

HOUSE FINANCE COMMITTEE
May 16, 2023
12:51 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 12:51 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Rena Miller, Special Assistant, Department of Natural Resources; John Boyle, Commissioner, Department of Natural Resources; Senator Loki Tobin Representative Maxine Dibert; Representative Rebecca Himschoot; Representative George Rauscher; Representative Jesse Sumner; Representative Stanley Wright.

SUMMARY

CSSB 48 (FIN)

CARBON OFFSET PROGRAM ON STATE LAND

CSSB 48(FIN) was REPORTED out of committee with eight "do pass" recommendations and three "no recommendation" recommendations and with three new fiscal impact notes from the Department of

Natural Resources, one new zero note from the Department of Commerce, Community and Economic Development, and one previously published fiscal impact note: FN7 (CED).

SB 140 INTERNET FOR SCHOOLS

HCS CSSB 140 (FIN) was REPORTED out of committee with six "do pass" recommendations, four "no recommendation" recommendations, and one "amend" recommendation and with two new zero fiscal notes from the Department of Education and Early Development, one new fiscal impact note from the Department of Education and Early Development for Fund Capitalization, and one previously published indeterminate fiscal note: FN1 (EED).

Co-Chair Foster reviewed the meeting agenda.

#sb48

CS FOR SENATE BILL NO. 48 (FIN)

"An Act relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; authorizing the Department of Natural Resources to lease land for carbon management purposes; establishing a carbon offset program for state land; authorizing the sale of carbon offset credits; authorizing the use of land and water within the Haines State Forest Resource Management Area for a carbon offset project; authorizing the undertaking of carbon offset projects on land in legislatively designated state forests; relating to oil and gas lease expenditures; and providing for an effective date."

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Co-Chair Foster noted that one amendment had been received.

Representative Coulombe requested to ask a question to the department.

Co-Chair Foster asked a representative from the Department of Natural Resources (DNR) to come to the committee table.

Representative Coulombe was concerned that the carbon credits had an opportunity to raise the cost of energy in Alaska. She stated that anytime resource companies were required to buy something to do business, generally the cost went downhill. She had heard a lot about energy cost during the current session. She relayed that her amendment addressed the concern. She asked how the department and state would raise revenue without increasing energy costs for Alaskans.

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AT EASE

12:56:04 PM

RECONVENED

Representative Coulombe MOVED to ADOPT Amendment 1, 33-GS1372\R.2 (Dunmire, 5/15/23) (copy on file):

Page 1, following line 8:

Insert a new bill section to read:

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

LEGISLATIVE INTENT. It is the intent of the legislature that the carbon offset program be used as a resource development tool and not cause consumers in the state to pay higher prices for goods or energy as a result of the program."

Page 1, line 9:

Delete "Section 1"

Insert "Sec. 2"

Renumber the following bill sections accordingly.

Co-Chair Foster OBJECTED for discussion.

RENA MILLER, SPECIAL ASSISTANT, DEPARTMENT OF NATURAL RESOURCES, understood the intent behind the amendment and appreciated the concern. She clarified that the bill did not require any corporation to buy the credits or implement an emissions limit that would obligate the business to look for a means to offset them. She stated it was an increasing reality of doing business for many corporations where their customers, shareholders, investors, and/or inherent internal values were pushing them to make voluntary emission reduction, net zero type goals. She stated that

purchasing offsets from the market was one avenue the corporations could take in order to meet the goals. She relayed it was not the department's intent for the state's engagement in the carbon market to drive up costs for Alaskans or anyone else. The department believed the corporations would seek the offset credits at general market prices and some valued certain kinds from certain areas and co-benefits more highly than others. The department wanted to put out a fair credit that accomplished the concurrent goals of following through on its constitutional obligation to maximize the resources of the state. She detailed that carbon was a replenishable resource in this context that generated revenue for the state that concurrently did something positive for the environment and put something on the market for corporations to purchase in order to accomplish their goals. She stated the department appreciated the intent statement and viewed it as an additional use of resources.

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Representative Coulombe spoke to the intent of her amendment. She shared that she had received numerous emails about the topic from constituents. She saw the carbon bills as a tool to help resource development continue in Alaska more than as a revenue generator. She believed if the revenue came it would be later. She could not tell companies what to charge people, but her concern was about a situation where the state was overburdened with regulatory cost or was driving revenue and did not pay attention to the cost to the consumer. She remarked it was only possible to control what the state did, not what oil and gas did. She reiterated her view that the carbon bills were a tool to help industry in Alaska conduct its business. She stated that it was the "world we live in" whether a person agreed with ESG [environmental social governance] and carbon credits. She did not want the oil and gas companies to begin passing the cost down to the consumer. She would hate for energy prices to increase and for no one to understand why.

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JOHN BOYLE, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, appreciated the sentiments of the amendment. He stated that the carbon credit demand was being driven by factors outside of Alaska. He explained that by implementing a

carbon program in Alaska, the state would be offering supply for the companies demanding it. He explained that offering the ability for companies to purchase carbon credits would be the best way for the state to protect Alaskans from different price shocks. He elaborated that the revenues collected from the sale of credits would have myriad purposes for the legislature to appropriate for the public good. He mentioned separate legislation related to carbon sequestration, which could help grow the Permanent Fund and funds could be redistributed in the form of the dividend. He continued that it was a mechanism available to the state to protect and provide incentives for the people of Alaska based on the policies and regulations of other jurisdictions and the choices companies were making to implement carbon neutral policies. He believed "we're" getting to the heart of the intent behind the amendment, which was protecting Alaskans "from some of these policies."

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Representative Josephson referenced the commissioner's statement about wanting to protect Alaskans from some of these policies. He asked for an explanation of the statement.

Commissioner Boyle replied that it was perhaps an unartful statement. He clarified that companies were interested in achieving net zero targets. Some of it was being driven by regulation in certain jurisdictions or by corporate policies to obtain certain environmental standards and benchmarks influencing companies' behaviors. He believed it was fair to say that those policies may involve a cost on their product. For example, if a national airline wanted to achieve a net zero policy and it did not have the mechanisms at hand to obtain the goal, it would potentially look to forest or other carbon based offsets to meet the goals. As a result, it may have some impact on pricing charged to consumers through increased ticket cost or other items. The state did not have the ability to control a company's pricing mechanism. He explained that if the state had the [carbon credit] program in place, some of the consumers who may be paying a higher price based on the companies' choices would see more public benefit through increased government spending, the Permanent Fund Dividend, and other mechanisms.

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Representative Josephson addressed the amendment. He believed it was the mindset of the legislature that the credit purchasers would be in the Lower 48. He noted that Commissioner Boyle had sort of suggested the same. He remarked that the state's own industry may be interested in purchasing credits. He stated his understanding that the bill would be used as a resource development tool for resources helping "our brothers and sisters" in the Lower 48. He added that it was compelled to have no net loss on biomass. He asked if it was fair to say it was a conservation bill from Alaskan lands.

Commissioner Boyle agreed.

Representative Stapp opposed the amendment. He thought the first part of the amendment was relatively unnecessary where it specified "it is the intent of the legislature that the carbon offset program be used as a resource development tool." He believed it was already implicit in the underlying bill. His primary issue with the amendment was its second aspect that read "... not cause consumers in the state to pay higher prices for goods or energy as a result of the program." He stated the intent language was arbitrary based on a person's philosophical disposition. On the one hand, it was possible to argue that there was no value created in a carbon selling system; therefore, it drove up consumer costs. On the other hand, environmental advocates would argue that inaction effectively drove up consumer costs as well because at some point it would be necessary to deal with mitigation. He did not believe the legislature or the department could ever fulfill the intent language. He reiterated his opposition to Amendment 1.

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Representative Coulombe thought it was a valid point to recognize that the program could increase energy costs, which was a big deal to Alaskans. She understood the issue was on the department's radar. She appreciated all of the hours the department had spent on the topic before the House Finance Committee. She WITHDREW Amendment 1.

Co-Chair Foster noted there were no additional amendments.

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Co-Chair Johnson MOVED to REPORT CSSB 48(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

CSSB 48(FIN) was REPORTED out of committee with eight "do pass" recommendations and three "no recommendation" recommendations and with three new fiscal impact notes from the Department of Natural Resources, one new zero note from the Department of Commerce, Community and Economic Development, and one previously published fiscal impact note: FN7 (CED).

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AT EASE

[1:14:00 PM](#)

RECONVENED

#sb140

CS FOR SENATE BILL NO. 140(FIN)

"An Act relating to funding for Internet services for school districts; and providing for an effective date."

Co-Chair Foster relayed that the committee had been considering conceptual amendment 2 when the bill had been set aside the previous day. He gave a brief recap of the bill that would increase the internet speed for some schools from 25 megabytes to 100 megabytes. The committee had considered amendments the previous day and had adopted Amendment 1, which added the pupil transportation component at about \$7.5 million and reflected a piece of the Base Student Allocation (BSA) bill. Conceptual amendment 1 had added the remainder of the BSA bill.

Representative Stapp WITHDREW conceptual amendment 2.

Co-Chair Foster provided a recap of the amendments. He explained that conceptual amendment 1 included a BSA [increase] of \$680 per student. He relayed that conceptual amendment 2, which had just been withdrawn, was for a BSA [increase] of \$1,360. He noted the amendment process had concluded.

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Representative Josephson clarified that conceptual amendment 1 had included all of CSSB 52 (FIN) [also referred to as the "BSA" bill].

Co-Chair Foster agreed. He recognized Representative Rebecca Himschoot in the audience.

Representative Galvin shared that she had watched video of some of the SB 52 work done in the Senate and she remarked on the numerous times senators had stated that the bill was the extension of the Alaska Reads Act in order to ensure funding for all of the pieces put in place the previous year with a \$30 increment. She wanted to make sure the committee acknowledged that component.

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Representative Ortiz MOVED to REPORT HCS CSSB 140 (FIN) out of committee with individual recommendations and the accompanying fiscal notes.

Representative Stapp OBJECTED. He supported increases in broadband speed and the BSA. He thought school districts had been very clear on the need for a funding increase. He believed the stability of long-term funding was a good thing. He was not entirely certain the increase in SB 140 was the right amount. He believed the broadband bill would help equalize opportunity in rural Alaska for the coming generation, which was a good thing. However, he could not help but think about the fiscal note to the underlying bill prior to adopted amendments. He referenced a fiscal note that ranged from \$6,000 to indeterminate. Another fiscal note was \$40 million per year outside of the BSA. He referenced a letter [included in members' packets] specifying it would be \$19 million per year; however, there was an indeterminate fiscal note. He thought all of the items included in the bill were likely good things that should be done, but he was wary about doing them on the last day of legislative session. He did not believe there had been adequate opportunity for the committee to vet the legislation.

Representative Josephson supported the motion to move the bill from committee. He noted that the amendment adopted in

the previous hearing on the bill was "wildly popular" in the Senate. He remarked that in March or April, Amendment 26 had been adopted on the House floor and was cosponsored by every member of the majority and had included the same amount as was included in the current legislation. He remarked that it was statutory. He discussed that the legislature could look at reforming the foundation formula in the next session. He thought that whatever came from that effort would not change the net result and he did not believe the legislature was being deceived by the 53 school districts that were reporting the funding was critical. He believed the funding request was one of the top "asks" of the Alaska people. He highlighted that third graders were only in the third grade one time and did not have time to wait around. He was disappointed that the bill did not include inflation. He noted there had been an amendment that would have doubled the [BSA] funding, which had come closer to covering inflation. He had not viewed the amendment as frivolous. He stated it was a critical component that had been endorsed by about 57 members of the legislature.

Co-Chair Edgmon spoke to the importance of the underlying bill that would allow a large number of schools in the state to participate in the E-rate program allowing for a matching rate of \$8 to \$9 for every \$1 in state funding. He had not expected the bill to become a carrier to other issues and he had supported both amendments. He did not disagree with the comments about the needs for school districts. He would support moving the bill from committee, but he was concerned the amendments may weigh down the underlying bill. He understood there were other bills in play that dealt with the BSA, the Reads Act, and pupil transportation.

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Representative Hannan would support moving the bill from committee. She noted the committee had heard from constituents from school districts throughout the entire session about the importance of education. She noted the dollar amount for the BSA was the amount the House had passed in the [operating] budget prior to sending it to the Senate. She noted it was the largest ticket item in the bill currently before the committee. She spoke about the underlying portion of the bill to increase internet speed and remarked that the sticker price was not as big as the

legislature had feared it may be in the first fiscal note. She stated it was necessary to set school districts up to be able to get as much infrastructure in place to expand educational opportunities. The one financial piece that had not been vetted was \$7.5 million in pupil transportation added in an amendment the previous day. She did not flinch at the increase when the past fall the state had seen pupil transportation crippling districts throughout the state. She stressed the importance of ensuring students could get to school safely. She believed the bill met the needs, albeit just barely. She did not think it set the system up for long-term success and there were other things she wished were included. However, she believed the bill was a very positive step forward for all of the state's school districts. She encouraged a yes vote on the legislation.

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Representative Coulombe stated her concerns about the bill coincided with those voiced by Representative Stapp. She stated there was a lot of blurry math going on. She remarked they were not clear on what the impact would be, yet she knew schools needed faster broadband and a higher BSA. She had yet to find anyone justifying \$680. She believed it was a random number that had not been vetted. She stated the same was true for pupil transportation and she had not understood the Public School Trust fund mechanism used to pay for transportation. She was uncertain about where the increase of \$7.5 [million] had come from. She noted there had been a reference to CPI. She emphasized the committee was the finance committee and she could not afford to make decisions based on emotion. She stressed the importance of vetted numbers that made sense. She did not think the numbers were justified. She struggled because she did want to see increased funding for transportation, education, and increased broadband speeds. She found it irresponsible to commit the state to funding going forward into the future with the hope it would work.

Co-Chair Foster acknowledged Representative Maxine Dibert in the room.

Representative Tomaszewski agreed with some of the prior comments. He stated that when the internet bill came to the committee it had a \$40 million fiscal note. He remarked that somehow the number had changed to \$6,000 prepared by Senators Hoffman and Olson, which he found curious. He

referenced the fiscal note analysis specifying that 108 schools had been identified as newly eligible under the bill. The schools equaled 72 percent of the 151 currently eligible schools. He elaborated that the Department of Education and Early Development estimated \$19 million in grant funding would be needed for the schools to reach up to 100 megabytes. He stated that passing the bill was basically a blank check. He did not believe the state could afford to write blank checks. He stated his understanding that the committee had not heard public testimony on the bill. He did not support the passage of the legislation. He knew the programs were good, but the committee needed to pass legislation based on the numbers. He thought it would be irresponsible to move the bill forward.

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Representative Galvin stated that the underlying bill was very important, particularly to those learning in rural Alaska. She appreciated that the broadband assistance grant (BAG) had gone down to \$6,000 because there had not been clear numbers. She stated that setting the benchmark was critical for K-12. She elaborated that rural Alaska had broadband speeds of 25 megabytes at best and that urban Alaska was doing fine. She read from the Alaska Constitution: "The legislature shall by general law establish and maintain a system of public schools open to all children of the state and may provide for other public education institutions." She stressed the need to open up a 21st century learning opportunity for all children, which would be accomplished by the bill. She appreciated that the fiscal note had been reduced from the initial \$40 million because there had been uncertainty around whether the number was accurate. She stated it made sense to her that it had been pushed to 2025. She did not believe the bill was a big risk in that sense and there was time to work it out.

Representative Galvin highlighted that the House had vetted the BSA portion twice. She believed it was known that the \$680 figure had come from the district in the middle of the needs. She believed the Kenai number had been selected, which had come from the district's superintendent. She stated her colleague had arrived at \$1,250 because the state had not been keeping up with the inflationary cost of education over time. She noted the figure in the bill was a compromise that would not please everyone. She pointed out

that Alaskans were expecting the amount to be included in the budget. She stressed that adequate, predictable funding [for education] was the top request of Alaskans. She remarked that there had been some confusion about how the number for pupil transportation had been reached. She detailed that CPI inflation equaled 22 percent, while the bill would move the funding to 11 percent, which resulted in the \$7.5 million figure. She emphasized there had been no raises in pupil transportation since 2016. She stated it was not absolutely perfect because some districts had more needs than others, but when considering policy for an entire state with 53 different school districts it was necessary to find ways to a solution. She hoped the bill would get to a floor vote because it was the most important work ahead.

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Co-Chair Foster supported all three parts of the bill. He did not want to exacerbate the existing digital divide. He stated the importance of getting ahead of the curve. He had voted yes to adopt the amendment to include pupil transportation. He noted that one of his school districts on the Lower Yukon only received \$1, but he supported the increase for the Mat-Su where there had been a real issue over the winter with a lack in bus drivers. He stated the BSA was not just the teachers but included substantial fuel increases and insurance costs. Additionally, the availability of classes in subjects like art, carpentry, and welding were slowly dying off. He reasoned that Alaska could not be a state where only math and reading were taught. He supported the passage of the bill.

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Representative Stapp WITHDREW the OBJECTION.

HCS CSSB 140(FIN) was REPORTED out of committee with six "do pass" recommendations, four "no recommendation" recommendations, and one "amend" recommendation and with two new zero fiscal notes from the Department of Education and Early Development, one new fiscal impact note from the Department of Education and Early Development for Fund Capitalization, and one previously published indeterminate fiscal note: FN1 (EED).

Co-Chair Foster discussed the schedule for the afternoon.

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ADJOURNMENT

1:38:09 PM

The meeting was adjourned at 1:38 p.m.