

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5688 SB	<b>Title:</b> Public lands/carbon seq.
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## Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Ecology	1.4	0	0	468,954	1.4	0	0	448,954	1.4	0	0	448,954
Department of Ecology	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Department of Natural Resources	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>1.4</b>	<b>0</b>	<b>0</b>	<b>468,954</b>	<b>1.4</b>	<b>0</b>	<b>0</b>	<b>448,954</b>	<b>1.4</b>	<b>0</b>	<b>0</b>	<b>448,954</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Ecology	.0	0	0	.0	0	0	.0	0	0
Department of Natural Resources	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

# Estimated Capital Budget Breakout

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<b>Prepared by:</b> Lisa Borkowski, OFM	<b>Phone:</b> (360) 742-2239	<b>Date Published:</b> Final 2/13/2023
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5688 SB	<b>Title:</b> Public lands/carbon seq.	<b>Agency:</b> 461-Department of Ecology
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.4	1.4	1.4	1.4	1.4
<b>Account</b>					
Climate Investment Account-State 26B-1	234,477	234,477	468,954	448,954	448,954
<b>Total \$</b>	234,477	234,477	468,954	448,954	448,954

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kim Cushing	Phone: (360) 786-7421	Date: 02/04/2023
Agency Preparation: Pete Siefer	Phone: 360-485-7648	Date: 02/13/2023
Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 02/13/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/13/2023

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Currently, under the Climate Commitment Act (CCA) Cap-and-Invest program, RCW 70A.65.180 requires the Department of Ecology (Ecology) to provide an assistance program for carbon offset projects on federally recognized Tribal lands in Washington.

Section 201 of this bill would add a new section to chapter 70A.65 RCW, directing Ecology to establish a program to provide assistance to any state agency or local government seeking to develop an offset program relating to lands managed by the agency or local government. The assistance could include, but is not limited to, funding or technical assistance to assess an offset project's technical feasibility, investment requirements, development and operational costs, expected returns, administrative or legal hurdles, and project risks and pitfalls.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

The expenditure impact to Ecology under this bill is estimated to be indeterminate in Fiscal Year (FY) 2024 and ongoing to implement the requirements of section 201.

Section 201 would require Ecology to establish a program to provide assistance to state agencies or local governments seeking to sponsor carbon offset projects on their lands that could qualify as offset credits under the CCA Cap-and-Invest program.

The future demand in the carbon market is unknown at this time, but is expected to grow based on the proliferation of carbon offset projects in both voluntary and compliance markets, including under Washington's CCA Cap-and-Invest program, which went into effect January 1, 2023. In the 2022 calendar year there were approximately 92 new offset projects developed in the United States across five voluntary and compliance registries.

Expenditures to Ecology to administer the new program under section 201 are partially indeterminate due to unknown future demand and costs of technical assistance associated with each project.

For illustrative purposes in this fiscal note, Ecology is providing a scenario of fiscal impacts for this new assistance program based on the current program Ecology administers for offset projects on federally recognized Tribal lands in Washington. Under the current program, Ecology has funding of \$5 million per biennium to provide assistance to Tribes for funding or consultation to assess a carbon offset project's technical feasibility, investment requirements, development and operational costs, expected returns, administrative and legal hurdles, and project risks and pitfalls.

Given the prevalence of private and non-profit carbon offset project developers, Ecology assumes that the most effective way to provide technical assistance for carbon offset projects would be through a grant program similar to the current grant program for offset projects on federally recognized Tribal lands in Washington.

For illustrative purposes, based on Ecology's experience with the current program and assuming continued growth of demand for carbon offset projects, this fiscal note provides a scenario where the technical assistance grant program has ten

applicants per fiscal year.

Ecology assumes the following staff and system costs would be required to implement the new grant program.

It is estimated 1.0 FTE Environmental Planner (EP) 5 would be needed in FY 2024 and ongoing each fiscal year thereafter to develop and implement the grant program, create and maintain program guidance and criteria, and coordinate technical support and resources to provide consultation and analysis of technical feasibility, investment requirements, development and operational costs, expected returns, administrative and legal challenges, and project risks and pitfalls. Ecology also estimates 0.25 FTE Environmental Specialist 4 in FY 2024 and ongoing to be the financial manager grant specialist to provide technical assistance in Ecology's grant program. If the volume of applicants was significantly higher, Ecology assumes it would submit a future budget request for additional staff determined by the workload.

Ecology also estimates costs to establish and maintain the grant program and applications in the agency's grant and loan system (\$20,000 in FY 2024 and FY 2025, and \$10,000 in FY 2026 and each year thereafter in object E).

Ecology assumes that it could begin the grant programs without rule changes using guidance only, but that we would need to include this in ongoing and recurring CCA rulemaking under chapter 173-446 WAC to ensure alignment with this bill. Ecology assumes this would be included in Ecology's next rulemaking effort. Therefore, there would be no new fiscal impact from rulemaking as a result of this bill.

Grant costs are indeterminate depending on state agency and local government demand, as well as costs associated with each project. Grant funding would be subject to appropriation by the legislature, and is not included in this fiscal note. As an example, based on a scenario of ten applicants per fiscal year, at an average award of \$340,000 based on Ecology's experience in FY 2023 with the current grant program for projects on federally recognized Tribal lands, the total grant amount would be \$6.8 million per biennium.

In the future, if Washington enters into a linkage agreement with another jurisdiction, we assume that the scope and total amount of funding needed for a grant program would increase.

**SUMMARY:** The expenditure impact to Ecology under this bill is:

FY 2024 and FY 2025: \$234,477 and 1.4 FTEs

FY 2026 and ongoing: \$224,477 and 1.4 FTEs.

Grant costs are indeterminate, and are not included in the fiscal note tables.

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 36% of salaries.

Goods and Services are the agency average of \$5,224 per direct program FTE. Goods and Services also includes \$20,000 in FY 2024 and FY 2025, and \$10,000 in FY 2026 and ongoing to establish and maintain the grant program and applications in the agency's grant and loan system.

Travel is the agency average of \$1,563 per direct program FTE.

Equipment is the agency average of \$1,031 per direct program FTE.

Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 28.75% of direct program salaries and benefits, and is shown as object 9. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT App Development - Journey.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
26B-1	Climate Investment Account	State	234,477	234,477	468,954	448,954	448,954
<b>Total \$</b>			234,477	234,477	468,954	448,954	448,954

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.4	1.4	1.4	1.4	1.4
A-Salaries and Wages	116,907	116,907	233,814	233,814	233,814
B-Employee Benefits	42,086	42,086	84,172	84,172	84,172
E-Goods and Other Services	26,530	26,530	53,060	33,060	33,060
G-Travel	1,954	1,954	3,908	3,908	3,908
J-Capital Outlays	1,289	1,289	2,578	2,578	2,578
9-Agency Administrative Overhead	45,711	45,711	91,422	91,422	91,422
<b>Total \$</b>	234,477	234,477	468,954	448,954	448,954

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
ENVIRONMENTAL PLANNER 5	98,592	1.0	1.0	1.0	1.0	1.0
ENVIRONMENTAL SPEC 4	73,260	0.3	0.3	0.3	0.3	0.3
FISCAL ANALYST 2		0.1	0.1	0.1	0.1	0.1
IT APP DEV-JOURNEY		0.1	0.1	0.1	0.1	0.1
<b>Total FTEs</b>		1.4	1.4	1.5	1.4	1.4

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

### IV. C - Capital Budget Breakout

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

### IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

## Part V: New Rule Making Required

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 201 would direct Ecology to establish a program to provide assistance to any state agency or local government seeking to develop an offset program relating to lands managed by the agency or local government. Ecology assumes it could begin the grant programs without rule changes, but that it would need to include this in ongoing and recurring CCA rulemaking under chapter 173-446 WAC to ensure alignment with this bill.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5688 SB	<b>Title:</b> Public lands/carbon seq.	<b>Agency:</b> 490-Department of Natural Resources
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kim Cushing	Phone: (360) 786-7421	Date: 02/04/2023
Agency Preparation: Nicole Dixon	Phone: 360-902-1155	Date: 02/13/2023
Agency Approval: Nicole Dixon	Phone: 360-902-1155	Date: 02/13/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/13/2023



## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

This bill calls on Ecology to establish a program to provide assistance to any state agency or local government seeking to develop an offset program related to lands managed by that agency or local government. The bill also provides the department of natural resources specific authority, procedures, and criteria for the development of revenue generating carbon offset projects and other payment for ecosystem service projects.

Sec. 301-307 provide the authority, procedures, and criteria for the development of revenue generating carbon offset projects and other payment for ecosystem service projects.

Sec. 302 authorizes the department of natural resources to enter into contracts for payment for ecosystem service projects, and provides stipulations for contract terms, direct negotiation and public auction, and reporting to the Board of Natural Resources. DNR assumes that this authorization will create revenue generating opportunities that can help to fund existing and future agency operations, including reforestation post-wildfire, silviculture, riparian restoration, kelp and eelgrass conservation and restoration, acquisition of working lands at risk of conversion, restoration and on-going maintenance of newly created natural areas. As a result, the agency may have reduced costs associated with these and other activities. To the extent that the agency is able to take full advantage of these opportunities, there may be a need for increased staff capacity to develop and implement these projects and handle the transactions.

Sec. 303 calls for Board of Natural Resources approval prior to the department entering into the sale of ecosystem service credits. Working with the BNR on these approvals will be done within existing staff capacity.

Sec. 306 specifies that ecosystem services may be sold from state forestlands.

Sec. 307 allows for contracts for ecosystem services on aquatic lands.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

Cash receipts are indeterminate. The annual rate of revenue generation will be driven by the number of projects, the types of projects, the size of those projects, and frequency with which we develop new projects. We know that private forest managers that sell carbon credits on both the regulatory and voluntary markets have generated millions of dollars per year through those projects in addition to revenue generated from more traditional business lines. We anticipate generating revenue in a similar fashion as those projects due. DNR could also reap additional long-term revenue from increased volume due to improved forest management practices (the cost of which would be offset by revenue from carbon projects), unproductive lands being made productive again through inputs (e.g. seedlings) paid for by revenue from the sale of credits, or other yet unforeseen co-beneficial conditions introduced by ecosystem services projects.

Numbers vary in the voluntary carbon market range from \$2 per carbon credit in an emerging market to upwards of \$29 per carbon credit in an established market (California). A current 10,000 acre carbon project on private industrial forestland in southwest Washington is earning approximately \$128,000 per year at the \$2 rate. After broker's fees the actual net earnings to the landowner was approximately \$103,000. At the high-end (\$29), this same project could potentially earn \$1.63 million per year for the landowner. If this were a DNR project, the department would retain 25-31 percent and the remaining would be distributed to the trust beneficiaries.

### II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

At this time the work will be conducted within existing staff capacity. If a future need for additional capacity is identified DNR will submit a Decision Package at that point.

### **Part III: Expenditure Detail**

#### **III. A - Operating Budget Expenditures**

NONE

#### **III. B - Expenditures by Object Or Purpose**

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

#### **III. D - Expenditures By Program (optional)**

NONE

### **Part IV: Capital Budget Impact**

#### **IV. A - Capital Budget Expenditures**

NONE

#### **IV. B - Expenditures by Object Or Purpose**

NONE

#### **IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

This bill may help to offset capital expenditures when it comes to acquiring lands at risk of conversion because those lands can be entered into carbon markets that will generate revenue. At this time the impact is indeterminate.

### **Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5688 SB

Title: Public lands/carbon seq.

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities: Municipalities that pursue ecosystem service projects.
- Counties: Same as above
- Special Districts: Special districts that pursue ecosystem service projects.
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: The number of jurisdictions that would develop ecosystem offset programs, the costs to local governments for consulting with Ecology on these programs, and the potential revenues for local governments with ecosystem offset programs.

### Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

### Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

## Part III: Preparation and Approval

Fiscal Note Analyst: Chelsea Mickel	Phone: 518-727-3478	Date: 02/08/2023
Leg. Committee Contact: Kim Cushing	Phone: (360) 786-7421	Date: 02/04/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/08/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/09/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

This bill authorizes the Department of Ecology (Ecology) to provide technical assistance to any state agency or local government seeking to sponsor carbon offset projects that will qualify as offset credits under the climate commitment act.

Section 201 authorizes Ecology to establish a program to provide assistance to any state agency or local government seeking to develop an offset program related to lands managed by that agency or local government. Ecology's assistance may include funding or technical assistance to assess a project's technical feasibility, investment requirements, development and operational costs, expected returns, administrative and legal hurdles, and project risks and pitfalls.

Section 302 provides the Department of Natural Resources (DNR) with specific authority, procedures, and criteria for the development and implementation of carbon storage projects and associated ecosystem services. DNR is authorized to enter into contracts for payment for ecosystem service projects on terms and conditions acceptable to the department for the purpose of generating revenue by providing ecosystem services that directly or indirectly benefit humans or enhance social welfare. Proceeds from contracts for ecosystem services must be deposited into the appropriate account in the state treasury.

Section 305 is amended to allow the remaining balance of moneys derived from contracts for ecosystem services on state forestland to be paid to the county in which the land is located or, for counties participating in a land pool created under RCW 79.22.140, to each participating county proportionate to its contribution of asset value to the land pool as determined by the board.

Section 307 is amended to allow moneys received by the state from the sale of ecosystem services on aquatic lands, after deductions for management costs, to be paid to towns to be expended for water-related improvements.

#### **DEFINITIONS**

**CARBON OFFSET PROJECT**- a project that reduces or removes greenhouse gases

**ECOSYSTEM SERVICES** - the outputs, conditions, or processes of natural systems that directly or indirectly benefit humans or enhance social welfare. "Ecosystem services" include, but are not limited to, carbon sequestration and storage, air and water filtration, climate stabilization, disturbance mitigation, pollination, pest and disease control, waste decomposition and detoxification, and nutrient cycling.

**ECOSYSTEM SERVICE CREDIT** - a predetermined and standardized unit that represents a measurable ecosystem service provided in the context of a payment for an ecosystem service project.

**ECOSYSTEM SERVICE MARKETPLACE** - an environmental commodity market that brings together buyers, sellers, and investors to exchange ecosystem services as tangible commodities in exchange for compensation.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill would have indeterminate expenditure impacts on local governments.

Local governments may incur costs related to consulting with Ecology for technical assistance on ecosystem services offset programs. Local governments that receive technical assistance from Ecology may incur costs in terms of staff time required to coordinate with Ecology. The average professional compensation at the local level is \$66 per hour, including benefits and overhead. Costs to local governments would depend upon the number of hours of staff time required for each affected local government to collaborate with Ecology. However, tasks related to consulting with state agencies for local ecosystem projects may fall under the purview of current employees, potentially resulting in de minimis expenditure costs

It is unknown whether the scope of local government collaboration would include in-person meetings and travel, or if

collaboration would be mostly remote. Travel and meeting costs would vary depending on the number of local staff representatives attending, meeting location, distance traveled, the number and length of meetings, and the local per diem and hotel costs. Due to these uncertainties, expenditures related to consulting with Ecology are indeterminate.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This bill would have indeterminate revenue impacts on local governments.

Under the provisions of the bill, the remaining balance of moneys derived from ecosystem services located on county land must be allocated to the county or counties on which the project is located, proportionate to its contribution of asset value as determined by the board of natural resources. This would generate revenues for local governments with ecosystem service programs on their land. This bill also allows moneys received by the state from the sale of ecosystem services on local aquatic lands to be paid to towns for water-related improvements, after deductions for management costs. Since the value of ecosystem service credits, the number of ecosystem offset projects that would be developed, and the number of jurisdictions where such projects would be implemented are unknown, revenue impacts to local governments are indeterminate.

#### **SOURCES**

Local Government Fiscal Note Unit Cost Model, (2023)

Municipal Research Services Center

Department of Ecology

Department of Natural Resources

Revised Code of Washington, RCW 79.115.150



# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b> 5688 SB	<b>Title</b> Public lands/carbon seq.
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts

Department of Ecology	0	0	0	0	0	0	0	0	0	0	0
Department of Natural Resources Indeterminate Impact	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# Ten-Year Analysis

<b>Bill Number</b> 5688 SB	<b>Title</b> Public lands/carbon seq.	<b>Agency</b> 461 Department of Ecology
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

<b>Name of Tax or Fee</b>	<b>Acct Code</b>												
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Agency Preparation: Pete Siefer	Phone: 360-485-7648	Date: 2/13/2023 5:18:18 pm
Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 2/13/2023 5:18:18 pm
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 5688 SB	<b>Title</b> Public lands/carbon seq.	<b>Agency</b> 490 Department of Natural Resources
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

## Estimated Cash Receipts

Name of Tax or Fee	Acct Code											
<b>Total</b>												

### Biennial Totals

## Narrative Explanation (Required for Indeterminate Cash Receipts)

Cash receipts are indeterminate. The annual rate of revenue generation will be driven by the number of projects, the types of projects, the size of those projects, and frequency with which we develop new projects. We know that private forest managers that sell carbon credits on both the regulatory and voluntary markets have generated millions of dollars per year through those projects in addition to revenue generated from more traditional business lines. We anticipate generating revenue in a similar fashion as those projects due. DNR could also reap additional long-term revenue from increased volume due to improved forest management practices (the cost of which would be offset by revenue from carbon projects), unproductive lands being made productive again through inputs (e.g. seedlings) paid for by revenue from the sale of credits, or other yet unforeseen co-beneficial conditions introduced by ecosystem services projects.

Numbers vary in the voluntary carbon market range from \$2 per carbon credit in an emerging market to upwards of \$29 per carbon credit in an established market (California). A current 10,000 acre carbon project on private industrial forestland in southwest Washington is earning approximately \$128,000 per year at the \$2 rate. After broker's fees the actual net earnings to the landowner was approximately \$103,000. At the high-end (\$29), this same project could potentially earn \$1.63 million per year to the landowner. If this were a DNR project, the department would retain 25-31 percent and the remaining would be distributed to the trust beneficiaries.

Agency Preparation: Nicole Dixon	Phone: 360-902-1155	Date: 2/13/2023 4:12:26 pm
Agency Approval: Nicole Dixon	Phone: 360-902-1155	Date: 2/13/2023 4:12:26 pm
OFM Review:	Phone:	Date: