

HB 5009 A BUDGET REPORT and MEASURE SUMMARY

Carrier: Sen. Frederick

Joint Committee On Ways and Means

Action Date: 06/09/17

Action: Do pass the A-Eng bill.

Senate Vote

Yeas: 7 - Devlin, Frederick, Johnson, Manning Jr, Monroe, Roblan, Steiner Hayward

Nays: 5 - DeBoer, Girod, Hansell, Thomsen, Winters

House Vote

Yeas: 7 - Gomberg, Holvey, Huffman, Nathanson, Rayfield, Smith Warner, Williamson

Nays: 4 - McLane, Smith G, Stark, Whisnant

Prepared By: Cathleen Connolly, Department of Administrative Services

Reviewed By: Amanda Beitel, Legislative Fiscal Office

Department of Energy

2017-19

Budget Summary*

	2015-17 Legislatively Approved Budget ⁽¹⁾	2017-19 Current Service Level	2017-19 Committee Recommendation	Committee Change from 2015-17 Leg. Approved	
				\$ Change	% Change
Lottery Funds Debt Service	\$ 2,980,496	\$ 3,023,630	\$ 3,023,630	\$ 43,134	1.4%
Other Funds Limited	\$ 35,104,816	\$ 35,412,377	\$ 36,313,435	\$ 1,208,619	3.4%
Other Funds Nonlimited	\$ 70,905,959	\$ 55,905,959	\$ 55,905,959	\$ (15,000,000)	(21.2%)
Other Funds Debt Service Nonlimited	\$ 69,948,004	\$ 63,376,902	\$ 63,376,902	\$ (6,571,102)	(9.4%)
Federal Funds Limited	\$ 3,187,299	\$ 3,153,122	\$ 2,484,648	\$ (702,651)	(22.0%)
Federal Funds Debt Service Nonlimited	\$ 104,000	\$ 104,000	\$ 104,000	\$ -	0.0%
Total	\$ 182,230,574	\$ 160,975,990	\$ 161,208,574	\$ (21,022,000)	(11.5%)

Position Summary

Authorized Positions	105	102	97	(8)
Full-time Equivalent (FTE) positions	104.50	96.91	93.87	(10.63)

⁽¹⁾ Includes adjustments through December 2016

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Department of Energy (ODOE) does not receive General Fund revenue. The department receives non-Measure 76 Lottery Funds, Other Funds and Federal Funds.

ODOE has several sources of Other Funds revenues. The largest subset of revenues is Other Funds Nonlimited, which is associated with the Small-Scale Energy Loan Program (SELP) and includes general obligation bond sales, loan repayments, and interest income. Other Funds Limited revenue is generated through various fees and charges for services, including the Energy Supplier Assessment; State Home Oil Weatherization; settlement funds; radioactive waste transport fees; energy facility siting fees; and fees for services related to the State Energy Efficiency Design (SEED) program.

Lottery Funds are allocated to the department for debt service payments. Federal Funds are received from the U.S. Department of Energy for the USDOE State Energy Program Formula, Hanford grants and other federal grants.

Summary of Natural Resource Subcommittee Action

The mission of ODOE is to lead Oregon to a safe, clean, and sustainable energy future. The department works to ensure Oregon has an adequate supply of reliable and affordable energy and is safe from nuclear contamination by helping Oregonians save energy, developing clean energy resources, promoting renewable energy and monitoring the clean-up of nuclear waste. During the 2016 interim session, the Legislature appointed the Joint Interim Committee on Department of Energy Oversight to conduct a thorough review of ODOE. The Committee reviewed the agency's responsibilities, performance, and purpose and provided draft recommendations for the 2017 Legislative Session.

The Subcommittee recommended a budget of \$161,208,574 total funds and 93.87 FTE, which is an 11.5 percent decrease from the 2015-17 Legislatively Approved Budget.

Energy Planning and Innovation Division

The Energy Planning and Innovation Division provides information, analysis, technical assistance and project management to achieve cost-effective energy efficiency and expand the use of renewable and alternative energy resources. The division serves as the state's lead to improve the energy efficiency of schools and government buildings and conducts objective planning, policy and technical analysis related to energy resources, resiliency, efficiency and conservation. The Subcommittee approved a budget of \$6,173,471 total funds and 22.50 FTE, which represents an 11.5 percent decrease from the 2015-17 Legislatively Approved Budget.

The Subcommittee approved the following packages:

Package 070, Revenue Reductions. This package decreases Other Funds expenditure limitation by \$739,294 and 0.87 FTE and decreases Federal Funds expenditure limitation by \$573,076. Reductions include 0.87 FTE of an Operations and Policy Analyst 2 position, associated Services and Supplies expenditures, professional services, and special payments in the amount of \$714,345. Other Funds expenditures were eliminated to comply with a budget note from the 2015 Legislative Session instructing the department to limit the amount assessed under the Energy Supplier Assessment to a total of \$13.1 million in its Agency Request Budget. Federal Funds expenditures were eliminated to align the budget with anticipated federal awards.

Package 090, Analyst Adjustments. Package 090 decreases Other Funds limitation by \$173,265 and two positions (0.63 FTE). Reductions eliminate the position and remaining 0.13 FTE of the Operations and Policy Analyst 2 position identified in the Energy Planning and Innovation Package 070 and 0.50 FTE for a part-time Operations and Policy Analyst 4 position in the Planning and Innovation Division identified by the agency in its 10 percent reduction options.

Package 110, US DOE State Energy Program Fund Shift. This package increases Federal Funds limitation by \$77,393 and decreases Other Funds limitation by the same amount. Funding supports 30 percent of a Facilities Engineer 3 position. Federal Funds from an annual federal formula

award have been used to partially fund the Residential Energy Tax Credit (RETC) program, which is scheduled to sunset with the 2017 tax year. The award will remain the same, but will no longer be allowable on RETC activity after its sunset, so funds are shifted to programs already approved under the federal award and continue in the 2017-19 biennium.

Energy Development Services

The Energy Development Services Division administers various financing and incentive programs with the goal of promoting energy conservation and renewable energy, stimulating economic development, and creating jobs. The Subcommittee approved a budget of \$133,830,180 total funds and 14.25 FTE, which represents a 14.2 percent decrease from the 2015-17 Legislatively Approved Budget.

The Subcommittee approved the following packages:

Package 070, Revenue Shortfalls. This package decreases Other Funds limitation by \$236,440 and one position (1.00 FTE). One permanent full-time Principal Executive/Manager F position is eliminated. The position is no longer needed with the sunset of the EIP and RETC programs and reduced activity in the Small-Scale Energy Loan Program.

Package 120, Renewable Energy Development Grant Program. This package increases Other Funds limitation by \$2,000,000 to accommodate the disbursement of Renewable Energy Development Grants. The Renewable Energy Development Grant Program is funded through an annual auction of Renewable Energy Development Contributions tax credits administered by the Department of Revenue, up to \$3,000,000 per biennium. Once awarded through a competitive application process, grantees have three years to complete projects. Grants are disbursed upon project completion. This package provides the department special payments limitation to disburse remaining Renewable Energy Development Grants in the 2017-19 biennium as projects complete. The Renewable Energy Development Contributions tax credit is scheduled to sunset on January 1, 2018.

Package 812, Vacant Position Elimination. This package eliminates five positions (3.16 FTE) that have been vacant longer than 12 months and decreases Other Funds limitation by \$544,291. Positions removed include a Loan Specialist 1, Loan Specialist 2, and Program Analyst 3 that supported the Small-Scale Energy Loan Program, and a Program Analyst 1 and Program Analyst 3 that supported the Energy Incentive Programs.

Nuclear Safety and Energy Emergency Preparedness

The Nuclear Safety and Energy Emergency Preparedness Division protects Oregonians from exposure to hazards by monitoring and engaging in radioactive waste cleanup activities at the Hanford nuclear site preparing and testing nuclear emergency preparedness plans, participating in emergency preparedness planning for Liquefied Natural Gas terminals and overseeing the transport of radioactive material through Oregon.

The Subcommittee approved a budget of \$2,236,950 total funds and 6.00 FTE, which represents a 3.2 percent decrease from the 2015-17 Legislatively Approved Budget.

Package 070, Revenue Shortfalls. This package decreases Federal Funds limitation by \$135,000 to align the budget with anticipated federal awards.

Energy Facility Siting

The Energy Facility Siting Division works with energy facility developers and operating energy facilities to meet the state's energy infrastructure and demand needs and to ensure that large power plants, transmission lines and natural gas pipelines built in Oregon meet state siting standards.

The Subcommittee approved a budget of \$4,776,853 total funds and 11.00 FTE, which represents a 4.4 percent increase from the 2015-17 Legislatively Approved Budget.

The Subcommittee approved the following packages:

Package 140, Siting Fiscal Support. This package adds one permanent full-time Fiscal Analyst 2 position (1.00 FTE) and \$202,097 Other Funds limitation in the Energy Facility Siting Division. The package makes permanent a limited duration position first established in 2013-15, and continued in 2015-17 to create more efficiency and controls in the financial processes of the Siting Division. The position reduces ODOE's financial risk and ensures timely cost recovery for the department and its state and local partners, which are entitled to be reimbursed for their costs associated with reviewing siting applications. Work associated with the Siting Division's financial processes is anticipated to be ongoing and requires the dedicated position.

Package 812, Vacant Position Elimination. This package eliminates one position (1.00 FTE) that has been vacant longer than 12 months and decreases Other Funds limitation by \$173,431. A Utility and Energy Analyst 2 position in the Siting Division is removed.

Administrative Services

The Administrative Services Division budget encompasses the Director's Office, the Central Services Division, the Governor's Energy Policy Advisor and the Northwest Power Conservation Council staff.

The Director's Office provides operational and policy leadership and direction for the agency. Other Director's Office functions include Internal Audit, Communications and Outreach, Human Resources Management and Government Relations. The Central Services Division provides shared administrative services and expertise to the department. Key functions include budgeting, accounting, contracting, information technology management, database development and management, facilities, records management, employee safety and office reception. The Subcommittee approved a budget of \$14,191,120 total funds and 40.12 FTE, which represents a 14.8 percent increase over the 2015-17 Legislatively Approved Budget.

The Subcommittee approved the following packages:

Package 070, Revenue Shortfalls. This package decreases Other Funds limitation by \$617,961 and decreases Federal Funds limitation by \$37,791. Services and Supplies expenditures that no longer have associated activities are eliminated to align the budget with anticipated revenues and federal awards.

Package 150, Governor's Energy Policy Advisor. This package reauthorizes the limited duration Governor's Energy Policy Advisor position (1.00 FTE). Other Funds limitation is increased by \$343,395 including \$318,445 for personal services costs and \$24,950 in associated services and supplies expenditures. This position was established in 2011-13 and has been re-established as limited duration in each subsequent biennium. The Policy Advisor works with the Governor's office staff, energy stakeholders, and the department to define and advance Oregon's energy priorities.

Package 151, Energy Data Consolidation and Enhancement. This package increases Other Funds limitation by \$667,641 and establishes two permanent full-time positions (1.62 FTE) to implement an industry standard Customer Relationship Management (CRM) system. The package provides limitation for one-time project management, implementation and training costs of \$251,000 as well as ongoing licensing costs of \$90,000. Positions include an Information Systems Specialist 7 (0.83 FTE), the Senior System Administrator, and an Information Systems Specialist 5 (0.79 FTE), the Business Analyst/Developer, to adequately implement, develop, administer and maintain the system. In 2013-15, ODOE received funding to hire a consulting firm (Delaris) to review the business and technology processes associated with the acquisition, storage and dissemination of energy related data. This package will implement one of the solutions recommended by Delaris. A CRM system will allow the agency to manage and analyze customer interactions and data across divisions through business automation, standardized data collection, and consolidation of unsupported tools, resulting in improved data quality, business processes and service delivery.

Package 152, Litigation Expenses. This package provides one-time Other Funds limitation of \$250,000 for extraordinary Attorney General costs due to anticipated and ongoing litigation. The department is involved in a pending lawsuit that challenges the Energy Supplier Assessment and is also involved in cases related to the Business Energy Tax Credit program.

Summary of Performance Measure Action

See attached Legislatively Adopted 2017-19 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Department of Energy
Cathleen Connolly -- 503-373-0083

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE	
			LIMITED	NONLIMITED	LIMITED	NONLIMITED				
2015-17 Legislatively Approved Budget at Dec 2016 *	\$	- \$	2,980,496	\$ 35,104,816	\$ 140,853,963	\$ 3,187,299	\$ 104,000	\$ 182,230,574	105	104.50
2017-19 Current Service Level (CSL)*	\$	- \$	3,023,630	\$ 35,412,377	\$ 119,282,861	\$ 3,153,122	\$ 104,000	\$ 160,975,990	102	96.91
SUBCOMMITTEE ADJUSTMENTS (from CSL)										
SCR 100 - Energy Planning and Innovation										
Package 070: Revenue Shortfalls										
Personal Services	\$	- \$	- \$	(149,725)	\$ -	\$ -	\$ -	(149,725)	0	(0.87)
Services and Supplies	\$	- \$	- \$	(73,527)	\$ -	(374,773)	\$ -	(448,300)		
Special Payments (Dist. to Counties)	\$	- \$	- \$	(2,746)	\$ -	\$ -	\$ -	(2,746)		
Special Payments (Dist. to Other Gov't Units)	\$	- \$	- \$	(267,569)	\$ -	\$ -	\$ -	(267,569)		
Special Payments (Dist. to Non-Gov't Units)	\$	- \$	- \$	(5)	\$ -	\$ -	\$ -	(5)		
Special Payments (Dis. to Local School Districts)	\$	- \$	- \$	(109,157)	\$ -	(198,303)	\$ -	(307,460)		
Special Payments (Other Special Payments)	\$	- \$	- \$	(136,565)	\$ -	\$ -	\$ -	(136,565)		
Package 090: Analyst Adjustment										
Personal Services	\$	- \$	- \$	(173,265)	\$ -	\$ -	\$ -	(173,265)	(2)	(0.63)
Package 110: US DOE State Energy Program Fund Shift										
Personal Services	\$	- \$	- \$	(77,393)	\$ -	77,393	\$ -	-	0	0.00
SCR 200 - Energy Development Services										
Package 070: Revenue Shortfalls										
Personal Services	\$	- \$	- \$	(236,440)	\$ -	\$ -	\$ -	(236,440)	(1)	(1.00)
Package 120: Renewable Energy Development Grant Program										
Special Payments (Dist. to Non-Gov't Units)	\$	- \$	- \$	933,000	\$ -	\$ -	\$ -	933,000		
Special Payments (Dist. to Individuals)	\$	- \$	- \$	26,000	\$ -	\$ -	\$ -	26,000		
Special Payments (Other Special Payments)	\$	- \$	- \$	1,041,000	\$ -	\$ -	\$ -	1,041,000		
Package 812: Vacant Position Elimination										
Personal Services	\$	- \$	- \$	(544,291)	\$ -	\$ -	\$ -	(544,291)	(5)	(3.16)
SCR 300 - Nuclear Safety & Emergency Response										
Package 070: Revenue Shortfalls										
Services and Supplies	\$	- \$	- \$	-	\$ -	(65,000)	\$ -	(65,000)		
Special Payments (Dist. to Counties)	\$	- \$	- \$	-	\$ -	(70,000)	\$ -	(70,000)		
SCR 400 - Energy Facility Siting										
Package 140: Siting Fiscal Support										
Personal Services	\$	- \$	- \$	202,097	\$ -	\$ -	\$ -	202,097	1	1.00
Package 812: Vacant Position Elimination										
Personal Services	\$	- \$	- \$	(173,431)	\$ -	\$ -	\$ -	(173,431)	(1)	(1.00)
SCR 500 - Administrative Services										
Package 070: Revenue Shortfalls										
Services and Supplies	\$	- \$	- \$	(617,961)	\$ -	(37,791)	\$ -	(655,752)		

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Package 150: Governor's Energy Policy Advisor									
Personal Services	\$ -	\$ -	\$ 318,445	\$ -	\$ -	\$ -	\$ 318,445	1	1.00
Services and Supplies	\$ -	\$ -	\$ 24,950	\$ -	\$ -	\$ -	\$ 24,950		
Package 151: Energy Data Consolidation & Enhancement									
Personal Services	\$ -	\$ -	\$ 326,641	\$ -	\$ -	\$ -	\$ 326,641	2	1.62
Services and Supplies	\$ -	\$ -	\$ 341,000	\$ -	\$ -	\$ -	\$ 341,000		
Package 152: Litigation Expenses									
Services and Supplies	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000		
TOTAL ADJUSTMENTS	\$ -	\$ -	\$ 901,058	\$ -	\$ (668,474)	\$ -	\$ 232,584	(5)	(3.04)
SUBCOMMITTEE RECOMMENDATION *	\$ -	\$ 3,023,630	\$ 36,313,435	\$ 119,282,861	\$ 2,484,648	\$ 104,000	\$ 161,208,574	97	93.87
% Change from 2015-17 Leg Approved Budget	0.0%	1.4%	3.4%	(15.3%)	(22.0%)	0.0%	(11.5%)	(7.6%)	(10.2%)
% Change from 2017-19 Current Service Level	0.0%	0.0%	2.5%	0.0%	(21.2%)	0.0%	0.1%	(4.9%)	(3.1%)

*Excludes Capital Construction Expenditures

Legislatively Approved 2017 - 2019 Key Performance Measures

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Agency: Energy, Department of

Mission Statement:

The Oregon Department of Energy is leading Oregon to a safe, clean, and sustainable energy future.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
1. ENERGY SAVINGS AND PRODUCTION - Annual energy savings and production from the agency's programs.	a) Total of Programs	Approved	2,161	2,852	847
	b) Energy Incentive Programs		2,028	2,700	750
	c) Small-Scale Energy Loan Program		1	0	0
	d) Public Buildings		14	30	30
	e) Residential Programs		115	116	61
2. CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	a) Timeliness	Approved	83%	95%	95%
	b) Accuracy		86%	95%	95%
	c) Helpfulness		85%	95%	95%
	d) Expertise		86%	95%	95%
	e) Availability of Information		81%	95%	95%
	f) Overall		85%	95%	95%
3. APPLICATION PROCESSING - Percent of applications reviewed and approved within administrative or statutory deadlines.	a) Energy Facility Siting: Percent of new applicants notified within 60 days of application completeness	Approved	100%	100%	100%
	b) Energy Incentive Programs: Percent of Final Applications Processed within 60 Days		54%	100%	100%
	c) Residential Energy Tax Credit (RETC)-Percent of applications processed within 60 days		91%	100%	100%
4. ENERGY USE BY STATE BUILDINGS - Electrical and fossil fuel energy use in state owned buildings by use type and building area.		Approved	52.349	51	51
5. GREENHOUSE GAS CONTENT OF OREGON'S ELECTRICITY AND STATIONARY FUEL - Greenhouse gas emissions per unit	a) Electricity used in Oregon	Approved	0.429	0.152	0.152
	b) Electricity generated in Oregon		0.138	0.152	0.152
	c) The mix of other stationary fuels used in Oregon		0.059	0.036	0.036
	d) The mix of other stationary fuels produced in Oregon		No Data	0	0
6. TRANSPORTATION FUELS USED IN OREGON - Percentage of petroleum vs non-petroleum fuels used for transportation in Oregon: a) On-road fuel and b) Non-road fuel.	a) On Road Percentage Non-petroleum	Approved	No Data	0%	0%
	b) Non Road Percentage Non Petroleum		No Data	0%	0%
6. PERCENTAGE OF ALTERNATIVE FUELS USED IN OREGON LARGE FLEETS		Legislatively Deleted	No Data	0%	0%

LFO Recommendation:

The Legislative Fiscal Office recommends replacing Key Performance Measure #6 - Percentage of Alternative Fuels Used in Oregon Large Fleets with the proposed measure of Transportation Fuels Used in Oregon, including both the percentage of on-road and non-road fuel use. Measuring all transportation fuel provides a more comprehensive measure and data is more available and reliable. The Department will develop and report baseline data for this measure during the 2017-19 biennium and propose targets for the 2019-21 biennium. LFO also recommends approval of the remaining proposed Key Performance Measures and targets.

SubCommittee Action:

The Natural Resources Subcommittee approved the Legislative Fiscal Office recommendations.