

# Fiscal Note

State of Alaska  
2023 Legislative Session

Bill Version: HB 49  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB049CS(RES)-DOR-CO-04-19-23  
Title: CARBON OFFSET PROGRAM ON STATE LAND  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: (H) Finance

Department: Department of Revenue  
Appropriation: Administration and Support  
Allocation: Commissioner's Office  
OMB Component Number: 123

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2024 Appropriation Requested	Included in Governor's FY2024 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2023) cost:** 0.0 (separate supplemental appropriation required)

**Estimated CAPITAL (FY2024) cost:** 0.0 (separate capital appropriation required)

**Does the bill create or modify a new fund or account?** No  
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

## Why this fiscal note differs from previous version/comments:

This version is reduced to zero in recognition that the projected costs for new position needs will be reevaluated in future budget cycles once the program is established.

Prepared By: Eric DeMoulin, Director  
Division: Administrative Services Division  
Approved By: Adam Crum, Commissioner  
Agency: Department of Revenue

Phone: (907)465-1009  
Date: 04/18/2023 04:00 PM  
Date: 04/19/2023

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2023 LEGISLATIVE SESSION

BILL NO. CSHB 49(RES)

### Analysis

The Carbon Offset market is a rapidly emerging market that already has, as of January 2023, a market cap of \$850 billion. As more and more public funds and private equity groups look to the carbon offset market, it's anticipated to grow at over \$10 billion/year and Alaska will become a prime opportunity for market stakeholders. The unique nature of carbon offsets in the voluntary market means that every deal and every piece of land is unique, both in dollar amount, duration, forestry activity and carbon density. In order to develop a verified carbon standard project, it requires a rigorous multiphase process and can take up to 18 months for the project to become marketable and carbon credits being issued. This process will require a lot of leg work and collaboration between the Department of Revenue and Department of Natural Resources in an effort to establish the framework of the carbon offset program and market to institutional stakeholders to maximize the best rate of return and benefit to all Alaskans.

This legislation will result in DOR's Commissioner's Office staff dedicating a significant amount of time to get the carbon offset program established on the revenue collections including the fiscal management of the program. As a result, this will reduce the amount of personal services costs that can be billed to federal and other non-general fund sources. Additional UGF budget authority will be needed to accommodate this shift in workload to un-allocable tasks.

In order to get the carbon offset projects to market, this will require engagement with verification agencies, institutional investors, credit rating agencies, and industry sectors. It is expected that the engagements with such stakeholders will be at the executive level of management for the State of Alaska. This will require time commitments from the Commissioner and Deputy Commissioner of Revenue directly. Current staffing levels are not adequate to dedicate the required time necessary to ensure the success of the carbon offset program initiatives.

This version is reduced to zero in recognition that the projected costs for new position needs will be reevaluated in future budget cycles once the program is established.