

SENATE FINANCE COMMITTEE

May 8, 2023

9:07 a.m.

[9:07:13 AM](#)

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 9:07 a.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

Maridon Boario, Staff, Senator Lyman Hoffman; Christine O'Connor, Alaska Telecom Association, Juneau; Lacey Sanders, Director, Administrative Services, Department of Education and Early Development; Dr. Amy Philips Chan, Director, Library and Archives Museum, Department of Education and Early Development; Dr. Lisa Parady, Executive Director, Alaska Council of School Administrators; Lon Garrison, Executive Director, Association of Alaska School Boards; Rena Miller, Special Assistant, Commissioners Office, Department of Natural Resources; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Heidi Teshner, Self, Anchorage; Ariel Burr, Quintillion, Anchorage; Jim Wilson, Superintendent, Unalaska School District, Unalaska; Willy Keppel, Self, Quinhagak; John Boyle, Commissioner-Designee, Department of Natural Resources; Jeanne Pigors, Lands Manager, Northern Region,

Division of Mining Land and Water, Department of Natural Resources, Fairbanks; Helge Eng, State Forester, Division of Forestry and Fire Protection, Department of Natural Resources, Anchorage; Ashlee Adoko, Director, Office of Project Management and Permitting, Department of Natural Resources, Anchorage; Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Josh Strauss, Senior Vice-President, ANEW, California.

SUMMARY

SB 48 CARBON OFFSET PROGRAM ON STATE LAND

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

SB 140 INTERNET FOR SCHOOLS

SB 140 was HEARD and HELD in committee for further consideration.

#sb140

SENATE BILL NO. 140

"An Act relating to funding for Internet services for school districts; and providing for an effective date."

[9:08:16 AM](#)

MARIDON BOARIO, STAFF, SENATOR LYMAN HOFFMAN, introduced the legislation. She read from the Sponsor Statement (copy on file):

SB 140 increases broadband share for eligible schools from 25 megabits per second (Mbps) to 100 Mbps of download speed and provides funding to help those schools reach 100 Mbps through the School Broadband Assistance Grant (BAG).

The Alaska School Broadband Assistance Grant (BAG) program was created to assist schools to increase internet download speeds. Established in 2014 by the Alaska State Legislature, this grant originally allowed schools to reach download speeds of 10 Mbps. In 2020, the State Legislature revised the statute to

help schools reach 25 Mbps download speeds. SB 140 seeks to increase the download speeds to 100 Mbps.

Co-Chair Olson asked Ms. Boario to slow down.

Ms. Boario continued:

Schools that qualify for a discounted rate for internet services under The Universal Service Administrative Company, Schools and Libraries Program, commonly known as "E-rate," are eligible for the School Broadband Assistance Grant (BAG). The E-rate program provides discounts of up to 90 percent to help eligible schools and libraries obtain affordable broadband.

New and improved technologies and increases to internet services have allowed for more and faster delivery of internet services. Because the cost of internet in some rural districts has decreased, the annual internet costs have fallen below benchmarks established by state law. To allow school districts to utilize these advances, SB 140 will increase the minimum requirement of Mbps from 25 to 100 which will increase the amount of Broadband Assistance Grants (BAG) to help school districts reach increased download speeds. Increasing the funding available through the BAG program in future years will allow schools to leverage more E-Rate funds to bring Alaskan schools in line with national standards for broadband connectivity.

In 2023, 151 Alaskan schools in 27 school districts benefited from the school BAG awards.

The funding leverages federal E-rate funds at approximately 8:1. The program allows for up to 9:1 based on a formula for free and reduced lunch calculation by district.

[9:10:15 AM](#)

Senator Kiehl wondered whether a district was able to get help with the high cost of maintenance.

Ms. Boario replied that the district would still qualify for the discount through the federal government.

Senator Kiehl wondered whether the state provided any partial match to that discount.

Ms. Boario replied in the negative.

Co-Chair Hoffman noted that there had been some questions about the fiscal note, and remarked that the committee may want to change the effective date. He stressed that the intention was not to implement it in the current school year.

Co-Chair Olson wondered whether the administration supported the bill.

Co-Chair Hoffman replied that the department could respond to that question.

[9:13:59 AM](#)

Co-Chair Olson OPENED public testimony.

[9:14:31 AM](#)

CHRISTINE O'CONNOR, ALASKA TELECOM ASSOCIATION, JUNEAU, testified in support of the bill.

[9:16:58 AM](#)

HEIDI TESHNER, SELF, ANCHORAGE (via teleconference), discussed the fiscal note for the bill.

Co-Chair Olson wondered whether the administration was in favor of the bill.

Ms. Teshner replied that the administration was in favor of adequate education for students.

[9:18:07 AM](#)

LACEY SANDERS, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, discussed the fiscal note.

[9:19:29 AM](#)

DR. AMY PHILIPS CHAN, DIRECTOR, LIBRARY AND ARCHIVES MUSEUM, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced herself.

Senator Wilson wondered whether the Lower Yukon School District needed assistance.

Ms. Teshner agreed to provide that information.

[9:22:40 AM](#)

DR. LISA PARADY, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, spoke in support of the bill.

[9:25:52 AM](#)

LON GARRISON, EXECUTIVE DIRECTOR, ASSOCIATION OF ALASKA SCHOOL BOARDS, spoke in support of the legislation.

[9:28:02 AM](#)

ARIEL BURR, QUINTILLION, ANCHORAGE (via teleconference), testified in support of the bill.

[9:30:31 AM](#)

JIM WILSON, SUPERINTENDENT, UNALASKA SCHOOL DISTRICT, UNALASKA (via teleconference), testified in support of the legislation.

[9:32:30 AM](#)

WILLY KEPPEL, SELF, QUINHAGAK (via teleconference), testified against the legislation.

Co-Chair Olson CLOSED public testimony.

[9:36:06 AM](#)

AT EASE

[9:39:35 AM](#)

RECONVENED

SB 140 was HEARD and HELD in committee for further consideration.

#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."

9:39:52 AM

JOHN BOYLE, COMMISSIONER-DESIGNEE, DEPARTMENT OF NATURAL RESOURCES (via teleconference), presented the legislation.

9:48:23 AM

RENA MILLER, SPECIAL ASSISTANT, COMMISSIONERS OFFICE, DEPARTMENT OF NATURAL RESOURCES, discussed the presentation, "Senate Bill 48: Carbon Offset Program on State Land, Senate Finance Committee" (copy on file).

Co-Chair Olson stated that public testimony would be postponed until the afternoon meeting.

Ms. Miller addressed slide 2, "Carbon Management - Simplified." She explained that the slide showed how the emissions could be captured at the point of generation and stored to set aside for future use.

9:50:46 AM

Ms. Miller pointed to slide 3, "Carbon Management -Not So Simple!"

Ms. Miller highlighted slide 4, "Carbon Offsets -Markets."

Ms. Miller discussed slide 5, "Carbon Offsets -State Resource Base":

- Tremendous State land and resource base
- 100 million acres uplands
- Tens of millions acres forested land
- 60 million acres tide and submerged lands

Ms. Miller pointed to slide 6, "Carbon Offsets -Potential Affirmed":

Anew report affirms potential:

- Identifies 3 'pilot' projects
- Improved Forest Management protocols -timber harvest continues
- Revenue potential\* of all three:
  - approx. \$81.6 million over 10 years
  - approx. \$311 million over 40 years

[9:54:17 AM](#)

Ms. Miller displayed slide 7, "Carbon Offsets - Benefits to Alaska":

- New source of State revenue
- Compatible with existing land and resource use
- Positive environmental impact
- Incentivizes active forest management and rebuilding State's timber stock
- Supports the general State economy
- 'Maximum use' per Alaska Constitution
- Does not:
  - 'lock up land'
  - institute emission limits/ cap and trade rules for Alaska businesses

Ms. Miller looked at slide 9, "SB48 -Overview":

- Tasks DNR with setting up frameworks to support carbon offset opportunities that align with Alaska's resource and land interests, responsibilities
- Enables carbon offset projects on State land and shorelines
- Does not authorize a specific project

Ms. Miller addressed slide 10, "SB48 -Overview":

- Provides a process for third parties to lease State land for carbon management purposes (Section 4)
- Establishes the Carbon Offset Program at DNR to undertake State projects (Section 6)

Ms. Miller looked at slide 11, "Two Distinct Paths Under SB48":

Carbon Leases:

Provides process for third parties to lease State land for carbon management purpose (bill sections 3-5)

State Projects:

Establishes 'Carbon Offset Program' at DNR for State to undertake carbon offset projects (bill sections 1-2, 6-13)

Ms. Miller pointed to slide 13, "Path 1: Carbon Management Purpose Leases":

- New carbon lease program situated within Alaska Land Act (AS 38.05)
  - Body of statute, regulation under Alaska Land Act applies
    - Best interest findings processes, including preliminary decisions noticed for public comment
- Bill provides alternative competitive award process to accommodate range of State values (vs. competitive bid at auction)
- Division of Mining, Land and Water to administer leasing program

Ms. Miller looked at slide 14, "Path 1: Carbon Leases":

Costs:

- Promulgate regulations; receive, process applications
- Monitor leases, ensure conditions met
  - 1 full-time, permanent position (total \$151.9 in FY24, \$141.9 in FY25 onward; Unrestricted General Fund (UGF) until leasing revenue sufficient to cover costs)
  - Will seek to fill out staffing based on program demand through annual legislative budget process

Revenue:

- Indeterminate in amount, timing
- Driven by private sector demand, project value, area of lands leased
- Sec. 4 requires lease compensation to maximize returns to the State

[10:00:01 AM](#)

Ms. Miller highlighted slide 15, "Path 1: Carbon Leases":

- Hypothetical examples:
  - Company leases 10,000 acres of State land for 55 years, invests capital to plant

trees/regenerate forest; may be 20+ years before project generates credits; State gets annual fee for land lease, percentage of carbon revenue once generating credits

- Kelp farm overlays carbon offset project to help help production economics; State gets annual fee for land lease, some percentage of carbon revenue

Senator Wilson wondered whether the private entities would pay for the carbon offsets.

Ms. Miller replied that the bill dealt strictly with the leasing of state land.

Senator Wilson asked whether one could sublease a carbon offset on state land.

[10:03:11 AM](#)

JEANNE PIGORS, LANDS MANAGER, NORTHERN REGION, DIVISION OF MINING LAND AND WATER, DEPARTMENT OF NATURAL RESOURCES, FAIRBANKS (via teleconference), replied that eventually subleases could occur. She explained that there would need to be a primary amendment that the state would lease.

Senator Kiehl wondered who would own the trees if the purpose of the land was to offset the carbon.

Ms. Miller replied that the state owned the trees.

[10:05:49 AM](#)

Senator Kiehl wondered whether the lease for carbon management would put the management of the trees as separate from the carbon management.

Ms. Miller replied that those were the kinds of activities that could occur.

Senator Kiehl surmised that the state would need to separately sell the trees, but wondered about the carbon in the soil.

Ms. Miller agreed to provide that information.

Co-Chair Stedman surmised that the Department of Natural Resources (DNR) had dedicated plans for certain areas. He wondered whether the bill removed or changed the habitat plans.

Ms. Miller replied that the bill would require forest management plan amendments.

Co-Chair Stedman wondered whether an old growth forest stored more carbon than a clear cut and new beginning.

Ms. Miller replied deferred to Ms. Eng.

[10:10:58 AM](#)

HELGE ENG, STATE FORESTER, DIVISION OF FORESTRY AND FIRE PROTECTION, DEPARTMENT OF NATURAL RESOURCES, ANCHORAGE (via teleconference), replied that it was a close rate, and there was no definitive determination of what age forest carbon would contain.

Co-Chair Olson wondered what would happen if the forest were to destroy the trees, and whether the state would have financial input.

Ms. Miller replied that the forests would be for state projects, so there would be a protocol by the registry.

Senator Kiehl wondered how the biologists were incorporated into the proposal.

Ms. Pigors replied that biologists and experts would be involved in the best interest findings of the lease.

[10:15:46 AM](#)

Ms. Miller stated that there were also forest management plans that incorporated broader issues than only timber.

Ms. Miller looked at slide 17, "Path 2: State Projects - Overview":

- SB48, section 6, stands up 'Carbon Offset Program' for State to undertake its own carbon offset projects
- State is project proponent - 'owns' the project
- State may work with a partner, contractors (project developer)

- Costs to start up, manage project over term
- Project generates credits for carbon stored on landscape
- State sells credits to buyers
- Revenue from sales flows to new Carbon Offset Revenue Fund established in section 6

Co-Chair Olson asked about details of bullet one.

Ms. Miller replied that bullet point one assumed that the legislation would pass and begin work on the framework.

Co-Chair Olson asked the time it would take from the passage of the bill to the point of revenue to the state.

Ms. Miller estimated that it would be four years.

Ms. Miller looked at slide 18, "Path 2: State Projects - Parties."

[10:20:45 AM](#)

Co-Chair Hoffman requested examples of the major buyers that would be voluntary mission reduction targets.

Ms. Miller replied that examples of companies were JP Morgan, Goldman Sachs, Disney, L'Oréal, and a number of others. She stated that there were approximately 2000 companies in the voluntary carbon market.

Co-Chair Hoffman wondered whether corporations outside the U.S. were included in that total.

Ms. Miller replied in the affirmative.

Co-Chair Stedman wondered whether the Securities and Exchange Commission (SEC) would examine the credits and any potential rulings that would have regulatory issues.

Ms. Miller responded that the SEC had been considering some regulation for corporations that might look to how they determine their emissions to apply against the credits.

Senator Wilson queried the minimum acreage of carbon credits.

Ms. Miller replied that it depended on the type of project. She replied that, for forest projects, 5000 to 6000 acres was the minimum. She explained that there was also a consideration for the types of trees.

Senator Wilson wondered whether there was a way to redefine the natural resources.

Ms. Miller replied that she would be happy to discuss that issue.

[10:24:43 AM](#)

Ms. Miller addressed slide 19, " Path 2: State Projects - Costs":

- Fixed program costs regardless of number of projects
  - New Carbon Offset Program housed under existing Office of Project Management and Permitting (OPMP); 2 full-time, permanent positions (\$192.4 in FY24; \$367.8 in FY25; \$309.8 in FY26 onward, UGF until revenues sufficient to replace UGF)
  - Supported by Division of Forestry and Fire Protection (DOF); 1 full-time, permanent position (total \$147.3 in FY24; \$137.3 in FY25 onward, UGF until revenues sufficient to replace UGF)
  - Initial capital to OPMP to establish framework, retain expertise (\$425.0 UGF in FY24 only)
- Project-dependent costs
  - Project feasibility analysis, implementation, ongoing project maintenance (inventories, modeling, audits)

Senator Kiehl wondered whether the money would go to the Office of Project Management and Permitting (OPMP).

Ms. Miller deferred to Ms. Adoko.

[10:27:34 AM](#)

ASHLEE ADOKO, DIRECTOR, OFFICE OF PROJECT MANAGEMENT AND PERMITTING, DEPARTMENT OF NATURAL RESOURCES, ANCHORAGE (via teleconference), replied that it would be a different framework.

[10:29:41 AM](#)

Ms. Miller looked at slide 20, " Path 2: State Projects Project-dependent costs, cont.":

- Variety of ways for State to approach projects
  - State use State staff, funds
  - State contract with project developer(s), service providers
- Project developer(s) offer range of terms, services
  - 'Turnkey' -developer fronts project costs; receives fixed share of revenue once project generates credits
  - 'Ala carte' -one or more companies are contracted in fee-for-services approach to perform specific project tasks (inventory, marketing, etc.)

Ms. Miller addressed slide 21, "Path 2: State Projects - Scenarios":

- Scenarios feature potential pilot projects identified by Anew
- Not conclusive view of State's carbon offset potential -DNR anticipates additional opportunities
- DNR may or may not proceed with pilots, as described in Anew report, if SB48 passes
- State Forests are likely primary objectives due to high carbon storage potential
- Revenue dependent on number, timing, size of projects; verifiable carbon stored; credit price; marketing success
- On credit sale, revenue flows to Carbon Offset Fund

Ms. Miller highlighted slide 22, "Path 2: State Projects - 1-Project Scenario."

[10:36:36 AM](#)

Ms. Miller pointed to slide 23, "Path 2: State Projects -3-Project Scenario."

Ms. Miller discussed slide 24, "Path 2: State Projects - Carbon Offset Fund":

- The fund is outside the general fund (GF)
- Revenue automatically flows into the fund -"shall" be deposited
- Appropriations do not lapse

- Used for purposes of Carbon Offset Program
  - Required project maintenance over term (varies; recurring inventories, audits, to support further credit issuance)
  - Program administrative costs (including DNR staff)
  - Initiate new carbon offset projects (feasibility, start-up, implementation costs)

Co-Chair Stedman asked for more detail about why the administration did not want more appropriation.

Ms. Miller replied that that the issue may be due to the translation in the legal drafting of the bill. She deferred to Mr. Steininger.

Co-Chair Stedman asked for further information about the general fund issue.

[10:38:49 AM](#)

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), replied that the desire was to ensure that the balance of the fund would not be subject to the CBR sweep.

Co-Chair Stedman stated that most small sub-funds would want to be out of the general fund and felt that it was to be addressed by the committee.

Co-Chair Hoffman asked about the constitutional requirement to not have dedicated funds.

Mr. Steininger replied that it was designed to be similar to the higher education fund.

[10:40:37 AM](#)

Senator Wilson wondered whether it should be set up like a royalty.

Mr. Steininger agreed to discuss that issue.

Senator Wilson remarked on the definition of carbon.

[10:44:45 AM](#)

JOSH STRAUSS, SENIOR VICE-PRESIDENT, ANEW, CALIFORNIA (via teleconference), introduced himself.

[10:45:44 AM](#)

Mr. Strauss discussed the presentation, "Forest Carbon in Alaska" (copy on file). He addressed slide 3, "About Anew":

- Oldest and largest carbon offset developer in North America (20+ years)
- Voted Environmental Finance's Best Project Developer (North America) and Best Offset Developer (California) for seven years running
- Dedicated forestry team: in house finance, marketing, and legal experts, plus >30 professional foresters with unparalleled forest carbon experience

Mr. Strauss highlighted slide 4, "Existing Forest Carbon Project in AK":

Since 2016, 18 Forest Carbon Projects have successfully issued credits

- 11 Compliance
- 7 Voluntary

Ms. Strauss addressed slide 6, "Forest Carbon Markets":

#### Voluntary Market

Companies voluntarily choose to purchase offsets to reduce their emissions

- Greater variation in pricing
  - \$4 to \$35
- Premium value attributed to "charismatic" projects
- Less certain demand

#### Compliance Market

Companies purchase offsets to help meet their legally mandated emissions targets (CA and Quebec)

- More consistent pricing
    - \$17 to \$24
  - Built in demand through 2030
- Additional Compliance Programs
- Washington
  - CORSIA (international aviation)
  - Canada (Federal and Provincial)

- Oregon

[10:55:52 AM](#)

Mr. Strauss discussed slide 7, "Credit Buyers."

Co-Chair Stedman wondered whether there were standardized contracts.

Mr. Strauss replied that the contracts for the purchasing of the units.

Co-Chair Stedman wondered whether the IRS had taken interest in the industry.

Mr. Strauss replied that he was not aware of any IRS interest.

Senator Wilson looked at slide 6, and queried the measurement of unit.

Mr. Strauss replied that the unit was one offset equals one metric ton of emissions reductions.

[11:00:22 AM](#)

Co-Chair Olson discussed the afternoon's agenda.

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

#

ADJOURNMENT

[11:00:52 AM](#)

The meeting was adjourned at 11:00 a.m.