

# Fiscal Note

State of Alaska  
2023 Legislative Session

|                     |           |
|---------------------|-----------|
| Bill Version:       | HB 49     |
| Fiscal Note Number: | 1         |
| (H) Publish Date:   | 1/27/2023 |

Identifier: 0372-DNR-OPMP-1-26-2023  
Title: CARBON OFFSET PROGRAM ON STATE LAND  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Governor

Department: Department of Natural Resources  
Appropriation: Administration & Support Services  
Allocation: Office of Project Management & Permitting  
OMB Component Number: 2733

## Expenditures/Revenues

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

(Thousands of Dollars)

|                        | FY2024<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2024<br>Request | Out-Year Cost Estimates |              |              |              |              |
|------------------------|--------------------------------------|------------------------------------------------|-------------------------|--------------|--------------|--------------|--------------|
| OPERATING EXPENDITURES | FY 2024                              | FY 2024                                        | FY 2025                 | FY 2026      | FY 2027      | FY 2028      | FY 2029      |
| Personal Services      | 255.7                                |                                                | 255.7                   | 255.7        | 255.7        | 255.7        | 255.7        |
| Travel                 | 10.0                                 |                                                | 10.0                    | 10.0         | 10.0         | 10.0         | 10.0         |
| Services               | 31.2                                 |                                                | 31.2                    | 31.2         | 31.2         | 31.2         | 31.2         |
| Commodities            | 13.5                                 |                                                | 3.5                     | 3.5          | 3.5          | 3.5          | 3.5          |
| Capital Outlay         |                                      |                                                |                         |              |              |              |              |
| Grants & Benefits      |                                      |                                                |                         |              |              |              |              |
| Miscellaneous          |                                      |                                                |                         |              |              |              |              |
| <b>Total Operating</b> | <b>310.4</b>                         | <b>0.0</b>                                     | <b>300.4</b>            | <b>300.4</b> | <b>300.4</b> | <b>300.4</b> | <b>300.4</b> |

## Fund Source (Operating Only)

|                     |              |            |              |              |              |              |              |
|---------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1004 Gen Fund (UGF) | 310.4        |            | 300.4        | 300.4        | 300.4        | 300.4        | 300.4        |
| <b>Total</b>        | <b>310.4</b> | <b>0.0</b> | <b>300.4</b> | <b>300.4</b> | <b>300.4</b> | <b>300.4</b> | <b>300.4</b> |

## Positions

|           |     |  |  |  |  |  |  |
|-----------|-----|--|--|--|--|--|--|
| Full-time | 2.0 |  |  |  |  |  |  |
| Part-time |     |  |  |  |  |  |  |
| Temporary |     |  |  |  |  |  |  |

## Change in Revenues

|              |            |            |            |            |            |            |            |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None         | ***        |            | ***        | ***        | ***        | ***        | ***        |
| <b>Total</b> | <b>***</b> | <b>0.0</b> | <b>***</b> | <b>***</b> | <b>***</b> | <b>***</b> | <b>***</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? yes  
(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? yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 06/01/24

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

Not applicable, initial version.

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Approved By: Theresa Cross, Administrative Services Director  
Agency: Natural Resources

Phone: (907)269-8732  
Date: 01/24/2023 06:30 PM  
Date: 01/25/23

## FISCAL NOTE ANALYSIS

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## Analysis

This bill establishes a statewide carbon offset program within the Department of Natural Resources. The proposed offset program has the potential to generate an additional revenue stream for the State of Alaska through biologic carbon storage projects that can mitigate a portion of the carbon dioxide emitted by activities around the State, nation, and world. This offset program will allow private parties to lease state land in order to undertake carbon offset and management programs and would allow the Department of Natural Resources to implement its own carbon offset projects on State lands.

The bill identifies the criteria to be used to establish the program, provides direction for the department related to administration of the new program, requires a public decision process for carbon projects on state lands, and allows for the sale of carbon offset credits. Revenue from carbon offset sales will be placed in a new carbon offset credit fund to provide funding for the administration and implementation of the program, and excess funding can be drawn from the fund for general State expenses in the future.

## REVENUE

Revenues are not specifically estimated because of the market and timeline uncertainty for carbon offset projects. After legislative enactment, the Department assumes that program stand-up and initial project solicitations would occur during CY 2023 and 2024. Project development is estimated to begin in CY 2024 or 2025. It is possible that initial leasing revenues could occur shortly after enactment based on market response, but the size of these revenues is currently indeterminate. Current approximations for voluntary carbon offset projects have a development timeline of at least 18 months before generating credits, and thus the first credits from projects could begin to accrue in CY 2025, 2026, or 2027 based on when they are initiated by market participants. The Carbon Offset Fund proposed by legislation would potentially fund future program expenses and require revenue from the program to cover its costs.

## EXPENDITURES

The Department will lay a foundation for initial applications for offset and sequestration projects and then fill out staffing based on program demand. A large project coordinator and administrative officer housed in the Department's Office of Project Management and Permitting (OPMP) will coordinate Department subject matter experts, planners, foresters and adjudicators in the Divisions of Mining, Land & Water and Forestry & Fire Protection. If the program is popular, the Department will hire additional staff necessary to implement the program with carbon offset program funds. Some startup staff within DOF and DMLW are initially funded for three years; if demand requires continued funding, the Department will fund positions through the Carbon Offset Fund.

Personnel:

Large Project Coordinator (Range 23): Sets up program and implementation, including regulations framework and procurement and coordination of contracted subject matter experts; Coordinates proposals and Department evaluations, findings, and authorizations; Coordinates website development; Coordinates administration of digital filing system for carbon projects; Maintains extensive records on the project (AS 38.95.420(b)). This position will be housed within the Office of Project Management and Permitting .

Administrative Officer 1 (Range 17): Years 1 - 3: Performs budget, reporting, accounting, procurement, and human resources functions; Assists with website development and maintains current information; Assists with updating three State Forest Management Plans as necessary; Maintains website. This position will be housed within the Office of Project Management and Permitting.

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BILL NO. LL0372

**Analysis**Travel costs:

The Department anticipates annual travel expenses to hold public meetings.

Services:

Contractual costs for office space, telephones, core service charges and related expenses for new positions are \$15.0 per position annually. Funding for training staff on carbon offsets and other programmatic areas is estimated at \$1.2 annually.

Commodities:

Supply costs including computers are \$1.5 per person annually. Initial office set up is a one-time cost of \$5.0 per staff (\$5.0 x 2 positions in year one).