

HOUSE FINANCE COMMITTEE
March 14, 2024
10:07 a.m.

10:07:39 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 10:07 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
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Brodie Anderson, Staff, Representative Neal Foster; John Crowther, Deputy Commissioner, Department of Natural Resources; Fadil Limani, Deputy Commissioner, Department of Revenue; Crystal Koeneman, Legislative Liaison, Department of Environmental Conservation.

PRESENT VIA TELECONFERENCE

Brett Huber, Chairman, Alaska Oil and Gas Conservation Commission; Brent Fisher, Appointee, Alaska Mental Health Trust Authority; John Sturgeon, Appointee, Alaska Mental Health Trust Authority.

SUMMARY

HB 50 CARBON STORAGE

CSHB 50(FIN) was REPORTED out of committee with three "do pass" recommendations, three "amend" recommendations, and five "no recommendation" recommendations and with one new fiscal impact note from the Department of Commerce, Community and Economic Development, two new indeterminate fiscal notes from the Department of Revenue and the Department of Natural Resources, and one new zero fiscal impact note from the Department of Environmental Conservation.

GOVERNOR'S APPOINTMENTS:

ALASKA MENTAL HEALTH TRUST AUTHORITY: BRENT FISHER,
JOHN STURGEON

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."

10:09:24 AM

Co-Chair Johnson MOVED to ADOPT the committee substitute for HB 50, Work Draft 33-GH1567\D (Dunmire, 3/11/24) (copy on file).

Co-Chair Foster OBJECTED for discussion.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, explained that the committee substitute (CS) incorporated Amendment 1 [33-GH1567\R.11 (Dunmire, 2/28/24)] offered by Co-Chair Edgmon which was adopted on March 11, 2024. The changes were in response to the feedback provided by the Environmental Protection Agency (EPA). The default period had been changed from 10 years to 50 years in order to align with federal code. The proposed CS would also ensure that the state would only be entitled to carbon dioxide on state lands, in addition to some other smaller changes.

Co-Chair Foster WITHDREW the OBJECTION. There being NO further OBJECTION, Work Draft 33-GH1567\D was ADOPTED.

JOHN CROWTHER, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, relayed that the Department of Natural Resources (DNR) did not anticipate a fiscal impact due to the changes in the CS; therefore, the DNR fiscal note [control code mDiDz] would not change.

FADIL LIMANI, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE, indicated that CS would not cause any changes in the fiscal note presented by the Department of Revenue (DOR).

10:15:12 AM

CRYSTAL KOENEMAN, LEGISLATIVE LIAISON, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, relayed that the CS would not require the fiscal note by the Department of Environmental Conservation (DEC) [control code hfPps] to change.

BRETT HUBER, CHAIRMAN, ALASKA OIL AND GAS CONSERVATION COMMISSION (via teleconference), shared that the Alaska Oil and Gas Conservation Commission (AOGCC) had reviewed the CS and found that it was consistent with the changes in Amendment 1 and it would not create an additional financial impact for the commission.

Representative Hannan understood that there was presently no basis to anticipate any revenue generation for the state. She asked for clarification on whether the bill would generate any additional revenue.

Mr. Limani responded that the information was not yet available, but the department could conduct modeling to determine whether there would be any potential revenue generation opportunities for the state.

Representative Hannan indicated that she had another question related to the nature of fiscal notes in outgoing fiscal years. She understood that the fiscal note from DOR would be needed again in FY 26 and again in every subsequent fiscal year. She asked if there had been conversation about implementing the costs into the base budget rather than adopting a fiscal note every year.

Mr. Huber responded that the fiscal impact would not be on the general fund and the funding would be generated from the carbon industry. Although it was possible there would be a need for general funds, he did not think it was

likely. He relayed that AOGCC was in the process of receiving a \$1.9 million federal grant to pursue primacy. The grant would also help the commission establish the program and set up the foundation of the program.

Representative Hannan asked which fiscal year the grant would become part of the base operations or if it would always appear to be an addition.

Co-Chair Foster noted that his staff could provide a detailed response.

Mr. Anderson responded that the fiscal note would normally be reflected in the conference committee package. Any new increments that were approved in a fiscal note in the current year would need to be reflected by the governing department or agency in the FY 26 budget. After FY 26, the funds would be reflected in the base budget.

10:20:11 AM

Representative Galvin noted that there was a zero fiscal impact note offered by DEC, but she understood that the program would involve an increase in activity over the next few years. She wondered if more resources would be required in order to ensure that there was accountability and the goal of improved air quality was successful.

Ms. Koeneman replied that it was her understanding that there were sufficient resources within the Division of Air Quality to perform the required tasks. She thought the costs would be absorbed by the division.

Representative Galvin had heard that there were concerns about the delays in acquiring necessary permitting and air quality resources. She wanted to ensure that it was on record that the industry was getting fast responses and that there would be no fiscal impact.

Ms. Koeneman responded that the department had internal timelines for the air quality permits and the department was successfully operating within the timelines.

Representative Galvin requested that DOR explain the specifics about the new fund that would be created within the department. She noted that there was some language in Amendment 1 about accounting and investments. She

understood that DOR would make investments, but she would like to better understand the goal of the investments and the investing process.

10:23:43 AM

Mr. Limani responded that the intent of the fund would be the same as all other similar trust funds. The fund would be established within the central treasury of the state and would follow the same investment parameters that were already in place.

Representative Galvin noted that the bill mentioned that there would be a report to the Senate Secretary every year. She asked if the expectation was that there would be a significant amount of "coming and going" out of the fund.

Mr. Limani responded that the department would communicate with the legislature if there was activity in the fund. He relayed that it would be organized in a similar manner as the Constitutional Budget Reserve (CBR).

Representative Galvin noted that revenue was not listed in the foreseeable future. She understood that there were proposed amendments that would ensure there was no "double dipping." She also understood that there were 45Q opportunities for conducting the program. She asked if there was research on what might be lost by disallowing double dipping.

Mr. Crowther responded that the department's understanding of how the projects would be developed was that a variety of entities that were not oil and gas companies could begin a project and there would be no impact on lease expenditures in any respect. Oil and gas companies could also pursue projects and the current lease expenditures and regulations could disallow the expenditures. New projects could also be valid under the lease expenditures within the current process. The department anticipated that if projects developed that were associated with enhanced oil recovery, there would be positive returns to the state. He thought it was conceivable that there would not be a net change or loss under the DOR processes currently in place.

Representative Galvin recognized that there were large projects in the works. Some of the infrastructure for the new projects was needed to support better oil recovery and

other infrastructure was needed to build important environmental elements of the projects. She thought there was an understanding that there was no accountability yet in place to ensure that the state would seek revenue if it was "over and above" recovering oil. A large project would be coming online in two years and she would appreciate knowing what could be missed.

[10:29:32 AM](#)

Co-Chair Foster remarked that the committee had a "hard stop" in about 30 minutes.

Representative Galvin appreciated that it was a big decision and wanted to make sure that as much revenue as possible was recovered.

Mr. Crowther responded that he thought Representative Galvin was referencing the Pikka development project which was slated to begin production in 2026. He explained that the project would currently not feature a carbon capture component. The operator had spoken about carbon capture opportunities in the future, but the project was not presently conceived to involve a carbon capture injection at its inception in 2026.

Mr. Limani responded that the state would benefit through the minimum tax floor. Companies would have carry-forward losses and it would not impact any "front-end" element.

Representative Galvin understood that the new fund was intended to clean up operations if a company was not able to clean up itself. She asked how the new fund would be funded. She wondered if there would be a direct payment from the project component, if the payment would be based upon a formula, or if the payment amount would be at the discretion of the commissioner.

Mr. Crowther responded that the fund would be paid out by the private applicants. There was a formula in AS 41.06.175 and it was included in the CS.

Representative Josephson noted there were a number of areas of the bill that discussed the commissioner's power to revoke a license. He asked what happened at the stage at which the commissioner could revoke a license. He wondered what happened in the mid-development stage.

Mr. Crowther stated that he was searching for an example in the bill.

Representative Josephson responded that he was looking at a previous version of the bill but the section in question was AS 38.05.705 covering carbon storage exploration licensing.

Mr. Crowther responded that a license could be revoked when a project proponent was attempting to characterize and develop a project but the project was not yet in operation. If there were to be a default on obligations resulting in a revocation, the operator would experience commercial consequences but there would not be an existing injection facility that would need to cease operations.

Representative Josephson referred to Article 2 relating to carbon storage injections. He asked what would happen if there was a revocation of a permit after injection had already begun.

Mr. Crowther deferred the question to AOGCC. He thought that there would be a variety of obligations and bonding in place that would be triggered to respond in the case of a material default.

Representative Josephson relayed that he was satisfied with Mr. Crowther's answer but had a few more questions. He asked what would happen to 45Q tax credits in the case of a revocation.

[10:35:49 AM](#)

Mr. Crowther responded that under federal tax revisions, there was a three-year claw back period in which the recipient would be obligated to repay within the time period. There would be no obligation to repay after the claw back period had passed.

Representative Josephson noted that AS 41.06.120 introduced the concept of a carbon dioxide storage facility administrative fund. He was concerned that the word "separate" was not included in the title of the fund. He understood there was a Power Cost Equalization (PCE) debate in the superior court that was challenged by the administration and the PCE backers prevailed. The superior

court judge ruled that the PCE fund was separate and not sweepable. He thought that funds were getting swept because the funds were not reinstated by the legislature with a clean 30-vote margin. He stressed that he did not want the fund to be swept. He asked if there was something missing that would prevent the fund from being swept.

Mr. Limani responded that he could not see anything at this point that would prevent the fund from being swept.

Mr. Crowther responded that the fund included annual appropriations of program receipts which would fund AOGCC's operations. He was uncertain if there was concern about a multi-year sweepability but suggested that AOGCC might want to clarify.

Mr. Huber replied that there were several sources of funding present in the bill: the carbon dioxide storage facility administrative fund, the closure fund, and the bonding authority funds. There were a number of ways in which the program could be funded because it would be industry funded and considered to be a "pay as you go" model. He thought that the sweepability of the fund was at the discretion of the legislative directors and attorneys. He understood that the fund could be accounted for separately and appropriated separately, but there was not a specific mention of the word "separate."

Representative Josephson suggested that the Senate examine the issue as well because otherwise he thought the fund would disappear.

[10:39:51 AM](#)

Co-Chair Johnson MOVED to report CSHB 50(FIN) out of Committee with individual recommendations and the forthcoming fiscal notes.

Representative Josephson OBJECTED. He argued that the benefit of the bill was that it would enhance the ability of the state to implement a large diameter gas line. He recalled that he heard in a presentation in the House Resources Committee years ago that the state could receive as much as \$3 billion net to its treasury from gas sales, principally to Asia. He expressed the desire for the state to receive a high amount of revenue. He pointed out that in more recent presentations the number was reduced to \$200

million per year. He understood that the reasons for the decline in projected revenue were complicated and involved the saturation of the market worldwide, tariffs, and other considerations. He was concerned that the revenue would not be realized. The other issue was that the bill pledged that it would help offset carbon and keep the planet cooler, but he did not think the claim was especially credible. He thought the bill was partly designed to allow increased oil production. He admitted that he used oil every day of his life and wanted the state to produce oil. He needed oil in his personal life and the state government needed it as well. He questioned whether the bill would have a positive impact on climate change. He also did not think the bill would be an effective way to raise revenue. Additionally, he was concerned that injection could occur anywhere, which would be a "gamechanger" for Cook Inlet. He was in an indifferent posture on the bill and expected he would be a "no recommendation."

Representative Josephson WITHDREW the OBJECTION. There being NO further OBJECTION, it was so ordered.

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[10:44:31 AM](#)

^GOVERNOR'S APPOINTMENTS: BRENT FISHER, JOHN STURGEON, ALASKA MENTAL HEALTH TRUST

Co-Chair Foster invited the appointees to introduce themselves.

[10:44:54 AM](#)

BRENT FISHER, APPOINTEE, ALASKA MENTAL HEALTH TRUST AUTHORITY (via teleconference), relayed that he was currently serving as the vice chair for the Alaska Mental Health Trust Authority (AMHTA) board. He was a veteran and had a bachelor's degree and a master's degree and was a

fellow in the American College of Medical Practice Executives and the American Academy of Sleep Medicine. He had published numerous articles in academic journals and trade journals. He had over 30 years of health care experience in a variety of fields and was currently the owner of the Alaska Sleep Clinic. He had enjoyed providing service to AMHTA and would like to continue his service.

Co-Chair Foster suggested that both appointees introduce themselves before the committee asked questions.

10:47:02 AM

JOHN STURGEON, APPOINTEE, ALASKA MENTAL HEALTH TRUST AUTHORITY (via teleconference), shared that he had been on the AMHTA board for five years and had previously served as chair of the resource committee. He had worked in resource development in Alaska for 54 years and had a degree in forestry. He had been the CEO of Native corporations and president of a timber company in the state. The trust had to earn its own money and did not receive state or federal funds; instead, the majority of AMHTA's funding came from timber sales, mining operations, gravel sales, and land sales. He thought his most significant contribution to the trust had been assisting with revenue generation.

Representative Hannan asked Mr. Fisher about his University of Texas email address. She asked why he included the email address on his resume and if he still maintained a relationship with Texas.

Mr. Fisher responded that the email address was a forwarding address. He lived in Alaska and his business was in Alaska.

Representative Coulombe asked Mr. Fisher what committee he served on within AMHTA.

Mr. Fisher responded that he was presently the vice chair of the AMHTA board. He had previously been the secretary of the board and the chair of the Finance Committee.

Representative Coulombe asked Mr. Fisher why it was important to him to be on the board.

Mr. Fisher responded that throughout his health care career, he had encountered many individuals with mental

health disorders. He also had friends who had mental health disorders and knew children who had mental health disorders. He thought the trust was a unique organization that was able to provide funding to help beneficiaries who were in need of services. He had always been interested in volunteering and had served on many boards as a volunteer. He found AMHTA to be a good fit for his background as well as his personal interests.

[10:52:00 AM](#)

Representative Ortiz asked both appointees what were the most significant successes during their time on the board and what were the most significant limitations.

Mr. Sturgeon replied that one of the biggest accomplishments of the board was the Crisis Now program. Prior to the implementation of Crisis Now, an individual experiencing a mental health event had to call 911 and the police would be called to the scene. The police were not trained to properly address mental health crises but Crisis Now staff had the training. He thought one of the biggest limitations was that the board only had a particular amount of money and could not address every problem or every request for help. The board hoped to find more efficient ways to service people in need.

Mr. Fisher agreed with Mr. Sturgeon that Crisis Now was a particularly strong accomplishment for the board and it had the potential to service the entire state of Alaska once it was completely implemented. He also thought there had been some innovative approaches on the ways in which the trust could use its resources and assets to generate funding. He thought the trust had made smart investments and credited Mr. Sturgeon for his work. He also commended Mr. Sturgeon for urging the board to examine preventative measures with regard to mental health. The board had been unanimous in its support of programs dedicated to helping children who were at risk of developing mental health problems.

Co-Chair Foster noted that the committee had time for one more question for the appointees.

Representative Josephson thanked both appointees for their service. He had recently visited Gustavus and shared that there was concern about the development of lands between the trust and the Trust Land Office (TLO). Citizens of

Gustavus felt that the process had been aggressive and intransigent. He asked both appointees if they would be amenable to encouraging a more collaborative and flexible agreement.

Mr. Sturgeon responded that TLO was in a difficult position because it was statutorily obligated to maximize revenue. There had been constant concerns that land development was going to have a negative impact on the mental health of citizens. He thought the trust was diligent in trying to hold public meetings and work collaboratively with citizens. Resource development would not make everyone happy but he thought that TLO tried to accommodate as many people as possible. He stressed that it was a difficult task.

[10:58:17 AM](#)

Co-Chair Johnson stated that the House Finance Committee had reviewed the qualifications of the governor's appointees and recommended that the following names be forwarded to the joint session for consideration: Brett Fisher and John Sturgeon, Alaska Mental Health Trust Authority. She noted that it did not reflect an intention by any member to vote for or against the designee during any further session for the purpose of confirmation.

There being NO OBJECTION, it was so ordered.

Co-Chair Foster reviewed the agenda for the afternoon's meeting

#

ADJOURNMENT

[11:00:15 AM](#)

The meeting was adjourned at 11:00 a.m.