	Nuiqsut Natural Gas Upstream Conditioner	2,000,000	Project provides an alternative to high energy costs and increased demand created by the oil and gas activity.	Active
North Slope Borough 04- NPRA-04	Waterfowl in NPRA Continuation	443,619	This is Phase III of the FY00 surveys. The need for tracking and analysis is clearly related to the foreseeable impacts of oil and gas development.	Active
North Slope Borough 04- NPRA-05	Arctic Fox Satellite Project	316,582	Project will outfit 20 arctic fox with radio transmitters and collection and analysis of data gathered. Establishment of baseline data will permit more accurate monitoring of impact on wildlife.	Active
North Slope Borough 04- NPRA-06	Caribou Movements & Distribution	359,245	This is Phase III of the FY00 surveys. The need for tracking and analysis is clearly related to the foreseeable impacts of oil and gas development.	Active
Sub-Total		\$5,621,527		

**NPR-A Impact Mitigation Grants Awarded - Based on March 2003 Recommendations
FY 04 Appropriation (page 2 of 3)**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
North Slope Borough 04- NPRA-07	Survey and Inventory of Fish Resources	362,931	Project will include tagging and radio tracking of subsistence fish. The need for the inventory is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife.	Active
North Slope Borough 04- NPRA-08	Fish Petroleum Hydrocarbon Study	405,659	Project will establish baseline data on the current status of petroleum hydrocarbons in four species of subsistence fish in the NPR-A.	Active
North Slope Borough 04- NPRA-09	Subsistence Harvest Monitoring	188,030	This is Phase III of the FY00 survey. Project will continue documentation of yearly wildlife harvest; identify specific areas important to subsistence hunting and any adverse impacts caused by oil/gas development.	Active
North Slope Borough 04- NPRA-10	Electric Thermal Oxidation/Waste Heat	1,500,000	Project will remodel the thermal oxidation system, expand the thermal oxidation system facility, and prepare a feasibility study on development of an electrical co-generation system at the facility.	Active
North Slope Borough 04 NPRA-11	Grant Oversight and Supervision	213,418	Project will allow NSB staff to work with borough communities to provide capacity building as well as send staff to professional development training.	Active
North Slope Borough 04- NPRA-12	Volunteer Search and Rescue Equipment	565,425	Project will provide search and rescue equipment, parts and supplies, and training for borough communities.	Active
North Slope Borough 04- NPRA-13	Fire Department Equipment Upgrades	250,276	Project will provide emergency medical equipment for five borough communities.	Active
North Slope Borough 04- NPRA-14	Barrow Sewage Treatment Facility	10,000,000	Project will provide funds for construction of a new sewage treatment facility which will safely store and treat raw sewage and runoff for the next 20 years.	Active
North Slope Borough 04- NPRA-15	Emergency Radio Communications	1,550,570	Project will provide funds for purchase and maintenance of equipment/materials/supplies needed for the 800 MHz radio system for NSB emergency response teams.	Active
North Slope Borough 04- NPRA-16	Police Department Facilities and Training	728,999	Project will upgrade police department facilities in NSB communities including purchase of updated equipment and vehicles and professional development training.	Active
North Slope Borough 04- NPRA-17	Telecommunications System Update	156,145	Project will purchase equipment necessary for upgrading the current information technology system and to provide training for NSB staff in installation, operation and maintenance.	Active
Sub-Total (page 2)		\$15,921,453		

NPR-A Impact Mitigation Grants Awarded - Based on March 2003 Recommendations
 FY 04 Appropriation (page 3 of 3)

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
North Slope Borough 04- NPRA-18	Research Equipment for NPR-A Activities	250,000	Project will purchase equipment for collecting and analyzing data on subsistence activities and fish and wildlife resources.	Active
North Slope Borough 04- NPRA-19	Barrow School Resource Officers	237,240	Project will fund School Resource Officers in three Barrow schools, provide training and purchase educational materials and supplies.	Active
North Slope Borough 04- NPRA-20	NPR-A Village School Counselors	435,736	Project will fund salary/benefits for a School Counselor in four NPR-A communities and provide training for each position.	Active
North Slope Borough 04- NPRA-26	Project Compliance and Fiscal Coordinator	198,250	Project will fund salary/benefits for a new Project Compliance and Fiscal Coordinator for all research related projects within the NSB's Dept of Wildlife Management for two years.	Active
North Slope Borough 04- NPRA-27	Childcare/Learning Center/Training	56,123	Funds will be used to purchase surveillance equipment and for purchase and installation of fencing around the Barrow Child Care Learning Center playground. Two Center employees will attend professional development training.	Active
North Slope Borough 04- NPRA-28	Village Summer Recreation Program	121,374	Project will fund salary/benefits for a Recreation Coordinator and a Recreation Aide for a summer recreation program in the five NPR-A communities. Professional development training also to be provided.	Active
North Slope Borough 04- NPRA-29	Mayor's Job Program	653,929	This is a continuation of the FY03 NPR-A grant project, which mitigates impacts by supplying entry-level employment in village positions that have been vacated due to oil and gas development.	Active
North Slope Borough 04- NPRA-30	Workforce Development Program	1,515,825	Project will develop a One-Stop Job Center where NPR-A village members can obtain skills, certifications, and the expertise necessary to become employed by the infrastructure created by NPR-A development.	Active
Sub-Total (page 1)		\$5,621,527		
Sub-Total (page 2)		\$16,171,453		
Sub-Total (page 3)		\$3,218,477		
Total		\$25,011,457		

**NPR-A Impact Mitigation Grants Awarded - Based on December 2003 Recommendations
FY 05 Appropriation**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Barrow 05- NPRA-01	Tuzzy Library	180,000	Project will fund salary/benefits for a full-time Library Technician to provide general library services with a focus on children.	Active
Nuiqsut 05- NPRA-10	Local Government Operations	250,000	Project will fund salary/benefits for City positions and increase of hours on some current positions.	Active
North Slope Borough 05- NPRA-02	Wainwright Local Government Operations	250,000	Project will fund salary/benefits for City positions and increase of hours on some current positions.	Active
North Slope Borough 05- NPRA-03	Barrow Allied Health Care Training Program	320,000	The need for the survey is clearly related to the foreseeable impacts of oil and gas development. The North Slope Allied Health Training Program will provide a continuum of training and education in paraprofessional fields essential to developing local health care providers on the North Slope.	Active
North Slope Borough 05- NPRA-04	Social and Cultural Impacts Study	300,586	Purpose of project is to document observations and perceptions of North Slope residents regarding historical, current and potential effects of oil industry activities on hunting and to determine how oil/gas development has affected hunters.	Active
North Slope Borough 05- NPRA-05	Oil/Gas Development Comprehensive Plan	400,000	This project will develop a comprehensive borough-wide oil and gas land-use plan to guide industrial development.	Active
North Slope Borough 05- NPRA-06	School Counselors Extended Program	205,000	This is a continuation of the program initially funded in FY 04 and will hire two additional school counselors in Barrow.	Active
North Slope Borough 05- NPRA-07	School Resource Officers	125,000	This is a continuation of the program initially funded in FY 04 and will be used to retain and train a School Resource Officer in Barrow.	Active
North Slope Borough 05- NPRA-08	School Based Programs	500,000	The NSB will partner with the NSB School District to provide open gyms and structured activities in Atqasak, Anaktuvuk Pass, Barrow, Nuiqsut and Wainwright.	Active
Total		\$2,530,586		

APPLICANT	PROJECT TITLE	COMMUNITIES TO BENEFIT	AMOUNT REQUESTED
City of Atkasuk	Youth Center Addition to Community Center	Atkasuk	680,000
City of Atkasuk	Local Government Operations	Atkasuk	336,468
City of Barrow	City Impound & Disposal Site Project	Barrow	174,389
City of Barrow	City Hall Building Addition Feasibility Study	Barrow	69,413
City of Barrow	Roller Rink Renovation Feasibility Study	Barrow	63,556
City of Barrow	Basic Local Government Operations	Barrow	1,608,853
City of Barrow	Paint Piuraagvik & City Hall	Barrow	347,965
City of Barrow	Clean Up Crew Program (2-years)	Barrow	119,893
City of Barrow	KBRW Quest Internship Program	Barrow	72,400
City of Barrow	Archive City Documents	Barrow	716,656
City of Barrow	Public Facilities Operations & Maintenance	Barrow	650,921
City of Barrow	Native Village of Barrow Wellness Court Program	Barrow	298,500
City of Nuiqsut	Local Government Operations	Nuiqsut	375,000
City of Nuiqsut	Cultural Coordinator	Nuiqsut	93,000
City of Nuiqsut	Youth Center Operations & Maintenance	Nuiqsut	150,000
City of Nuiqsut	Design/Install Retractable Boat Ramp	Nuiqsut	1,500,000
City of Nuiqsut	Design/Construct Multi-Use Center	Nuiqsut	1,200,000
City of Nuiqsut	School Recreation Activities	Nuiqsut	54,000
North Slope Borough	Continue Studies to Investigate Wildlife/Subsistence (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,461,368
North Slope Borough	Wainwright City Office Renovation	Wainwright	38,114
North Slope Borough	Social & Cultural Impact Study - Phase 2	ATQ, BAR, NUI & WAIN	275,880
North Slope Borough	Wainwright Youth Program	Wainwright	229,500
North Slope Borough	Oil Spill Response Team (3-years)	ATQ, BAR, NUI & WAIN	737,867
North Slope Borough	Police Officers for NPRA Villages (3-years)	ATQ, BAR, NUI & WAIN	1,486,689
North Slope Borough	Health, Survival & Sustainability of Key Subsistence Resources (3-years)	AKP, ATQ, BAR, NUI, WAIN	654,426
North Slope Borough	Wainwright Softball Field	Wainwright	35,000

North Slope Borough	Fire Equipment & Training	ATQ, BAR, NUI & WAIN	1,114,543
North Slope Borough	Workforce Development Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	3,729,451
North Slope Borough	Atkasuk Energy Assessment	Atkasuk	100,042
North Slope Borough	Mayor's Job Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,527,961
North Slope Borough	Wainwright Local Government Operations	Wainwright	311,500
North Slope Borough	Village Capacity Building (3-years)	Borough-wide (including non-NPRA)	968,182
North Slope Borough	Wainwright Lagoon Boat Launch	Wainwright	525,000
North Slope Borough	Police Facility HVAC Replacement	Barrow	750,000
North Slope Borough	Utility Master Plan/Emergency Plan	Borough-wide (including non-NPRA)	106,221
North Slope Borough	Misdemeanor Probation Officer (3-years)	Barrow	346,071
North Slope Borough	Remote Meter Reading Technology	Borough-wide (including non-NPRA)	455,250
North Slope Borough	NPRA Village Fire Stations Renovation	ATQ, BAR, NUI & WAIN	1,500,000
North Slope Borough	NPRA Technical Review Team (3-years)	AKP, ATQ, BAR, NUI, WAIN	1,468,508
North Slope Borough	Allied Health Training Center (4-years)	AKP, ATQ, BAR, NUI, WAIN	4,800,000
North Slope Borough	School Counselors Extended Program (3-years)	AKP, ATQ, EAR, NUI, WAIN	2,410,185
North Slope Borough	NSBSD High School Voc/Tech (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,472,194
North Slope Borough	K3-K4 Early Childhood Education Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	3,615,147
North Slope Borough	Police Importation Combat Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	1,101,512
North Slope Borough	North Slope Science Initiative (3-years)	AKP, ATQ, BAR, NUI, WAIN	425,578
North Slope Borough	Enhancing Education Through Technology (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,272,809
North Slope Borough	District & Community Library & Media Centers (3-yr)	AKP, ATQ, BAR, NUI, WAIN	1,200,492
North Slope Borough	Administration & Finance Training Grant	ATQ, BAR, NUI & WAIN	207,092
North Slope Borough	Search & Rescue Training and Equipment (3-years)	AKP, ATQ, BAR, NUI, WAIN	832,027
North Slope Borough	911 Emergency Dispatch Upgrade	AKP, ATQ, BAR, NUI, WAIN	1,013,423
North Slope Borough	Inupiat Community Education (3-years)	AKP, ATQ, BAR, NUI, WAIN	3,209,813
North Slope Borough	Education in Context Program (3-years)	AKP, ATQ, BAR, NUI, WAIN	2,442,277
North Slope Borough	Fire/Search & Rescue Communications Upgrade	Borough-wide (including non-NPRA)	1,731,203

ATTACHMENTS

Federal Statutes (42 USC Chapter 78)

Alaska Statutes (AS 37.05.530)

Alaska Regulations (03 AAC 150)

UNITED STATES CODE
Title 42 - The Public Health And Welfare
Chapter 78 - National Petroleum Reserve in Alaska

Sec. 6501. - "Petroleum" defined

As used in this chapter, the term "petroleum" includes crude oil, gases (including natural gas), natural gasoline, and other related hydrocarbons, oil shale, and the products of any of such resources

Sec. 6502. - Designation of National Petroleum Reserve in Alaska; reservation of lands; disposition and conveyance of mineral materials, lands, etc., preexisting property rights

The area known as Naval Petroleum Reserve Numbered 4, Alaska, established by Executive order of the President, dated February 27, 1923, except for tract Numbered 1 as described in Public Land Order 2344, dated April 24, 1961, shall be transferred to and administered by the Secretary of the Interior in accordance with the provisions of this Act. Effective on the date of transfer all lands within such area shall be redesignated as the "National Petroleum Reserve in Alaska" (hereinafter in this chapter referred to as the "reserve"). Subject to valid existing rights, all lands within the exterior boundaries of such reserve are hereby reserved and withdrawn from all forms of entry and disposition under the public land laws, including the mining and mineral leasing laws, and all other Acts; but the Secretary is authorized to

(1) make dispositions of mineral materials pursuant to the Act of July 31, 1947 (61 Stat. 681), as amended (30 U.S.C. 601 et seq.), for appropriate use by Alaska Natives and the North Slope Borough,

(2) make such dispositions of mineral materials and grant such rights-of-way, licenses, and permits as may be necessary to carry out his responsibilities under this Act,

(3) convey the surface of lands properly selected on or before December 18, 1975, by Native village corporations pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), and

(4) grant such rights-of-way to the North Slope Borough, under the provisions of title V of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1761 et seq.) or section 28 of the Mineral Leasing Act, as amended (30 U.S.C. 185), as may be necessary to permit the North Slope Borough to provide energy supplies to villages on the North Slope. All other provisions of law heretofore enacted and actions heretofore taken reserving such lands as a Naval Petroleum Reserve shall remain in full force and effect to the extent not inconsistent with this Act

Sec. 6503. - Transfer of jurisdiction, duties, property, etc., to Secretary of the Interior from Secretary of Navy

(a) Transfer of jurisdiction over reserve; date of transfer

Jurisdiction over the reserve shall be transferred by the Secretary of the Navy to the Secretary of the Interior on June 1, 1977.

(b) Protection of environmental, fish and wildlife, and historical or scenic values; promulgation of rules and regulations

With respect to any activities related to the protection of environmental, fish and wildlife, and historical or scenic values, the Secretary of the Interior shall assume all responsibilities as of April 5, 1976. As soon as possible, but not later than the effective date of transfer, the Secretary of the Interior may promulgate such rules and regulations as he deems necessary and appropriate for the protection of such values within the reserve.

(c) Contract responsibilities and functions

The Secretary of the Interior shall, upon the effective date of the transfer of the reserve, assume the responsibilities and functions of the Secretary of the Navy under any contracts which may be in effect with respect to activities within the reserve.

(d) Equipment, facilities, and other properties used in connection with operation of reserve; transfer without reimbursement

On the date of transfer of jurisdiction of the reserve, all equipment, facilities, and other property of the Department of the Navy used in connection with the operation of the reserve, including all records, maps, exhibits, and other informational data held by the Secretary of the Navy in connection with the reserve, shall be transferred without reimbursement from the Secretary of the Navy to the Secretary of the Interior who shall thereafter be authorized to use them to carry out the provisions of this chapter.

(e) Unexpended funds previously appropriated for use in connection with reserve and civilian personnel ceilings assigned to management and operation of reserve

On the date of transfer of jurisdiction of the reserve, the Secretary of the Navy shall transfer to the Secretary of the Interior all unexpended funds previously appropriated for use in connection with the reserve and all civilian personnel ceilings assigned by the Secretary of the Navy to the management and operation of the reserve as of January 1, 1976

Sec. 6504. - Administration of reserve

(a) Congressional authorization as precondition for production and development of petroleum

Except as provided in subsection (e) of this section, production of petroleum from the reserve is prohibited and no development leading to production of petroleum from the reserve shall be undertaken until authorized by an Act of Congress.

(b) Conduct of exploration within designated areas to protect surface values

Any exploration within the Utukok River, the Teshekpuk Lake areas, and other areas designated by the Secretary of the Interior containing any significant subsistence, recreational, fish and wildlife, or historical or scenic value, shall be conducted in a manner which will assure the maximum protection of such surface values to the extent consistent with the requirements of this Act for the exploration of the reserve.

(c) Continuation of ongoing petroleum exploration program by Secretary of Navy prior to date of transfer of jurisdiction; duties of Secretary of Navy prior to transfer date

The Secretary of the Navy shall continue the ongoing petroleum exploration program within the reserve until the date of the transfer of jurisdiction specified in section 6503(a) of this title. Prior to the date of such transfer of jurisdiction the Secretary of the Navy shall -

(1) cooperate fully with the Secretary of the Interior providing him access to such facilities and such information as he may request to facilitate the transfer of jurisdiction;

(2) provide to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives copies of any reports, plans, or contracts pertaining to the reserve that are required to be submitted to the Committees on Armed Services of the Senate and the House of Representatives; and

(3) cooperate and consult with the Secretary of the Interior before executing any new contract or amendment to any existing contract pertaining to the reserve and allow him a reasonable opportunity to comment on such contract or amendment, as the case may be.

(d) Commencement of petroleum exploration by Secretary of the Interior as of date of transfer of jurisdiction; powers and duties of Secretary of the Interior in conduct of exploration

The Secretary of the Interior shall commence further petroleum exploration of the reserve as of the date of transfer of jurisdiction specified in section 6503(a) of this title. In conducting this exploration effort, the Secretary of the Interior -

(1) is authorized to enter into contracts for the exploration of the reserve, except that no such contract may be entered into until at least thirty days after the Secretary of the Interior has provided the Attorney General with a copy of the proposed contract and such other information as may be appropriate to determine legal sufficiency and possible violations under, or inconsistencies with, the antitrust laws. If, within such thirty day period, the Attorney General advises the Secretary of the Interior that any such contract would unduly restrict competition or be inconsistent with the antitrust laws, then the Secretary of the Interior may not execute that contract;

(2) shall submit to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives any new plans or substantial amendments to ongoing plans for the exploration of the reserve. All such plans or amendments submitted to such committees pursuant to this section shall contain a report by the Attorney General of the United States with respect to the anticipated effects of such plans or amendments on competition. Such plans or amendments shall not be implemented until sixty days after they have been submitted to such committees; and

(3) shall report annually to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives on the progress of, and future plans for, exploration of the reserve

Sec. 6505. - Executive department responsibility for studies to determine procedures used in development, production, transportation, and distribution of petroleum resources in reserve; reports to Congress by President; establishment of task force by Secretary of the Interior; purposes; membership; report and recommendations to Congress by Secretary; contents

(a) Omitted

(b)

(1) The President shall direct such Executive departments and/or agencies as he may deem appropriate to conduct a study, in consultation with representatives of the State of Alaska, to determine the best overall procedures to be used in the development, production, transportation, and distribution of petroleum resources in the reserve. Such study shall include, but shall not be limited to, a consideration of -

(A) the alternative procedures for accomplishing the development, production, transportation, and distribution of the petroleum resources from the reserve, and

(B) the economic and environmental consequences of such alternative procedures.

(2) The President shall make semiannual progress reports on the implementation of this subsection to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives beginning not later than six months after April 5, 1976, and shall, not later than one year after the transfer of jurisdiction of the reserve, and annually thereafter, report any findings or conclusions developed as a result of such study together with appropriate supporting data and such recommendations as he deems desirable. The study shall be completed and submitted to such committees, together with recommended procedures and any proposed legislation necessary to implement such procedures not later than January 1, 1980.

(c)

(1) The Secretary of the Interior shall establish a task force to conduct a study to determine the values of, and best uses for, the lands contained in the reserve, taking into consideration

- (A) the natives who live or depend upon such lands,
- (B) the scenic, historical, recreational, fish and wildlife, and wilderness values,
- (C) mineral potential, and
- (D) other values of such lands.

(2) Such task force shall be composed of representatives from the government of Alaska, the Arctic slope native community, and such offices and bureaus of the Department of the Interior as the Secretary of the Interior deems appropriate, including, but not limited to, the Bureau of Land Management, the United States Fish and Wildlife Service, the United States Geological Survey, and the United States Bureau of Mines.

(3) The Secretary of the Interior shall submit a report, together with the concurring or dissenting views, if any, of any non-Federal representatives of the task force, of the results of such study to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives within three years after April 5, 1976, and shall include in such report his recommendations with respect to the value, best use, and appropriate designation of the lands referred to in paragraph (1)

Sec. 6506. - Applicability of antitrust provisions; plans and proposals submitted to Congress to contain report by Attorney General on impact of plans and proposals on competition

Unless otherwise provided by Act of Congress, whenever development leading to production of petroleum is authorized, the provisions of subsections (g), (h), and (i) of section 7430 of title 10 shall be deemed applicable to the Secretary of the

Interior with respect to rules and regulations, plans of development and amendments thereto, and contracts and operating agreements. All plans and proposals submitted to the Congress under this chapter or pursuant to legislation authorizing development leading to production shall contain a report by the Attorney General of the United States on the anticipated effects upon competition of such plans and proposals

Sec. 6507. - Authorization of appropriations; Federal financial assistance for increased municipal services and facilities in communities located on or near reserve resulting from authorized exploration and study activities

(a) There are authorized to be appropriated to the Department of the Interior such sums as may be necessary to carry out the provisions of this chapter.

(b) If the Secretary of the Interior determines that there is an immediate and substantial increase in the need for municipal services and facilities in communities located on or near the reserve as a direct result of the exploration and study activities authorized by this chapter and that an unfair and excessive financial burden will be incurred by such communities as a result of the increased need for such services and facilities, then he is authorized to assist such communities in meeting the costs of providing increased municipal services and facilities. The Secretary of the Interior shall carry out the provisions of this section through existing Federal programs and he shall consult with the heads of the departments or agencies of the Federal Government concerned with the type of services and facilities for which financial assistance is being made available

Sec. 6508. - Competitive leasing of oil and gas

There shall be conducted, notwithstanding any other provision of law and pursuant to such rules and regulations as the Secretary may prescribe, an expeditious program of competitive leasing of oil and gas in the National Petroleum Reserve in Alaska: Provided, That

(1) activities undertaken pursuant to this section shall include or provide for such conditions, restrictions, and prohibitions as the Secretary deems necessary or appropriate to mitigate reasonably foreseeable and significantly adverse effects on the surface resources of the National Petroleum Reserve in Alaska (the Reserve);

(2) the provisions of section 202 and section 603 of the Federal Lands Policy and Management Act of 1976 (90 Stat. 2743) (43 U.S.C. 1712, 1782) shall not be applicable to the Reserve;

(3) the first lease sale shall be conducted within twenty months of December 12, 1980: Provided, That the first lease sale shall be conducted only after publication of a final environmental impact statement if such is deemed necessary under the provisions of the National Environmental Policy Act of 1969 (42 U.S.C. 4332);

(4) the withdrawals established by section 102 of Public Law 94-258 (42 U.S.C. 6502) are rescinded for the purposes of the oil and gas leasing program authorized herein;

(5) bidding systems used in lease sales shall be based on bidding systems included in section 205(a)(1)(A) through (H) [1] of the Outer Continental Shelf Lands Act Amendments of 1978 (92 Stat. 629) (43 U.S.C. 1337(a)(1)(A)-(H));

(6) lease tracts may encompass identified geological structures;

(7) the size of lease tracts may be up to sixty thousand acres, as determined by the Secretary;

(8) each lease shall be issued for an initial period of ten years, and shall be extended for so long thereafter as oil or gas is produced from the lease in paying quantities, or as drilling or reworking operations, as approved by the Secretary, are conducted thereon;

(9) for purposes of conservation of the natural resources of any oil or gas pool, field, or like area, or any part thereof, lessees thereof and their representatives are authorized to unite with each other, or jointly or separately with others, in collectively adopting and operating under a unit agreement for such pool, field, or like area, or any part thereof (whether or not any other part of said oil or gas pool, field, or like area is already subject to any cooperative or unit plan of development or operation), whenever determined by the Secretary to be necessary or advisable in the public interest. Drilling, production, and well reworking operations performed in accordance with a unit agreement shall be deemed to be performed for the benefit of all leases that are subject in whole or in part to such unit agreement. When separate tracts cannot be independently developed and operated in conformity with an established well spacing or development program, any lease, or a portion thereof, may be pooled with other lands, whether or not owned by the United States, under a communitization or drilling agreement providing for an apportionment of production or royalties among the separate tracts of land comprising the drilling or spacing unit when determined by the Secretary of the Interior to be in the public interest, and operations or production pursuant to such an agreement shall be deemed to be operations or production as to each such lease committed thereto;

(10) to encourage the greatest ultimate recovery of oil or gas or in the interest of conservation the Secretary is authorized to waive, suspend, or reduce the rental, or minimum royalty, or reduce the royalty on an entire leasehold, including on any lease operated pursuant to a unit agreement, whenever in his judgment the leases cannot be successfully operated under the terms provided therein. The Secretary is authorized to direct or assent to the suspension of operations and production on any lease or unit. In the event the Secretary, in the interest of conservation, shall direct or assent to the suspension of operations and production on any lease or unit, any payment of acreage rental or minimum royalty

prescribed by such lease or unit likewise shall be suspended during the period of suspension of operations and production, and the term of such lease shall be extended by adding any such suspension period thereto; and

(11) all receipts from sales, rentals, bonuses, and royalties on leases issued pursuant to this section shall be paid into the Treasury of the United States: Provided, That 50 percent thereof shall be paid by the Secretary of the Treasury semiannually, as soon thereafter as practicable after March 30 and September 30 each year, to the State of Alaska for:

(A) planning;

(B) construction, maintenance, and operation of essential public facilities; and

(C) other necessary provisions of public service: Provided further, That in the allocation of such funds, the State shall give priority to use by subdivisions of the State most directly or severely impacted by development of oil and gas leased under this section.

Any agency of the United States and any person authorized by the Secretary may conduct geological and geophysical explorations in the National Petroleum Reserve in Alaska which do not interfere with operations under any contract maintained or granted previously. Any information acquired in such explorations shall be subject to the conditions of 43 U.S.C. 1352(a)(1)(A).

Any action seeking judicial review of the adequacy of any program or site-specific environmental impact statement under section 102 of the National Environmental Policy Act of 1969 (42 U.S.C. 4332) concerning oil and gas leasing in the National Petroleum Reserve-Alaska shall be barred unless brought in the appropriate District Court within 60 days after notice of the availability of such statement is published in the Federal Register.

The detailed environmental studies and assessments that have been conducted on the exploration program and the comprehensive land-use studies carried out in response to sections 105(b) and (c) of Public Law 94-258 (42 U.S.C. 6505(b), (c)) shall be deemed to have fulfilled the requirements of section 102(2)(c) of the National Environmental Policy Act (Public Law 91-190) (42 U.S.C. 4332(2)(C)), with regard to the first two oil and gas lease sales in the National Petroleum Reserve-Alaska: Provided, That not more than a total of 2,000,000 acres may be leased in these two sales: Provided further, That any exploration or production undertaken pursuant to this section shall be in accordance with section 104(b) of the Naval Petroleum Reserves Production Act of 1976 (90 Stat. 304; 42 U.S.C. 6504)

ALASKA STATUTES
Title 37. Public Finance
Chapter 5. Fiscal Procedures Act
Section 530. National Petroleum Reserve - Alaska Special Revenue Fund

(a) The National Petroleum Reserve - Alaska special revenue fund is established. The fund consists of all money disbursed to the state by the federal government under 42 U.S.C. 6508 (P.L. 96-514) since December 12, 1980, less the amount deposited in the general fund and expended by the state by general fund appropriations before June 9, 1984.

(b) The commissioner of revenue shall manage the National Petroleum Reserve - Alaska special revenue fund.

(c) The Department of Community and Economic Development shall adopt regulations under which municipalities impacted by National Petroleum Reserve - Alaska oil and gas development under 42 U.S.C. 6508 may apply for and be eligible to receive grants to alleviate the impact. The department shall give priority in the allocation of grants to municipalities that are experiencing or will experience the most direct or severe impact from oil and gas development under 42 U.S.C. 6508 within the National Petroleum Reserve - Alaska. The department shall fund all meritorious grant applications out of the money appropriated to it each year. Within 10 days after the convening of each regular session of the legislature, the department shall submit to the legislature a list of all municipalities that have received grants, a list of all municipalities determined by the department to be eligible for further grants, a recommendation of the amount of money to be granted for those additional applications, and written justification of each past and potential grant.

(d) It is the intent of the legislature that each year all of the money in the National Petroleum Reserve - Alaska special revenue fund be made available for appropriation by the legislature to municipalities that demonstrate under (c) of this section present impact, or the need to determine or plan for future impact, from oil and gas development under 42 U.S.C. 6508. It is the intent of the legislature that an initial appropriation be made to the Department of Community and Economic Development to cover anticipated impact grants, and that additional funds be made available through supplemental appropriations if the impact is greater than anticipated and the legislature considers the additional grants proposed by the department to be meritorious.

(e) A municipality may use the funds received under (d) of this section only for the following activities and services to alleviate the impact of the oil and gas development under 42 U.S.C. 6508 within the National Petroleum Reserve - Alaska:

- (1) planning;

(2) construction, maintenance, and operation of essential public facilities by the municipality, and

(3) other necessary public services provided by the municipality.

(f) Funds appropriated under (d) of this section may not be used for the retirement of municipal debt.

(g) Amounts received by the state under 42 U.S.C. 6508 and not appropriated for grants to municipalities under (d) of this section shall be deposited at the end of each fiscal year as follows: (1) 25 percent to the principal of the Alaska permanent fund; and (2).5 percent to the public school trust fund (AS 37.14.110). The amounts remaining after the deposits to the Alaska permanent fund and the public school trust fund may be appropriated to the power cost equalization and rural electric capitalization fund (AS 42.45.100). The amounts remaining after any appropriation to the power cost equalization and rural electric capitalization fund shall lapse into the general fund for use by the state for the following facilities and services: planning; construction, maintenance, and operation of essential public facilities; and other necessary public services.

(h) Notwithstanding other provisions of law and unless expressly provided by the legislature in the appropriation item making the appropriation, an appropriation from the National Petroleum Reserve - Alaska special revenue fund shall, for the purposes of determining the funding sources for the appropriation be treated as though the appropriation takes effect in the fiscal year in which the appropriation passes the legislature. The authorization to expend funds appropriated from the fund shall take effect as otherwise provided by law.

ALASKA ADMINISTRATIVE CODE
Title 3. Community and Economic Development
Chapter 150. National Petroleum Reserve - Alaska Impact Program

3 AAC 150.010. General Objectives

The primary objective of the National Petroleum Reserve-Alaska (NPR-A) Impact Program is to provide municipalities with financial assistance to help mitigate significantly adverse impacts related to oil or gas leasing within the NPR-A, including exploration, production, and oil or gas transportation activities, conducted under the authority of 42 U.S.C. 6508. Financial assistance may be available for

- (1) planning;
- (2) construction, maintenance, and operation of essential public facilities; and
- (3) other necessary public services.

3 AAC 150.020. Administration of NPR-A Impact Program

Under sec. 2, ch. 53, SLA 1986, the legislature will appropriate each year the balance remaining in the National Petroleum Reserve-Alaska special revenue fund to the Department of Community and Economic Development. The department will, in accordance with this chapter, receive, review, and evaluate applications from eligible municipalities each year, and will fund qualified grant requests up to the amount of the appropriation. Money not allocated to eligible municipalities each year lapses in accordance with sec. 3, ch. 53, SLA 1986. If the total amount of money requested by eligible municipalities in a year exceeds the appropriation for that year, the department will allocate the available grant money in accordance with the criteria for priority set out in 3 AAC 150.060 - 3 AAC 150.080. Additional money might be made available through supplemental appropriations if the impact is greater than anticipated and the legislature considers the additional grants proposed by the department to be meritorious.

3 AAC 150.030. Eligibility in General

Eligibility for NPR-A impact assistance has two main components: applicant eligibility and project eligibility.

3 AAC 150.040. Applicant Eligibility

To be eligible to receive assistance under the NPR-A Impact program, the applicant

- (1) must be a municipality under state law; and
- (2) must demonstrate present impact, regardless of date of initial occurrence, or foreseeable future impact, on the applicant or the applicant's residents from oil or gas exploration, production, or transportation activities in the NPR-A under 42 U.S.C. 6508.

3 AAC 150.050. Project Eligibility

(a) To be eligible for funding under the NPR-A impact program, a project must be related to present, continuing, or reasonably foreseeable impact on the applicant or the applicant's residents from oil or gas exploration, production, or transportation activities in the NPR-A under 42 U.S.C. 6508.

(b) To be eligible for funding, a project also must be for the purpose of

- (1) planning;
- (2) construction, maintenance, and operation of essential public facilities; or
- (3) other necessary public services.

(c) In this section, "impact" means an effect reasonably attributable to NPR-A oil and gas activities under 42 U.S.C. 6508 on

- (1) population;
- (2) employment;
- (3) finances;
- (4) social and cultural values;
- (5) air and water quality;
- (6) fish and wildlife habitats;
- (7) the ability to provide essential public services, including health care, public safety, education, transportation, utilities, and government administration; and
- (8) other things of demonstrable importance to the applicant or the applicant's residents.

(d) Examples of needs that eligible projects may address include the following:

- (1) resource protection to ensure the continued viability of fish, wildlife, and other natural resources on which the applicant's residents rely for subsistence needs;
- (2) alleviation or mitigation of adverse social or cultural impacts;
- (3) health needs, including hospitals, clinics, emergency medical facilities, alcohol and drug abuse facilities, mental health facilities, waste disposal systems, and water quality improvement systems;
- (4) public safety needs, including police protection, search and rescue, and fire protection;
- (5) utility needs, including electric generating plants and distribution systems, water supply systems, telephone systems, and other fuel distribution systems;
- (6) housing needs;
- (7) recreational needs.

3 AAC 150.060. Project Criteria

(a) If the total amount of money requested by eligible applicants for eligible projects in meritorious applications exceeds the amount appropriated for grants that year, the department will rank applications for the purpose of establishing priority for funding.

(b) In determining the merit of an application, the department will consider

- (1) the degree to which the project proposed in the grant application alleviates the impact caused by development in the NPR-A under 42 U.S.C. 6508;
- (2) the ability of the applicant to accommodate or absorb the impacts through existing facilities or programs; and
- (3) other criteria the department identifies as critical to determination of the merit of the application.

(c) In ranking the applications, the department will consider

- (1) the severity of the impact caused by the development in the NPR-A under 42 U.S.C. 6508 on the municipality; and
- (2) the degree to which the impact on the municipality is directly caused by development in the NPR-A under 42 U.S.C. 6508.

3 AAC 150.070. Submission of Applications

(a) Application must be made on forms provided by the department. The forms will be such that they may be easily filled out by small communities without technical staff. The department will, upon request, provide assistance to applicants to the extent possible based upon the availability of financial and human resources.

(b) A municipality that believes it is eligible to receive NPR-A impact assistance under 3 AAC 150.010 - 3 AAC 150.060 may file an application with the department as provided for in (a) of this section. An application must be postmarked no later than November 15 of each year in which NPR-A assistance money is available for appropriation by the legislature under AS 37.05.530. If November 15 is a Saturday, Sunday, or legal holiday, the deadline for postmark is the department's next regular business day.

3 AAC 150.080. Review of Applications and Award of Grants

(a) The department will review applications for eligibility for NPR-A impact assistance and place applications in order of priority in accordance with 3 AAC 150.060.

(b) The department will review each application determined to be eligible for NPR-A impact assistance to determine whether the amount requested for a project is reasonably necessary for the project to alleviate impacts from oil and gas development in the NPR-A under 42 U.S.C. 6508, the department will deduct from the amount requested any amounts that are not reasonably necessary for that purpose.

(c) If, after making necessary adjustments to grant requests under (b) of this section, the department determines that the total amount for eligible projects requested by all eligible applicants that year is equal to or less than the amount appropriated for that year, the department will fund all meritorious requests. If the total amounts requested are greater than the amount appropriated, the department will fund requests in accordance with the priorities established in 3 AAC 150.060 until the appropriation is spent. The department will, in its discretion, recommend to the legislature that additional money be made available through supplemental appropriations.

3 AAC 150.090. Reconsideration and Judicial Review

A municipality aggrieved by a decision made under this chapter may request reconsideration by the commissioner of community and regional affairs, and must seek such reconsideration before seeking judicial review. A final decision of the department is subject to judicial review in accordance with Rule 602 of the Alaska Rules of Appellate Procedure.

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TELEPHONE (907) 586-2777
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April 18, 2005

To: Dennis Roper

From: Susan A. Burke

Re: Senate Bill 171 Legal Issues - Allocation of NPR-A Revenues

You have asked me to provide you with a summary of the legal issues raised by Senate Bill 171, which would amend existing state statutes governing the distribution of NPR-A funds received by the State from the federal government. In my opinion, a number of the proposed changes are in conflict with the federal statute under which the State receives NPR-A funds. I will first outline the legal constraints on the use of NPR-A revenues and then indicate the sections of Senate Bill 171 that are inconsistent with the law.

I. Rules Governing Allocation of NPR-A Revenues.

42 U.S.C. sec. 6508(11) provides that the State of Alaska will receive 50 percent of all receipts from sales, rentals, bonuses and royalties on NPR-A oil and gas leases. The money may be used for "(A) planning; (B) construction, maintenance, and operation of essential public facilities; and (C) other necessary provisions of public service." Section 6508(11) goes on to provide, "that in the allocation of such funds, the State shall give priority to use by subdivisions of the State most directly or severely impacted by development of oil and gas leased under this section."

In 1985 by the North Slope Borough, the City of Barrow, and other North Slope communities sued the State of Alaska, seeking a ruling on nature of the duties imposed on the State by the federal statute. Judge Carpeneti entered several rulings that are relevant to the changes that Senate Bill 171 proposes to make in the existing NPR-A statutes.¹ Specifically, he ruled:

- The duty to give priority to impacted municipalities in the allocation of NPR-A funds was "mandatory."
- The mandatory duty includes, "the duties to examine the claimed needs of subdivisions arising from oil and gas development impacts, to evaluate them, and

¹ City of Barrow, et al., v. State of Alaska, No. 1JU-85-2634, Summary Order, March 18, 1986.

if the claimed needs are found to exist, to rank them in order of propriety, and to meet or satisfy them out of NPR-A revenues.”

- NPR-A funds may not be deposited into the Permanent Fund in any percentage amount until “after the State complies with the mandatory duty imposed on it to evaluate [municipal] needs and establish priorities.” (Emphasis in original.)

II. Legal Problems with Senate Bill 171 – Section by Section.

Section 1 of Senate Bill 171 sets out legislative intent language to the effect that NPR A funds are intended to provide “temporary emergency financial assistance to municipalities for the purpose of meeting certain extraordinary operating and capital improvement expenditures necessitated by oil and gas development under 42 U.S.C. 6508.” This intent language purports to impose additional limitations on the use of NPR-A revenues, beyond the limitations contained in 42 U.S.C. 6508(11). The federal statute limits the use of NPR-A funds only to “planning,” “construction, maintenance, and operation of essential public facilities,” and “other necessary provisions of public service.” There is nothing in the language of the federal act to suggest that the permissible uses by municipalities are limited to “temporary” or “emergency” situations or that NPR-A funds can be used only for “extraordinary” expenses.

Section 2 would establish a “Special Legislative Oil and Gas NPR-A Development Impact Review Committee” to annually review municipal grant applications for NPR-A funds and to make recommendations to the House and Senate Finance Committees concerning “for award of grants.” There is no legal impediment to the creation of a special legislative committee to review municipal NPR-A grant applications. However, such a committee will be bound by the requirements of 42 U.S.C. 6508(11) as interpreted by Judge Carpeneti. Specifically, the committee, at a minimum, must “examine the claimed needs” of the municipalities, “evaluate them,” “rank them in order of priority,” and “if the claimed needs are found to exist, to meet or satisfy them out of NPR-A revenues.” Since the committee will be bound by these federal requirements, it would be preferable to have the duties listed in the statute establishing the committee.

Section 3 would make a number of changes in AS 37.05.530(c), which is the statute that currently governs the allocation of NPR-A revenues. Several of the proposed changes are contrary to the requirements of 42 U.S.C. 6508(11):

- At page 3, lines 4 through 6, new language would be added that appears to add a new category of allowable municipal expenditures of NPR-A grant funds – specifically, for “extraordinary municipal and educational operating expenditures attributable to oil and gas development in . . . [NPR-A] that are beyond the municipalities reasonable capability to meet from growth . . . from current municipal revenue sources.” If the intent of this new language is to restrict all NPR-A municipal grants to “extraordinary municipal and educational operating

expenditures" that cannot be covered by existing municipal funding sources, it is clearly contrary to 42 U.S.C. 6508(11). First, there is no restriction in the federal statute to use of funds only for "operating expenditures." The federal act expressly allows NPR-A funds to be used for "construction" of essential public facilities. Second, there is nothing in the federal statute that restricts use of NPR-A funds to "extraordinary" expenditures or to expenditures that cannot otherwise be funded from other existing or reasonably anticipated municipal revenue sources. If the intent of this language is simply to add another category of permissible uses for NPR-A grant funds, it is unnecessary. The federal act's reference to planning, public facilities and necessary public services is broad enough to cover this new category.

- At page 3, lines 21 through 25, Section 3 would delete the existing language in the statute directing the Department of Commerce, Community, and Economic Development to "give priority in the allocation of grants to municipalities that are experiencing or will experience the most direct or severe impact from oil and gas development . . . within the National Petroleum Reserve-Alaska." Given the intent language in Section 1 of Senate Bill 171, it appears that the deletion of this language is intended to limit the permissible uses of NPR-A grant funds by municipalities beyond the limitations contained in the federal act. If so, the State would be in violation of the federal requirements.
- At page 3, lines 25-27, Section 3 would delete the existing statutory requirement that the Department "shall fund all meritorious grant applications out of the money appropriated to it each year." Judge Carpeneti clearly ruled that the State has a duty to fund all meritorious municipal grant applications, in order of priority, with available NPR-A revenues.

Section 4 would repeal and reenact AS 37.05.530(d). Among other things the proposed new provisions would prohibit the use of NPR-A grant funds from being used "substantially for the municipality's basic government operations." This prohibition is clearly in conflict with 42 U.S.C. 6805(11), which allows municipalities to use the funds for "planning," "construction, maintenance, and operation of essential public facilities," and "other necessary provisions of public service." "Basic" government operations are essentially the same as "essential public facilities" and "necessary provisions of public services" – objects of expenditure that are expressly authorized under the federal act.

Section 5 would amend AS 37.05.530(f) by adding a prohibition against use of municipal NPR-A grant funds "directly or indirectly to reduce current municipal tax rates." This restriction is also contrary to the provisions of 42 U.S.C. 6804(11), which contain no such limitation. Beyond the extremely broad permissible uses of NPR-A funds outlined in the federal act, the only other restriction is that municipal allocations be made on a priority basis to municipalities "most directly or severely impacted by development of oil and gas" in the NPR-A.

Dennis Roper
April 18, 2005
Page 4 of 4

Section 6 would amend AS 37.05.530(g) in two ways. Both are contrary to 42 U.S.C. 6805(11). First, it would delete existing language that makes it clear that the designated percentage deposits to the permanent fund and the public school trust fund are to be calculated only on the amounts of NPR-A receipts remaining **after** the municipal grants are awarded. Judge Carpeneti's ruling is crystal clear that it would be a violation of 42 U.S.C. 6805(11) for the State to make deposits into the permanent fund (or any other allocation of funds to state purposes) prior to compliance with the mandatory duty to evaluate, prioritize, and satisfy meritorious municipal applications. Second, Section 6 provides that if there are not enough NPR-A revenues to fund the meritorious municipal grants, the amounts will be allocated "pro rata among the fund deposits and grants." This provision violates 42 U.S.C. 6805(11) because it would place permanent fund and school trust fund allocations on equal footing with municipal grants. The federal act clearly requires that the municipal grants be given priority over any other state uses of the funds.

There are some additional questions that have been raised about the practicality of the lapsing provisions contained in Section 7 of the bill, but I have not addressed them in this memo. Let me know if you have any questions.

SAB:ps

SENATE BILL NO. 171

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

BY SENATOR WILKEN

Introduced: 4/12/05

Referred: Community and Regional Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act amending the National Petroleum Reserve - Alaska special revenue fund; and**
2 **establishing the Special Legislative Oil and Gas NPR-A Development Impact Review**
3 **Committee and defining its powers and duties."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 **LEGISLATIVE INTENT.** It is the intent of the legislature to provide temporary
8 emergency financial assistance to municipalities for the purpose of meeting certain
9 extraordinary operating and capital improvement expenditures necessitated by oil and gas
10 development under 42 U.S.C. 6508.

11 *** Sec. 2.** AS 24.20 is amended by adding a new section to read:

12 **Article 4A. Special Legislative Oil And Gas NPR-A Development Impact Review**
13 **Committee.**

14 **Sec. 24.20.580. Special Legislative Oil and Gas NPR-A Development**

WHY it
should be
added
to the
legislative
committee
24-1.S07851

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Impact Review Committee. (a) There is established the Special Legislative Oil and Gas NPR-A Development Impact Review Committee. The committee is composed of three members of the senate appointed by the president of the senate and three members of the house of representatives appointed by the speaker of the house. The membership from each house shall include at least one member from the minority caucus of that house. The committee members may be appointed only from the finance committee of each house. The committee shall select its own chair.

(b) The committee shall be organized within 15 days after the organization of each legislature. Members serve for the duration of the legislature during which they are appointed. (If a committee member is reelected or the member's term of office extends into the next succeeding legislature) the member continues to serve until reappointed or until the member's successor is appointed.

(c) The committee may meet during sessions of the legislature and during the interim between sessions at times and places in the state as the committee chair may determine.

(d) Members of the committee may receive, for the minimum time required to get to and from meetings and for the period while attending meetings, the same travel and per diem allowances provided by law for members of the legislature when attending sessions. However, members of the committee do not receive per diem for committee meetings during legislative sessions other than the per diem paid to members of the legislature.

(e) A majority of the members of the committee appointed from each house

(1) constitutes a quorum for the purpose of carrying out the committee's duties under this section; and

(2) is necessary to approve and forward to the respective finance committees in each house the committee's recommendations for award of grants.

(f) The committee may consult with the Department of Commerce, Community, and Economic Development about grant applications submitted under AS 37.05.530.

* Sec. 3. AS 37.05.530(c) is amended to read:

(c) The Department of Commerce, Community, and Economic Development

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(5 THIR TAKING AFTER OUTDOORITY p. 3 Report
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shall adopt regulations under which municipalities that are most directly and severely impacted by National Petroleum Reserve - Alaska oil and gas development under 42 U.S.C. 6508 or that demonstrate extraordinary municipal and educational operating expenditures attributable to oil and gas development in the National Petroleum Reserve - Alaska that are beyond the municipality's reasonable capability to meet from growth in receipts from current municipal revenue sources may apply for and be eligible to receive grants to alleviate the impact or expense. The department shall receive the applications and, after conducting a preliminary evaluation of each application against the standard set out in this subsection, within 10 days after the convening of each regular session of the legislature, shall submit to the Special Legislative Oil and Gas NPK-A Development Impact Review Committee (1) a list of all qualifying projects, a recommendation regarding new or additional grants for the projects, and a written justification for each new or additional grant, and (2) a list of all municipalities that have already received grants and written justification for each previous grant. Within 45 days after receipt of the information submitted by the department, the special committee shall forward to the respective finance committees in each house the special committee's recommendations for award of grants under this section. ~~When, under this subsection, the department has been advised of the special committee's recommendations for award of grants, the [THE] department shall notify municipalities of that action [GIVE PRIORITY IN THE ALLOCATION OF GRANTS TO MUNICIPALITIES THAT ARE EXPERIENCING OR WILL EXPERIENCE THE MOST DIRECT OR SEVERE IMPACT FROM OIL AND GAS DEVELOPMENT UNDER 42 U.S.C. 6508 WITHIN THE NATIONAL PETROLEUM RESERVE - ALASKA. THE DEPARTMENT SHALL FUND ALL MERITORIOUS GRANT APPLICATIONS OUT OF THE MONEY APPROPRIATED TO IT EACH YEAR. WITHIN 10 DAYS AFTER THE CONVENING OF EACH REGULAR SESSION OF THE LEGISLATURE, THE DEPARTMENT SHALL SUBMIT TO THE LEGISLATURE A LIST OF ALL MUNICIPALITIES THAT HAVE RECEIVED GRANTS, A LIST OF ALL MUNICIPALITIES DETERMINED BY THE DEPARTMENT TO BE~~

Fast

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the other line
the line

Don't Fin Com. HAVE TO APPROVE?

1 ELIGIBLE FOR FURTHER GRANTS, A RECOMMENDATION OF THE
2 AMOUNT OF MONEY TO BE GRANTED FOR THOSE ADDITIONAL
3 APPLICATIONS, AND WRITTEN JUSTIFICATION OF EACH PAST AND
4 POTENTIAL GRANT].

5 * Sec. 4. AS 37.05.530(d) is repealed and reenacted to read:

6 (d) Grants under this section may be made only upon application by the
7 municipality to the Department of Commerce, Community, and Economic
8 Development. Each grant application must state the intended use for which the grant
9 will be expended. When a municipality

10 (1) applies for a grant under this subsection, the municipality shall also
11 submit to the department a financial report covering the expenditure of any grant made
12 under this section that the municipality has already received; a subsequent grant may
13 not be made without submission of the financial report covering the prior
14 expenditures; and

15 (2) receives a grant under this section, the municipality

16 (A) shall maintain a separate account for each grant received;

17 (B) shall provide for an independent audit of the separate
18 accounts maintained for each grant except that, for a grant that is not more than
19 \$250,000, the municipality shall provide for an independent unaudited review
20 of the accounts maintained for the grant;

21 (C) shall submit a copy of the independent audit report or
22 independent review to the department; and

23 (D) may not use the grant substantially for the municipality's
24 basic government operations.

25 * Sec. 5. AS 37.05.530(f) is amended to read:

26 (f) Grants made [FUNDS APPROPRIATED] under [(d) OF] this section
27 may not be used directly or indirectly to reduce current municipal tax rates or to
28 retire existing [FOR THE RETIREMENT OF] municipal debt.

29 * Sec. 6. AS 37.05.530(g) is amended to read:

30 (g) Amounts received by the state under 42 U.S.C. 6508 [AND NOT
31 APPROPRIATED FOR GRANTS TO MUNICIPALITIES UNDER (d) OF THIS

Fed Allows

conflict w/ Fed Act

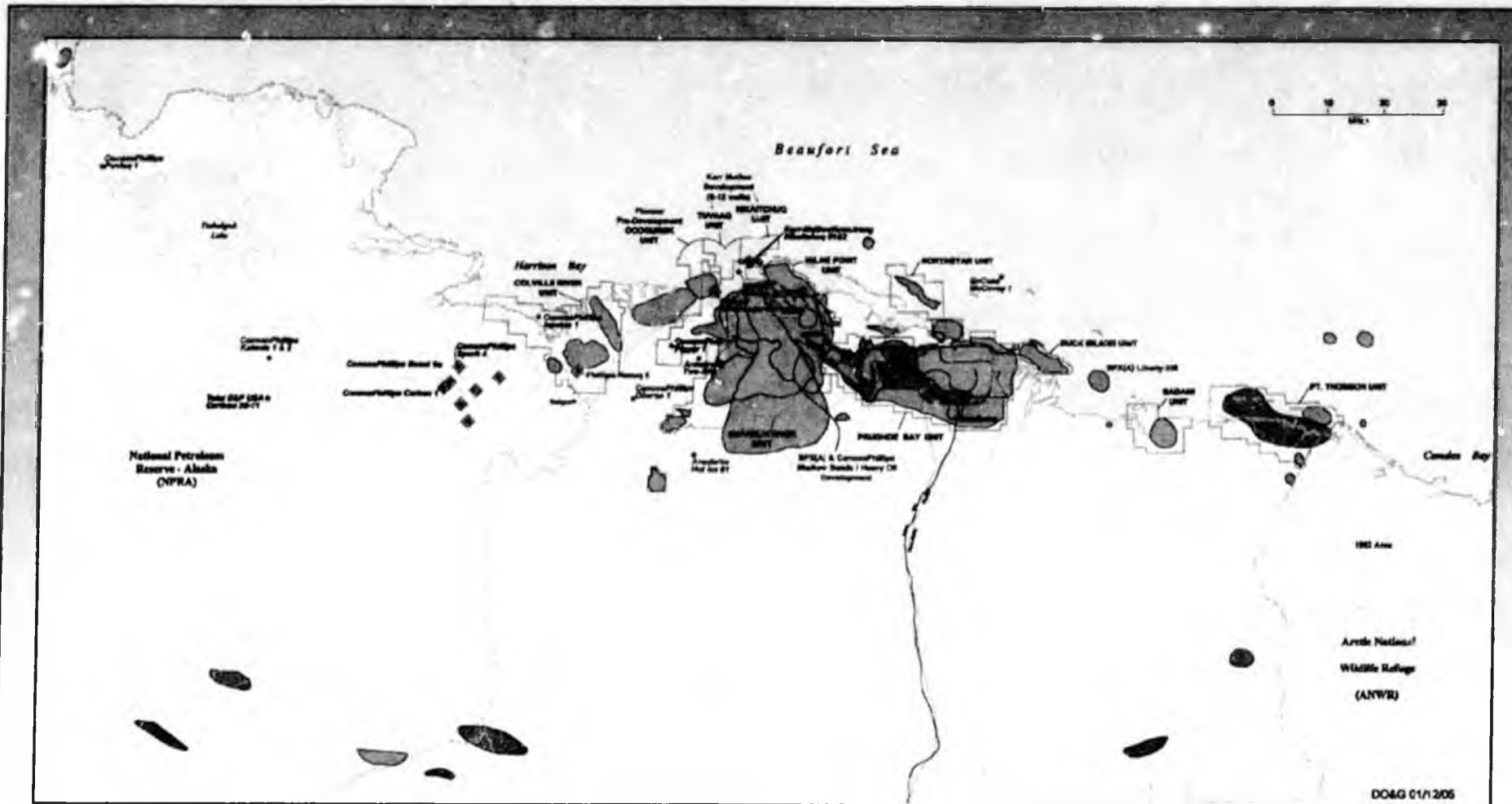
in practice

1 SECTION] shall be deposited at the end of each fiscal year as follows: (1) 25 percent
 2 to the principal of the Alaska permanent fund; and (2) .5 percent to the public school
 3 trust fund (AS 37.14.110). If the amounts awarded for temporary emergency
 4 impact grants exceed available funds, the [THE] amounts remaining after the
 5 deposits to the Alaska permanent fund, [AND] the public school trust fund, and the
 6 amounts appropriated for and approved as temporary emergency impact grants
 7 to municipalities shall be allocated pro rata among the fund deposits and grants.
 8 Unless the amounts awarded for temporary emergency impact grants exceed
 9 available funds, the amounts remaining after the deposits to the Alaska
 10 permanent fund, the public school trust fund, and the amounts appropriated for
 11 and approved as temporary emergency impact grants to municipalities may be
 12 appropriated to the power cost equalization and rural electric capitalization fund
 13 (AS 42.45.100). The amounts remaining after any appropriation to the power cost
 14 equalization and rural electric capitalization fund shall lapse into the general fund for
 15 use by the state for the following facilities and services: planning; construction;
 16 maintenance, and operation of essential public facilities; and other necessary public
 17 services.

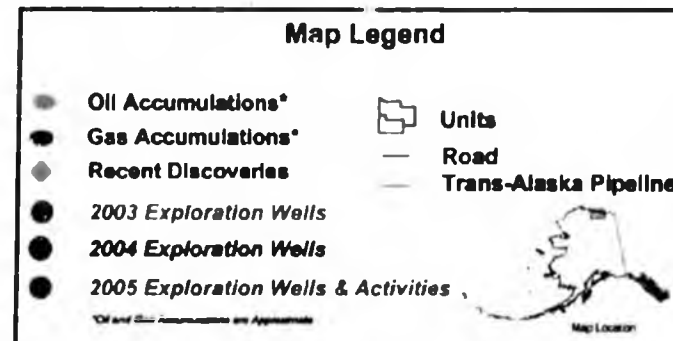
18 * Sec. 7. AS 37.05.530 is amended by adding a new subsection to read:

19 (i) Unless otherwise provided by law, in the Act making the appropriation
 20 from the National Petroleum Reserve - Alaska special revenue fund, the unexpended
 21 balance of an appropriation made in an Act making an appropriation from that fund
 22 lapses on June 30 of the fiscal year for which appropriated. The Department of
 23 Commerce, Community, and Economic Development may not otherwise modify the
 24 terms of a grant to change the purpose or objective of the grant or the terms and
 25 conditions under which the grant may be expended. The provisions of
 26 AS 37.25.010(a) and (b) apply to the unexpended balances of appropriations that are
 27 lapsed as described in this subsection. Amounts lapsed under this subsection shall
 28 revert to the general fund except that, if amounts lapsed are derived from
 29 appropriations that had been allocated pro rata among the principal of the Alaska
 30 permanent fund, the public school trust fund, and the amounts awarded for temporary
 31 emergency impact grants as authorized by (g) of this section, the commissioner of

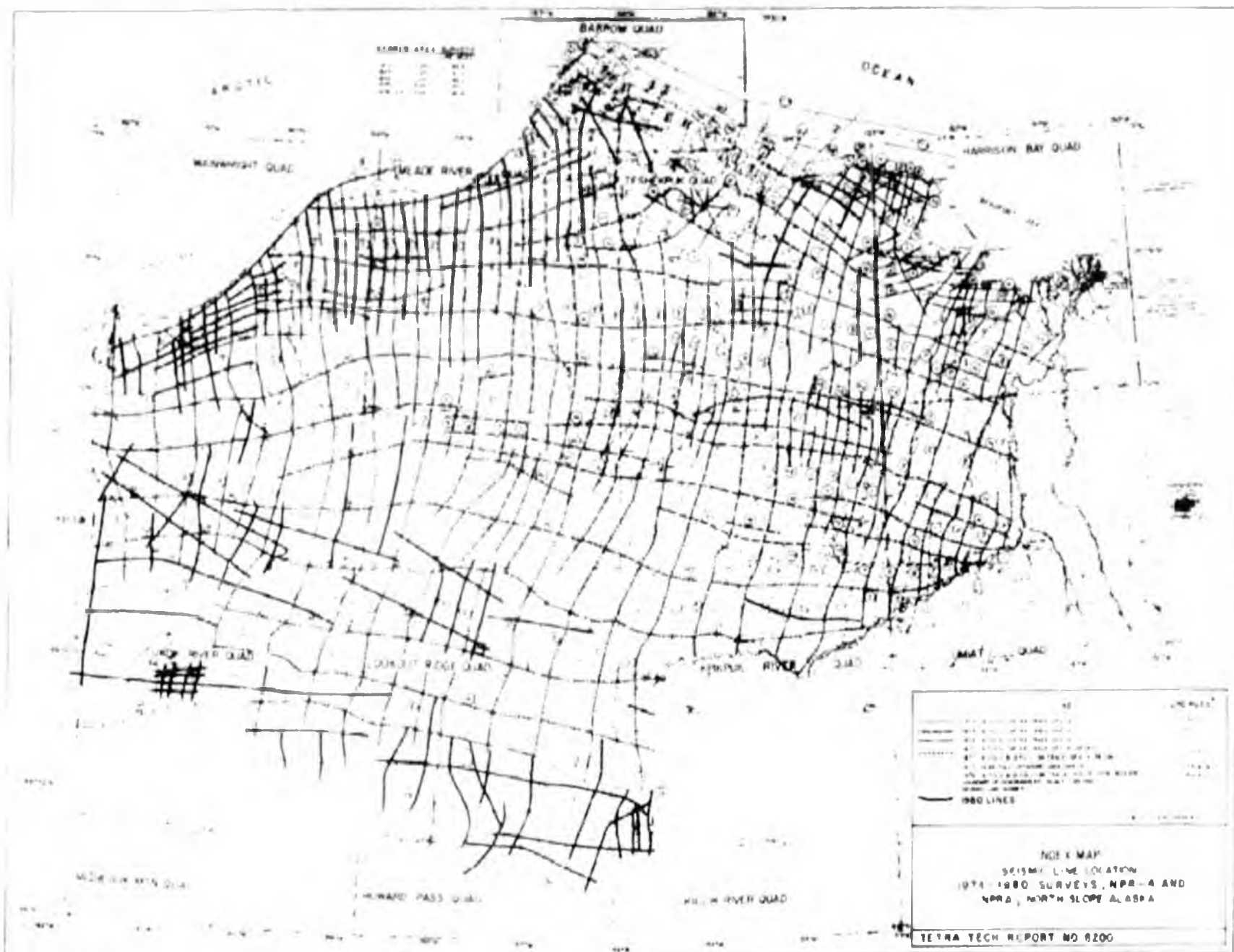
1 administration shall first apply the lapsing amounts to restore previously prorated
2 allocations to the Alaska permanent fund and the public school trust fund to the
3 amounts due each of those funds as calculated under (g)(1) and (g)(2) of this section.



North Slope Oil & Gas Activities & Discoveries January 2005

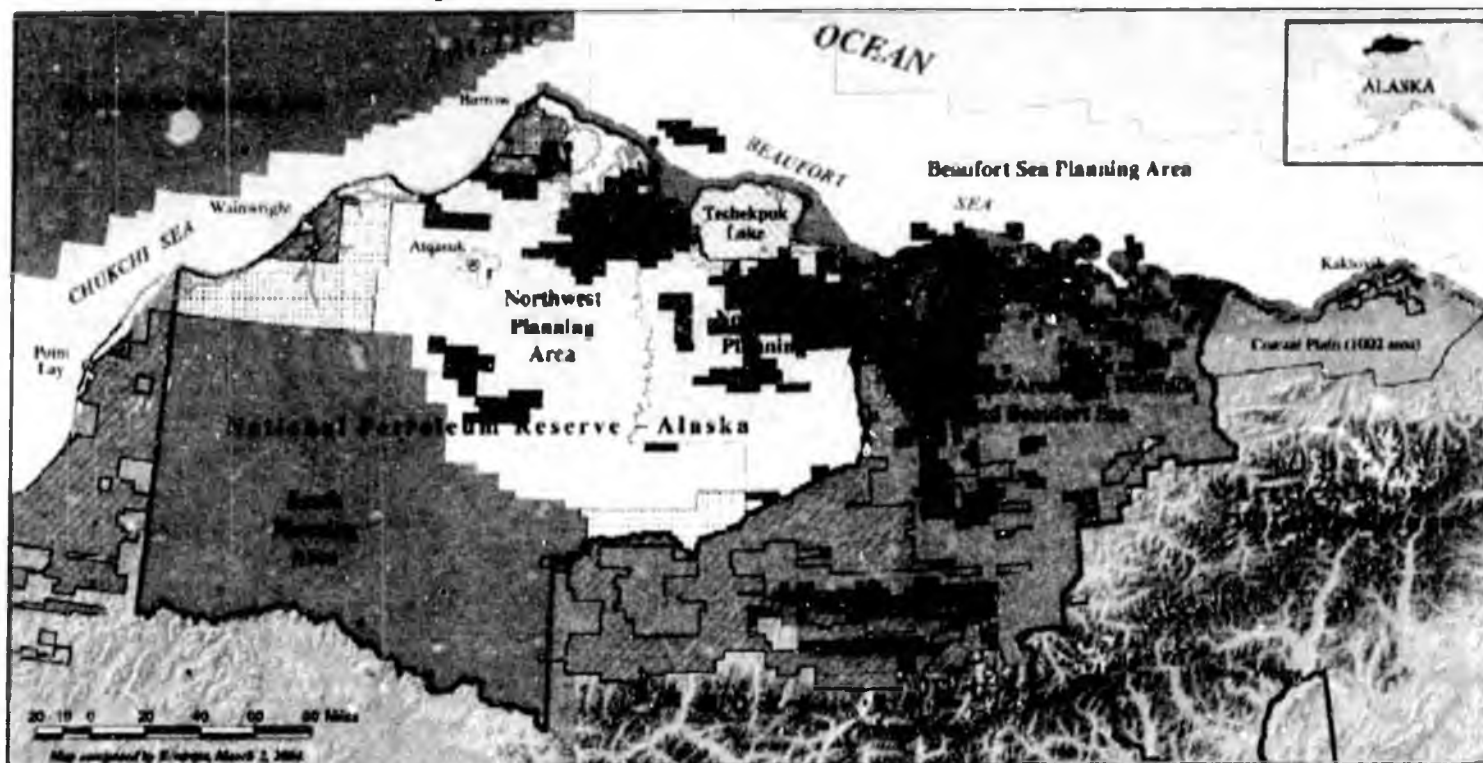









**THE FOLLOWING PAGES MAY
NOT FILM LEGIBLY BECAUSE OF
THE POOR QUALITY OF THE ORIGINAL**




TG2-0170 FIGURE 3

Current and Proposed Oil & Gas Leases on Alaska's North Slope



-  Existing Federal and State leases
-  Active Federal Lease Plan Area
-  Proposed Federal Lease Plan Area
-  1999 Teshekpuk Lake Area deleted from leasing. June 2004 BLM releases a new plan to lease the area.
-  Proposed State Leases
-  ASRC Surface and/or subsurface lands
-  Barrow Native Lands

National Petroleum Reserve - Alaska (Federal BLM)

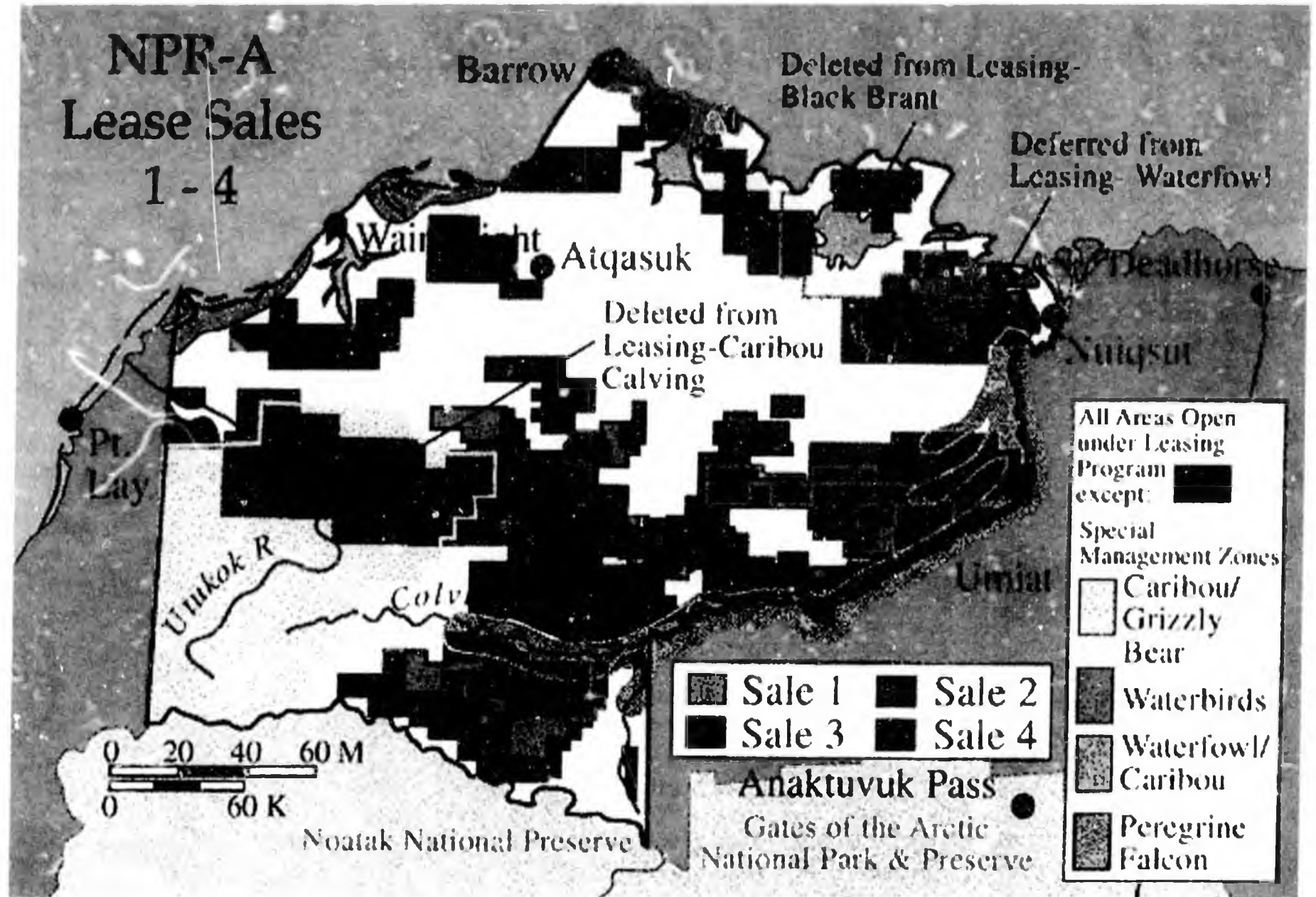
- * **Northwest Planning Area**
4.6 million acres - 87% opened to lease 1998
Next lease sale June 2005
- * **South Planning Area**
10 million acres
Scoping starts Fall 2005
- * **Northwest Planning Area**
8.8 million acres - 100% opened to lease 2004
 Open to exploration but deferred from leasing until 2014
First lease sale June 2004

Arctic Ocean (Federal MMS)

- * **Beaufort Sea Planning Area**
9.4 million acres - 87% opened to lease 1998
Lease sale 186 offered 97% September 2003
Next lease sale March 2005
 - * **Chukchi Sea Planning Area**
3.8 million acres
Call for Industry Nominations April 2004
- State**
- * **Northslope Areawide - Foothills and Beaufort Sea**
11 million acres in active lease plan areas
3.9 million acres in existing leases
Next lease sale October 2004

NPR-A Lease Sales

1 - 4



National Petroleum Reserve – AK



Gary Wilken
Senate Community and Regional Affairs Committee
April 20, 2005

NPR-A Impact Mitigation Program

Alaska Constitution vs. Alaska Statute

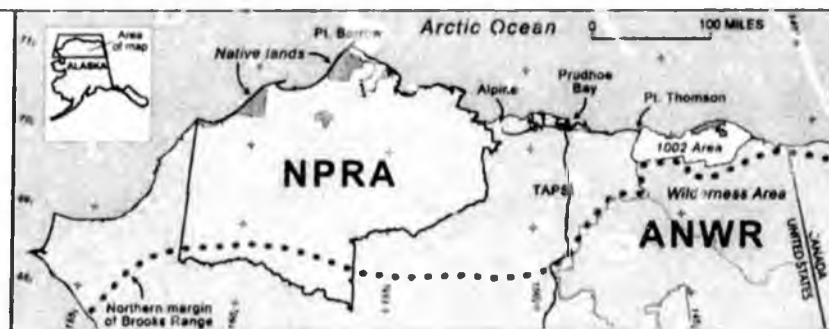
Current Impact Mitigation Program

Importance of "Impact"

Senate Bill 171

2

National Petroleum Reserve -- AK



- 23.5 million-acre petroleum reserve (~ Indiana)
- NW third of Alaska's arctic between the Brooks Range and the Arctic Ocean

3

The history of NPR-A

- 1923 President Warren Harding established the Naval Petroleum Reserve
- 1976 Dept of Interior assumed jurisdiction and changed the name
- 1980 Congress addressed changes to National Petroleum Reserve - AK

Changes in 1980

- Congress authorized competitive leases in NPR-A (42 U.S.C., Sec. 6508)
- Federal law cleared the way for the private development of NPR-A resources
- State of Alaska to receive 50% of the total revenue from NPR-A leases

The legislature responded

To the new federal law: *"The State is required to give priority to communities "most directly or severely impacted" by development."*

- Established an NPR-A Special Revenue Fund within the Dept of Revenue (CS SB 835 am II, 1982)
 - Half of NPR-A receipts appropriated to communities affected by leasing
 - Other half available for state appropriation

But Gov. Hammond Vetoed

"The dedication of such federal monies appears to be . . . inconsistent with the dedication of revenue to the Alaska Permanent Fund."
Governor Hammond, Veto Message, June 24, 1982

Alaska State Constitution

Article IX Section 15

Alaska Permanent Fund

"At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund." (Adopted in 1976)

And so the legislature . . .

Without a specific state law on the books . . .

- Received \$48.6M during the early 1980s
- Deposited half of the State's share into the Permanent Fund and .5% to the Public School Fund
- Deposited the remainder of the funds in the General Fund

Calculation by Alaska Constitution

In 1982, the Legislature appropriated the NPR-A receipts according to the Alaska State Constitution

NPR-A Receipts	\$48,600.0
50% of gross receipts to Perm Fund	<\$24,300.0>
.5 of gross receipts to Public School Trust	<\$243.0>
Available to General Fund for Impacted Communities	\$24,057.0

But what about the federal law?

- In 1985, the North Slope Borough and NPR-A communities sued the state
- The plaintiffs wanted:
 - ① A "rational process" for communities to apply for the grants
 - ② Declaration that all NPR-A funds be automatically deposited into the special revenue fund and available for grants
 - ③ A system to separately account the receipt of NPR-A funds and to reconstitute the special revenue fund

10

The Superior Court said . . .

Barrow v. State, Alaska Superior Court, Judge Walter Carpeneti
March 18, 1986

- ① The State is required to establish a system to grant impact assistance to subdivisions most directly or severely impacted by NPR-A activity.
- ② Automatic deposits into the Permanent Fund and General Fund violates the federal law.
- ③ Under the supremacy clause of the federal constitution, federal law controls.

11