Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version:	HB 49
Fiscal Note Number:	2
(H) Publish Date:	1/27/2023

Identifier: 0372-DNR-MLW-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: Fire Suppression, Land & Water Resources
Allocation: Mining, Land & Water
OMB Component Number: 3002

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	458.3		458.3	458.3	458.3	458.3	458.3
Travel	20.0		20.0	20.0	20.0	20.0	20.0
Services	212.4		212.4	212.4	212.4	212.4	212.4
Commodities	25.0		5.0	5.0	5.0	5.0	5.0
Capital Outlay	425.0						
Grants & Benefits							
Miscellaneous							
Total Operating	**1,140.7**	**0.0**	**695.7**	**695.7**	**695.7**	**695.7**	**695.7**

Fund Source (Operating Only)

1004 Gen Fund (UGF)	715.7		695.7				
1005 GF/Prgm (DGF)				695.7	695.7	695.7	695.7
1061 CIP Rcpts (Other)	425.0						
Total	**1,140.7**	**0.0**	**695.7**	**695.7**	**695.7**	**695.7**	**695.7**

Positions

Full-time	4.0						
Part-time							
Temporary							

Change in Revenues

None	***		***	***	***	***	***
Total	*******	**0.0**	*******	*******	*******	*******	*******

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

Estimated CAPITAL (FY2024) cost: 425.0 *(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If yes, by what date are the regulations to be adopted, amended or repealed? 06/01/24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.

Prepared By: Christy Colles, Director of Mining Land and Water Phone: (907)269-8532
Division: Mining Land & Water Date: 01/24/2023 06:30 PM
Approved By: Theresa Cross, Administrative Services Director Date: 01/25/23
Agency: Natural Resources

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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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 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.

Initial contracting capital funds are for subject matter expertise and consulting in developing program regulations, contracts, and implementation of a program outside current staff experience. Contract dollars are funded through capital appropriations to allow flexibility in annual spending depending on identified consulting needs and program timelines.

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FISCAL NOTE ANALYSIS

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BILL NO. LL0372

Analysis

Capital Program Authority $425.0:
$75.0 contract dollars for website and systems development.
$100.0 contract for expertise on program framework and regulations.
$250.0 contract (capital) for setting up authorization frameworks, contracts, and for subject matter expertise.

Personnel:
Three Natural Resource Specialists 2/3 (Range 16/18): Two adjudication staff and one land title specialist. Issues and administers leases and conducts site visits as needed to ensure compliance; Issues Best Interest Findings (BIFs).
GIS Analyst 3 (Range 19): Years 1 - 3: Maintains all project related geospatial data and enters information into the state land administration system; Develops reporting and management tools; Synthesizes information.
All three positions will be housed within the Division of Mining Land and Water.

Travel:
The Department anticipates annual travel expenses for field verification of parcel locations and conditions.

Services:
The Department anticipates annual contracting costs for surveys of lease parcels at $75.0 annually, and for appraisals at $75.0 annually. 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 $2.4 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 4 positions in year one).