

2025-27 Budget Review

Department of Energy

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	99,490,660	61,635,512	11,006,002	40,092,499
Lottery Funds	3,022,567	1,439,160	-	-
Other Funds	39,492,867	154,233,658	40,554,198	112,590,983
Other Funds (NL)	30,622,277	29,356,709	25,162,407	25,132,193
Federal Funds	2,699,640	40,910,310	22,392,421	22,728,046
Total Funds	175,328,011	287,575,349	99,115,028	200,543,721
Positions	101	134	108	123
FTE	95.64	123.99	107.50	121.75

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Oregon Department of Energy (ODOE) was established in 1975 to promote energy conservation and the development of renewable energy sources. ODOE strives to help Oregonians make informed decisions and provide safe, equitable, clean, and sustainable energy for our state. This aim is founded on a five-part strategy: provide a central repository of energy information and analysis; serve as a venue for problem-solving Oregon's energy challenges; provide energy education and technical assistance; administer industry regulation and oversight; and manage statutorily authorized energy programs and activities.

The Department is organized into five divisions: Energy Planning and Innovation; Energy Development Services; Nuclear Safety and Energy Emergency Preparedness; Energy Facility Siting; and Administrative Services. Additionally, ODOE staffs eight policy related commissions, task forces, and work groups, which provide guidance and recommendations to the Department as well as state leadership and policy makers.

ODOE is predominately Other Funds, funded through the collection of fees and charges for services, assessments, and bond proceeds. In recent biennia, federal grant opportunities have increased, and General Fund appropriations have supported energy incentive programs.

- **Other Funds** revenue includes facility siting fees, energy incentive programs, and public purpose charge funds for providing administrative and technical support. Additionally, the energy supplier assessment, levied annually on Oregon energy suppliers, supports programs throughout the agency. The Small-Scale Energy Loan Program (SELP) includes existing bond proceeds issued to capitalize the program, loan principal and interest repayments, and investment earnings.

- **Federal Funds** are primarily received from the U.S. Department of Energy for the State Energy Program formula grants, the Hanford grant, and various other federal grant opportunities.
- **General Fund** supports energy incentive programs as well as several positions throughout the agency. Additionally, there is a match requirement for the Grid Resiliency grant program.

BUDGET ENVIRONMENT

There have been several state funded incentive programs over the past couple biennia that have continued to be funded with one-time investments. These include the Community Renewable Energy Grant Program (CREP), Oregon Solar + Storage Rebate program, Energy Efficient Wildfire Rebuilding Program, Heat Pump programs, and County Energy Resilience Grant Program. The related expenditure limitation has been phased out, which affords the policy makers the ability to discuss continuity of the programs. At the present time, CREP is the only fund that has a projected ending fund balance to carry into the 2025-27 biennium, the others do not have a dedicated revenue source and would need additional resources to continue.

Another factor to consider is the record investments of federal dollars in clean energy and climate mitigation and resilience that are available between the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA). ODOE has been awarded grants for Grid Resilience, Solar for All, and Home Energy Rebates totaling \$231 million, with an additional \$20 million expected for Grid Resilience in the future. Grid Resilience is the only grant that requires a match, which is 15%. The first round of granting match was provided with a note that if matching funds or in-kind match requirements couldn't be sourced, the agency will need to request General Fund to meet the grant obligations.

These federal incentive programs are like the state provided Solar + and heat pumps; however, there are specific federal guidelines on allowable uses and different eligibility requirements. They are also funded a much higher level than previous state programs. The large influx of cash and increased program requirements will require continued oversight and potentially need additional staffing to efficiently deliver the programs while providing financial oversight and accountability. This was addressed in part during the 2023-25 biennium with some additional positions in the Administrative Services division, however, it is too soon to tell if there will be enough support to adequately staff the programs.

In December 2023, the Columbia River Basin Initiative (CRBI) was signed by the U.S. Government (USG) and the six sovereigns (four lower Columbia River treaty tribes, Washington, and Oregon) which places a stay of litigation for up to 10 years between the parties and the USG in relation to complaints alleging violation of the Endangered Species Act. The CRBI aims to restore native fish and wildlife, minimize rate pressures, secure affordable and reliable climate resilient energy, secure replacement services of the Lower Snake River Dams, and continue stakeholder engagement throughout the process. In May 2024 the Emergency Board authorized a position to coordinate the policy work with impacted parties and affected agencies. At this point, while there are considerable federal funds pledged to support this initiative, future workload and potential state costs are unknown.

During the 2023 session, HB 3409 was the primary statewide climate package that included several one-time investments for research and reporting to establish the net biological sequestration and storage baseline for natural and working lands, receive a carbon accounting to inform and refine metrics, and

conduct a study on workforce and training programs to support adoption of natural climate solutions on natural and working lands. The results of this research and reporting will likely inform future recommendations which are unknown at this time.

HB 3630 was a companion bill to HB 3409 during the 2023 session and directed the agency to develop and maintain a statewide energy strategy; establish a program to provide assistance to environmental justice communities relating to energy projects and activities; establish a grant program to help counties develop energy resilience plans; and create a centralized information hub to aid Oregonians in one stop shopping for information on ODOE incentive programs. The county grant program sunsets in January 2026, but the funding was phased out as part of the current service level budget. Also of note, the funds for the centralized hub were phased out, but the project is not complete nor were the funds fully expended. A continuation of General Fund support will be necessary to close out those two projects.

CURRENT SERVICE LEVEL

The Department's 2025-27 current service level (CSL) budget is \$99 million total funds, which represents a decrease of 66%, or \$188 million, from the 2023-25 legislatively approved budget (LAB). Additionally, ODOE realized a decrease of 26 positions (16.49 FTE), or 19% of their total positions, from 2023-25 LAB to CSL. This decrease is predominantly due to the phase-out of General Funds related to one-time programs from the 2023 and 2024 legislative sessions and large federal grant expenditure limitation. The total decrease was offset by a phase-in of \$5.5 million Federal Funds for the Grid Resilience grant which has a five-year period of performance for each of the anticipated five annual awards and was approved by the Emergency Board in September 2022, with the final year of grant funding expected to continue through 2031.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's Budget includes over \$200 million total funds and 123 positions (121.75 FTE). The Governor's Budget is comprised of \$40 million General Fund, nearly \$138 million Other Funds, and almost \$23 million Federal Funds. The total funds budget represents an increase of nearly \$102 million, or 102% above CSL, and includes 15 additional positions (14.25 FTE). In addition to adjustments for statewide Attorney General rates and Department of Administrative Services assessments and service charges, the following packages are included in the Governor's budget:

Energy Planning and Innovation

- Package 090 - This is an analyst recommended package that provides \$1 million General Fund for the Grid Resilience grant match for the expected awards in the 2025-27 biennium. This package should be included in the Energy Development Services section with package 203.

Energy Development Services

- Package 201 - This package establishes seven positions (7.00 FTE) as permanent that were previously limited duration and includes \$1.8 million Other Funds expenditure limitation. The

positions will provide support to the Community Renewable Energy Program and complete program close out activities for previously ended programs.

- Package 202 - This package reappropriates \$292,766 General Fund to complete the single resource hub project.
- Package 203 - This package reappropriates \$1.5 million General Fund and establishes two positions (2.00 FTE) as permanent for the Grid Resilience grant match of previously approved federal grants not yet expended.
- Package 204 - This package provides a one-time deposit of \$25 million General Fund into the Community Renewable Investment Fund and includes \$69.4 million Other Funds expenditure limitation to continue the CREP grant program.

Nuclear Safety and Energy Emergency Preparedness

- Package 301 - This package reappropriates of \$540,905 General Fund and re-establishes a limited duration position (0.25 FTE) to continue the County Energy Resilience program through the sunset date of January 2026.

Energy Facility Siting

- Package 401 - This package establishes a permanent position (1.00 FTE) and includes Other Funds expenditure limitation of \$256,953. This position will be primarily funded through cost recovery agreements and support additional workload relating to facility siting.

Administrative Services

- Package 090 - This is an analyst recommended package that extends the limited duration Climate Policy Advisor position (1.00 FTE) and includes \$339,224 Other Funds expenditure limitation.
- Package 451 - This package establishes one permanent position (1.00 FTE) to elevate employee development and succession planning in the agency and includes \$256,953 Other Funds expenditure limitation. The position will be funded through the agency indirect rate.
- Package 452 - This package establishes one permanent position (1.00 FTE) dedicated to diversity, equity, inclusion, and belonging initiatives agencywide and includes \$277,245 Other Funds expenditure limitation. The position will be funded through the agency indirect rate.

OTHER SIGNIFICANT ISSUES

During the 2021 legislative session, HB 2021 established clean energy standards for Oregon and set requirements for electricity providers to reduce greenhouse gas emissions associated with electricity provision to Oregon customers. The reduction is targeted at 80% below baseline emissions level by 2030, 90% below baseline emissions level by 2035, and 100% below baseline emissions level by 2040. As the state strives to meet these clean energy requirements, ODOE is responsible for assisting state policy makers, businesses, and communities as they navigate the transition by providing technical information and policy development to support informed decisions.

Additionally, ODOE will assist individuals and communities through the transition by providing incentives to reduce the cost of clean energy technologies. All agency divisions play a role, including but not limited to, research and analysis, siting clean energy facilities, and providing energy resilience and security planning. As we move closer to the benchmarks of the emission reduction requirements, the resource demand and involvement of ODOE will intensify. Along with increased technical assistance to stakeholders, partners and interested parties, ODOE is expected to conduct a study on small scale renewable energy development; implement restrictions on new natural gas plants; collect attestations and documents around the new labor standards; and develop and administer the Community Renewable Investment Program. The policy issue and associated workload of supporting Oregon’s clean energy transition will be integral in ODOE’s operations for several biennia to come.

KEY PERFORMANCE MEASURES

A copy of the Oregon Department of Energy Annual Performance Progress Report can be found on the LFO website: https://www.oregonlegislature.gov/lfo/APPR/APPR_ODOE_2024-09-26.pdf

Contact Information

Katie Bannikov, Senior Legislative Analyst

Legislative Fiscal Office

900 Court Street NE, Room H-178, Salem, Oregon 97301

Oregon State Capitol | (503) 986-1828 | www.oregonlegislature.gov/lfo