HOUSE FINANCE COMMITTEE
March 11, 2024
2:05 p.m.

2:05:35 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 2:05 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

Brett Huber, Chair, Alaska Oil and Gas Conservation Commission; John Crowther, Deputy Commissioner, Department of Natural Resources; Haley Paine, Deputy Director, Division of Oil and Gas, Department of Natural Resources; Edra Morledge, Staff, Representative Julie Coulombe; Mary Beth Gagnon, Executive Director, Council on Domestic Violence and Sexual Assault; James Cockrell, Commissioner, Department of Public Safety; Pam Halloran, Administrative Services Director, Division of Administrative Services, Department of Public Safety.

PRESENT VIA TELECONFERENCE

Fadil Limani, Deputy Commissioner, Department of Revenue; Destin Greeley, Revenue Audit Supervisor, Tax Division,

Department of Revenue, Anchorage; Brenda Stanfill, Executive Director, Alaska Network on Domestic Violence and Sexual Assault; Teri West, Administrative Services Director, Department of Corrections.

SUMMARY

HB 50 CARBON STORAGE

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

HB 116 RESTORATIVE JUSTICE ACCT APPROPRIATIONS

HB 116 was HEARD and HELD in committee for further consideration.

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."

2:07:13 PM

Co-Chair Foster relayed the committee would consider amendments to the bill. He noted there were individuals available for questions.

2:07:45 PM

Co-Chair Edgmon MOVED to ADOPT Amendment 1, 33-GH1567\R.11 (Dunmire, 2/28/24). [Note: due to the length of the amendment it is not included here. See copy on file for details.]

Co-Chair Foster OBJECTED for discussion.

Co-Chair Edgmon explained the amendment. He requested technical expertise at the table to address details of the amendment. He prefaced that the underlying bill related to carbon storage on state land and a number of other functions. He stressed the iterative process from the Department of Natural Resources (DNR) Alaska Oil and Gas Conservation Commission (AOGCC) as the framework was

developed in addition to the iterative process of the Environmental Protection Agency (EPA) when it came to the Class VI primacy application that only several other states had gone through. He remarked that it had been a learning process for DNR and the EPA and building on the level of understanding, it was Alaska's turn to compile the framework that best suited the state's purposes and needs. The amendment allowed HB 50 to comport with region 10's and the EPA's understanding of working with AOGCC on a number of provisions that would strengthen the bill and make it more in step with the EPA and to prepare Alaska for going forward. He asked to hear from the AOGCC chair on the details of the amendment.

2:09:50 PM

BRETT HUBER, CHAIR, ALASKA OIL AND GAS CONSERVATION COMMISSION, stated that Co-Chair Edgmon had described exactly the reason for DNR's portions of the amendment. The department was walking through the process of primacy, which created a regulatory body in Alaska – AOGCC – that was meeting the mission of the EPA through the Clean Water Act and the Safe Drinking Water Act. Throughout the process there would be a back and forth between the state and federal agencies to ensure it worked for both parties. He relayed that at the end of the previous session he had asked the EPA to review the legislation to identify anything problematic in the state's effort to seek primacy. In response, the EPA had two comments, both were addressed in Amendment 1. The first related to the "good cause exception," which he stated was pretty typical in a regulatory process. He explained that the exception described the way something should be done unless it did not work and there was another way to meet the same objective. He explained that other states had indicated to Alaska that the EPA would not approve the exception; therefore, the amendment removed the good cause exception.

Mr. Huber continued that the second EPA comment related to the post-closure period or certificate of completion and when it could be allowed. The EPA looked at a 50-year horizon, which was somewhat flexible if all of the goals and requirements of the EPA were met. The EPA liked to see the 50-year horizon reflected in the bill. The bill initially specified a post-closure could be done after 10 years, while the amendment specified the 50-year threshold had to be met or the commission had to find that all of the

requirements were met as if it were a 50-year threshold. The amendment reversed the language but had the same practical effect.

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JOHN CROWTHER, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, relayed that DNR viewed the amendment as conforming to the EPA requests. He had nothing additional to add to the explanation.

Representative Galvin characterized the amendment as comprehensive and "meaty." She looked at page 2, line 20 of the amendment and appreciated the requirement for an annual report to the legislature. She thought it would be helpful because [carbon storage] was an emerging market. She had had conversations in her office on her concern about the pricing and what the state was doing to ensure it was building a bank of knowledge on potential revenue for the state. She wondered if the amendment included pieces of transparency to help "us" better understand the market.

Mr. Crowther replied that DNR pointed to language on line 21 referencing the operations and accounting of the trust fund in addition to the licensing applications and the decision and issuances of leases. The department anticipated that things about market development and different commercial terms from operators would be present in the report.

Representative Galvin referenced the establishment of trust information and information on licensing applications. She thought it could be more intentional to help the state understand revenue that the companies were appreciating and to help have a better set of numbers. She stated that the market someday would hopefully have more than discretionary decisions at some point. She thought more information was needed if possible.

Mr. Crowther answered that the annual report would include that type of information, which would be intended to inform the legislature. The department would be happy to present on regular oversight responsibilities, specific topics, and on the progress of the program. The department did not believe changing the language in the amendment language was necessary. He viewed reporting to the legislature as a regular order of business for DNR.

Co-Chair Foster WITHDREW the OBJECTION to Amendment 1. There being NO further OBJECTION, Amendment 1 was ADOPTED.

2:16:39 PM

Representative Josephson MOVED to ADOPT Amendment 2, 33-GH1567\R.9 (Dunmire, 2/27/24) (copy on file):

Page 1, line 2, following "Commission;":
Insert "relating to the definition of 'waste';"

Page 2, following line 10:
Insert a new bill section to read:
"* Sec. 4. AS 31.05.170(15) is amended to read:
(15) "waste" means, in addition to its ordinary meaning, physical waste ["PHYSICAL WASTE"] and includes
(A) the inefficient, excessive, or improper use of, or unnecessary dissipation of, reservoir energy; and the locating, spacing, drilling, equipping, operating or producing of any oil or gas well in a manner that [WHICH] results or tends to result in reducing the quantity of oil or gas to be recovered from a pool in this state under operations conducted in accordance with good oil field engineering practices;
(B) the inefficient above-ground storage of oil; and the locating, spacing, drilling, equipping, operating, or producing of an oil or gas well in a manner causing, or tending to cause, unnecessary or excessive surface loss or destruction of oil or gas;
(C) producing oil or gas in a manner causing unnecessary water channeling or coning;
(D) the operation of an oil well with an inefficient gas-oil ratio;
(E) the drowning with water of a pool or part of a pool capable of producing oil or gas, except insofar as and to the extent authorized by the commission;
(F) underground waste;
(G) the creation of unnecessary fire hazards;
(H) the release, burning, or escape into the open air of gas [,] from a well producing oil or gas or from a fuel line carrying oil or gas, except to the extent authorized by the commission;
(I) the use of gas for the manufacture of carbon black, except as provided in this chapter;

(J) the drilling of wells unnecessary to carry out the purpose or intent of this chapter."
Renumber the following bill sections accordingly.

Page 33, line 5:
Delete "Section 40"
Insert "Section 41"

Co-Chair Foster OBJECTED for discussion.

Representative Josephson explained the amendment. He relayed that in 2017/2018 he was the co-chair of the House Resources Committee and around 2017 there was a Hilcorp gas leak in the northern Cook Inlet that lasted several months. He detailed the event had been well-covered in the press and there had been concern about the environment. He had been working on oil spill legislation at the time (HB 322) and he recalled that the deputy commissioner of the Department of Environmental Conservation (DEC) at the time has said DEC needed clarification that AOGCC had jurisdiction over the fact and site of the leak. Former Senator Holis French was sitting on AOGCC at the time (and had disputes with his employer over unrelated matters) and implored colleagues to take jurisdiction over the leak. At issue was gas that has been leaked after being metered and severed from a property. It was his understanding there was a pipeline that ran to a point, AOGCC believed it had jurisdiction to that point, and the pipeline may have run out to a platform. At some point, during the journey to the platform, the majority of AOGCC concluded it no longer had jurisdiction.

Representative Josephson elaborated that Senator French had identified two problems. Senator French thought his employer had not been doing the job required. First, reservoir pressure was declining due to the gas leak, which was wasteful or waste and could impact oil production. Second, the depletion of the gas was another form of waste. Senator French had taken the issue to superior court which had ruled in favor of AOGCC. Senator French had subsequently taken the issue to the state supreme court. He detailed that in 2021, the supreme court had ruled a final ruling (case S-1722) that agreed with Senator French and that jurisdiction obtains. The ruling found that when AOGCC ruled it did not have jurisdiction it did not provide any evidence to that effect. The supreme court reversed the decision and the attorney fees were vacated. The matter was

remanded to commission for further proceedings. He understood that AOGCC could say it had jurisdiction but it was not in the mood to exercise jurisdiction or it lacked the resources for jurisdiction, or it thought that it was fully mitigated because Hilcorp was a good actor; however, it could not say that it lacked jurisdiction because it was not true as a matter of law.

Representative Josephson explained that the amendment established that as a matter of law AOGCC had jurisdiction. What AOGCC chose to do with its jurisdiction was at its discretion. He believed the former [DEC] deputy commissioner Kristin Ryan [note: Kristen Ryan was the director of DEC's Division of Spill Prevention and Response] was correct when saying DEC needed jurisdiction. He believed Senator French was right. He shared that Senator French had recently been asking AOGCC to make a statement and concede that it has jurisdiction.

2:23:32 PM
AT EASE

2:24:54 PM
RECONVENED

Representative Ortiz asked for verification that the adoption of the amendment would specify that AOGCC had jurisdiction.

Representative Josephson agreed.

Representative Stapp referenced language on page 2, line 5 of Amendment 2 reading "or from a fuel line carrying oil or gas…" He noted that most individuals in Interior Alaska had heating oil tanks with lines to their houses. He asked what the implication of the language may be. He requested to hear from Mr. Huber on the impact of the amendment.

Representative Josephson noted the clause on line 6 reading "except to the extent authorized by the commission." He thought that under the circumstance described by Representative Stapp the commission could absolve homeowners of any worry about AOGCC exercising jurisdiction over something so de minimis. He relayed that the opponents of Senator French's position made the same argument Representative Stapp asked about and the [state] supreme

court had said they were wrong. The court ruled that AOGCC had jurisdiction.

2:27:27 PM

Mr. Huber agreed with a number of points made by Representative Josephson; however, his understanding was slightly different on a couple of the points. He relayed that AOGCC had broad jurisdiction that reached everywhere but Denali National Park. Separately, there was what was subject to AOGCC's jurisdiction and what was part of its operations. He highlighted that the court did not review and take testimony and re-try a case after an administrative decision; it looked at the administrative decision only. The case had gone from the superior court to the supreme court and the supreme court had sent it back with remand. He believed the supreme court had correctly specified that AOGCC had broad statewide jurisdiction, but it did not tell the commission how to apply the jurisdiction. He addressed the couple of points reviewed by Representative Josephson. The first was waste being a problem due to loss of pressure. He confirmed that under the specific circumstance the gas had been produced and metered and then sold, at which time it became private gas. He explained that the sold gas had no way of affecting the reservoir pressure any longer. He stated that the volume of gas in the line was no different than putting a gallon of oil in a can. Once it was sold, it belonged to the purchaser.

Mr. Huber relayed that AOGCC ensured pore pressure and if there was waste of the resource, the state received value for any wasted resource. He explained that those things happened above the point of severance from the unit. After that point it became private gas, just as a homeowner's fuel tank contents belonged to the homeowner. From AOGCC's perspective, it had the ability to do the work it needed above the metering. He viewed the amendment as opening a can of worms on the oil and gas side because it did not define the kind of fuel line and could include homeowners. The agency was concerned it would create an expectation it could not meet. He stated that DEC had jurisdiction over gas leaks like the one that occurred in Cook Inlet. He clarified that DEC's environmental jurisdiction pertained to clean up, whether there was a problem, and how to deal with the problem. He stated that AOGCC's regulatory jurisdiction for waste did not apply. He understood what

the maker of the amendment was aiming to accomplish, but he did not believe the amendment obtained the goal without creating some gray areas and difficult issues for the agency to do its job.

2:30:14 PM

Representative Stapp stated his primary concern was that he did not want to add another regulatory authority over his home fuel tank. He would likely oppose the amendment.

Representative Josephson wrapped up the amendment. He referenced a report by the supreme court Justice Daniel Winfree (now retired) that noted the trial court applied rational basis review, concluded the commission's determination that gas once metered and severed from a property could not be waste was reasonable. The supreme court had reversed the ruling and identified the product as waste. The committee had heard that DEC would have some environmental authority, which he characterized as wonderful. However, it was his understanding that AOGCC was about getting the most money out of the play, which had not occurred under the particular circumstance. The supreme court had concluded AOGCC had jurisdiction over the matter. He highlighted that Mr. Huber had not stated that AOGCC did not have jurisdiction, he had stated AOGCC did not want to exercise it. He thought that was where the issue arose. He believed that to assuage homeowners, AOGCC could issue an order specifying it would exercise its jurisdiction to punish bad actors wasting the state's resources, but not in a circumstance related to homeowners. He asked for members' support.

Co-Chair Foster WITHDREW the OBJECTION.

Representative Stapp OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Hannan, Josephson, Ortiz
OPPOSED: Cronk, Galvin, Stapp, Tomaszewski, Coulombe, Edgmon, Johnson, Foster

The MOTION to adopt Amendment 2 FAILED (3/8).

2:33:49 PM
AT EASE

2:37:45 PM
RECONVENED

Representative Josephson MOVED to ADOPT Amendment 3, 33-GH1567\R.7 (Dunmire, 2/27/24) (copy on file):

Page 6, line 28:
Delete "and"

Page 6, following line 28:
Insert a new paragraph to read:
"(3) be conditioned on an obligation by the licensee to, upon termination of the license, promptly remove all improvements and equipment as provided in AS 38.05.735; and"

Renumber the following paragraph accordingly.

Page 9, line 21:
Delete "and"

Page 9, line 24, following "38.05.181":
Insert "; and
(3) a clause requiring the licensee or lessee to remove all
improvements and equipment as provided in AS 38.05.735"

Page 11, following line 23:
Insert a new section to read:
"Sec. 38.05.735. Removal and restoration after termination. (a) Upon termination of a license under AS 38.05.705 or 38.05.710 or a lease under AS 38.05.715, a licensee or lessee shall 1 promptly remove all improvements and equipment, except as otherwise approved in writing by the commissioner, and shall restore the land to a condition that is approved by the commissioner. A licensee or lessee shall
(1) remove buried pipe unless all oil and residue is removed from the pipe and the ends are suitably capped;
(2) use adequately designed and constructed waterbars, revegetation, and chemical surface control to minimize erosion of access roads, material sites, and other areas;

(3) remove culverts and bridges in a manner satisfactory to the commissioner;
(4) leave each cut and fill slope in a stable condition;
(5) dispose of materials from access roads, haul ramps, berms, dikes, and other earthen structures in a manner approved by the commissioner;
(6) dispose of vegetation, overburden, and other materials removed during cleaning operations in a manner approved in writing by the commissioner;
(7) remove all equipment and supplies from the site; and
(8) report all discharges to the commissioner.
(b) A licensee or lessee may, at the option of the licensee or lessee, pay to the department an amount determined by the commissioner to be sufficient to conduct the removal and restoration required under this section."

Page 25, lines 1 - 2:
Delete "equipment and facilities"
Insert "improvements and equipment as provided in AS 38.05.735"

Co-Chair Foster OBJECTED for discussion.

Representative Josephson explained the amendment. The amendment had been brought to him by the former director of the Division of Oil and Gas. He was reminded that 1972 Trans-Alaska Pipeline System (TAPS) tax law had a dismantle, remove, and restore (DR&R) provision. He had requested for the amendment drafter to mirror the TAPS DR&R. He remarked that had to monitor [a carbon storage location] for what he thought sounded like 50 years. The amendment created a requirement where possible to dismantle, remove, and restore a site of a CCUS [carbon capture utilization and storage] well or operation.

Mr. Crowther relayed that DNR appreciated the intent and focus on DR&R, which was an authority the department regularly administered for existing authorities in a variety of ways. The department did not support the amendment because DNR believed the legislation already addressed the requirements through the requirement that leases include conditions related to DR&R and that the AOGCC certificate of completion also included a requirement with language specific to the removal of equipment in the

CCUS context. The department did not believe the amendment was needed. Additionally, the inclusion of language similar to TAPS dismantlement created some inconsistencies or specific requirements that were not applicable to the CCUS context. He noted that subsection (b) of the amendment spoke to the option of a licensee or lessee to defer or pass the obligation to the state in exchange for a set payment. The department believed the provision may raise issues in relation to the EPA Class VI primacy approval and could potentially create ambiguity as to the state's scope of responsibility and the right methodology to set the cost. The department did not support the amendment, while it did appreciate the focus on making sure restoration was part of a project, which was the reason the language was included in the legislation.

2:41:46 PM

Representative Josephson asked where the DR&R language resided in the bill.

Mr. Crowther replied that he was referencing two sections of the bill. The first was the new Section 38.05.710 related to license procedures. The second was located on page 10, lines 11 and 12 of the legislation, which specified that any other condition or obligation the commissioner considered necessary or was required by regulation. He explained it was an umbrella authority of the commissioner to require a variety of things in licenses and leases. He stated that DR&R obligations were an inherent part of that authority and were part of the general authority used by the department at present. Additionally, the new Section 41.06.170(b)(6) on page 24 of the committee substitute (CS) required an operator show the operator had plugged the wells, removed equipment and facilities, and completed reclamation work as required by the commission and DNR.

Representative Stapp stated carbon sequestration was new. He was satisfied with DNR's response regarding the umbrella authority. He did not know everything that went into the construction of [carbon storage] facilities and he was concerned about codifying things in a cleanup statute that talked about removing buried pipe and oil residue. He reasoned that given the 50-year timeframe, the state could redefine some of the technical aspects at a later date. He

did not believe anyone on the committee knew exactly what would go into carbon sequestration.

Representative Josephson provided wrap up on Amendment 3. He did not know whether the modifications could be made at a later date. He considered the constitutional law related to the state impairment of an obligation to a contract. He remarked that taxes could change midstream and could be retroactive, which was an oddity. He did not know whether the legislature could say it wanted something more specific at a later date. He did not know what DNR's requirements would be under subsection 6, page 25, line 10. He had asked for the amendment to be drafted to mirror TAPS. He asked for members' support.

Co-Chair Foster WITHDREW his OBJECTION.

Representative Stapp OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Josephson, Hannan, Ortiz, Galvin
OPPOSED: Stapp, Tomaszewski, Coulombe, Cronk, Edgmon, Foster, Johnson

The MOTION to adopt Amendment 3 FAILED (4/7).

2:46:27 PM

Representative Josephson MOVED to ADOPT Amendment 4, 33-GH1567\R.8 (Dunmire, 2/27/24) (copy on file):

> Page 11, following line 23:
> Insert a new section to read:
> "Sec. 38.05.735. Prohibited areas. A department or other state agency may
> not issue a carbon storage license or lease in the following areas:
> (1) the Susitna Flats State Game Refuge, as described in AS 16.20.036(a);
> (2) the Trading Bay State Game Refuge, as described in AS 16.20.038(a);
> (3) the Clam Gulch Critical Habitat Area, as described in AS 16.20.595;
> (4) the Anchor River and Fritz Creek Critical Habitat Area, as described in AS 16.20.605(a);

(5) the Redoubt Bay Critical Habitat Area, as described in AS 16.20.625(a);
(6) the Kachemak Bay State Park, as described in AS 41.21.131 and 41.21.140(b);
(7) the Kachemak Bay State Wilderness Park, as described in
18 AS 41.21.140(a);
(8) the Captain Cook State Recreation Area, as designated by the governor under AS 41.21.415;
(9) the Kenai River Special Management Area, as described in AS 41.21.502(a); and
(10) the Knik River Public Use Area, as described in AS 41.23.230."

Page 22, line 10:
Delete "and"

Page 22, line 12, following "commission":
Insert "; and
(15) that the proposed storage facility is not in an area described in AS 38.05.735"

Page 29, line 27, through page 30, line 1:
Delete all material.

Renumber the following bill sections accordingly.

Page 33, line 5:
Delete "Section 40"
Insert "Section 39"

Co-Chair Foster OBJECTED for discussion.

Representative Josephson explained the amendment. He shared that he had been invited to the Cook Inlet Water Quality Summit in Anchorage on October 24, 2023, and had also been a panelist. He elaborated that no such conference had ever been held like it in state history. He listed various entities in attendance. He detailed that attendees had heard presentations on DR&R, Cook Inlet offshore oil and gas platforms, endangered Cook Inlet Beluga whales, the Clean Water Act, and more. He remarked that salmon returns in the area were not what they once were due to many reasons including air emissions. He stated that current statutes protected Kachemak Bay from oil development, which was a great thing. He referenced a handout showing maps associated with Amendment 4 (copy on file). He had asked

Legislative Legal Services to provide all of the other sites within Cook Inlet that would be worthy of protection. The list was shown in the handout. He was asking the committee to consider doing something good for Alaska, while the state would inject carbon into the ground for the first time. The map included the Redoubt Bay Critical Habitat Area, the Trading Bay State Game Refuge, the Kenai River Special Management Area, and the Captain Cook State Recreation Area. He pointed out that a number of the areas did not have oil fields in their vicinity. He noted the committee could talk about Clam Gulch, which was not "of this type." He wanted to protect areas that were not currently developed in oil and gas fields from carbon later.

Representative Stapp looked at the maps in the handout provided by Representative Josephson and saw numerous existing state and federal units and gas storage facilities within many of the boundaries. He asked why the state would not find it acceptable to put the carbon back in the ground if it was amenable to taking oil and gas out of the ground.

Representative Josephson recognized the point and replied that he would be amenable to the removal of the Susitna State Game Refuge, Kenai River Special Management Area, and Clam Gulch Critical Habitat Area from the amendment to address the concern.

2:51:51 PM

Representative Stapp remarked that extraction had been done in the areas for years. He stated that he was pro-development and especially in light of the impending Cook Inlet gas shortage, he did not think it would be wise to pull future development opportunities off the table. He stated that the CCUS bill helped the state continue to not have a gas crisis for the individuals on the Railbelt. He opposed amendments that could hurt the situation.

Representative Galvin considered a scenario where the Clam Gulch, the Kenai River Special Management Area, and Susitna State Game Refuge were removed from the amendment. She asked if the amendment would be a problem in terms of existing plans. She thought that given it was new technology, it made sense to think about the issue. She remarked that if there was space to set aside sensitive

areas in the state it would be good to know what it would do for the market.

Mr. Crowther responded that the department could not speak to the kind of entities or specific areas. He stated that depleted oil and gas fields or producing fields nearing the end of life were targets and areas with existing fields could seek carbon sequestration. Additionally, there were other kinds of geologic strata that could see carbon sequestration that were generally present throughout Cook Inlet including unmineable coal seams and saline aquifers that historically had not been assessed for oil and gas. The department believed many of the areas included in the amendment could potentially be carbon sequestration areas, but the work to differentiate one area from another had not yet been done.

Mr. Crowther elaborated that the amendment would limit opportunities in areas where the state did not know whether they were available geologically. He stated that from the department's perspective all of the areas listed in the amendment had existing legislative framework governing their management. Some of the areas had restrictions on different kinds of surface use and some had restrictions on different subsurface use and disposal. All of the requirements were in place currently and DNR managed them vis-à-vis oil and gas and other kinds of land use. He stated that the amendment would restrict subsurface leasing even if allowed by current law. The department believed the amendment was too broad and constrained opportunity without reflecting the balance the legislature had put in place for the areas.

2:55:54 PM

Representative Hannan asked about the parcels of land covered in the amendment with the most restrictive language would require legislative action to allow subsurface use for carbon storage. Alternatively, she asked if it was AOGCC or [DNR] commissioner authority.

Mr. Crowther believed two of the areas were already restricted by law to subsurface disposal. He explained that if there was intent by the legislature to allow carbon in those areas it would require subsequent legislative change. Most of the areas on the list were not closed; therefore,

subject to the restrictions currently in place, if HB 50 passed, DNR could conduct subsurface leases in the areas.

HALEY PAINE, DEPUTY DIRECTOR, DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES, agreed with Mr. Crowther's statements. She relayed that of the ten locations listed in the amendment, five were open to surface and subsurface access for oil and gas, and two had prohibitive surface access, but allowed subsurface access. The remaining three were outside of the state's areawide leasing program or did not have specific authorizations already in statute. Generally, they would be considered limited as by default they did not have surface access.

2:57:55 PM

Representative Hannan thought it sounded like they all had surface access. She asked about the two that were currently excluded from subsurface use.

Ms. Paine clarified that there were two that did not allow surface access, but subsurface access was allowed. The two areas were the Clam Gulch Critical Habitat Area and the Captain Cook State Recreation Area.

Representative Hannan asked if the rest of the areas had some authority for surface or subsurface carbon sequestration that could be exercised currently without legislative action, including Kachemak Bay State Park.

Ms. Paine clarified that the research performed by DNR looked at what the statute allowed or did not allow. The five areas that articulated use for oil and gas that the language in the bill was modeled off of were the Susitna Flats Game Refuge, the Trading Bay State Game Refuge, the Anchor River and Fritz Creek Critical Habitat Area, Redoubt Bay Critical Habitat Area, and Kenai River Special Management Area. She explained that statute allowed for surface and subsurface access in those areas. Statute was silent on the uses for the Kachemak Bay State Park and Kachemak State Wilderness Park and did not prohibitively allow for oil and gas leasing. The two areas were also zoned out of the state's areawide leasing boundary.

Representative Galvin thought committee members understood that carbon capture was an important component for oil and gas development. She was hearing from companies and the

department that there was a need to have a carbon zero option. She stated that it helped companies get investments for those looking for ESGs [environmental, social, governance] or environmentally sound oil and gas development. She thought investors would expect the state would be mindful of extra sensitive areas and may have some areas set aside. She appreciated it was the intention of the amendment.

3:01:46 PM

Representative Josephson asked if Ms. Paine had stated that the Kenai River Special Management Area, where people dip net by the hundreds, was theoretically open for oil and gas development.

Ms. Paine responded that it was her understanding there were no specific limitations. She reviewed the map and noted that many of the sections were located outside DNR's areawide leasing program. She deferred to the Department of Law for more details on specific restrictions in the areas.

Representative Josephson referenced Representative Stapp's comments about impeding oil development. He asked Ms. Paine for verification that his amendment did not say anything about the status of oil development in the habitat areas, wilderness parks, or recreation areas.

Ms. Paine replied that she did not see anything in the amendment that discussed oil and gas.

Representative Josephson asked for verification that currently someone could develop the subsurface at Clam Gulch and Captain Cook, but they could not go through the surface.

Ms. Paine believed there were restrictions in place in the statute referenced by Representative Josephson that talked about whether surface access was already allowed in those locations. She would have to look at the statute to provide a more detailed response.

3:03:46 PM

Representative Josephson stated that the bill as written specified that oil and gas development was restricted in those areas where families went on weekends to camp and

clam; however, the areas were not restricted from carbon storage. He asked if his statement was correct.

Ms. Paine responded that it was the intent of the department to mirror its current authorities, allowances, and restrictions as they pertained to oil and gas. She stated that carbon storage was predominately a subsurface activity, and the surface impact was minimal. She remarked that a carbon storage facility at the surface could be a wellhead or shed in size. She imagined DNR would attempt to always mirror carbon storage with oil and gas in terms of how it treated and respected the individual legislative designated areas.

3:05:07 PM

Representative Cronk wanted to err on the side of caution of setting any limits, especially because the technology was new.

Representative Stapp agreed. He thought it was disingenuous to say that the amendment did not have any impact on gas development. He remarked that DNR had told the committee that it had not yet done the geological survey. He reasoned that if the geological survey determined the only place with the right geology was the Susitna State Game Refuge where there were existing leases, it basically meant carbon could not be sequestered within Cook Inlet. He asked what it meant for future prospects of oil and gas development in Cook Inlet if carbon could not be sequestered there. He stated that companies that wanted to sequester carbon wanted to do so because they wanted to have an environmentally more freely developed method of extraction. He stressed that if the ability was taken away, there would not be oil and gas development in the region.

Representative Hannan argued in favor of the amendment. She highlighted Kachemak Bay State Park and Kachemak State Wilderness Area and the state park and the reference that state statutes governing and establishing the parks did not reference "this." She pointed out that none of the state's statutes referenced carbon sequestration because it had not been around when any of the land jurisdictions had been made; however, the state did come up with a process to create guidelines and articulate some areas for critical habitat that were off limits to certain kinds of development. She argued that at the outset the legislature

could dictate ten places where carbon sequestration could not be done; however, if the market developed over the next 5 to 50 years and needed a space, the legislature could revisit the issue and open the areas for carbon sequestration. She believed the people who used the specific areas and fought for protection and a public process had an expectation there would be an additional public process. She stressed that the locations had not been open to leasing or big oil development. She stated they were close by [to oil development] and she wanted the law to be narrow at the outset. She stated that if in the future there was a lot of importation of carbon to be sequestered underground, the laws could be modified over the next 20 years to meet the demand. She underscored that at the outset she wanted to protect the lands that people had already statutorily argued for to be protected. She was in support of Amendment 4.

3:09:10 PM

Representative Coulombe thought the environmental impacts of developing oil were being equated with carbon storage. She asked what the sponsor was worried about if there was carbon storage in the areas. She stated that it seemed there would be a small imprint on the surface. She noted there had been discussion about the possible seismic impact and that carbon could leak, but she did not see it as the same environmental impact as developing oil. She wondered what Representative Josephson was trying to solve with the amendment.

Representative Josephson responded that he could never know whether he was being overly alarmist, but he recalled what it felt like hearing about the oil spill in 1989. He highlighted that Alaskans had been told it would never happen. He cited language on page 24, line 12 of the legislation that read "while the storage operator holds title, the operator is liable for any damage the carbon dioxide may cause, including damage caused by carbon dioxide that escapes from the storage facility." He emphasized there was additional similar language in the bill. He relayed that the previous week, the former mayor of Nuiqsut was in his office saying residents had been getting sick due to a gas leak. The former mayor had used an example of a baby with a headache because she could not breathe. The reason he did not have amendments on the North Slope was that they seemed to really want oil development

and there were not 50,000 people located in the area. He stressed that the Kenai peninsula had 50,000 people who recreated along the coastline. He stated that even Representative Tom McKay, chair of the House Resources Committee had been forthright in saying that while unlikely, it could displace oxygen and people could suffocate. He did not think that was likely to happen, but the chairman had made the statement several times. He stated that part of his problem with the bill was that it was "a mystery, wrapped in an enigma, surrounded by a riddle." He stated that the concept in the bill was new to him. He remarked that there had been some protections for the areas [listed in the amendment], some had oil and gas protection, and many did not. He thought it was a worthwhile debate.

3:12:24 PM

Representative Galvin was interested in offering an amendment to Amendment 4. She requested an at ease to speak with the sponsor.

3:13:05 PM
AT EASE

3:24:40 PM
RECONVENED

Representative Galvin MOVED to ADOPT conceptual Amendment 1 to Amendment 4. She noted she had conferred with DNR and the amendment would remove all prohibited areas from Amendment 4 with the exception of the Kachemak Bay State Park, Kachemak Bay State Wilderness Park, and Captain Cook State Recreation Area (items 6, 7, and 8 respectively). She stated her understanding it would maintain the openness necessary to potential investors and would reconfirm some existing lands set aside.

Mr. Crowther appreciated the conceptual amendment focusing on the three areas. He noted that the provisions already referenced in law in items 6 through 8 contained a variety of specific restrictions and processes for any activity in those areas. The department understood the law substantially limited the ability to do carbon sequestration in the areas; therefore, DNR maintained that the amendment was generally duplicative. The department believed it was positive to remove the other areas where

carbon sequestration could occur and it was likely not to occur where they could be removed from consideration.

Representative Stapp looked at the map provided by Representative Josephson for Amendment 4. He asked why the state would choose to prevent carbon sequestration on lands that already allowed oil and gas development.

Representative Galvin provide wrap up on conceptual Amendment 1. She was trying to pay special attention to how much Alaskans cherish the particular sensitive land area. She stated it was important to make sure there was careful access to needed natural resources, but it was also important to set aside areas. She believed the amendment indicated to Alaskans that the legislature was listening and it paid attention to the opportunity to include the lands in a set aside, which may not be possible later. She remarked the area was very large and the amendment did not cut off opportunity.

3:29:04 PM

Co-Chair Foster WITHDREW the OBJECTION.

Representative Stapp OBJECTED.

A roll call vote was taken on the motion to adopt conceptual Amendment 1 to Amendment 4.

IN FAVOR: Ortiz, Galvin, Hannan, Josephson
OPPOSED: Stapp, Tomaszewski, Coulombe, Cronk, Edgmon, Johnson, Foster

The MOTION to adopt conceptual Amendment 1 to Amendment 4 FAILED (4/7).

3:29:51 PM

Representative Josephson WITHDREW Amendment 4.

3:30:12 PM

Representative Stapp MOVED to ADOPT Amendment 5, 33-GH1567\R.13 (Dunmire, 3/7/24) (copy on file). [Note: due to the length of the amendment it has not been included here. See copy on file for detail.]

Co-Chair Foster OBJECTED for discussion.

Representative Stapp explained the amendment. He stated there had been numerous discussions by the committee regarding the 45Q financial incentives offered by the federal government and what they did for terms of carbon sequestration and class II and class IV wells. He believed the state had one of the most complicated oil and gas tax regimes globally. He provided a scenario where companies looked to utilize a direct air capture facility to do something incredibly expensive beyond what it would normally do for enhanced oil recovery or something they did not currently do in the event it wanted to pursue carbon sequestration for a class IV well. The amendment would not allow the expenditure to be utilized against a company's existing lease expenditures. He noted that the Department of Revenue (DOR) and DNR were available for questions. He read from the amendment that added to the list of exemptions:

> …costs incurred to construct, acquire, or operate a facility for carbon capture, carbon utilization, or carbon storage; however, costs incurred under this paragraph that would otherwise constitute a lease expenditure under (a) and (b) of this section may be treated as a lease expenditure if the cost is associated with a facility that uses carbon dioxide for enhanced oil and gas recovery.

Representative Stapp remarked that companies already performed enhanced oil recovery as an existing lease expenditure on the North Slope. His intent was to allow the activity to continue, but to disallow incredibly expensive new forms of carbon sequestration because companies were incentivized through the change in federal tax law. He did not believe the state should pay for that type of thing. For example, he did not want companies to be able to build a large carbon capture facility on the North Slope and bill the state.

3:32:42 PM

Representative Josephson remarked that he had asked Mr. Crowther in the past about the need to delineate oil production capital expenses deductible under the carry

forward lease expenditures or net operating losses from HB 50 carbon sequestration. He recalled Mr. Crowther had stated it was not necessary for the bill to cover that. He asked if the amendment did a better job delineating what was deductible on the one and not the other.

Mr. Crowther answered that the existing DOR management of oil and gas lease expenditures involved an analysis of the nature of the expense and the related association being necessary for the production of oil and gas. There was already an analysis and process for auditing those and DNR believed many carbon-related expenditures would not be allowed at present. The department supported the amendment because it brought clarity and drew a clear line that costs associated with storage (unambiguously or not), lease expenditures, and costs associated with DOR that were valid lease expenditures could continue to occur. He stated it did not disincentivize enhanced oil recovery, which the state benefitted from. The department believed the amendment further clarified the process currently in place.

3:34:50 PM

Representative Hannan asked whose authority determined whether cost associated with enhanced oil recovery was allowed or not allowed. She asked if it shifted under the amendment.

Mr. Crowther answered that the authority resided with DOR and the amendment would not shift that authority. He highlighted that AS 43.55.165(e) already contained 22 other exemptions administered by DOR. He deferred to DOR for additional details.

3:35:48 PM

FADIL LIMANI, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE (via teleconference), confirmed that nothing changed in terms of administering and identifying the exemptions. The exemptions were administered by the DOR Tax Division.

DESTIN GREELEY, REVENUE AUDIT SUPERVISOR, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), agreed with Mr. Limani's statement.

Representative Hannan wanted it on the record that the legislature was intentionally drawing a line between

enhanced oil recovery activities currently allowed and the future costs related to capturing carbon oxide. She asked if DOR would come up with a definition or identify it by specifying that a company had previously used "this" for enhanced oil recovery and even if the company decided to build a plant, it would not be deductible.

3:37:39 PM

Mr. Limani responded that DOR believed the amendment provided more clarity for DOR to determine the different provisions as to what some of the allowable lease expenditures were and what may not be, specifically pertaining to the carbon capture aspect.

Representative Hannan asked if DOR would develop the language before receiving a deduction request. Alternatively, she wondered if the department would wait to develop the definition until receiving a deduction request.

Mr. Limani replied that DOR already had a robust and extensive process to review lease expenditures. He elaborated that its staff were experienced and qualified to be able to determine the specific lease expenditures. The department had audited 98 percent of lease expenditures in the past several years. The process would not change; however, looking at the different types of costs would provide more clarity.

Representative Hannan stated that it was "kind of like sludge." She elaborated that legislators wanted to make sure that even though they were all agreeing to sludge, they wanted to know what they were agreeing to. She wanted to allow what was currently allowed for enhanced oil recovery, but not set up a situation where a company built a carbon sequestration facility merely to get an additional tax advantage that took away from revenue production from the state. She wanted to make sure DOR was on the record on the issue.

3:40:12 PM

Representative Josephson asked about the costs associated with the facility on lines 21 through 23. He asked if DOR viewed the costs to be capital costs, operating costs, or both.

Ms. Greeley stated the initial bill would be capital costs and ongoing costs of a facility would likely fall under operating costs.

Representative Josephson asked if there could not be a deduction made for expenses in either case described.

Ms. Greeley answered that it depended on the circumstances. She explained that if it was for enhanced oil recovery DOR would have to look at the costs and what they were for. She stated that operating costs could be part of a normal enhanced oil recovery process already in place.

3:42:02 PM

Co-Chair Edgmon commented that all five of the amendments looked forward into time and were projecting or being preemptive in some respects and maybe prescriptive from other perspectives. He looked at Amendment 5 and saw more fine tuning, refining, and anticipatory things that could happen in the future. He recognized it would likely be several years before carbon capture activity would come to Alaska at the scale that was needed to be economic. He looked at the title on page 1, line 5 "for purposes of calculating the oil and gas production tax." He highlighted that it broadened the ability of the bill to come back in the legislature in a very different format. He credited Co-Chair Johnson for coming up with the idea. He asked if the changes were worth that. He stated that the gist of the amendment was good but he wondered if it would be opening Pandora's box.

3:43:54 PM

Mr. Crowther responded that DNR and the administration viewed the legislation as fundamental to establishing framework for making the state's resources available for sequestration and the regulatory framework to make sure it was done safely. He stated it was natural that the legislature may consider how the framework affected the oil and gas production tax and otherwise. The department believed the existing process had the ability to assess things associated with lease expenditures based on their focus on generating oil and gas production, which was the reason the language was not in the bill as originally introduced. The department did not want to make the bill about broader topics and wanted to keep it focused on what

it believed was a broadly shared interest. He stated that the department wanted the bill to be successful to bring the framework forward to benefit Alaskans and did not believe the bill was the appropriate vehicle to address broader fiscal policy.

Co-Chair Edgmon thought it was worthy of bringing forward the topic for discussion.

Representative Stapp relayed that the initial drafts of the amendment had a much broader title that he had refined to be as narrow as possible. He stated that the title change was specific to lease expenditures pertaining to oil and gas production tax. He stated it was narrower than Amendment 6 (yet to be offered by Representative Hannan). He did not want to open the bill up to a complete rewrite of the oil and gas production tax, which was not the intent of the amendment. He remarked that the other body had a supermajority and could change the titles of bills anytime. It was not his intent to encourage the behavior. He thought it was important to define what the lease expenditures were and were not in regard to carbon sequestration. He stated he would defer if need be.

3:46:58 PM

Co-Chair Johnson stated that the intent was to eliminate the ability for oil companies to double dip by receiving a tax credit for carbon capture and production in addition to an oil tax credit. She believed the intent of the amendment was good. She asked if the only way to do the amendment was with a title change.

Representative Stapp stated it was his understanding it was the only way. He detailed that the language governing lease expenditures was part of that, and he made the title as narrow as possible. He reiterated it was not his intent to rewrite oil and gas production taxes, especially without debate in other committees. He believed they were relying on two words from DOR when discussing the topic including "necessary" and "ordinary." He believed what defined a necessary and ordinary lease expenditure was clearly outlined in existing statute. He believed moving forward with new environmentally conscious carbon, there would be a delta in the cost of things. He did not know the cost of a direct air capture facility. He noted that a direct air capture facility could be used for enhanced oil recovery or

carbon sequestration. He did not believe current DOR staff would define that as necessary and ordinary lease expenditures; however, his fear was that someone in the future may. He was reminded by a conversation with DOR the prior year when lease expenditures had to be recalculated twice. He guaranteed some at ConocoPhillips knew what they were not going to pay in 2014 when thinking about the product.

3:49:49 PM

Co-Chair Edgmon stated his understanding the process would take years to happen. He recalled his visit to North Dakota and its experience with the topic. He considered the prospect of having another piece of enabling legislation that would accompany the current bill five years down the road. He asked if it was completely out of the picture. He wondered how likely it was the legislature would have to revisit the topic five to ten years in the future to assuage any concerns that HB 50 was its one shot.

Mr. Crowther responded that DNR anticipated that the legislature may review the topic as the department learned more about particular interest in the state's lands and as the market more broadly developed. The department wanted the core regulatory and leasing framework to be as functional as possible and it believed that was accomplished by HB 50. The department believed that moving forward in a timely way was of great public interest. He anticipated future legislative discussion and potential enactments on the topic.

Co-Chair Edgmon appreciated the response because the topic was ever evolving. He remarked that if the legislature thought putting broadband language in statute would be opening up a new frontier, the topic [of carbon capture] was exponentially much more. He was not sure he would support the amendment as written. He understood it was well intended and he liked most of what was included; however, he believed it might be too far afield in terms of exposing what the bill could end up looking like.

3:52:15 PM
AT EASE

3:53:59 PM
RECONVENED

Representative Stapp thought there had been good discussion around the table. He believed the issue would be addressed at some point and he was weary about a title change. He WITHDREW Amendment 5.

3:54:33 PM

Representative Hannan MOVED to ADOPT Amendment 6, 33-GH1567\R.5 (Dunmire, 2/22/24)(copy on file). [Note: due to the length of the amendment it has not been included here. See copy on file for details.]

Co-Chair Foster OBJECTED for discussion.

Representative Hannan explained the amendment tried to clarify and prevent companies from being able to double dip on lease expenditures where they would receive a substantial federal tax credit for carbon injection, but also to be able to write off their injection development cost against state oil and gas production taxes. The amendment added costs associated with carbon capture storage including construction and modification of new or existing infrastructure among lease expenditures that could not be applied against a company's oil and gas production tax. It excluded costs associated with obtaining or operating a license for carbon capture, carbon storage exploration, or a lease for carbon storage. The statute cited referred to the regime established in the bill. She stated that expenditures for enhanced oil recovery being used in gas fields, which had been ongoing for decades in Alaska, would remain eligible under production tax (reinjecting gas that happened to include associated CO2). She stated that a company that built a facility to capture carbon for reinjection was doing so to take advantage of a 45Q tax credit and should not get additional value against its taxes owed to the state. She stated that her amendment was a bit simpler than Amendment 5, but it also included the issue raised previously by Co-Chair Edgmon. She thought it was important to address the potential for double dipping.

3:57:00 PM

Co-Chair Foster WITHDREW the OBJECTION.

Representative Stapp OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Hannan, Josephson, Ortiz, Galvin
OPPOSED: Tomaszewski, Coulombe, Cronk, Stapp, Edgmon, Johnson, Foster

The MOTION to adopt Amendment 6 FAILED (4/7).

Co-Chair Foster noted that the amendment process was complete. He communicated that Amendment 1 had been adopted and the committee would receive a committee substitute with the amendment incorporated at a later meeting.

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

#hb116
HOUSE BILL NO. 116

> "An Act relating to appropriations from the restorative justice account."

3:59:40 PM

REPRESENTATIVE JULIE COULOMBE, SPONSOR, thanked the committee for hearing the bill. She introduced a PowerPoint presentation titled "House Bill 111: Restorative Justice Account," dated March 11, 2024 (copy on file). She provided prepared remarks:

> In 1988 the legislature passed a law making certain convicted criminals ineligible for a Permanent Fund Dividend. The intent was that those funds be used for the purpose of restoring victims of crime to a pre-offense condition; however, since the criminal fund as it was then named was established, it can be used primarily for inmate healthcare and other costs related to incarcerated individuals at the Department of Corrections. In 2018, former representative Chuck Kopp successfully reorganized the use of the criminal fund by creating the Restorative Justice Account. The legislation, HB 216, established the percentages currently in statute and carved out specific allocations for crime victims, mental health, and substance abuse treatment for offenders in the

Department of Corrections for costs related to incarceration.

According to the Alaska Justice Information Center, Alaska's rate of sexual assault is three to four times the national average and that's just reported cases. Domestic violence and sexual assault tend to be well under reported. Some estimates are upwards of 74 percent that are not reported.

The intent of my bill is to provide more funding to the agencies that provide victim services and to try to significantly move the needle on Alaska's domestic violence and sexual assault rates with more funding for prevention. In working through the budget process for two years now, I became aware of a lack of federal VOCA funds or crime victim funds, which has caused the Council on Domestic Violence and Sexual Assault to have to request general funds to fill a multimillion dollar hole and they will continue to have to do that until another funding source is found or the amount from the Restorative Justice Account is increased. This bill will stop the annual battle for general funds for victims of domestic violence and sexual assault.

4:02:34 PM

Representative Coulombe turned the presentation over to her staff.

EDRA MORLEDGE, STAFF, REPRESENTATIVE JULIE COULOMBE, she addressed a PowerPoint presentation titled "House Bill 116 Restorative Justice Account," dated March 11, 2024. She began on slide 2 and read the legislative intent language:

Increase prevention and intervention programs, and aid to victims of domestic violence and sexual assault, through the Restorative Justice Account (previously the Criminal Fund originally established in 1988).

4:03:10 PM

Ms. Morledge turned to slide 3 and noted that the first two bullet points included the history of the Restorative Justice Account, which Representative Coulombe had

previously covered. She read the last bullet point on the slide pertaining to a policy change:

> Policy: There is no better way to assist victims of domestic violence and sexual assault in getting their lives back together after this type of assault and victimization, than to put our state resources into caring for those victims, as well as into prevention and intervention programs to reduce the number of these crimes from occurring in the first place.

Ms. Morledge Slide 4 illustrated data from the Alaska Victimization Survey, which was conducted every five years by the University Justice Center. According to the most recent survey conducted in 2020, 57.7 percent of adult women in Alaska had experienced domestic violence or sexual violence throughout their lifetime.

4:04:10 PM

Ms. Morledge reviewed the current Restorative Justice Account allocations on slide 5:

> 10-13% to the crime victim compensation fund for payments to crime victims and for operating the Violent Crimes Compensation Board.
>
> 2-6% to the Office of Victims' Rights for payments to crime victims and for the operation of the OVR.
>
> 1-3% to nonprofit organizations to provide grants for services for Council on Domestic Violence and Sexual Assault.
>
> 1-3% to nonprofit organizations (through the Department of Health) to provide grants for mental health and substance abuse treatment for offenders.
>
> 79-88% to the Department of Corrections for costs related to incarceration or probation.

4:05:01 PM

Ms. Morledge addressed the allocation proposal in HB 116 on slide 6. The allocation percentages would remain the same in most cases, but the allocation to the Department of

Corrections (DOC) would be swapped with the allocation to Council on Domestic Violence and Sexual Assault (CDVSA).

Ms. Morledge turned to a five-year lookback on slide 7. She relayed that the previous year was exceptionally large because the Permanent Fund Dividend (PFD) was rather large in comparison to the prior year. There was slightly over $25 million awarded [in FY 24] and about $500,000 of the total went to CDVSA. She noted the organization would receive close to $300,000 in FY 25. Slide 8 showed an FY 07 through FY 24 lookback. She reviewed a wrap up of the legislation on slide 9:

- HB 116 will ensure that the intent of the restorative justice account is upheld, specifically for victims of domestic violence and sexual assault, one of the worst types of victimization possible.

- It will reverse the percentages allowed under current statute for CDVSA (from 1-3% to 79-88%) and for the Department of Corrections (from 79-88% to 1-3%).

- This will reinforce Alaska's commitment to reducing our abysmal rate of these crimes through prevention and intervention programs, as well as stabilize the funding source for shelters throughout the state.

Co-Chair Foster extended appreciation to the invited testifiers who had been patiently waiting.

MARY BETH GAGNON, EXECUTIVE DIRECTOR, COUNCIL ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT, introduced herself and shared that she had been asked to provide technical details about the CDVSA grant funding, including how the funds were distributed and what the agency would do if it received any increased funding. She detailed that CDVSA distributed grant funding to 34 community-based subgrantees across the state and the funds addressed four different categories of services. She reviewed the categories beginning with victim services defined as the domestic violence and sexual assault service and resource providers. The next category was enhanced victim services, which served child advocacy centers, mental health services for children exposed to trauma, and legal services to victims. Funding also went to prevention programming and perpetrator rehabilitation programming.

Ms. Gagnon addressed the victim services and enhanced services categories, which she would refer to as victim services going forward. The grants were funded with a mix of federal and state dollars. She relayed that decreases in federal funding in the past several years, particularly the Victims of Crime Act (VOCA), had created a significant shortfall in funding for victim services programs. For the three prior fiscal years CDVSA was backfilled by one-time federal COVID-19 relief funding sources as well as one-time increments in FY 23 and FY 24 to return its programs to flat-funding base levels. She relayed that in FY 25, the agency's VOCA funds continued to decrease. Awards for the federal FY 24 were predicted to be 41 percent less than the prior year. The agency was projected to be approximately $2.3 million short of being able to fund victim service awards at a flat funded rate. She clarified that flat funding did not take inflation into account. She explained that because the cost of service had significantly increased with inflation, it had impacted the services for subgrantees offering crucial services to victims. She stated that flat funding was actually a decrement to the agency.

Ms. Gagnon noted that the $2.3 million shortfall reflected CDVSA exhausting the remainder of its federal funds for FY 25. She elaborated that because CDVSA received multiyear awards, it typically held some funding back to carryforward into the next fiscal year; however, CDVSA could not carry the $2.3 million forward, meaning the projected deficit for FY 26 was more substantial. If the agency received increased funds as proposed by HB 116, CDVSA would seek to increase the FY 25 victim service awards to bring grantees to minimum base levels. Preferably CDVSA wanted to account for a boost in inflation, so grantees were not operating on a deficit. Additionally, it would like to increase its focus on prevention programming.

Ms. Gagnon provided an overview on prevention programming. Currently, prevention programming received 8 percent of the CDVSA subgrant award budget. The agency used direct funding for prevention efforts to stop the cycle of violence hopefully before it occurred. Currently, CDVSA was able to fund 13 community-based prevention programs across the state. She added that given the state's size, it could certainly use more. The sites were currently implementing primary prevention programs such as Girls on the Run, Green Dot bystander intervention, Healthy Relationships, and

coalition work to leverage prevention programs within communities.

Ms. Gagnon reported that in FY 24, prevention received a slight increase in state general funds and CDVSA was able to distribute an additional $268,000 to its existing programs. Additionally, it was able to sponsor Native Youth Olympics and fund a culture camp located in Bethel. The agency was partnering with schools on implementing more prevention efforts in the school system and was working on deep rural outreach. The agency was starting to support the Home Visiting Nurse Program, a program in Mat-Su and Anchorage area addressing prevention. Additionally, the agency distributed an additional $20,000 for the Lead On youth leadership conference.

4:13:07 PM

Ms. Gagnon relayed that if CDVSA was given additional prevention funding it would seek to increase capacity of existing community based programs, fund additional programs in communities not currently receiving prevention funds, and continue to expand deep rural outreach.

Co-Chair Foster thanked Ms. Gagnon for her remarks. He asked the next testifier to provide remarks.

JAMES COCKRELL, COMMISSIONER, DEPARTMENT OF PUBLIC SAFETY, thanked Representative Coulombe for inviting him to provide testimony. He planned to touch on prevention services, specifically the Choose Respect initiative that began in 2009. He noted that it had been a few years, but it was something he felt strongly about when he had been an Alaska State Trooper. He provided prepared remarks:

> As you know, public safety is the work of many hands and law enforcement is just one of them. We cannot arrest our way through all the issues facing our communities. Realistically, there has to be a cultural shift before we'll actually make a huge dent in sexual assaults and domestic violence. It takes time for unlearned behaviors that may be generational, and change can be hard and even painful, but together we are stronger and can make a difference to one life, one family, one community, and one state. That was demonstrated under the Choose Respect campaign initiative under Governor Parnell in 2009, which

continued through 2014 when it was drastically reduced or eliminated under the previous administration. The budget for the campaign was spread across multiple departments: Department of Public Safety, Department of Law, Department of Health and Social Services, Department of Education and Early Development, Department of Corrections, and the Office of the Governor. The average budget back then was about $2.5 million.

The campaign was built on what I would call the six pillars of change: victim safety, offender accountability, primary prevention, coordination of efforts, legible outcomes, leadership and a champion for change. It was supported on multiple levels with the highest levels of government to the smallest villages in the state, together they committed to change. The program engaged communities statewide working with victim services, providers, advocacy groups, schools, tribal entities, law enforcement, and many other partners. From poster contests to community potlucks and statewide marches, the Choose Respect campaign worked to build relationships to create an environment where victims felt empowered to speak out and ask for help. They felt believed and acknowledged. I will say there had been over the years plenty of people saying this is just a march and it wasn't meaningful. But I would beg to differ, it certainly partnership with the communities that we provided marching. It was a huge outreach and one thing that you really noticed during Choose Respect was people stood up and spoke out in community meetings, which probably would never have happened. We had the girls from Tanana at AFN talk about the sexual abuse in that community and people were speaking out at many other community functions not to tolerate domestic violence and sexual assault. It was a lot more than just a march as some people like to say.

They consisted of continuous messaging, prevention and education, victim support, recovery, strength and law enforcement, and hold offenders accountable. As an Alaska State Trooper for over 30 years, I know that once law enforcement got involved, we've already failed as a society. Another person has been needlessly victimized and law enforcement was there to take someone to jail and comfort the victims as best

> we can. There was a quote in the 2014 Choose Respect legislative report that I reviewed in preparing for testifying today. It was from the Alaska Justice Center that stated in a room of girls six of ten will be beaten or sexually assaulted in their lifetimes. These are not statistics, these are our sisters, daughters, and future leaders. The acceptable number will always be zero.

Commissioner Cockrell shared that he had daughter who had been the victim of domestic violence in another state, and she was really beat up. He stated that as a father, when you're dealing with a daughter with a one-year-old it was a gamechanger. He stated that there was hope and eventually the couple had gotten back together, and they were still married with three children. He stated there was hope when the right treatment and resources were available. He continued with prepared remarks:

> I hope in my lifetime we can turn the tide and see our high rates of domestic violence decline and that our grandchildren will be able to live without fear. I've seen much progress in my lifetime under Choose Respect and hope that we can continue to collectively work together to reduce domestic violence and sexual assault in our state.

Commissioner Cockrell referenced the first five-year study from the University of Alaska and funded by CDVSA, which was a starting point. The second survey happened during the Choose Respect initiative and rates of domestic violence and sexual assault trended downwards during that time. He relayed that since the initiative had ceased, the rates were trending up. He stated that if the government worked together and provided outreach to communities, it could make a difference, but it had to be focused, concentrated, and continuous. He stressed it could not go away for up to ten years and be built right back up. He stated the situation was back where it started.

4:21:25 PM

Commissioner Cockrell pointed to the cost when someone was victimized and the cost of incarceration. He noted that the legislation cost money, but it would potentially save lives and prevent individuals from being beaten up. He appreciated the bill.

4:21:51 PM

BRENDA STANFILL, EXECUTIVE DIRECTOR, ALASKA NETWORK ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT (via teleconference), spoke in support of the legislation that would increase the funding available for organizations serving victims of crime throughout Alaska. A network of programs started in 1977 in Fairbanks, Anchorage, and Juneau and it had spread throughout the years in order to create a system that victims could access help in their communities or relatively close by. She remarked on the state's vast size. There were currently 24 agencies providing services across the state to domestic violence and sexual assault victims that received some type of state funding. The agencies were located in regional centers such urban areas and smaller communities like Hooper Bay or Emmonak. For example, Fairbanks served 42 surrounding villages. For many people experiencing crimes, the programs were a place people could go for help even if they were a plane ride away. There was only one state agency providing support for victims of other violent crime. She elaborated that the Victims for Justice in Anchorage worked statewide to ensure family members of a murder victim had someone to accompany them during the trial, which could last up to five years.

Ms. Stanfill relayed that some years back it had been identified that bringing sexually abused children to the sterile environment of the emergency room was causing additional trauma to children and the way interviews were conducted was not working well. In response, child advocacy centers were created across the state. There were currently 19 centers throughout Alaska where children could be interviewed in a child friendly setting. She elaborated that camera systems were set up in a way that not everyone had to be in the room observing. Additionally, the forensic exam was also done in a very child friendly way. Staff in the centers were specially trained and she reported that often children asked if they could visit the center again.

Ms. Stanfill informed the committee there were four statewide and two regional programs across Alaska providing legal services to victims of violent crime. She relayed that the attorneys were available to help victims with the ongoing protective orders, divorce, custody, and sometimes in a criminal case when the victim needed assistance. There were three organizations that had specific programs serving

sex and labor trafficking victims throughout Alaska. She noted it was a relatively new area surfacing that may have existed for a long time.

Ms. Stanfill relayed that a substantial amount of VOCA funding had been received at different times throughout the state. She shared that CDVSA had been told to get the funds out into communities to increase access to services for victims statewide, which is what CDVSA did on the good faith that VOCA funding would always be there. She elaborated that at the same time, the state was not increasing its investment into victim services. All of the increases had been coming from federal dollars. She continued that CDVSA had funded some enhanced services, but after the high funding point in 2018, the federal government changed how it prosecuted and collected fines, which changed the amount in the VOCA account to be distributed to states. She noted that a VOCA fix had been passed a few years back, but the fund had not filled up. She relayed that programs had been flat funded and were currently struggling. She relayed that programs had cut staff, engaged in increased fundraising activities, and had tried to ensure services were not cut or eliminated.

4:27:48 PM

Ms. Stanfill stated that programs recognized that if services were cut, there would be victims left on their own. The programs were the thread that wound consistently through the system. The programs connected with victims and responded when a crime occurred regardless of whether it was reported to law enforcement because often times a victim may not be ready to report to law enforcement. If a crime was reported, the programs continued to support victims through the investigation and prosecution process. If a victim or the system opted to not move forward with a case, the programs continued to be there to support victims. Advocates were present for court hearings, trial date, and the day when the victim had to give their impact statement. Additionally, the programs were available for victims when the system was done with them and had moved on, but the victim was still grieving. She elaborated on ways the programs continued to support victims. There was a national count in domestic violence shelters once a year in September, in 2023 there were 395 adults and children who were staying in emergency shelters because they could not stay safely in their own homes [in Alaska]. She elaborated

that 87 additional individuals had come that day to receive other support. Additionally, 138 more Alaskans had called a crisis line to access support that day and 29 people were turned away from safe shelter because there were no beds available.

Ms. Stanfill stated that while it was tremendously important to keep providing critical services to those impacted by crimes, it was necessary to start working to identify what could be done to provide stronger communities where children thrive and are not exposed to traumas that would create challenging behaviors for communities when they were adults. She reported that women with higher adverse childhood experience scores were more likely to experience violence in the past 12 months. She relayed that during her time working in a Fairbanks program with men who had abused, she heard each one talk about the trauma they experienced during childhood. She referenced a documentary called The Silence that focused on the impact of trauma on young boys and how the trauma manifested as adults. Currently, there were 14 community prevention teams seeking to end violent crime, recognizing children experiencing trauma often did not gain the resilience needed to be adults that did not hurt the community. The teams engaged in communities to move the needle and make sure children had access to healthy adults and mentorship. She relayed that programs needed to expand in order for every community to work on preventing violent crimes. She stated that identifying a new funding stream focusing on identifying the needs of survivors in Alaska would serve the needs of violent crime and would enable the statewide and community level work to reduce the number of victims. She thanked the committee for the opportunity to speak.

4:32:14 PM

Representative Ortiz appreciated the bill and was supportive. He asked if the bill would fulfill CDVSA's financial needs.

Ms. Gagnon responded that she believed it would fill the gap. She referenced the $2.3 million to $3 million figures run by Representative Coulombe and stated the funding would definitely assist the agency. She relayed that the agency was currently facing a very large deficit and any money would be beneficial. She deferred to a colleague for details.

PAM HALLORAN, ADMINISTRATIVE SERVICES DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY, replied that it was a difficult question to answer. She relayed that the prior Choose Respect campaign was upwards of $10 million. She did not know if it was possible to put a price tag on prevention. She had worked closely with Ms. Gagnon on working to fully fund FY 25, which was the current focus. She highlighted Ms. Gagnon's testimony that the agency was not holding back any federal funding that it would normally hold back for FY 26.

4:35:12 PM

Representative Ortiz stated that the bill would mean a significant shifting of funds from traditional DOC activities. He asked if the reduction of funds available to the corrections system meant DOC would increase its budget request to supplant the lost funds.

Commissioner Cockrell stated his understanding of the question. He stated that the funding would make up the differences the department [DPS] was not receiving from the VOCA funding. The department was looking to fill that gap and have a consistent funding source for current services. If there was a desire to move up with Choose Respect, it would require additional funding.

Representative Ortiz clarified his question. He stated that the funds were currently used to fund the DOC system and the bill would result in a shift of the funds to CDVSA. He underscored that it was a very worthy cause, which he fully supported. He asked if the lost funds for DOC would mean an increased budget request for that purpose.

Co-Chair Foster highlighted that the DOC commissioner and staff were not present.

Representative Coulombe relayed that she had the same question when looking at proposing the legislation. She stated that no one had asked her to put the bill together; it had come out of looking at the DPS budget. She noted that when she had come up with the idea, the first person she had talked to was the commissioner of DOC. The commissioner had told her it depended on the year and the department probably would request undesignated general funds (UGF). She stated that DOC was requesting funds in

the FY 25 budget to make up the difference from a smaller PFD year to a big year. The department was already looking for money related to the [restorative justice account] fund if it was not receiving the amount projected. She stated that it was important to her to start moving upstream on the issue. She remarked that corrections was the downstream at the very end when everything else had failed. She stated that moving funds to an upstream organization would ultimately reduce the amount of money DOC would need to run its operations. She added that DOC used to use the money for health costs, but in recent years it had moved to general population costs. The intent of the money was to restore victims. She remarked that whether DOC asked for the UGF difference or not, the issue was a policy decision and she believed it was important to stop putting money at the end of all things and start pushing it upward.

4:39:18 PM

Co-Chair Foster noted that the DOC administrative services director was available online. He asked for comment from the department.

TERI WEST, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF CORRECTIONS (via teleconference), answered that the department would increase its general fund request for the amount it would be reduced by in the next fiscal year.

Representative Josephson directed a question to Ms. Stanfill. He had met with child advocacy centers and had learned they received zero general funds. He asked if that was correct. He clarified that he was speaking about centers where children were brought for evaluation when child abuse was suspected.

Ms. Stanfill responded that she had spoken with the Children's Alliance the previous week and detailed that the alliance received federal funds through CDVSA and TANF [Temporary Assistance for Needy Families] through the Department of Family and Community Services. She confirmed that most of the money passing through was federal. She noted the organization also received funds through the Office of Childrens Services. She did not believe any of the organization's budget was made up of only general funds from the state.

Co-Chair Foster thanked the testifiers and bill sponsor.

HB 116 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following day.

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ADJOURNMENT

4:42:45 PM

The meeting was adjourned at 4:42 p.m.