

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 124 - A

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Establishes grant program within State Department of Energy to provide grants to fund replacement of generators that use diesel or fossil fuels with renewable hydrogen-fueled generators.

Government Unit(s) Affected:

Department of Energy, Department of Environmental Quality

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

	2023-25 Biennium	2025-27 Biennium
Oregon Department of Energy		
General Fund		
Personal Services	\$329,428	\$0
Services and Supplies	\$179,621	\$0
Special Payments	\$4,490,951	\$0
Total General Fund	\$5,000,000	\$0
Total Fiscal Impact	\$5,000,000	\$0
Total Positions	2	0
Total FTE	1.50	0.00

Analysis:

SB 124 - A establishes the Renewable Hydrogen-Fueled Generator Grant Program in the Oregon Department of Energy (ODOE) to provide grants to fund replacement of backup electrical systems or generators that use diesel or other fossil fuels to generate electric power with renewable hydrogen-fueled generators. ODOE is to establish grant application procedures, criteria for grant approval, and grant amounts to be awarded; and may adopt rules to administer the grant program. The measure also establishes the Renewable Hydrogen-Fueled Generator Grant Fund which is continuously appropriated to ODOE to make grants as part of the Renewable Hydrogen-Fueled Generator Grant Program; and the measure appropriates \$5 million to ODOE for deposit in the fund.

For the calendar year in which a grant recipient receives the award, and for the three following years, a grant recipient is to submit to the Department of Environmental Quality (DEQ) a report on the total amount of green electrolytic hydrogen and renewable hydrogen purchased in that year for the renewable hydrogen-fueled generator(s) that were purchased, leased, or acquired using grant award moneys, as well as a declaration stating that no fuel other than green electrolytic hydrogen or renewable hydrogen was used during that year for the operation of the renewable hydrogen-fueled generator.

The measure takes effect January 1, 2024.

Oregon Department of Energy

Of the \$5 million General Fund appropriated by this measure, ODOE would use \$4.5 million for grants and the remaining \$0.5 million for program administration. The agency will need Other Funds expenditure limitation for distribution of grant funds, though the amount of Other Funds expenditure limitation necessary is unknown at this time.

Administrative costs include two full-time limited duration positions, an Operations and Policy Analyst 3 and a Program Analyst 2 (both 0.75 FTE in 2023-25). These positions would conduct rulemaking; design and evaluate programs, services and operations; and analyze renewable hydrogen technologies and policies.

Total costs are estimated at \$329,428 for personal services and \$15,796 for position-related services and supplies, as well as \$163,825 General Fund for indirect costs. The agency's services and supplies costs include indirect costs equivalent to 49.73% of personal services costs. This rate is negotiated biennially with federal partner agencies and costs included here reflect the indirect rate for the 2021-23 biennium, not the rate for the 2023-25 biennium. Costs of this measure could change based on the agency's actual indirect rate for next biennium.

The agency may not have sufficient management staff for oversight of this grant program; based on the cumulative effect of all bills passed during the 2023 legislative session, ODOE may need to return to the Legislative Emergency Board or a subsequent legislative session if current staffing proves insufficient for administration of all programs approved.

The Legislative Fiscal Office (LFO) notes that it is not clear how many grants could be made given the funding available, and staffing needs could also vary based on factors such as the number of grant applications and grant award amounts. Grant demand will also drive the amount of Other Funds expenditure limitation required by the agency.

Additionally, it is not clear how soon this grant program would be operational given that the measure does not take effect until January 1, 2024; ODOE may need to request ongoing staffing the 2025-27 biennium at part of the 2025-27 budget development process if grant funds remain to be expended after the 2023-25 biennium. This fiscal does not assume that the same amount of funding is provided for this grant program in subsequent biennia.

Department of Environmental Quality

There is minimal fiscal impact for DEQ. DEQ notes that the measure does not direct the agency what to do with the reports when received. There could be a greater than minimal impact should any follow up on the reports be required.