

SENATE FINANCE COMMITTEE

May 8, 2023

2:12 p.m.

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CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 2:12 p.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

Ken Alper, Staff, Senator Donny Olson; Senator Loki Tobin, Sponsor; Mike Mason, Staff to Senator Tobin, In Room; Rena Miller, Special Assistant, Commissioners Office, Department of Natural Resources; John Crowther, Deputy Commissioner, Department of Natural Resources.

PRESENT VIA TELECONFERENCE

Josh Strauss, Senior Vice President, ANEW, California; Mike Jones, Self, Homer; Dave Maxwell, Self, Palmer; Ken Griffin, Self, Wasilla; Kassie Andrews, Self, Anchorage; Todd Lindley, Self, Anchorage; Ken Huckeba, Self, Wasilla; Ed Martin, Self, Kenai; Lydia Shumaker, Self, Wasilla.

SUMMARY

SB 48          CARBON OFFSET PROGRAM ON STATE LAND

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

SB 52 INCREASE BASE STUDENT ALLOCATION

CSSB 52 was REPORTED out of committee with a four "do pass" recommendations, one "do not pass" recommendation, and two "no recommendations"; and with two new zero fiscal notes and three new fiscal impact notes from the Department of Education and Early Development.

#sb52

SENATE BILL NO. 52

"An Act relating to education; increasing the base student allocation; and providing for an effective date."

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Co-Chair Stedman MOVED to ADOPT the committee substitute for SB 52, Work Draft 33-LS0369\R (Marx, 5/5/23).

Co-Chair Olson OBJECTED for discussion.

[2:13:50 PM](#)

KEN ALPER, STAFF, SENATOR DONNY OLSON, explained the committee substitute:

Two main changes:

- 1) Page 8, line 7. Increases the Base Student Allocation by \$680, from \$5,960 to \$6,640, for FY2024 (effective July 1, 2023).
- 2) Removed subsequent year increases to the BSA that were in the Education Committee version.

What the bill still does:

- 1) Retains the changes made in Senate Education that add new reporting and "dashboard" requirements to better track academic performance and the progress of each high school graduating class. These are amended into the existing requirements created by the Alaska Reads Act in 2022.

Co-Chair Olson WITHDREW the OBJECTION. There being NO OBJECTION, it was so ordered.

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SENATOR LOKI TOBIN, SPONSOR, introduced herself.

MIKE MASON, STAFF, SENATOR LOKI TOBIN, introduced himself.

Senator Tobin explained that the proposed committee substitute met the policy goal set forth by the Senate Education Committee to significantly increase the Base Student Allocation (BSA). She stated that there was a hope to do what was needed to ensure the passage of the legislation in the current year. She stated that it was clear that the Alaska public education system was struggling. She stressed that the bill would be a permanent increase to the BSA to help children and young adults who received a public education in the state.

Senator Bishop MOVED to ADOPT Amendment 1, 33-LS0369\R.3 (Marx, 5/6/23).

Co-Chair Olson OBJECTED for discussion.

Senator Bishop explained the amendment. He stated that the amendment would raise the residential stipend for residential schools. He stated that it was for \$4.2 million.

Senator Wilson asked which boarding schools the amendment would apply to.

Senator Bishop replied that the amendment was for the Southeast Region, Southcentral Region, Nenana, Galena, Southwest, Northern Remote, Nome, and Kotzebue. He stated that it covered all residential schools.

Co-Chair Olson REMOVED the OBJECTION. There being NO OBJECTION, it was so ordered.

Senator Tobin spoke in support of the amendment.

Senator Bishop MOVED to ADOPT Amendment 2, 33-LS0369\R.4 (Marx, 5/6/23).

Co-Chair Olson OBJECTED for discussion.

Mr. Alper explained Amendment 2. He stated that the amendment would amend the statute that was the base number for the people transportation formula. He stated that it would be the input for calculating the line in the budget, which would cover the cost of school transportation. He stated that the current number was based on 2016. He stated that it was a rewrite of the list of the transportation costs. He stated that the 2016 number was increased by half the amount of inflation, which was about \$8 million of increased funding for that need.

Senator Tobin spoke in support of the amendment.

Senator Wilson surmised that it was an increase of 50 percent based on the inflationary rate.

Mr. Alper replied that the accumulated inflation for the years was approximately 22 percent, so the increase was 11 percent.

[2:20:57 PM](#)

Senator Wilson stated that it was an \$8 million per year increase.

Mr. Alper agreed.

Co-Chair Olson wondered whether \$8 million was the cost of the fiscal note.

Mr. Alper replied that the cost of the amendment would bring the total cost of the transportation to \$80 million.

Senator Bishop stated that even with the amendment, there will still be districts that do not have enough money for transportation.

[2:22:36 PM](#)

AT EASE

[2:23:40 PM](#)

RECONVENED

A roll call vote was taken on the motion.

IN FAVOR: Bishop, Kiehl, Merrick, Hoffman, Olson, Stedman

OPPOSED: Wilson

The motion PASSED (6/1).

[2:24:16 PM](#)

AT EASE

[2:24:58 PM](#)

RECONVENED

[2:25:14 PM](#)

AT EASE

[2:25:21 PM](#)

RECONVENED

[2:25:31 PM](#)

Senator Merrick wondered how the committee substitute would affect the operating budget.

Co-Chair Stedman replied that the bill would have to be signed and passed by the governor. He remarked that the number would match the operating budget of the BSA, but it would make it permanent.

Co-Chair Hoffman furthered that there would need to be additional language in order to ensure that there were not two appropriations for the same thing.

Co-Chair Stedman stated that it was already removed from the budget.

Senator Merrick surmised that the passage and signing of the bill would put the money into the formula, and not passing the bill would put the money outside of the formula.

Co-Chair Stedman agreed.

Co-Chair Stedman MOVED to REPORT CSSB 52(RIN) from committee with individual recommendations and attached fiscal notes. There being NO OBJECTION, it was so ordered.

[2:27:41 PM](#)

AT EASE

2:29:37 PM

RECONVENED

CSSB 52 was REPORTED out of committee with a four "do pass" recommendations, one "do not pass" recommendation, and two "no recommendations"; and with two new zero fiscal notes and three new fiscal impact notes from the Department of Education and Early Development.

#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."

2:30:09 PM

RENA MILLER, SPECIAL ASSISTANT, COMMISSIONERS OFFICE, DEPARTMENT OF NATURAL RESOURCES, introduced herself.

2:30:29 PM

JOSH STRAUSS, SENIOR VICE PRESIDENT, ANEW, CALIFORNIA (via teleconference), discussed the presentation, "Forest Carbon In Alaska" (copy on file). He began with slide 7, which addressed the credit buyers in the economy who were participating in the program.

Mr. Strauss looked at slide 8, "Landowner Obligations":

- Harvesting should not exceed growth
- Must maintain certification (SFI, ATFS) or have state approved Forest Management Plan

2:35:23 PM

Senator Bishop wondered whether there should be a reopener in the contract in five years after the verification, and if there was no increase in the intake of carbon would there be a reopener on the contract; or whether it was prorated.

Mr. Strauss replied that it was a rolling obligation. He furthered that as there was an increase in stocking on the

property with verification on a five year basis, it was a rolling commitment with the new minimum for the forty-year period.

Senator Bishop wondered whether there was a chance to renegotiate if there was an increase in carbon sequestration from five years.

Mr. Strauss said that credit and revenue could be generated on an ongoing basis.

Mr. Strauss addressed slide 9, "Key Components Of Offset Quality." He noted the components of additionally, permanence, verification/monitoring, registration/serializati on(CAR, ACR, VCS, ARB), leakage, reversal (intention/unintentional), and buffer. He elaborated on each point.

[2:42:05 PM](#)

Mr. Strauss continued to discuss slide 9. He likened the buffer account to homeowners insurance.

Senator Bishop asked about forest fires in the unintentional loss column. He understood that forest regrowth would still capture 80 percent of the carbon of a mature forest.

Mr. Strauss replied that, in general, a significant fire event could destroy the seed. Although, a forest that was adept to fires could maintain the seed. He remarked that as a whole there would be a significant carbon event.

[2:45:20 PM](#)

Senator Bishop wondered whether that should be included in a formula for a risk pool.

Mr. Strauss replied that there was an explicit calculation of risk numbers for various threats, including fire. He stated that the 18 percent number was the appropriate number at the time of the study.

Senator Kiehl wondered whether there was someone who was monitoring the insurance credits, to ensure the tight relationship between the carbon pledge and what was actually leaked out.

Mr. Strauss replied that the program would update over time based on changing perceptions of risk. He stated that for any specific single forest with a single catastrophic event, resulting in an unintentional reversal, the forest would not be able to produce the offset.

Senator Kiehl asked whether that was a rule, and who enforces the rule.

Mr. Strauss replied that the American Carbon Registry managed the entire program, with a programmatic system for calculating the risk. He stated that there was a recent update to the calculation systemwide.

Senator Kiehl surmised that there was no individual enforcement.

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Co-Chair Stedman asked about how the carbon registry market was regulated and controlled.

Mr. Strauss replied that there were two different markets: compliance and voluntary. He stated that within the compliance realm the Air Research Board was the ultimate authority, but they utilized the services of the three most well-known non-profit registries: the Climate Action Reserve, the American Carbon Registry, and the Verified Carbon Standard. He stated that in the voluntary space, those three bodies individually operated separate registries with carbon offset credits with their own analyses and methodologies.

Co-Chair Stedman surmised that more nonprofits could be created to contribute to the market.

Mr. Strauss replied that it operated on the integrity and reputation of the various groups and the markets appreciation of the organizations.

Co-Chair Stedman felt that there needed to be regulatory oversight when dealing with "tying up property for hundreds of years."

Co-Chair Olson agreed.

Mr. Strauss pointed to slide 10, "Alaska DNR Pilot Projects":

Three areas were selected as pilot projects due to their carbon stocking, accessibility, and timber marketability

Three projects could collectively generate 10 million offsets over 40-year life

>\$80 million in revenue over 1st decade alone

2:55:40 PM

Co-Chair Stedman wondered whether there was potentially harvestable timber included in the state forest areas.

Mr. Strauss replied that the map considered timber that should be merchantable at some point during the forty-year project life.

Co-Chair Stedman remarked that with such a small bit of state-owned land in Southeast Alaska, he wondered why it was a targeted area for the proposal.

Mr. Strauss replied that it was the desire of the Department of Natural Resources (DNR) to see how things might perform in a variety of different locations. He noted that there was an examination of potential in a given area.

Co-Chair Stedman noted that there was not much economic opportunity in Southeast Alaska, and felt that it could restrict the small amount of state forest.

2:58:16 PM

AT EASE

2:59:56 PM

RECONVENED

Co-Chair Olson HANDED the GAVEL to Senator Merrick.

Mr. Strauss looked at slide 12, "Development Components." He stated that the developer would participate and enact the entire project.

Mr. Strauss addressed slide 13, "Development Timeline." He remarked that the chart showed a timeline associated with a project. He stated that an efficient project would take approximately 18 months from listing phase to sale.

[3:05:36 PM](#)

Senator Merrick asked about the source of funding for the nonprofit organizations.

Mr. Strauss replied that they received a number of cents for each issued credit.

[3:06:09 PM](#)

JOHN CROWTHER, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, introduced himself.

Senator Merrick OPENED public testimony.

[3:06:40 PM](#)

MIKE JONES, SELF, HOMER (via teleconference), spoke in opposition to the bill.

[3:07:41 PM](#)

DAVE MAXWELL, SELF, PALMER (via teleconference), testified against the bill.

[3:10:18 PM](#)

KEN GRIFFIN, SELF, WASILLA (via teleconference), spoke in opposition to the legislation.

[3:13:01 PM](#)

KASSIE ANDREWS, SELF, ANCHORAGE (via teleconference), testified in opposition to the bill.

[3:15:48 PM](#)

TODD LINDLEY, SELF, ANCHORAGE (via teleconference), spoke against the bill.

[3:17:54 PM](#)

KEN HUCKEBA, SELF, WASILLA (via teleconference), testified against the legislation.

[3:20:38 PM](#)

ED MARTIN, SELF, KENAI (via teleconference), spoke against the bill.

[3:23:24 PM](#)

LYDIA SHUMAKER, SELF, WASILLA (via teleconference), testified in opposition to the legislation.

Senator Merrick CLOSED public testimony.

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

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ADJOURNMENT

[3:26:27 PM](#)

The meeting was adjourned at 3:26 p.m.