

Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version:	CSSB 48(RES)
Fiscal Note Number:	4
(S) Publish Date:	5/5/2023

Identifier: SB048CS(RES)-DNR-OPMP-05-02-23
Title: CARBON OFFSET PROGRAM ON STATE LAND
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: (S)RES

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 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	156.1		264.5	264.5	264.5	264.5	264.5
Travel	10.0		10.0	10.0	10.0	10.0	10.0
Services	16.3		81.3	31.3	31.3	31.3	31.3
Commodities	12.0		14.0	4.0	4.0	4.0	4.0
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	194.4	0.0	369.8	309.8	309.8	309.8	309.8

Fund Source (Operating Only)

1004 Gen Fund (UGF)	194.4		369.8	309.8	309.8	309.8	309.8
Total	194.4	0.0	369.8	309.8	309.8	309.8	309.8

Positions

Full-time	1.0		2.0	2.0	2.0	2.0	2.0
Part-time							
Temporary							

Change in Revenues

None	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***

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If yes, by what date are the regulations to be adopted, amended or repealed? 06/01/24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:

This fiscal note refers to CSSB 48(RES), clarifies bill implementation, clarifies fund sources, and updates the personal services, contractual services and commodities costs from the initial version to reflect those revisions. The Personal Services was amended to show the Large Project Coordinator starting in FY24 and continuing annually and the Administrative Officer 1 starting in FY25 and continuing annually. The Services and Commodities lines were updated to accurately reflect ongoing employee costs and program startup and project specific contracting costs are reflected in capital costs.

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Agency: Natural Resources

Phone: (907)269-8732
Date: 05/02/2023
Date: 05/02/23

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION

Analysis

This bill establishes a carbon offset program in the Department of Natural Resources (Department) and authorizes leasing of state lands for carbon management purposes. The proposed programs will facilitate use of state lands and generate new revenue streams for the state. The Department envisions them as separate programs with separate staff and funding, but sharing a central coordinator with in-house carbon management expertise. The leasing program allows entities to apply for leases of state lands for carbon management purposes. The offset program allows the state to undertake carbon offset projects.

REVENUE

Revenues are not specifically estimated for either program due to timeline uncertainty and potential project variations. After legislative enactment, the Department assumes that carbon offset program stand-up and initial project identification would occur during CY 2023 and 2024. Project development is estimated to begin in CY 2024 or 2025.

Current approximations for carbon offset projects have a development timeline of 18 to 24 months before generating credits, and earliest credit sales may occur in FY 2028. Revenue generated from carbon offset credits is deposited into the Carbon Offset Fund established by this bill.

Leasing revenue will be driven by demand, value and area of lands leased, and rental payments as established under AS 38.05.081(f), and is deposited in general fund program receipts.

EXPENDITURES

The Department will lay a foundation for leases and offset 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 (DMLW) and Forestry & Fire Protection (DOF). Staff in DMLW support the leasing program established under AS 38.05.081 and are funded by unrestricted general funds then, as available, through program receipts; the intent is to utilize receipt authority in place of general fund dollars. Staff in DOF and OPMP are funded by unrestricted general funds; the intent is to utilize the Carbon Offset Fund in place of general fund dollars.

Personnel in the Office of Project Management and Permitting:

A Large Project Coordinator (Range 23), starting in FY24, will stand up and administer the carbon program, including enacting a regulations framework and procurement and coordination of contracted subject matter experts. This position coordinates proposals and Department evaluations, findings, and authorizations, coordinates website development, coordinates administration of digital filing system for carbon projects, and maintains extensive records on a project (AS 38.95.420(b)).

An Administrative Officer 1 (Range 17), starting in FY25, 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, and maintains websites.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION

BILL NO. CSSB 48(RES)

Analysis

Travel costs:

The Department anticipates \$10.0 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 \$1.3 annually. One survey in FY25 for the first project is \$50.0.

Commodities/Supplies:

Supply costs including computers are \$2.0 per person annually. Initial office set up is a one-time cost of \$10.0 per staff. First year costs combined (initial and annual) are \$12.0.

One new PCN in FY24 = \$10.0 (initial and annual costs combined)

One new PCN in FY25 = \$12.0 (10.0 for new employee, 2.0 for PCN added in FY24)

FY26-FY29 = \$4.0 (2.0 for each PCN that was added in FY24 and FY25)

Capital Appropriation \$425.0:

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. Funds would be used in part for legal and commercial review of individual projects utilizing both in-house and outside expertise, and assuming one project per year for each of three years. An accelerated schedule would require additional funds earlier. For future projects, DNR expects to use the Carbon Offset Fund to cover this cost category as the first project should be generating credits by that time.

\$ 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 project frameworks, contracts, and for subject matter expertise.