

HOUSE FINANCE COMMITTEE
April 23, 2024
10:21 a.m.

10:21:25 AM

CALL TO ORDER

Co-Chair Edgmon called the House Finance Committee meeting to order at 10:21 a.m.

MEMBERS PRESENT

Representative Bryce Edgmon, 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

Representative Neal Foster, Co-Chair

ALSO PRESENT

Brodie Anderson, Staff, Representative Neal Foster; John Crowther, Deputy Commissioner, Department of Natural Resources; Emily Nauman, Director, Legislative Legal Services; Savaya Bieber, Staff, Representative DeLena Johnson; Lindsey Kato, Director, Division of Public Health, Department of Health.

PRESENT VIA TELECONFERENCE

Mark Slaughter, Chief Commercial Officer, HEX/Furie, Anchorage; Benjamin Johnson, President and CEO, BlueCrest Energy, Inc., Dallas, Texas.

SUMMARY

HB 19 REGISTRATION OF BOATS: EXEMPTION

HB 19 was SCHEDULED but not HEARD.

HB 202 OPIOID OVERDOSE DRUGS IN SCHOOLS

HB 202 was HEARD and HELD in committee for further consideration.

HB 223 TAX and ROYALTY FOR CERTAIN GAS

HB 223 was HEARD and HELD in committee for further consideration.

Co-Chair Edgmon reviewed the meeting agenda. He noted that Co-Chair Foster was out of town and HB 19 would be heard at a later date. He noted there was a hard stop at about 11:25 a.m.

#hb223

HOUSE BILL NO. 223

"An Act relating to the production tax and royalty rates on certain gas; and providing for an effective date."

10:23:49 AM

Co-Chair Johnson MOVED to ADOPT the proposed committee substitute (CS) for HB 223, Work Draft 33-LS0886\D (Nauman, 4/22/24).

Co-Chair Edgmon OBJECTED for discussion. He asked Co-Chair Foster's staff to explain the CS.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, explained the changes in the CS.

10:28:50 AM

Co-Chair Edgmon asked if Mr. Crowther had any comments.

JOHN CROWTHER, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, shared that DNR viewed the changes as technical in nature and appropriate.

Co-Chair Edgmon asked to hear from Emily Nauman with Legislative Legal Services.

EMILY NAUMAN, DIRECTOR, LEGISLATIVE LEGAL SERVICES, addressed a memo in members' packets (copy on file).

[10:33:11 AM](#)

Representative Josephson wondered whether it was known that there were productive fields in the upper Cook Inlet at the time of statehood.

Ms. Nauman agreed that the court specifically said that the revenue generation from resource production would fund state government. She stressed that there would be revenue granted from mineral land granted to the state at the time of statehood, but she did not have any information about whether Cook Inlet was included in that.

Representative Josephson used the example of oil developed at Kitchen Lights, which was immediately adjacent to other gas development. He wondered if that location would be considered "known at the time of statehood."

Ms. Nauman replied that she did not know. She stressed that there was not a lot of other information provided in the case.

Co-Chair Edgmon asked Ms. Nauman to continue the review.

Ms. Nauman continued her review of the memo.

[10:37:23 AM](#)

Representative Stapp asked about the best interest finding.

Ms. Nauman responded that the court in the case would lean heavily on what the legislature believed to be in the best interest of the people.

Representative Josephson asked if the amendment referred to the CS.

Ms. Nauman corrected that the memo should refer to the Resources CS.

Co-Chair Johnson asked about the correction she made.

Ms. Nauman replied that the word "amendment" in the memo should be the Senate Resources CS. She noted the word "amendment" also appeared in the final line of the memo and should also be replaced to refer to the current version of the bill.

[10:40:17 AM](#)

Representative Hannan asked about the maximum benefit of the people, and how the benefit would be measured would be defined in statute. She asked if it would be up to the commissioner to define it.

Ms. Nauman answered that the memo discussed different ways that the commissioner could make a written statement to declare the legislation to be "in the best interest of the state." She felt that an equally sufficient way would be to develop a legislative record to demonstrate that the royalty regime would benefit the people, even though it would be outside of the typical royalty structure.

MARK SLAUGHTER, CHIEF COMMERCIAL OFFICER, HEX/FURIE, ANCHORAGE (via teleconference), shared details of the natural gas development produced by Hex and Furie within Cook Inlet. He detailed that the Kitchen Lights unit was the most burdened unit in Cook Inlet. The combined royalty was 25 percent, which was almost twice as much as any other unit in Cook Inlet. He shared that HB 223 would allow it to become more economic, and become more competitive with other investment opportunities.

[10:45:14 AM](#)

Mr. Slaughter continued his testimony, and stressed that the legislature would make the Kitchen Lights unit more attractive for investment.

Representative Stapp asked what the limiting factor was for the company.

Mr. Slaughter could not answer how many wells the other company was not drilling.

Representative Stapp asked how the company would gain more access to the rig if the legislation passed.

Mr. Slaughter responded that currently Hilcorp had the rig under contract. Hilcorp had communicated it would make the rig available to Furie.

[10:48:26 AM](#)

Representative Josephson stated that the state could forego some of the royalty, overriding royalty that was not the state's.

Mr. Slaughter confirmed that the company had an additional 12.5 percent royalty.

Representative Josephson asked if the company would still be paying a royalty to another party.

Mr. Slaughter answered in the affirmative. It would still pay the 12.5 percent royalty but, testified in a Senate committee asking for the needle to be moved to get the company into the competitive range.

Representative Josephson asked what capacity could be produced that met South Central's need. He asked if the bill was part of the answer to the coming deficits or the entire answer. He asked how the company would produce and store any excess gas.

Mr. Slaughter responded that they were just part of the solution. There was 300 bcf of gas that could also alleviate the pressure.

[10:51:37 AM](#)

Representative Hannan wondered whether a five-year state royalty relief would be acceptable.

Mr. Slaughter responded that the 10-year timeline was important for the bill, because it gave time for investment decisions and the company could not have alternatives in place within the five year window.

Representative Hannan did not know who the other royalty was for 12.5 percent. She asked if they were seeking royalty relief from that amount.

Mr. Slaughter answered they were individuals and investment companies, and stated that two individuals said they would

match what the state did. He was not optimistic they would relinquish the royalty.

Representative Hannan stated it concerned her that outside or alternate investors would not make a reduction, while the state was being asked to reduce its royalty to zero.

[10:55:17 AM](#)

Representative Galvin queried the process for estimating the well production, and asked for the size of the range with or without the bill.

Mr. Slaughter replied that there was an estimate of an added 5000 cubic feet of gas per day, so it would increase to 16,000 cubic feet. The bill would allow for more active drilling.

Representative Galvin observed that the company had plans to grow. She asked where the investment would come from.

Mr. Slaughter responded that the company was looking at self-funding the wells. The company was looking to secure additional financing, which would free up funds and accelerate development. He did not know the rate of return the investors would be looking at.

Representative Josephson queried the firm contracts.

Mr. Slaughter replied there was currently a firm commitment through March 31, 2025 with Enstar.

[10:59:16 AM](#)

BENJAMIN JOHNSON, PRESIDENT AND CEO, BLUECREST ENERGY, INC., DALLAS, TEXAS (via teleconference), shared that he grew up in Kenai, Alaska and worked for Arco for many years. He had joined others in creating BlueCrest Energy, and bought out Pioneer's interest in 2012. The company had drilled and resulted in a well that was the most prolific in decades.

[11:03:00 AM](#)

Representative Stapp asked if the company had received a loan from Alaska Industrial Development and Export Authority (AIDEA).

Mr. Johnson replied affirmatively.

Representative Stapp asked why the company did not think to approach AIDEA for another loan of \$100 million.

Mr. Johnson replied that the company had talked to AIDEA and at present they did not know how it would work.

Representative Stapp asked what "talk to them" meant.

Mr. Johnson answered that so far AIDEA had stated they could not make the loan.

Representative Stapp stated his understanding that AIDEA had not shown enough interest in the Cook Inlet.

Mr. Johnson answered not exactly, but they had not been aggressive about wanting to loan money.

Representative Stapp stated his trouble with the whole scheme was that he did not know why AIDEA would not be more interested in investing, if investors wanted less state take they were arguing for better return. He asked why the state should take less money.

[11:06:29 AM](#)

Mr. Johnson responded that the gas projects were not highly economic like oil fields.

Representative Josephson asked for a comparison of the royalty reduction program and the reserve/asset-based loan concept.

Mr. Johnson replied that one of the concerns they heard from out of state investors was that the legislature could change the law. He remarked that if a company put \$500 million into a project and the royalty relief was changed the following year - it was risky.

Representative Josephson wondered whether the reserve base loan program from AIDEA would be of interest.

Mr. Johnson would be happy to work with AIDEA, but he could not speak for its board.

Representative Josephson asked for the company's production capacity at the Cosmopolitan well.

Mr. Johnson answered about 50 million cubic feet per day up to 65 if there was pipeline capacity.

Representative Hannan asked for the current royalties on Cosmopolitan.

Mr. Johnson answered there was a 12.5 state royalty. There was an additional royalty resulting in just under 20 percent royalty.

Representative Hannan asked if Mr. Johnson had talked with the others about reducing their royalty.

Mr. Johnson answered in the negative and noted they had not heard anyone interested in doing so.

[11:11:56 AM](#)

Co-Chair Edgmon OPENED public testimony.

Co-Chair Edgmon CLOSED public testimony.

Co-Chair Edgmon set an amendment deadline of Friday, April 26 at 5:00 p.m. He recognized Representative George Rauscher in the room.

HB 223 was HEARD and HELD in committee for further consideration.

#hb202

HOUSE BILL NO. 202

"An Act relating to the availability and administration of opioid overdose drugs in public schools."

[11:13:17 AM](#)

REPRESENTATIVE DELENA JOHNSON, SPONSOR, introduced the bill with prepared remarks. She asked her staff to review the sectional analysis.

SAVAYA BIEBER, STAFF, REPRESENTATIVE DELENA JOHNSON, reviewed the sectional analysis (copy on file):

Section 1 amends AS 14.30 by adding a new section:

AS 14.30.145(a) requires each school district to ensure a person who is trained to administer an opioid overdose drug is on site when the main school building is open to the public before and after school, during each school-sponsored event, and weekend activities that are conducted on school grounds. This section also requires each main school building to keep at least two doses of an opioid overdose drug on site and at least one dose available during school sponsored events on school grounds.

AS 14.30.145(b) would require the Department of Health to provide each school district with the opioid overdose drug and requires the Commissioner of Health to develop and provide a training video to each school district.

AS 14.30.145(c) adds language protecting schools from civil damages for an injury resulting from failure to possess or maintain an opioid overdose drug.

AS 14.30.145(d) defines the terms "main school building", "opioid overdose drug", "school district", and "school grounds".

Section 2 amends AS 17.20.085 by adding a new paragraph:

AS 17.20.085(e)(5) defines the term "school district"

Section 3 amends AS 17.20.085 by adding new subsections:

Notwithstanding a provision or rule of law to the contrary, AS 17.20.085(f) allows a school district, if acting under a standing order or protocol under (a) or (c) of this section, may receive a supply of opioid overdose drugs from the department and may possess opioid overdose drugs for the purposes of AS 14.30.145.

Notwithstanding a provision or rule of law to the contrary, AS 17.20.085(g) allows a school district acting under (a) or (c) of this section to administer

an opioid overdose drug under AS 14.30.145 to a person at risk of experiencing an opioid overdose.

[11:17:52 AM](#)

Co-Chair Edgmon OPENED public testimony.

Co-Chair Edgmon CLOSED public testimony.

Representative Coulombe asked about the liability.

Co-Chair Johnson responded that if someone was dying it was not consent, it fell under the Good Samaritan Act.

LINDSEY KATO, DIRECTOR, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH, introduced herself.

Representative Coulombe repeated her question.

Ms. Kato answered that it would be covered under the Good Samaritan law.

Representative Coulombe asked even if it was a minor.

Ms. Kato replied affirmatively.

Representative Ortiz asked whether they kept opioid overdose kits in schools.

Co-Chair Johnson answered that the discussion had been had in the House Education committee, and there had been an amendment made to go through the Department of Health (DOH). She stated that there were numerous videos and it was a nasal spray that was easy to administer. There was a potential 15 minute one time training for teachers and staff.

[11:23:43 AM](#)

Representative Ortiz asked about rural areas without school nurses. He asked if there would be a way to cover the scenario.

Co-Chair Johnson replied that it was one of the things she had not initially thought of, but she believed it was a reason for the importance of the bill.

Ms. Bieber replied that they talked about the issue in the Education Committee. She stated that there were 16 public health centers and 15 of those were staffed with public health nurses.

Co-Chair Edgmon relayed that the bill would come before the committee again. He set an amendment deadline for Friday, April 26 at 5:00 p.m.

HB 202 was HEARD and HELD in committee for further consideration.

Co-Chair Edgmon reviewed the schedule for the afternoon meeting.

#

ADJOURNMENT

[11:26:47 AM](#)

The meeting was adjourned at 11:26 a.m.