

HOUSE FINANCE COMMITTEE
February 19, 2024
8:34 a.m.

8:34:58 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 8:34 a.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

MEMBERS ABSENT

Representative Frank Tomaszewski

ALSO PRESENT

John Crowther, Deputy Commissioner, Department of Natural Resources; Kayla Harmon, Mental Health Counselor, Representing Self; Representative Stanley Wright, Sponsor; Rachael Gunn, Staff, Representative Stanley Wright.

PRESENT VIA TELECONFERENCE

Brett Huber, Chairman, Alaska Oil and Gas Conservation Commission, Anchorage; Marwan Wartes, Geologist, Division of Geologic and Geophysical Surveys, Fairbanks; Dan Stickel, Chief Economist, Department of Revenue, Tax Division, Juneau; Rachel Buddin-Young, Professional Counselors Board, Eagle River; Dorene Hagen, Chair, Alaska Board of Professional Counseling, Homer; Teri Forst, Licensed Professional Counselor, Juneau; Elaine Border, Owner, Border Counseling Services, Anchorage; Sammie O'Neil, Alaska Board of Professional Counselors, Eagle

River; Rebecca Sheeran, Internship Program in Counseling, Juneau; Piper Thaller, Self, Juneau; Mary Fitzgerald, Deeper Light Psychotherapy, Juneau.

SUMMARY

HB 50 CARBON STORAGE

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

HB 126 ASSOCIATE AND PROFESSIONAL COUNSELORS

HB 126 was HEARD and HELD in committee for further consideration.

HB 115 NATUROPATHS: LICENSING; PRACTICE

HB 115 was SCHEDULED but not HEARD.

Co-Chair Foster reviewed the meeting agenda.

#hb50

HOUSE BILL NO. 50

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

[8:37:23 AM](#)

Co-Chair Foster listed the invited testifiers.

[8:38:15 AM](#)

JOHN CROWTHER, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, relayed that the committee received the memorandum response provided by the Department of Natural Resources (DNR) (copy on file) that answered members questions regarding the bill. He offered that the first question was by Representative Josephson regarding enhanced oil recovery and taxes. He summarized that in the House Resources Committee an amendment was adopted that removed the reference to the state corporate income tax and maintained the federal tax that prevented the recipient from receiving a credit toward both federal and state corporate income tax structures. He did not anticipate a significant impact on the bill regarding taxes paid by the

industry. He cited the question asked about Cook Inlet seismicity and its impact on carbon sequestration. He reported that DNR's answer included a discussion on the history and nature of seismic activity in the region and how the department anticipated the impacts. The Class VI injection well program required extensive evaluation of seismicity and monitoring.

Co-Chair Foster asked for a refresher of the fiscal notes.

Mr. Crowther summarized that there were four fiscal notes in the bill packet. The fiscal note from DNR (FN 11 (DNR)) anticipated that the department had the existing capacity to cover the program with no additional operating costs. The revenue was indeterminate. He noted the Department of Revenue (DOR) fiscal note (FN 10 (REV)) was the same with no fiscal impact and indeterminate revenues. He indicated that the fiscal note for the Department of Environmental Conservation (DEC) (FN 9 (DEC)) had zero fiscal impact and no revenue impact. He deferred to the Alaska Oil And Gas Conservation Commission (AOGCC) (FN 12 (CED)) to speak to its fiscal note.

[8:41:41 AM](#)

BRETT HUBER, CHAIRMAN, ALASKA OIL AND GAS CONSERVATION COMMISSION, ANCHORAGE (via teleconference), relayed that the fiscal note showed the appropriation request for FY 25 for two positions; one fully exempt Senior Carbon Engineer (Range 26) and one fully exempt Carbon Assistant (R18). In addition, the commission requested \$350 thousand in services that included contracted expertise for project development legal costs for the primacy process. He commented that in the outyears, FY 26, FY 27, and FY 28 only estimates were provided due to many unknowns. He communicated that it was the intent of the legislation that the industry would fund the regulatory process.

[8:43:28 AM](#)

Representative Josephson referenced the issue that the owner of the carbon dioxide must remain entitled for 50 years via the Environmental Protection Agency (EPA). He wondered how the "critical" oversight would happen. Mr. Crowther answered that the Class VI program for carbon sequestration had to be developed by the state and approved by a federal partner. There was a general requirement that

the requirements be as stringent as the federal program. There was often discretion in how the federal agency implemented the mandate. The EPA promulgated a Class VI rule with the 50 year period. He thought that if the state could design a program that included liability, title ownership, and implemented costs and structure charges that protected the requirements for monitoring and was as restrictive, stringent, and functionally achieved the same ends, the federal government was likely to view it as an equally extensive regulatory program by the state. He mentioned the state of Louisiana and specifically, how the EPA had interpreted regulations, it appeared that flexible or adaptive approaches were unacceptable. He deduced that the issue was understanding how the federal regulators were performing its discretionary role. Representative Josephson asked why the state would ever want to have title to the carbon and what would that mean for revenue generation and liability. Mr. Crowther replied that the original structure of the legislation anticipated amendments responding to the EPA requirements. He relayed that the concept of the state assuming the title, transfer of the facilities, and monitoring was to help induce the development of projects with industry. He indicated that the regulatory environment was recently established, therefore, the state was not able to offer such direct inducements.

[8:48:22 AM](#)

Representative Hannan mentioned that eligible lease expenditures for enhanced oil recovery when using carbon injection could still be deducted against oil production taxes. She inquired about the potential impacts of the credits and the amount of lost revenue. Mr. Crowther wanted to defer the answer to someone from DOR.

Co-Chair Foster indicated that there was not an invited testifier from DOR available.

Mr. Crowther summarized the framework of how the administration and DNR viewed the issue. He answered that in the current environment of enhanced oil recovery, the cost associated with it was a lease expenditure under existing provisions. He viewed it as a "good outcome" under the statutory and constitutional obligations to maximize resource recovery and development. In the event that there was increased enhanced oil recovery associated with the carbon programs the department regarded it as a "good thing

in terms of ultimate recovery, both from a royalty and economic perspective." In addition, he felt that the state's interest was the commodity would become more competitive while reducing the environmental footprint. He offered to work with DOR to model hypothetical situations. Representative Hannan commented that the bill was presented as a significant revenue producer when it was first introduced. However, after further inquiry she understood that there was as much risk for loss of revenue. She wanted to see more modeling and noted that the fiscal note had predicted that the bill was a revenue generator. The capital investment over the 10-year span showed reduced revenue for the state.

[8:52:29 AM](#)

Co-Chair Foster requested reaching out to DOR to obtain an answer in writing.

Representative Galvin recalled the initial excitement regarding the carbon capture and sequestration programs for significant revenue generation. She cited the fiscal note with a decrement of \$738 thousand. She understood and was empathetic with the need for environmental responsibility, particularly for industry to develop projects that attracted investors. However, she also, wanted to be cautious about what the state was gaining and losing in the process. She wondered whether the state could gain revenue from carbon sequestration. Mr. Crowther replied that there were 4 revenue generation scenarios with a positive impact for the state. In the order of revenue magnitude, the first and second were the use of carbon capture on state lands that could generate fees for the state via in-state power generation and adoption on the North Slope for existing operations. The third scenario that had significant revenue generation potential but needed international development was the importation of carbon dioxide into the state. He deduced that the framework in the legislation needed to be in place to investigate the potential. He discussed the fourth scenario and believed that entities like mines and North Slope oil producers wanting to respond to the increasing pressure for carbon capture and carbon management would generate significant indirect benefits to the state. If carbon capture was part of any energetic development activity, the state could offer the opportunity while preserving the value of its other commodity resources. He exemplified that if some North Slope

operators transitioned to carbon neutrality and new investors developed billions of dollars of hydrocarbon resources because of the carbon capture program it was "a huge value preservation and generation" for the state. Representative Galvin relayed that some oil companies were already reinjecting and had been for some time, to help them continue their production of enhanced oil and gas. She asked if a price structure was discussed once the injection went beyond the need for enhancement. Mr. Crowther answered that the bill provided for the commissioner of DNR to establish commercial terms for access to state subsurface resources. The value would be derived from things like injection fees and lease rental fees. He guessed that if there was increased use of the 45Q tax credit, the state could increase fees, etc. He believed the legislation offered the "flexibility" to change the terms.

[8:59:45 AM](#)

Representative Galvin appreciated Mr. Crowther's comments on seismicity. She referenced page 2 of the bill that predicted reasonable confidence in the long-term integrity of the potential sequestration sites. She was attempting to comprehend reasonable confidence and wondered what reasonable confidence implied. Mr. Crowther deferred the answer to a DNR expert. He cited the third paragraph of the memorandum that referred to the state's 1964 earthquake that was the largest in human recorded history. The department noted the earthquakes lack of impact on the different reservoirs holding hydrocarbons. He reasoned that was the impetus for the reasonable confidence for the lack of associated issues.

[9:02:00 AM](#)

MARWAN WARTES, GEOLOGIST, DIVISION OF GEOLOGIC AND GEOPHYSICAL SURVEYS, FAIRBANKS (via teleconference), answered that Deputy Commissioner Crowther accurately pointed out that reasonable confidence was intended to capture the statistical uncertainty. He explained that it was impossible to accurately predict a given earthquake; all the characterizations of seismic hazards were probabilistic. He acknowledged that Cook Inlet had a long history of earthquakes, but the infrastructure and regulatory structures were built around the known risk. The evaluation for any development considered the known seismic risk.

Representative Galvin asked if the same information fitted for the North Slope region. Mr. Wartes responded that the North Slope was recognized as having a much lower seismic risk and was quite stable. Representative Galvin asked if there was "more than CO2" being sequestered and asked for clarification.

Mr. Crowther replied that the intent of the legislation was to inject pure and highly compressed CO2 underground. Any given waste stream had other constituent parts and would need to be managed appropriately. He stressed that the focus of the program was pure CO2. Representative Galvin appreciated the description of essential CO2. She asked what other elements could be expected. Mr. Crowther responded that his scientific experience prevented him from confidently proving a definitive answer. He surmised that flammable hydrocarbons needed to be removed and things like water and other gases like nitrogen that may persist because they could not be filtered from the waste stream. He offered to follow up in writing.

[9:07:15 AM](#)

Co-Chair Foster indicated that DOR was available. He requested that Representative Hannan restate her question.

Representative Hannan reiterated her question regarding credits against enhanced oil recovery efforts as carbon sequestration expanded, and how it would impact the oil production tax revenue.

DAN STICKEL, CHIEF ECONOMIST, DEPARTMENT OF REVENUE, TAX DIVISION, JUNEAU (via teleconference), apologized that he had not been following the beginning of the hearing. He answered that the extent that allowable lease expenditures on enhanced oil recovery depended on who was making the expenditure and whether it was on leases for enhanced oil recovery versus another storage option. He deduced that the division would need to see the bill after it was amended to provide a final commentary. Representative Hannan voiced that initially the bill's fiscal notes anticipated substantial income over 10 years. She noted that the fiscal notes had changed. She wondered if there was no longer an expectation of large revenue production due to the bill's effect on oil and production tax. Mr. Stickel replied that her concern was valid. He reiterated that he wanted to

review the bill after the amendment process to provide final commentary.

[9:10:50 AM](#)

Representative Stapp acknowledged the distinction between Class II and Class VI wells. He understood that the Inflation Reduction Act (IRA) increased the commodity price of CO2, officially through the 45Q credits. He was also aware that depending on whether North Slope companies capture or sequester carbon the state could gain \$60 to \$130 per ton. He did not favor a scenario where the producers engaged in carbon capture facility production exclusively for the purpose of the 45Q credit thus, decreasing revenue the producers would otherwise pay the state through production tax. He was unsure whether the bill allowed the scenario or not. He did not want to incentivize producers to seek federal resources "on the dime of our state production tax." He favored the bill, other than the issue he presented. Mr. Crowther restated the question as whether a project that received the 45Q tax credit and had a reduction to an otherwise state obligation if the sum of two things incentivized the project. Representative Stapp simplified the question. Mr. Crowther offered to respond in writing. He thought that the answer was complex.

[9:13:40 AM](#)

Representative Josephson shared that he attended a two day forum on Cook Inlet attended by tribes, the federal government, nonprofits, etc. and there were great concerns regarding Cook Inlet water quality. He asked about exceptions regarding "slurry" that was allowed to be deposited into the unit. He recalled that it was unique to Cook Inlet. Mr. Crowther answered that he understood that he was referring to DEC's discharge authority. He deferred the answer to DEC and would follow up.

[9:15:51 AM](#)

Co-Chair Foster set an amendment deadline for Tuesday February 27, 2024, at 5pm.

HB 50 was HEARD and HELD for further consideration.

#hb126

HOUSE BILL NO. 126

"An Act relating to the Board of Professional Counselors; and relating to licensing of associate counselors."

9:17:59 AM

Co-Chair Foster OPENED public testimony with a two minute limit.

9:19:00 AM

KAYLA HARMON, MENTAL HEALTH COUNSELOR, REPRESENTING SELF, favored the bill. She noted that she was a counselor and received her master's degree in Clinical Mental Health Counseling from the University of Alaska Fairbanks. She shared that she was a pre-licensed counselor working in private practice in Juneau until she completed the mandatory hours under supervision for licensure. She had previously worked as a teacher for 15 years in Juneau. She indicated that in her current profession there was no such license from the time that she graduated to the time she became fully licensed. She believed that the situation created an ethical grey area for the 2-year licensing period. She felt that counseling licensure needed to catch up with other states to national standards. Additionally, she thought that the licensure would increase access to affordable mental health care in Alaska. Several large health insurers allowed associate counselors to directly bill insurance. She indicated that the bill generated revenue via licensure fees and increased access to mental health care.

9:21:38 AM

Co-Chair Foster interrupted public testimony and asked the bill sponsor to briefly summarize the bill.

9:21:57 AM

REPRESENTATIVE STANLEY WRIGHT, SPONSOR, thanked the committee for hearing the bill. He explained that HB 126 created and associate professional license designation.

RACHAEL GUNN, STAFF, REPRESENTATIVE STANLEY WRIGHT, expounded that the bill established and associate counselor

licensure within the counseling profession for behavioral health post-graduate students. The bill facilitated professional growth and the ability to serve the state's mental health needs more effectively by streamlining the process. The legislation's provisions aligned with the high training standards on the national level and enhanced the reporting during the supervisory stage.

[9:23:08 AM](#)

Co-Chair Foster resumed hearing public testimony.

[9:23:30 AM](#)

RACHEL BUDDIN-YOUNG, PROFESSIONAL COUNSELORS BOARD, EAGLE RIVER (via teleconference), was online for questions. She spoke in favor of the bill. She added that she was an active advocate for the bill and believed it created more structure for both supervisors and pre-licensed counselors.

[9:24:43 AM](#)

DORENE HAGEN, CHAIR, ALASKA BOARD OF PROFESSIONAL COUNSELING, HOMER (via teleconference), provided testimony in support of the bill. She shared that she was a board approved supervisor. She appreciated what was stated earlier about ethical grey areas in the pursuit of licensure. She highly favored the structure the bill provided and the provisions regarding supervision to promote best practices and catching up with national standards.

[9:25:56 AM](#)

TERI FORST, LICENSED PROFESSIONAL COUNSELOR, JUNEAU (via teleconference), shared that she was in private practice in Juneau. She worked exclusively with first responders and was working to train more counselors in the field with only a dozen first responder specialist in the state. She stressed that more counselors trained to work with the first responder population was necessary. She believed that the lack of the associate licensure exacerbated the issue. It was difficult on the bottom line of private practices and supervisors to be able to train new clinicians. The bill would allow billing for the associate's services and enable more training in specialty areas.

9:27:14 AM

ELAINE BORDER, OWNER, BORDER COUNSELING SERVICES, ANCHORAGE (via teleconference), supported the bill. She shared that she had a private practice and was also a supervisor. She previously owned an insurance billing business for 14 years. She indicated that licensure would stop a rash of fraudulent billing and it would also enable billing for associate services to Blue Cross who was the prominent insurance provider in the state. She voiced that recent graduates were very inexperienced and often not getting their 3000 hours in the area of expertise they wanted. The bill would facilitate supervisors to create standards and better supervise and help associates work in their specialty areas pre-licensure.

9:29:16 AM

SAMMIE O'NEIL, ALASKA BOARD OF PROFESSIONAL COUNSELORS, EAGLE RIVER (via teleconference), spoke in favor of the legislation. He relayed that he was a licensed professional counselor and supervisor and Vice-Chair for the board. He agreed with all of the prior testimony and added that the supervisory support would benefit the military people moving into the state with associate licenses. He wanted the state's standards enhanced to national standards.

9:30:34 AM

REBECCA SHEERAN, INTERNSHIP PROGRAM IN COUNSELING, JUNEAU (via teleconference), favored the legislation. She echoed all the prior testimony. She related that she was a pre-licensed counselor close to finishing her requirements and was not getting the experience she needed due to the inability of her program to bill insurance. She emphasized the importance of passing the legislation.

Representative Stapp appreciated Ms. Sheeran's testimony. He deduced that he rarely encountered enhancing a regulatory framework that resulted in increasing the profession. He asked if the bill would net more counselors, which he deduced was the goal of the legislation. Ms. Sheeran responded was unsure whether it would net more counselors but felt that it could support counselors in their growth and learning to be competent and likely net more counselors because there would be less of a barrier during the pre-counselor period.

[9:33:20 AM](#)

PIPER THALLER, SELF, JUNEAU (via teleconference), spoke in support of the bill. She shared she was a licensed counselor and supervisor. She had worked with mental health agencies in Juneau and currently had a private practice. She had been a clinical director, program manager, and crisis program manager in behavioral health and was licensed in three states and had worked in 5 states. She emphasized that Alaska was unique in what was not offered and emphasized that the associate licensure was "imperative." She believed that it was also an issue of parity and indicated that Licensed Clinical Social Workers and Licensed Marriage and Family Therapists had an associate licensure. She did not understand how the situation arose. She answered Representative Stapp's question and stressed that it would allow therapists to remain in the state. She had to turn away 7 clients in the last 7 days that had Blue Cross/Primera insurance because she could only give interns self-pay clients. She noted that 1 in 20 clients were self-pay. She reported that insurance reimbursed at \$170 per session and most clients were in therapy for one year totaling \$63,700 per year, per week from her practice alone. She indicated that the federal government considered Juneau rural and an underserved area and offered payment for service. Two of her four interns were ready to quit, and she believed the bill would solve the problem.

[9:36:23 AM](#)

MARY FITZGERALD, DEEPER LIGHT PSYCHOTHERAPY, JUNEAU (via teleconference), favored the bill. She was a licensed counselor and supervisor and currently had two supervisees. She had worked in the state for the past 12 years and echoed the prior testimony and spoke of the frustration with the supervisees. She emphasized that HB 126 would help the retention factor, streamline the process, and create efficiency in delegating the supervisory workload. She believed the bill would help professionals serve their communities.

[9:37:51 AM](#)

Co-Chair Foster CLOSED public testimony.

9:38:16 AM

AT-EASE

9:38:45 AM

RECONVENED

Co-Chair Foster RECESSED the meeting.

#

ADJOURNMENT

9:39:40 AM

The meeting was adjourned at 9:39 p.m.

[The meeting was recessed but never reconvened.]