

SENATE FINANCE COMMITTEE

May 11, 2023

4:15 p.m.

[4:15:53 PM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 4:15 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Pete Ecklund, Staff, Senator Bert Stedman; Alexei Painter, Director, Legislative Finance Division; Ken Alper, Staff, Senator Donny Olson; John Boyle, Commissioner, Department of Natural Resources; Rena Miller, Special Assistant to the Commissioner, Department of Natural Resources.

SUMMARY

SB 48 CARBON OFFSET PROGRAM ON STATE LAND

SB 48 was HEARD and HELD in committee for further consideration.

SB 88 RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

SB 88 was SCHEDULED but not HEARD.

CSHB 39(FIN) am(brf sup maj fld)(efd fld)

APPROP: OPERATING BUDGET/LOANS/FUND; SUPP

CSHB 39(FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Stedman commented that the schedule was in flux, and the committee would first hear the operating budget before recessing and returning to consider a committee substitute (CS) for SB 48. He relayed that SB 88 would be moved to the schedule for the following day.

#hb39

CS FOR HOUSE BILL NO. 39(FIN) am(brf sup maj fld)(efd fld)

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; repealing appropriations; amending appropriations; making reappropriations; and making supplemental appropriations."

[4:16:57 PM](#)

Co-Chair Hoffman MOVED to ADOPT proposed committee substitute for CSHB 39(FIN), Work Draft 33-GH1347\O (Marx, 5/11/23).

Co-Chair Stedman OBJECTED for discussion.

Co-Chair Stedman relayed that staff would walk through the proposed changes in the bill, after which the Legislative Finance Division (LFD) director would give a brief update on the state's fiscal position.

[4:17:35 PM](#)

PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, relayed that Version O was an omnibus appropriation bill which included operating, capital, supplemental, and fiscal note items. He referenced Document A (copy on file):

The version in front of you (O), has operating, capital, supplemental and fiscal note items.

Version O is a combination of HB 39 version P (operating/supplemental), adopted by the committee yesterday and SB 41 (capital budget) version Y adopted yesterday - with 4 changes:

- Added a \$5 million Statutory Designated Program Receipt (SDPR) capital amendment request by the Governor that came to us yesterday for review of rate structures within the Medicaid program
- Attached fiscal notes from legislation that either has already or is possible to pass this session
- Added a \$40 million appropriation to back-fill some costs should a government shut-down occur
- Changed the 'waterfall' of additional revenue above the Spring Forecast of \$73 per barrel of oil

4:19:30 PM

AT EASE

4:19:47 PM

RECONVENED

Mr. Ecklund continued his remarks. He explained that there were fiscal notes attached to the bill and noted that additional fiscal notes for passed legislation could be added upon further review. He continued to address the document. He addressed the third bullet and discussed leave cash-out and health insurance usage in previous possible government shut-down periods. He addressed the final bullet.

Mr. Ecklund summarized that between the capital and operating budgets, the version of the bill being considered was within the expected revenue from the spring revenue forecast. He highlighted line one on the table on Document A, which showed that the forecast had predicted an oil price of \$73/bbl, or \$6.2 billion in revenue. In the event that revenues were above \$73/bbl, an additional \$10/bbl would send \$636 million to the Constitutional Budget Reserve (CBR). If revenues were even higher with oil prices between \$83/bbl and \$105/bbl, the roughly \$1.7 billion in additional revenue would be split evenly between the CBR and the dividend fund for an FY 25 energy relief payment up to \$881.5 million (roughly the same amount as 75/25 dividend). He noted that if oil was higher than \$105/bbl, the excess would also go into the CBR.

Senator Merrick asked about uses of revenue raised through other measures being considered by the legislature, or if the provision was specifically tied to the price of oil.

Mr. Ecklund relayed that if the legislature passed other revenue measures, the funds would have an impact. He drew attention to item 1 and noted that any revenue above \$64,300,000 would go to the CBR.

Co-Chair Stedman explained that the bill was written in such a way after being too difficult to write the provision based on an oil price trigger.

Mr. Ecklund added that line 2, line 3, and line 4 on the table on Document A showed estimates.

Co-Chair Stedman WITHDREW his objection. There being NO OBJECTION, it was so ordered. The CS for CSHB 39(FIN) was ADOPTED.

[4:24:03 PM](#)

Senator Kiehl asked Mr. Ecklund to discuss the \$40 million backfill funding for a potential government shutdown.

Mr. Ecklund explained that the Office of Management and Budget (OMB) would be more equipped to respond to Senator Kiehl's question, but he understood that past threats of a government shutdown resulted in greater insurance use and leave cash-outs by state employees. He noted that he had checked in with the OMB director before the meeting, who indicated that there was over \$212 million in leave that was possible to be cashed out in the case of a government shutdown. He furthered that even if the legislature passed an appropriation bill and the effective dates failed, the governor could interpret the failure to signify the bill would not take effect for 90 days, which could go further than July 1.

Co-Chair Stedman thought that the eventuality could incur a bunch of costs.

Co-Chair Stedman relayed that the LFD director would update the fiscal picture. He noted that the numbers presented would be slightly different to those presented the previous day, and changes would be highlighted.

[4:25:54 PM](#)

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, addressed Document C (copy on file), which was an update

from a document from the committee hearing the previous day. He noted that Document B (copy on file) showed detail of the fiscal notes that were included in the bill. He noted that the revenue numbers through line 4 on Document C, including \$6.2643 billion in available revenue, had not changed from what he presented the previous day. The agency operations not including the \$40 million appropriation referenced by Mr. Ecklund were on line 5 and included the \$174.9 million for K-12 education that was outside the funding formula. He noted that the fiscal note for the bill (SB 52) was also included in the fiscal note packet, and the amount would be different based on whether the bill passed or not.

Mr. Painter continued that Line 6 showed statewide items and had not changed. He highlighted that Line 7 showed the capital budget and mental health capital budget, which was still \$356.9 million. The one amendment that was incorporated into the capital budget was non-Unrestricted General Funds (UGF) so it did not factor in. The Permanent Fund Dividend (PFD) had not changed, which left Line 10 with a surplus of \$132 million without considering fiscal notes and other items. Line 11 showed the total for included fiscal notes at \$19.5 million, not including the Base Student Allocation (BSA) increase counted on line 5. The amount was narrowed down from the previous number.

Mr. Painter informed that the potential Conference Committee additions had been reduced to \$14.6 million. There were two additions in the bill that were also in the House bill - \$5 million for Head Start and \$3 million for AGDC. Removing the two items from the potential Conference Committee additions reduced the potential for the higher items taken for both budgets.

Mr. Painter relayed that the addition of fiscal notes was \$34.1 million, leaving a potential surplus of \$97.9 million at the \$73/bbl oil price level. He highlighted that the \$40 million mentioned by Mr. Ecklund would only go out if there was a government shutdown, which would reduce the 97.9 million to 57.9 million if the appropriation was used. If not, there would be nearly \$100 million available for capital budget increases, future supplemental items or lower oil prices.

Co-Chair Stedman relayed that the committee would take a half hour break before returning for a brief period to consider adopting a CS for SB 48.

[4:29:33 PM](#)

RECESSED

[5:12:03 PM](#)

RECONVENED

Co-Chair Stedman handed the gavel to Co-Chair Olson.

#sb48

SENATE BILL NO. 48

"An Act authorizing the Department of Natural Resources to lease land for carbon management purposes; establishing a carbon offset program for state land; authorizing the sale of carbon offset credits; and providing for an effective date."

[5:12:11 PM](#)

Co-Chair Olson relayed that SB 48 had been heard by the committee on May 8, at which time the committee had heard public testimony. The co-chairs had requested amendments, most of which were incorporated into a CS.

[5:12:39 PM](#)

AT EASE

[5:12:48 PM](#)

RECONVENED

Co-Chair Olson informed that there was a CS to consider.

[5:13:00 PM](#)

AT EASE

[5:13:20 PM](#)

RECONVENED

Co-Chair Stedman MOVED to ADOPT proposed committee substitute for SB 48, Work Draft 33-GS1372\U (Dunmire, 5/11/23).

Co-Chair Olson OBJECTED for discussion.

5:13:51 PM

KEN ALPER, STAFF, SENATOR DONNY OLSON, explained that there were a lot of technical changes to the bill, which was relatively long. The committee had worked closely with the Department of Natural Resources (DNR) as well as members of the Senate Resources Committee, where there had been a number of amendments to consider and refine. He addressed a Summary of Changes Document (copy on file):

Fund Status of Carbon Revenues

Removed the creation of a separate "carbon offset revenue fund." Carbon revenues are presumptively UGF but separately accounted for and may be used by the legislature to make appropriations to support the program.

Use of Procurement Code

The blanket procurement code waiver is now limited to only contracts between the state and the "registries." Other contracts related to carbon projects would be subject to the code. Removed the requirement for legislative approval of certain contracts, and replaced with a limitation that contracts not pay the contractor more than a 30% commission.

Solicitation of Competitive Interest

When there is an application to lease state land for carbon management, DNR must issue public notice and solicit competing applications on that same land.

Examining Monetary Proposals

For both leases and contracts, clarifies that the revenue potential to the state should be a criterion when evaluating competing proposals.

Ensuring Other Resources Not Impacted

A variety of clarifying amendments were made to ensure any carbon projects consider the potential impacts to mining, timber, and other resource development sectors. State land used for carbon management must remain open to mineral exploration.

Class 6 Well Primacy

Authorizes AOGCC to take enforcement responsibility for underground injection in Class VI wells. This is a

provision from the carbon storage bill, but will take several years to implement. This ensures Alaska projects are able to make maximum use of federal carbon tax credits.

Mr. Alper continued to address the summary document:

Other Technical Changes

Replaced certain terms such as "validate," "verify," and other current industry terms with more general language to account for potential changes in registry protocols as the industry matures.

Mr. Alper explained that the "other technical changes" regarding certain terms were made at the request of DNR.

[5:19:22 PM](#)

JOHN BOYLE, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, relayed that the department was continuing to look through the CS in detail. He expressed appreciation for the committee and staff that worked on the changes. He looked forward to continuing the dialogue.

[5:19:55 PM](#)

RENA MILLER, SPECIAL ASSISTANT TO THE COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, relayed that she had nothing to add.

[5:20:11 PM](#)

AT EASE

[5:20:16 PM](#)

RECONVENED

Co-Chair Olson WITHDREW his objection. There being NO further OBJECTION, it was so ordered. The CS for SB 48 was ADOPTED.

SB 48 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[5:20:27 PM](#)

The meeting was adjourned at 5:20 p.m.