

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 3630**

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:

Directs State Department of Energy to establish program to provide assistance related to energy projects and activities to environmental justice communities.

Government Unit(s) Affected:

Counties, Department of Energy, Housing and Community Services Department

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	\$1,149,947	\$780,586
Services and Supplies	\$1,691,165	\$457,330
Special Payments	\$1,800,000	\$0
Total General Fund	\$4,641,112	\$1,237,916
Federal Funds		
Personal Services	\$48,859	\$223,357
Total Federal Funds	\$48,859	\$223,357
Total Fiscal Impact	\$4,689,971	\$1,461,273
<i>Total Positions</i>	6	6
<i>Total FTE</i>	5.39	4.58

Analysis:

HB 3630 contains a variety of provisions related to programs administered by the Oregon Department of Energy (ODOE). The measure declares an emergency and takes effect on passage.

The fiscal impact for each program is outlined below. ODOE notes that the cumulative impact of these programs will likely require additional administrative support staff, which are not included in this fiscal impact statement. Additional administrative staffing needs are dependent on the number of bills that impact ODOE that pass this legislative session, but current estimates are that up to 2.50 FTE could be required to provide procurement, human resources, and information technology support.

Additionally, for all General Fund positions included in this fiscal impact statement, expenses 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.

Program to assist environmental justice communities

The measure directs ODOE to establish a program to provide assistance related to energy projects and activities to environmental justice communities. The Department must provide, at a minimum, information regarding funding resources, technical assistance, and other support that may be available.

Total costs for this work are estimated at \$402,385 General Fund. To do this work, ODOE would hire one permanent, full-time Operations and Policy Analyst 3 (1.00 FTE in 2023-25 and 2025-27). This position would serve as a community navigator who would provide outreach to environmental justice communities and connect local governments, tribal governments, and community-based organizations with these communities and the technical and financial energy resources needed. In addition to indirect costs and position-related services and supplies costs, the agency also estimates \$40,000 each biennium for contracting with community-based organizations to reach impacted communities.

State energy strategy

ODOE is to develop and periodically update a comprehensive state energy strategy that identifies optimized pathways to achieving the state's energy policy objectives. ODOE is directed to engage with stakeholders and may convene an advisory work group to inform this engagement work and development of the state energy strategy. ODOE is to submit a report on the state energy strategy to the Governor and the appropriate interim committees of the Legislative Assembly no later than November 1, 2025. This section is operative on the 91st day after the legislature adjourns sine die.

Total costs for this work are estimated at \$1,606,150 General Fund in the 2023-25 biennium, and \$462,966 General Fund in the 2025-27 biennium. This estimate assumes that the state energy strategy will be updated on an ongoing basis. However, the measure states that the strategy is to be updated "periodically" without defining the time period for updates. Costs in future biennia could be reduced if the intention is to have the state energy strategy updated on a less frequent basis. ODOE also notes that it may be possible to pay for some costs of developing the state energy strategy using federal funds, pending guidance on federal funding received under the Inflation Reduction Act and Infrastructure Investment and Jobs Act.

In addition to existing staff who would transfer some of their time to this project, ODOE anticipates hiring two new full-time positions to work on the energy strategy:

- One limited-duration Project Manager 3 (0.88 FTE in 2023-25 and 0.43 FTE in 2025-27) to manage the project, and following reporting to the Legislature in November 2025, to close out the report, including work on metrics to track progress, assessment of the report, and work on a continuing outreach plan.
- One permanent Research Analyst 3 (0.88 FTE in 2023-25 and 1.00 FTE in 2025-27) to collect and manage data, and to make continuing updates to the strategy.

In addition to indirect costs and position-related services and supplies costs, the 2023-25 cost estimates include \$1 million for contracting; ODOE notes that Washington State undertook a similar study with \$1.2 million in contracting costs, though ODOE anticipates being able to do some of the contract work in-house. ODOE would contract for modeling and economic analysis to inform report findings, including energy generation, transmission, and distribution systems, energy consumption forecasts, greenhouse gas emissions, energy efficiency adoption forecasts, and transportation mode and transportation fuel forecasts, at an estimated cost of \$750,000. The agency would also contract for stakeholder engagement work, at an estimated cost of \$250,000.

County energy resilience plans

The measure states that counties may develop and adopt an energy resilience plan, and incorporate the energy resilience plan into the county's natural hazard mitigation plan. ODOE is to establish a program to award grants of up to \$50,000 to each county to cover the costs of developing energy resilience plans. ODOE is to report on the program, and opportunities to incorporate county plans into the state energy resilience plan, to the interim committees of the Legislative Assembly related to energy no later than September 15, 2025. The grant program sunsets January 2, 2026. This section is operative on the 91st day after the legislature adjourns sine die.

The measure appropriates \$2 million General Fund to ODOE to be used to provide grants. The Legislative Fiscal Office notes that General Fund appropriations cannot be carried across biennia; so although the grant program does not sunset until 2026, all funding appropriated will need to be granted during the 2023-25 biennium.

Total costs are estimated at \$2,103,327 General Fund in the 2023-25 biennium, and \$58,016 General Fund in the 2025-27 biennium. ODOE anticipates hiring one limited duration, full time Program Analyst 3 (0.88 FTE in 2023-25, 0.17 FTE in 2025-27) to design and oversee the grant program, and coordinate with counties and with state agencies involved in resilience planning.

It would cost \$1.8 million to provide every county in Oregon with a grant of \$50,000. It is not clear what the actual costs of developing an energy resilience plan in each county will be, and if this amount is sufficient for adoption of energy resilience plans in each county; or if each county will choose to adopt an energy resilience plan since the measure permits but does not require counties to do so. This fiscal impact statement does not consider the costs of updating energy resilience plans, as that is assumed to be outside of the two biennia purview of the fiscal impact statement. There is no fiscal impact to counties as this measure provides funding for county development of energy resilience plans and does not require these plans.

Home Energy Programs and State Department of Energy single resource

ODOE, in consultation with the Housing and Community Services Department (HCSD), is to establish a whole-home energy savings program to provide rebates to homeowners, multifamily building owners, and aggregators for home energy efficiency retrofits; and a high-efficiency electric home rebate program to provide rebates for the purchase and installation of appliances and non-appliance upgrades. ODOE is to consult with stakeholders on program development and ensure the program maximizes benefits by leveraging federal and state resources.

ODOE is also directed to create a resource that provides information, technical assistance, and assistance in identifying contractors and financing options related to available energy efficiency incentives and programs. ODOE is to coordinate information and data exchanges between different energy and government entities as needed. ODOE may contract with a nonprofit to develop the resource.

As per ODOE, the agency intends to use funding provided under the federal Inflation Reduction Act (2022) to implement the rebate programs. ODOE anticipates receiving \$57 million for the High Efficiency Electric Home Rebate program, which provides rebates for purchase and installation costs for qualifying electrification projects in low- and moderate-income households; and \$56.7 million for the Home Energy Performance-Based, Whole-House Rebates program, to support performance-based rebates for residential energy efficiency retrofits. Federal guidance on use of this funding has not yet been received and the start date for the funding is also unknown. ODOE will need to return to the Legislative Emergency Board or a subsequent legislative session to seek Federal Funds expenditure limitation once funding and guidance is made available.

Estimated costs for program administration are \$529,250 General Fund and \$48,859 Federal Funds in the 2023-25 biennium; and \$315,018 General Fund and \$223,357 Federal Funds in the 2025-27 biennium. The agency would hire two full-time, permanent positions (each 0.88 FTE in 2023-25 and 1.00 FTE in 2025-27): a Program Analyst 3 to plan for the programs, submit applications to the U.S. Department of Energy, and begin the public engagement process; and one Operations and Policy Analyst 2 to work on the resource for energy efficiency incentives and programs. The Program Analyst 3 position is intended to be funded with Federal Funds starting in January 2025, though funds may be available earlier; it is not clear if the Operations and Policy Analyst 2 position is eligible to be federally funded.

There are additional indeterminate costs related to the cost of the resource, as it is unclear if this work would be eligible for federal funding, and if this work will be done by ODOE or contracted for. Resource costs may need to be paid for with General Fund if federal funding is not available. There is no fiscal impact for HCSD.