

HOUSE FINANCE COMMITTEE  
January 25, 2024  
1:33 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:33 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

Eleilia Preston, Staff, Representative Julie Coulombe; Leah Van Kirk, Heath Care Policy Advisor, Department of Health; John Crowther, Deputy Commissioner, Department of Natural Resources; Haley Payne, Deputy Director, Division of Oil and Gas, Department of Natural Resources; Representative Stanley Wright; Representative Andrew Gray.

PRESENT VIA TELECONFERENCE

Jen Griffis, Vice President, Policy and Advocacy, Alaska Children's Trust; Jessica Parker, Superintendent, Little Mountain Movers and Mountain City Christian School; Stephanie Berglund, CEO, Thread; Bryana Garcia-DeLaCruz, Program Director, Alaska Early Childhood Advocacy Group; Kari Sagel, Director, Early Childhood Coalition; Brett

Huber, Commissioner, Alaska Oil and Gas Conservation Commission.

SUMMARY

HB 89 DAY CARE ASSIST./CHILD CARE GRANT PROGRAM

HB 89 was HEARD and HELD in committee for further consideration.

HB 50 CARBON STORAGE

HB 50 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb89

HOUSE BILL NO. 89

"An Act relating to the day care assistance program and the child care grant program; and providing for an effective date."

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Co-Chair Foster noted that there was a proposed committee substitute for the bill.

Co-Chair Johnson MOVED to ADOPT the proposed committee substitute for HB 89, Work Draft 33-LS0518\S (Bergerud, 1/3/24).

Co-Chair Foster OBJECTED for discussion.

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Representative Julie Coulombe, Sponsor, introduced HB 89 and thanked the committee for hearing the bill. She and her staff had updated the presentation on the bill to answer questions that had arisen in the prior year. She relayed that the governor had stated that he wanted make Alaska more affordable for families and she shared in his vision. In order to accomplish the vision, there needed to be affordable child care that was accessible to families. Child care was a workforce issue and if it were more available and affordable, many Alaskans would be able to

return to work and become more reliable workers. Young families were leaving the state for many reasons such as housing challenges, education, training, and the availability of child care. The lack of child care was estimated to cost Alaskan employers \$152 million in employee absences and turnover, but she thought it was a solvable issue. She relayed that HB 89 was a call to the private sector to view child care as an employee benefit and a call to the public sector to update the ways in which families were supported as well as the way that the child care industry was regulated.

Representative Coulombe indicated that she was a member of the governor's Child Care Task Force and she had heard of the problems surrounding the child care sector. She had spoken with private businesses that were open and willing to help employees with child care but were uncertain where to start. She had met with child care providers that had shared with her the ways in which regulations hindered the businesses and prevented the businesses from thriving. The recommendations that came from the task force addressed the concerns. She noted that HB 89 moved in the same direction as the recommendations of the task force.

Representative Coulombe shared that she was recently asked by a conservative colleague why it was the responsibility of the government to provide child care. She had been wrestling with the same question and remarked that she did not think it was the responsibility of the government to provide child care; however, the government could create an environment that encouraged businesses to offer child care benefits, make it easier to start a child care business, and encourage local communities to create innovative choices for different kinds of care. The government could also assist parents in accessing child care and enable the parents to grow the household income.

Representative Coulombe emphasized that the bill would not propose to spend a significant amount of short-term money on the situation, but it proposed a long-term incentive for the communities to solve the problem. She highlighted that women comprised of about 60 percent of Alaska's workforce and the state was in the top 10 percent in the nation in terms of working women. As long as Alaska's housing, energy, and grocery prices continued to increase, parents would need to work harder in order to stay afloat. She urged that it was time for the legislature to work with the

governor and act on the pressing issue of child care in the state.

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ELEILIA PRESTON, STAFF, REPRESENTATIVE JULIE COULOMBE, offered the sectional analysis (copy on file). She explained that Section 1 through Section 21 were concerning the tax credits and were not necessary to go through in detail. She indicated that Section 1 related to offsetting costs eligible for insurance tax credits, the income tax education credits, the oil and gas producer education tax credits, the property tax education credits, the mining tax education credits, and the floating fisheries business tax credits. She noted that Sections 2 and forward were intended to increase the maximum individual tax credit limit from \$1 million to \$3 million. She stated that Section 3 would add a new section to adjust the maximum individual tax credit limit every five years for inflation.

Ms. Preston continued to Section 22 and Section 23, which were both regarding conforming language to change "day care" to "child care." Section 24 contained conforming language to child care and also stated that the monthly household income limit for an eligible family to receive assistance was 105 percent of the median household income in Alaska, adjusted for family size. She read through Section 25 through Section 38 as follows:

Section 25: Amends AS 47.25.011 regarding administrative costs of program contractors with conforming language to "child care." Section 26: Amends 47.25.021 with conforming language from "day care" to "child care."

Section 27: Amends 47.25.031 with conforming language from "day care" to "child care."

Section 28: Amends AS 47.25.041 Contributions of Parents. This section provides that the parent or guardian contribution for child care assistance shall not be greater than 7% of the family monthly income. This was a recommendation of the Governor's Task Force on Child Care

Section 29: Amends 47.25.051 with conforming language from "day care" to "child care."

Section 30: Adds new subsection AS 47.25.051(c) to require the department to use a market rate study for each region served by the program to determine the actual amount of assistance available for assistance.

Section 31: Amends 47.25.071(b) with conforming language from "day care" to "child care."

Section 32: Amends 47.25.071(g) with conforming language from "day care" to "child care."

Section 33: Adds new subsection AS 47.25.071(i) to allow the department to award grants to child care facilities that are the highest performing and highest quality.

Section 34: Amends AS 47.25.095(2) to update the definition of "child care facility" to include an establishment recognized by the federal government.

Section 35: Amends AS 47.25.095(3) to add conforming language to the definition of "child care" (from "day care").

Section 36: Repealer section

Section 37: Adds uncodified law directing the department to submit the child care assistance program, as amended by this bill, to the federal government for approval.

Section 38: Adds uncodified law providing a conditional effective date of January 1, 2025, if the program is approved by the US Department of Health and Human Services.

Ms. Preston relayed that Section 39 through Section 42 changed the effective date and the Department of Education and Early Development (DEED) could speak to the change in more detail.

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Representative Coulombe requested that the committee hold questions until the end of the presentation.

Ms. Preston introduced the PowerPoint Presentation "HB 89" dated January 24, 2024 (copy on file). She began on slide 2 and explained that HB 89 addressed the lack of affordable, quality child care. She read the following impacts of the problem on slide 2:

- Worsens labor shortages
- Endangers children
- Undermines families' economic security
- Decreases workforce participation

Ms. Preston advanced to slide 3 and indicated that HB 89 provided a solution by strengthening the child care sector, improving access to child care for families, and helping parents return to the workforce. She continued to slide 4 and shared that Alaska was in a childcare crisis due to labor shortages, a declining number of child care providers, and low wages.

Ms. Preston advanced to slide 5 and read the approaches proposed in HB 89 to solve the problem:

- Expands the number of families who can use child care assistance
- Incentivizes tax breaks for employers to donate to child care facilities
- Increases the maximum tax credit
- Aligns the assistance level to reflect the actual cost of care

Ms. Preston moved to slide 6 and relayed that according to the U.S. Chamber of Commerce Foundation, Alaska was losing \$152 million annually due to employee turnover and absences. The child care crisis was impacting the workforce as a whole, not only families with children. She read from the slide:

- Currently, state rate is based on market rate study.
- Alaska Department of Health is contracting with McKinley Group to complete the study by July 31, 2024
- Must be approved by the Federal Government

Representative Coulombe added that currently, the market study was based on the rates currently charged by child care providers, but the revenue was not enough to sustain the businesses. If a child care provider charged parents for the actual cost of operation, parents would be priced out of the market. Businesses struggled to stay afloat because income was lower than expenses and part of her goal in the prior year was to determine the actual cost of care. The contracting with the McKinley Group was currently in-process and the study completion date had been moved back to July 31, 2024. She suggested that committee members may have heard that the governor wanted to hold back on creating a plan for child care because he was waiting for the results of the study. She understood that the federal government needed to approve the methodology before the study could move forward.

Co-Chair Foster noted that Representative Hannan had joined the meeting.

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Ms. Preston explained that HB 89 solved the child care problem by changing the eligibility requirements to receive assistance. Presently, families making up to 85 percent of the state median income of \$60,144 were eligible for assistance. The bill would raise the eligibility threshold to 105 percent of the state median income, changing the cutoff to an income of \$73,920. Most middle-class families in the state were currently not able to afford child care, but HB 89 would enable the department to scale the subsidy level based on need. The lack of affordable care equated to severe labor shortages in every industry. The bill would help alleviate the shortages by expanding the number of families who could afford care and would make it possible for more Alaskans to return to work. Families who were eligible for assistance were not required to pay anything in excess of 9 percent of the family income, but the bill would change the cap to 7 percent.

Representative Coulombe explained that the system currently required families to pay copays and assistance would not cover the entire child care bill. Not only would the copay increase for every child, but families had to cover the discrepancy between the amount of money provided through assistance and the actual cost of child care.

Co-Chair Foster noted that Representative Stanley Wright and Representative Andrew Gray were present in the audience.

Ms. Preston continued on slide 10 to explain how offsetting child tax credits would help solve the problem. The following entities would be able to write off contributions to the child care sector:

- State net income tax (corporate)
- Mining License tax
- Fisheries Business Tax
- Fishery Resource Landing Tax
- Oil and Gas Production tax
- Oil and Gas Property tax and Insurance tax

Representative Coulombe moved to slide 11 and explained that she included information on HB 223 in the presentation because it acted as a background of what she was trying to accomplish with HB 89. The educational tax credits were lowered in 2018 and lowered again again in 2019. The cap could be seen on the slide for 2018 through 2021; it started at \$5 million in 2018, decreased to \$1 million in 2019, and remained at \$1 million through 2021. She clarified that up to \$1 million could be written off for an educational tax credit. She relayed that HB 233 would increase the cap to \$3 million. She thought providing the chart on HB 233 would help provide some context for HB 89 because the tax credits operated the same way in both bills. She recalled that Representative Josephson had asked a question in the prior year about the local taxes. She clarified that it was her understanding that the credit would come exclusively from the state.

Ms. Preston concluded the presentation.

Co-Chair Foster asked if there were questions from the committee.

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Representative Hannan asked if a company could simply pay for its workers' child care and add it as an employee benefit while also receiving a tax credit for it.

Representative Coulombe responded in the affirmative. The bill listed many types of contributions such as building a child care center, improving an existing child care center, or raising funds to help cover child care costs.

Representative Galvin appreciated the work of the sponsor. She understood that entities already paying a corporate tax would get a credit. She presumed that families associated with eligible industries [listed on slide 10] would have an increased opportunity to receive a tax credit. She asked if there had been discussion about extending the opportunity to other industries.

Representative Coulombe responded she was not certain she could answer the question.

Representative Galvin understood that the number of families eligible for assistance would be increased. She wondered if there was a way to expand the number of "seats" for those who need child care.

Representative Coulombe responded that her plan was to increase the capacity of the child care industry by incentivizing the private sector and infusing funds into the child care industry. There was space in the child care centers and there were empty rooms in the buildings because the centers could not find workers. Her approach was to motivate the private sector to get involved and increase funds to the child care industry to start increasing the number of children and families served. There were few child care centers that were overpopulated and most centers were severely underattended.

Representative Galvin understood that the state had come up with standards for best practices for child care. She was aware that the university system had a small program for child care providers. She wondered if there were any other actions the state could take to address the problem apart from increasing wages.

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Representative Coulombe noted that DOH recently expanded the program for child care providers and suggested that the department speak to the details. She heard a presentation from the University of Alaska Anchorage (UAA) and there were many scholarships being offered to help students

become trained and earn higher wages due to acquiring advanced training. The program deteriorated during the COVID-19 pandemic, but it was being built up again. In any sector, an employee with more training would receive higher wages and many child care centers hired employees with no experience or training. Most centers paid for the employees to receive training, which was another financial burden for the centers. She was excited about the UAA program.

Representative Galvin thought she saw something about grants for highest quality child care centers.

Representative Coulombe thought DOH could provide a better response to the question. She relayed that there would be financial incentives through Thread to "climb the quality ladder."

Co-Chair Foster reminded the committee that testifiers were available to answer questions.

Representative Stapp had heard about child care issues and thought that Representative Coulombe had worked tirelessly to solve the problem. He asked if the task force had any recommendations pertaining to dependent care accounts that allowed individuals and families to contribute money for child care. He remarked that a dependent care account allowed individuals and families to contribute up to \$5,000 for the purpose of child care and the contributions had been capped at \$5,000 for over a decade.

Representative Coulombe responded that she did not think the task force addressed the issue. She thought it was a great idea.

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LEAH VAN KIRK, HEALTH CARE POLICY ADVISOR, DEPARTMENT OF HEALTH, responded to Representative Stapp that the task force had not yet addressed the issue. There had been a focus on exploring employer-based benefits and there were currently 33 recommendations in the task force's initial report submitted on December 1, 2023. The task force was open to hearing recommendations and hearing interest specifically related to the issue.

Representative Stapp asked if there were any regulatory issues that DOH needed to address. He wondered if any

regulatory issues or statutory issues were serving as impediments to licensing new child care facilities.

Representative Coulombe responded in the affirmative. There were significant regulatory recommendations, most of which could come through the department and would not need to be changed statutorily. A major challenge to child care facilities was licensing. There were currently no electronic forms on the department's website and the process was difficult to navigate. In order to apply for a license, an interested party needed to print out the form and put it in the mail. There were easy solutions to many of the problems and there were many recommendations around licensing, background checks, and lack of online resources.

Ms. Van Kirk added that during the first six months of the meetings, the task force focused on the following three recommendation categories: workforce, employer-based programs, and licensing. The task force identified many issues that could be easily addressed through regulation. Some of the ways in which the task force could address the issues included the methodology used when a state rate was adopted, child care administrative requirements, and the training available through the university.

Representative Stapp thanked Representative Coulombe for her work on the bill.

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Representative Josephson asked if the funding sources under the bill would continue the child care development fund and add a tax credit to it.

Representative Coulombe responded in the affirmative.

Representative Josephson understood that the forgone revenue was in the range of \$4.7 million. He asked if he was correct.

Representative Coulombe responded that it was difficult to predict who would take advantage of the opportunities proposed by the bill. The educational tax credits claimed within ten years were \$65 million and contributions to education were \$97 million. She emphasized that the process was considered a slow build. She had done significant resource around tax credits and the various possibilities,

and she was hopeful that participation would be high. She opined that it was an investment in the state.

Representative Josephson was reminded that at the height of the pandemic, the state received \$22 million in one year. He wondered if the money in the bill was thought to be significant enough to improve the problem and free up sufficient resources for parents and for the workforce to be paid adequately.

Representative Coulombe responded that the bill would not fix everything but that it was a start. She did not think that the comparison to the pandemic was relevant as the \$22 million infusion was intended to save child care centers that were closing down. Her intention was for there to be a slow investment building over a long period of time. She relayed that even with the \$22 million investment, many child care centers had to close. Involving the private sector and increasing access would lead to a better outcome than throwing a significant amount of money at a problem.

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Representative Ortiz asked if the task force had looked at programs in other states and how other states were addressing the problem.

Ms. Van Kirk responded in the affirmative. The task force also met with the federal Office of Child Care to learn what was happening on a national level that was making a difference in other states. The task force had engaged local, state, and national partners to help inform its decisions.

Representative Ortiz explained that he was able to go to a national legislators conference a few years prior and learned about a model in another state to improve child care. The plan was a different model based on the state providing resources to businesses to subsidize the businesses and use resources to further entice new employees through the cash subsidies provided by the state. He understood that the proposal in the bill was based on a tax credit model. He asked if there was a measurement as to how much of an impact the tax credit route would "cover the issue" in relationship to child care needs in Alaska. For example, he was confused as to how the fisheries resource landing tax credit would work. He asked how big the bill's

impact would be on the overall problem and wondered if there was an estimate.

Representative Coulombe was not certain what the impact would be. She was unsure of any other way to develop a sustainable model other than by involving the private sector, which was one of the priorities of the task force. Private businesses needed to understand that it would be a benefit to workers. She was trying to shift the mindset of the private sector. The bill also established a program to partner with private sector entities which would appoint an individual to help the private sector understand how to set up a child care center and how to receive benefits to help pay for child care for the workers. She thought it was more of a mindset shift and the first step towards addressing the problem.

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Representative Ortiz appreciated Representative Coulombe bringing the bill forward and clarified that his questions were not intended to discredit her efforts. He understood that the fiscal note stated that the bill would cost either \$194 million or \$194,000. He asked which figure was correct.

Representative Coulombe suggested that Ms. Van Kirk speak to the fiscal note.

Ms. Van Kirk explained that the fiscal note referred to by Representative Ortiz was not the most recent version and there would be an updated fiscal note which would assess the committee substitute. She indicated that the fiscal note would be available publicly after the meeting.

Representative Coulombe clarified that it was \$194,000 not \$194 million.

Representative Ortiz understood that it was the cost to provide staff within the state to implement the program.

Ms. Van Kirk responded in the affirmative.

Representative Coulombe explained that the fiscal note was the only note she could get because it was difficult to determine the impact of the subsidy. There was a

forthcoming fiscal note but it could not be released until the committee substitute was adopted.

Representative Hannan asked Ms. Van Kirk what the vacancy rate was in the child care licensing office and whether there had been high turnover rates. Skilled staff were needed in order to help anyone through the licensure process. She thought it was important to ensure that there were enough employees to process the licenses if the bill were to pass.

Ms. Van Kirk responded that she could not speak to the specific vacancy rate of the child care licensing office, but the leadership and managers at the office had been consistent for many years. Administering the recommendations in the bill would require additional staff.

Representative Coulombe noted that Anchorage had its own licensing office and although there were no vacancies, there had been significant turnover in the last few years and there was some inexperience in the office. The state licensing office had been at the task force meetings and there was no talk of significant vacancies within the state office.

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Co-Chair Edgmon appreciated the work that Representative Coulombe and her staff had put in to the bill. He understood that the task force had not finished its work and that the bill and the task force were separately addressing the same issue. He asked if he understood correctly.

Representative Coulombe replied that the recommendations were specifically proposed in the initial report released by the task force. There were more recommendations in addition to the ones in the first report. She emphasized that the recommendations in the bill were in-line with the recommendations proposed by the task force. There would be a second report with updated recommendations.

Ms. Van Kirk responded that the task force had examined many specific and broad areas over the past six months. There had been 15 meetings with presenters at almost every meeting and many of the recommendations in the first report were included in the bill.

Co-Chair Edgmon remarked that many legislators had attended events within the state and outside of the state to learn what other states were doing to improve child care. He noted that the systems in other states were well-established, including relationships with federal agencies, modeling, and state funding streams. He asked if it was the eventual direction the task force would bring to the legislature in terms of building on what Alaska had in place. He understood that it was difficult to make a child care center work without state assistance. He asked what the long term goal was for the task force.

Ms. Van Kirk responded that when the task force made its final recommendations, there would be many multi-faceted approaches to child care in the state. The approaches would include a combination of federal and state resources, regulatory changes, and partnerships with private businesses and organizations. She found it encouraging that many Alaskans were interested in the solution, even those Alaskans without children. The task force office had received many calls from employers asking what they could do to support the workforce in Alaska. She anticipated there being a broad approach to how the task force could address some of the issues with child care.

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Co-Chair Edgmon noted that broadband was also coming to mind because it was not economically feasible without assistance from the federal government. He asked if it was the sponsor's goal that the state put together a model that involved the private sector but also involved government assistance in order to make child care centers economically viable.

Representative Coulombe responded in the affirmative. She saw a big opportunity to get the private sector involved. She noted that it was important to see what other fund sources would come into play once the final report was released by the task force. The governor had said that he was holding off on doing anything major on the state level until the final report was released. She had looked at many other states and how the states were addressing child care problems, but many solutions that worked in other states were unlikely to work in Alaska. She was unable to find a model in another state that would work in Alaska unchanged.

The rural and urban divide and small population was a significant factor in the state. Some other states were putting hundreds of millions of dollars into child care, but those states had different industries and did not have a budget as volatile as Alaska's budget. The task force had been examining other models and trying to implement pieces that would work in Alaska. Once the final report was released, it would be easier to determine whether the state or the federal government should be providing assistance and what the communities could do to help.

Co-Chair Edgmon understood that the bill changed "day care" to "child care." He thought the definition of child care could be applied to a number of activities, such as prenatal visits and early intervention. He asked if the definition of child care was as all-encompassing as it needed to be or would the definition broaden once the task force had completed its work.

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Representative Coulombe explained that the definition change from day care to child care came from the child care sector. Many child care providers felt disrespected due to low wages and lack of training. The change was an offering of respect to workers in the industry. The task force discussed at length what could be done to elevate the profession of child care, and terminology was important. She presumed that the term would eventually evolve to "early childhood education."

Co-Chair Foster WITHDREW the OBJECTION.

There being NO further OBJECTION, Work Draft 33-LS0518\S was ADOPTED.

Co-Chair Foster relayed that the committee would hear from invited testifiers on HB 89.

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JEN GRIFFIS, VICE PRESIDENT OF POLICY AND ADVOCACY, ALASKA CHILDREN'S TRUST (via teleconference), testified in support of HB 89. She explained that the Alaska Children's Trust focused on the prevention of child abuse and neglect. The trust supported policies that increased economic security for families and provided foundational early education

support for children, and HB 89 would accomplish both. The average family in Alaska was currently spending 15 percent to 30 percent of the household income on child care, and 51 percent of families reported that a parent could not fully participate in the work force due to child care issues. Alaska was ranked forty-fourth in the nation in economic well-being and 34 percent of children in the state had parents who lacked secure employment. She emphasized that HB 89 would increase the eligibility limit for child care which would allow more families to access affordable child care and provide the opportunity to participate in the workforce to more parents. Parents able to access proper child care reported reduced stress and increased economic stability, which were both vital factors in decreasing the risk of child abuse and neglect. Quality child care increased children's readiness for school and eventually, the work force. She noted that although the bill would not solve all problems related to child care, it was an important step forward. She urged support for HB 89.

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JESSICA PARKER, SUPERINTENDENT, LITTLE MOUNTAIN MOVERS AND MOUNTAIN CITY CHRISTIAN SCHOOL (via teleconference), testified in support of HB 89. She relayed that she had seen the struggles of inadequate child care at the schools for which she was superintendent, Little Mountain Movers and Mountain City Christian School. The increased demand for child care had resulted in a massive waiting list for the schools. The existing regulations limited the capacity of the schools to efficiently staff and provide appropriate space for children. There were only three remaining infant care programs in Anchorage as more and more day care centers were forced to close due to strict requirements and a reduction in grant opportunities. The schools had a capacity of 120 children and she would like to extend it to 300 children. There was a waitlist of 88 children but due to staffing ratios, it was cost adverse to open up space for the children on the waitlist. She thought that HB 89 would bring much needed relief by changing day care assistance and the child care grant program. The bill would recognize the diverse needs of the child care facilities in the state. She applauded the legislature for taking up the bill which would have a positive impact on child care in the state.

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STEPHANIE BERGLUND, CEO, THREAD, ANCHORAGE (via teleconference), explained that Thread was a nonprofit that provided statewide services to strengthen access to affordable and high-quality education with a focus on child care. She shared that Thread served more than 10,000 families, 2,000 early educators, and 430 early childhood programs every year. Child care had always been a sector with institutional challenges, but the challenges had been increasing in recent years. Since 2020, over 25 percent of licensed child care programs in the state had closed and the child care workforce was struggling due to low wages and often few benefits. Fewer families were able to access affordable and quality child care services.

Ms. Berglund continued that businesses were not able to recruit and retain quality employees due to struggles with child care and employees felt unable to fully participate in the workforce. The most recent data showed that businesses were greatly impacted by families struggling with child care, including poor attendance and loss in productivities. Lack of quality child care was costing businesses an estimated \$152 million per year. Employees were not able to achieve their goals or contribute to the economy without quality child care.

Ms. Berglund argued that HB 89 would support child care and strengthen the subsidy program. There were many areas of child care that still needed to be improved upon, but the bill would be a start. She remarked that too few families participated in the child care assistance program because many families could not qualify or access resources under the current structure. Even if families were receiving assistance, they were still required to pay the difference between the assistance received and the actual cost of child care, which was still unaffordable for many families.

Ms. Berglund shared that in 2023, Thread partnered with the McKinley Group to conduct a statewide household survey to collect information about child care directly from families. She relayed that 585 families with over 1000 children were surveyed. She shared that 74 percent of respondents reported that the highest barrier to child care was the lack of providers, followed by cost at 60 percent. Families in urban areas cited cost as a higher factor than families in rural areas. Over half of families reported that the ability of household members to remain employed or

work more hours was impacted by the availability of child care. In 2019, only 22 percent of families surveyed reported that child care was a barrier to being employed or working more hours. Child care was expensive and had outpaced inflation over the last few years. Quality child care was expensive to provide and expanded support was needed for low-income families. The bill would allow more families to qualify for assistance and thus allow more families to participate in child care. Child care policies and child care reimbursement rates were currently based on the market rates and did not consider the true cost of care, which made it an unstable foundation for the child care system. Thread was encouraged to see increased studies and research and was looking forward to seeing the research inform new policies. She relayed that Thread was pleased to endorse HB 89 and to encourage legislators to consider other policies that would reduce child care costs for parents.

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Representative Stapp asked whether Thread offered its employees a dependent care account through a flexible spending account (FSA).

Ms. Berglund responded in the negative. She relayed that Thread offered paid family leave.

Representative Josephson understood that the state contribution in the prior year was \$7.5 million. He assumed that none of the funds had lapsed and were spent purposefully. He asked if Ms. Berglund knew at which point in the fiscal year the money had been spent in its entirety.

Ms. Berglund replied that that the department could offer more specific figures. She noted that Thread had partnered with the state for child care improvements and some of the remaining federal pandemic relief dollars were in the final year of spending. Thread was in the final stages of planning and executing some final grants to child care programs as there was an open grant opportunity for child care called the Focus on Child Care Grant. The focus grant would be the last broad-based, non-competitive grant for all child care programs to receive federal relief dollars.

Representative Josephson commented that he liked the bill. He was concerned that the goal was to return to the previous "normal" for a state direct subsidy while adding tax credits. He presumed that it was in the \$6 million to \$7 million dollar range per year and he asked how far the money could go.

Ms. Berglund responded that the department would be able to respond to the question in more detail.

Co-Chair Foster OPENED public testimony.

Co-Chair Foster reminded interested individuals how to submit written testimony.

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BRYANA GARCIA-DELACRUZ, PROGRAM DIRECTOR, ALASKA EARLY CHILDHOOD ADVOCACY GROUP (via teleconference), testified in support of HB 89. She was testifying on behalf of the Alaska Early Childhood Advocacy Group, which was a group of nine nonprofits across the state that had joined together to advocate for increased investment in child care in Alaska. Over 51 percent of families were not participating in the workforce to the desired extent because of the lack of child care. The average child care worker made \$29,500 per year which was less than a gas station attendant. The average Alaska family paid 15 percent to 20 percent of its income to child care. The bill would not fix everything but it was a step in the right direction through increasing access and eligibility for assistance. The business tax credits would encourage businesses to invest in child care options for employees. She urged support for HB 89 which she felt was an important step toward transforming Alaska's child care sector, supporting children and families, and benefiting the economy.

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KARI SAGEL, DIRECTOR, EARLY CHILDHOOD COALITION (via teleconference), testified in support of HB 89. She relayed that the Early Childhood Coalition was in favor of anything that reduced the burden on families and child care providers and increased access to early childhood education. Quality child care prepared children to be ready for kindergarten and allowed families to make employment choices that benefited family members as well as the

community. The bill would increase stability for providers and families. There was a recent focus group that concluded that early childhood inequities continued to grow and it was important to address the inequities. The free market was not a viable economic system for child care and required municipal, federal, and employer contributions. She urged support for HB 89.

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Co-Chair Foster CLOSED public testimony.

HB 89 was HEARD and HELD in committee for further consideration.

[2:49:41 PM](#)

AT EASE

[2:55:16 PM](#)

RECONVENED

#hb50

HOUSE BILL NO. 50

"An Act relating to the geologic storage of carbon dioxide; and providing for an effective date."

[2:55:46 PM](#)

Co-Chair Johnson MOVED to ADOPT the proposed committee substitute for HB 50, Work Draft 33-GH1567\R (Dunmire, 1/22/24).

Co-Chair Foster OBJECTED for discussion.

[2:56:34 PM](#)

JOHN CROWTHER, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, explained that the proposed committee substitute would delete a section of HB 50 that had already been enacted into law in the prior year. The section granted authority to pursue primacy to the Alaska Oil and Gas Conservation Commission (AOGCC). He introduced the PowerPoint Presentation "Recap: HB 50 Carbon Storage" dated January 25, 2024 (copy on file). He began on slide 2 and offered an overview of the presentation's agenda.

Mr. Crowther continued to slide 3 and explained that the intent of HB 50 was to make Alaska's subsurface resources available for maximum use. The resources were already used in other ways, but the bill was focused on the sequestration of carbon dioxide. There were two key elements that remained in HB 50 that were core to the bill: enabling the Department of Natural Resources (DNR) to make state lands available through a leasing program, and to offer specific regulatory framework to AOGCC as it administered the program and sought to pursue primacy.

Co-Chair Foster suggested holding questions until the end of the presentation.

Mr. Crowther advanced to slide 4 and explained that the bill had nine hearings in the House Resource Committee (HRC) and five hearings in the House Finance Committee. The committee substitute passed out by HRC involved the following changes: several minor drafting style changes, a modified fund status to ensure that the funds would not be sweepable, adjusted commercial terms from statute and directed the terms to be established by regulations, removed federal 45Q tax credits from AS 43.20.036, and added carbon dioxide to AS 46.03.022(10)(B) to the Department of Environmental Conservation's (DEC) pipeline jurisdiction.

Mr. Crowther continued to slide 5 and offered information of some developments in the carbon capture utilization and storage (CCUS) industry. There had been significant movement in the broad CCUS space in the state as well as the nation. For example, there were two new facilities in North Dakota that were actively injecting CO<sub>2</sub>. Additionally, Wyoming had issued its first Class VI well approval in December of 2023 and Louisiana had received Class VI well primacy from the Environmental Protection Agency (EPA) in December of 2023. In Alaska, grants had been issued through the federal Department of Energy (DOE) to start development on CCUS projects.

[3:02:15 PM](#)

BRETT HUBER, COMMISSIONER, ALASKA OIL AND GAS CONSERVATION COMMISSION, ANCHORAGE (via teleconference), relayed that if he were to summarize his portion of the presentation, he would say "we are advancing and things are going well." He

presumed that the committee would like him to go into more detail.

Co-Chair Foster commented that it was a great summary but additional detail would be helpful.

Mr. Huber continued to slide 7 and noted that SB 48 had passed in the prior year, which granted AOGCC the authority to pursue Class VI primacy from the EPA. The bill included funds for appropriation for one engineer position and one assistant position as well as funds for contractual and legal support.

Mr. Huber continued to slide 8 and explained that for states that had completed the primacy process, the timeline ranged from three to six years. The state was presently in the pre-application phase and AOGCC's goal was to complete the process in the next two years. He relayed that AOGCC thought it would be helpful to look to other states to determine what worked and what did not work in order to meet the two-year timeline goal. He indicated that AOGCC only had control over a portion of the process and the EPA's interaction and approval was at the purview of the legislature. He added that AOGCC and EPA would collaborate on the "regulatory crosswalk," which was a comparison between federal and proposed state regulations. Only once AOGCC had submitted the complete application package would it be considered in the application phase with the EPA.

Mr. Huber advanced to slide 9 and gave a brief history of EPA interactions with AOGCC pertaining to CCUS. Interaction began with a receipt of a letter of inquiry from EPA seeking states that were interested in primacy grants and pursuing Class VI primacy. He had received the letter in January of 2023 and he had replied on behalf of the state and submitted a letter of interest. He received notice of grant availability on November 2, 2023, and AOGCC attended the grant webinar on November 16, 2023. He relayed that AOGCC completed its grant application in December of 2023. He had heard that \$1.93 million was allocated for each interested state and grant awards would follow in the coming spring or summer. The grant term was five years, which indicated that a protracted primacy process was still anticipated by EPA.

[3:06:52 PM](#)

Mr. Huber continued to slide 10 and noted that as part of the primacy process, EPA and AOGCC would engage in a "crosswalk" process that compared state statute and regulation with federal code. The intent of the EPA was to confirm that the proposed state processes were as stringent as federal requirements. The EPA authority for CCUS was included in the Clean Drinking Water Act. The primacy process was meant to ensure that that the state was meeting or exceeding regulatory standards for the protection of fresh and clean drinking water. There were three areas of concern identified by the EPA in its initial review of the CCUS legislation in August of 2023 as listed on the slide:

1. Exceptions or waivers "for good cause" may lead to stringency questions vs. federal code
2. Liability transfer process and post-closure trust fund period could be inconsistent vs. federal code - as the EPA requires liability to remain with the operator for the full, 50-year post-closure period
3. Penalty provisions - AOGCC has since determined proposed penalties should meet or exceed federal code

Mr. Huber relayed that AOGCC had been working closely with DNR to recommend a path forward. The approach made by Louisiana seemed like a good model for Alaska as it provided scrutiny and safeguards to the state through the end of the 50-year EPA-required monitoring period. He explained that AOGCC asked for an early review in order to avoid needing to return to the legislature year after year to ask for amendment necessary to achieve primacy; however, it was still possible that statutory amendments would be necessary in the future.

Mr. Huber continued to slide 11 and remarked that AOGCC was well-resourced to pursue the primacy effort and for implementation of the program once primacy was achieved. There was a strong team dedicated to the process such as a legal team including support from DOL and contracted services with a former DOL regulatory attorney. The legal team would focus on developing the crosswalk and regulation package as well as the Memorandum of Agreement (MOA). The commissioners and staff were leading the regulatory package development, outreach, and public participation efforts, as well as providing technical input to the legal team. There were two new positions that would help in the regulatory package development and AOGCC was presently recruiting for the roles.

Mr. Huber moved to slide 12 and explained that AOGCC released a request for information for consultant services and received six responses. The potential services included reservoir analysis, reservoir modelling and simulations, project management, and environmental justice activities assessments. Request for proposals would be issued nearer to the end of the primacy process in anticipation of AOGCC receiving a Class VI storage facility application. The anticipated issuance date was September of 2025.

Co-Chair Foster suggested holding questions until the end of the presentation.

[3:10:33 PM](#)

HALEY PAYNE, DEPUTY DIRECTOR, DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES, continued the presentation on slide 14. There had been significant development in CCUS in other states since HB 50 had been introduced. After analyzing the strategies in other states, it became clear that there was not one particular leasing mechanism, public process, or suite of commercial terms that applied in every situation or in every state. There was significant variance between approaches. She noted that none of the other states had issued minimums in statute for commercial terms, which was also the case for HB 50. The Texas General Land Office (TGLO) put forward minimums, but the minimums were only in the lease sale process. An additional difference between the process in Texas as compared to a state like Wyoming or Louisiana was that when Texas passed carbon legislation in 2009, the state commenced TGLO into a study for site characterization for CO2 and the state was only offering for sale the tracks that were characterized. The site characterization study took five years from the time the legislation passed. She relayed that DNR's strategy would likely look more similar to Wyoming or Louisiana.

Ms. Payne advanced quickly through slide 15 and moved to slide 16. The purpose of the slide was to bring forward the various phases of the CCUS process and legislation. The slide demonstrated the ways in which HB 50 addressed all of the CCUS phases from start to end. She stated that the majority of the components of the bill would be found in Section 16, which impacted DNR, and Section 33, which governed the AOGCC.

[3:13:29 PM](#)

Mr. Crowther added that the section references on the slide were not updated to reflect the sections in the proposed committee substitute, but it would be updated if the committee substitute were to be adopted.

Ms. Payne continued on slide 17, which detailed the four major authorizations under HB 50 broken out into the two different regulatory bodies: DNR and AOGCC. She explained that DNR would be licensing the state's core space which would begin with the issuance of a carbon storage exploration license. The license would allow an operator to delineate the subsurface and understand what could be used as a suitable reservoir for injection. The department would then apply to AOGCC for a carbon storage facility permit, which would involve a rigorous evaluation of the subsurface container to ensure the protection of other mineral and property interests. After a licensee could demonstrate to DNR that the permit was approved, the licensee would then be issued a carbon storage lease through DNR. The lease would authorize the injection of CO<sub>2</sub> into the core space and would act as the governing contract for the duration of the operations into the post-closure period. The final authorization was the closure certificate, which would be issued by AOGCC. The certificate would be issued after an operator had ceased injection operations and had been able to demonstrate that the site was stabilized and met all regulatory requirements.

Ms. Payne continued to slide 18, which included the expected timeline for the four authorizations detailed on slide 17. She relayed that the process would begin with the issuance of a carbon storage exploration license which would transition into a carbon storage lease once the AOGCC permit had been issued. She highlighted that the timeline was an estimate and was based on projects in North Dakota. The comparison was not perfect and it was possible that the process could take longer in Alaska. The slide also indicated the outlay of the number of capital expenditures that would be required prior to operations.

Co-Chair Foster surmised that the major change in the committee substitute was the deletion of Section 3. He thanked the testifiers for the update on the CCUS field. He asked if members had questions.

[3:17:19 PM](#)

Representative Josephson understood that the bill referred to the state taking ownership of the asset after ten years. The federal government had stated that ten years was an insufficient amount of time and that the industry should instead control the asset for 50 years. He asked how the ten-year timeframe was decided upon.

Mr. Crowther responded that the intent with the bill as drafted was to induce and promote development by facilitating a company to plan for a ten-year obligation with the knowledge that the state would take over at the end of the obligation period. The department viewed the timeframe as a way to allow corporate entities to better plan for projects. He relayed that other states were looking at similar time frames. The restrictions from the EPA made projects more challenging but also increased the direct responsibility of the operator. The department was looking at potential amendments to ensure that the framework was consistent with EPA guidelines.

Ms. Payne added that the bill was based upon the model that was developed by the Interstate Oil and Gas Compact Commission as the recommended best practices. The model also served as the basis for North Dakota's legislation. The ten-year period was more than just a demarcation as it required that an operator demonstrate the stabilization of the plume at the end of the time period.

Representative Josephson noted that one issue that had been raised by a geologist in an HRC meeting was that CO2 could be used to enhance oil recovery. He remarked that there was a section of the bill on oil and gas recovery. He was concerned that credits could be "double dipping" in both regular oil development and in CCUS. He asked if the language in the bill was clear enough to ensure that credits could only be utilized once for purposes of deduction.

[3:21:18 PM](#)

Mr. Crowther responded that the bill set appropriate clarity for when and how credits could be used. He noted that one of the categories was created by the underlying federal tax credit as opposed to the state framework. Operators could also potentially sequester CO2 in a pure

sequestration method and receive a certain level of the 45Q tax credit. There were also options to sequester CO2 in certain manners associated with DOR if the CO2 met the criteria set out in the federal program, in which case an operator would receive a lesser tax credit. There were other pressure management activities that might not qualify for the tax credit but an operator could choose to pursue the activities. He thought that HB 50 set the correct framework amongst the various options. All operators were looking for federal guidance and clarity on some of the elements of the federal requirements.

Representative Josephson suggested that it would be beneficial to include an illustration of the types of credits for the sake of clarity. He thought that a visual aid might help him understand the differences better. Production would impact the state's revenue and he wanted to ensure that the state was not mistakenly allowing credits to have a dual purpose.

Co-Chair Foster agreed that the issue was new and complex. He wanted to ensure that committee members were comfortable with the topic before taking any action on the bill.

[3:24:45 PM](#)

Representative Galvin referred to slide 16 and understood that the long-term monitoring timeframe had changed from the 50-year window to the 10-year window to help companies that needed to make plans within a scope that fit a business model. She wondered if there were any other considerations that went into the change. She asked for more detail on the costs of DNR overseeing the program and wondered if insurance was necessary. She was unsure of the types of liabilities that would be involved.

Ms. Payne responded that it was envisioned that over the lifetime of a project, there would be an injection charge that would be put into a fund that would be available to pay for the post-closure period. The funds would be in addition to all the various levels of bonding that would be required under the Class VI permit. She noted that the EPA recommended a timeline of 50 years or until an applicant could demonstrate stabilization of the plume. The funds were imagined as another form of insurance. She emphasized that it would have to be proven that the subsurface was

stabilized and it was important to remain nimble to the geology as well as recognize some corporate limitations.

Representative Galvin wondered if there was any modeling of what the fund would look like and how it would function. She recalled that in the prior year, the committee had been told that sequestration would be a significant source of revenue.

Ms. Payne responded that the fund was set on a project-by-project basis and it would depend on the size of the facility and the amount of CO2 being injected. The department had not done any modeling because site-specific plans were not yet available to evaluate, but there were examples in North Dakota and Louisiana. She reiterated that the department was looking closely at Louisiana because it had recently been granted primacy.

Mr. Crowther noted that the committee substitute included the ten-year timeframe and the associated fund language, but it was the department's intent to adjust the timeframe through amendments in the future.

Co-Chair Foster relayed that the committee was out of time but suggested that members could ask questions and the testifiers could respond in a follow up.

Representative Hannan noted that the outline of the presentation spoke to an appendix with a sectional analysis but it was not in the presentation. She requested to receive the information. The comments about plume stability reminded her of the concern about seismic activity and she remarked that North Dakota and Wyoming had a different seismic environment than Alaska. She asked how the seismic activity might impact plume stability. She requested that her questions be answered in a follow up.

[3:31:01 PM](#)

Co-Chair Foster WITHDREW the OBJECTION to adopting the committee substitute.

There being NO further OBJECTION, Work Draft 33-GH1567\R was ADOPTED.

Co-Chair Foster went over the agenda for the following day's meeting.

HB 50 was HEARD and HELD in committee for further consideration.

#  
ADJOURNMENT

3:32:07 PM

The meeting was adjourned at 3:32 p.m.