



# Oregon

Kate Brown, Governor



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## MEETING NOTES

### Public Budget Meeting

Thursday, July 16, 2020

3 - 5 p.m.

WebEx

MEETING ATTENDEES	ODOE STAFF
Rebecca Carey Smith	Janine Benner
Theodore Case	Cathy Connolly
Angela Crowley-Koch	Jenny Kalez
Maggie Emery	Stacey Heuberger
Jennifer Joly	Miriha Aglietti
Helen Kennedy	Warren Cook
Rene Klein	Todd Cornett
Dylan Kruse	Erica Euen
Peggy Lynch	Lina Fallert
Tom McBartlett	Sisily Fleming
Mile Pengilly	Erica Hertsch
Nate Rivera	Mary Knight
Danelle Romain	Dave McKay
Alec Shebiel	Michelle Miller Harrington
Dan Solitz	Ken Niles
Richard Devlin	Jessica Reichers
	Linda Ross
	Christy Splitt
	Michael Williams
	Alan Zelenka

### WELCOME, JANINE BENNER

Janine opened the meeting and explained that the budget being presented today is ODOE's 2021-2023 Agency Request Budget (ARB). The development of this budget is directed by a process prescribed by the State. To build a state budget, all agencies start at their Current Service Level, the level at which it would cost to maintain legislatively approved programs into the next biennium, then build in Policy Option Packages (POPs). POPs are requests to provide additional resources to the agency. All state agencies are also required to submit lists of

possible reductions to their CSL. ODOE's ARB and reduction lists will be submitted to the Governor and the Department of Administrative Services on July 31.

Janine reminded the group of ODOE's budget progression in the 2019-2021 biennium. The 2019-2021 Legislatively Approved Budget included two significant items:

- Cuts to staff and services
- A budget note to report back to the legislature during the 2020 Session. You can find the link to watch Janine's presentation to the Joint Ways and Means Subcommittee on Natural Resources on our website: <https://www.oregon.gov/energy/About-Us/Pages/Budget.aspx>

Janine acknowledged the current challenging budget climate and \$4.4 billion decrease in revenue projected for 2021-23 biennium as compared to the prior forecast. There is also a \$2.7 billion revenue shortfall in the current biennium. ODOE is already reducing expenditures by holding positions vacant and slowing the hiring process, and with travel and training savings. With these reductions, ODOE was able to avoid an increase to ESA on the 2020 assessment. The Governor and Legislature are currently working on how to further reduce expenditures. Reductions to personnel expenses, such as furloughs and pay cuts, are done at the statewide level and cannot be done by individual agencies. However, any cuts of that type made at the state level would impact ODOE.

In ODOE's 2021-23 ARB, the amount of ESA is projected to increase. Janine said Cathy Connolly will go into detail about what drives this increase but wanted to be clear that these numbers are a result of decisions made at the state level and not by ODOE. Janine also wanted to note that this does not mean that ESA will increase, it means that ODOE projects an increase is necessary to meet current services. The process is just beginning and the budget will go through many changes before being passed by the Legislature in 2021.

## **STATE PROCESS AND DEVELOPING ODOE'S BUDGET, CATHY CONNOLLY ([presentation here](#))**

Cathy Connolly began the presentation by reviewing the stages of Oregon's Budget Process:

- Current Service Level – the starting point to maintain the cost of continuing existing programs into to the next biennia.
- Agency Request Budget – CSL plus any policy option packages. Agencies submit their ARB to the Governor and Chief Financial Office on July 31.
- Governor' Budget – the Chief Financial Office reviews ARBs and works with the Governor to develop a recommended budget that is submitted to the legislature by December 1.
- Legislatively Adopted Budget – the Legislature considers each agency budget separately and generally passes these toward the end of session.

Significant impacts to our CSL for the next biennium include cost of living adjustments and merit step increases that were negotiated and approved for all state agencies by the Department of Administrative Services.

Other impacts to ODOE's CSL for the 2021-23 biennium include the required phase out of funding for the Solar Rebate Program because the legislature only approved one-time funding in the 2019-21 biennium. Inflation and State Government Service Charges are numbers provided by DAS and will likely change through the process. ODOE also decided to shift \$456,485 off Other Funds onto Federal Funds due to a projected increase of the federal State Energy Program grant. This fund shift reduced costs to ESA payers. Other small technical adjustments have also been made to align expenditure limitation.

Cathy reviewed the history of ODOE's biennial budgets and how they are funded. She noted that the ESA for the 2021-23 biennium is estimated to be \$15.64 million. This is an increase of \$1.66 million, or 11.9%, compared to 2019-21. This is mostly due to the statewide increase in Personal Services and inflation.

ODOE is accepting comments on its budget until Friday, July 24. Comments can be sent to [AskEnergy@oregon.gov](mailto:AskEnergy@oregon.gov). The attendee list for this meeting will also be posted on the ODOE website.

*Question from Helen Kennedy: Are there any changes to Oregon Global Warming Commission budget?*

*Cathy said that ODOE supports the Commission and our budget includes part of a position within the Planning and Innovation Division and that position will have the same sort of increases as others, but there are no specific changes.*

*Question from Helen Kennedy: Is there a POP for Global Warming Commission? What about ODOE POP for its roles in other EO-04 actions?*

*Janine responded that OGWC did not request additional funding to implement the EO. In a different budget climate, ODOE may have submitted additional POPs to help with greenhouse gas emissions reductions.*

*Question from Jennifer Joly: Clarifying that there is an 11.9% increase of ESA for 21-23?*

*Cathy confirmed that it would be an 11.9% increase if the Agency Request Budget was passed by the Legislature.*

*In response to a request from Jennifer Joly about who was on the call, Jenny Kalez read the names of the [attendees](#) aloud.*

## **2021-23 ARB AND POLICY OPTION PACKAGES BY ODOE PROGRAM DIVISIONS, CATHY CONNOLLY**

### **Energy Planning and Innovation**

- Implementing the Governor's Executive Order 20-04 on greenhouse gas emissions has been added to the division. ODOE is not seeking any budget adjustments.
- ODOE has moved the Northwest Power and Conservation Council positions to this budget. ODOE is reimbursed by the Bonneville Power Administration for these positions so there is no impact to ESA.

- One Communications position has been moved from the Administrative Services program to P&I.
- 24 FTE, 30 percent of ODOE's employees
- ESA Funding = \$5.2 million, 64%

*Question from Jennifer Joly: Asked to see ESA % changes over time? If going up by 11.9% overall, we need to understand where & how it compares to last year by program/subprogram? Janine said that Cathy will go into further detail in her presentation, but it really has to do with personal services costs – merit steps and cost of living increases that were made at the statewide level – and not changes made at the program/subprogram level. ODOE [prepared additional charts](#) to answer the question about ESA as a percentage of ODOE's budget.*

### **Energy Development Services**

- ODOE completed a Small Energy Loan Program Refunding in 2020 and saved \$2.4 million in debt service costs for SELP and \$2.3 million for SELP borrowers.
- Contains ODOE's legacy incentive programs which still has workload associated with outstanding grants and tax credits in the 2021-23 biennium.
- 6.5 FTE, 8% of ODOE's employees
- ESA Funding = \$0, 0%
- POP - Solar Rebate program has been phased out of CSL because of the one-time funding for the 2019-21 biennium. ODOE is requesting a POP to continue this program in the 2021-23 biennium. This POP will reduce ESA because the General Fund will share in overall administrative costs.

*Question from Peggy Lynch: Agencies had all done their planning BEFORE the June forecast hit. My question/comment assumes that you have not adjusted your budget ask related to the revenue reduction expectation for 2021-23.*

*Janine explained that ODOE develops the budget according to a very prescribed process set by the Department of Administrative Services using CSL. At the beginning of the process, agencies were not told to develop a cut budget but to proceed as normal. ODOE anticipated lower revenues and the proposed POPs would reduce ESA.*

*Question from Angela Crowley-Koch: I'd like more information on why 2.5 FTE are needed for the solar rebate program. Now that the program is up and running, it seems like less staff would be needed.*

*Cathy clarified that current staff are limited duration and would not move into the 2021-23 – this would continue those FTE, not provide an additional 2.5FTE.*

*Question from Angela Crowley-Koch: Can you please explain how the GF going to the solar rebate will share administrative costs with other programs? I didn't understand why the rebate program reduces the ESA. Thank you.*

*Cathy – ODOE handles administrative costs centrally (IT, HR, payroll, accounts receivable, procurement, etc.). ODOE pays for these costs by using an indirect rate that is negotiated by the federal government. This rate is used to collect money from all ODOE programs and fund types to pay for these central services. The Solar Rebate program increases the number of program staff so our indirect rate is driven down, spread across all FTE in agency. Since all fund types*

*must contribute to the Central Services amount, adding general fund to the mix will then lessen the amount that other funding types must contribute.*

### **Nuclear Safety**

- Clear need associated with the agency's responsibilities to monitor disposal of radioactive waste in Oregon. The Oregon Fuel Action Plan proved to be a very valuable tool during emergencies, like the current pandemic.
- 6 staff, 7% of ODOE's employees
- ESA Funding = \$251,025, 10%
- POP – Request for \$80,092 in general fund for staff to monitor radioactive materials. This will directly reduce ESA by the same amount.

*Question from Peggy Lynch: Why GF for Radioactive Waste? And not fees to those who dump the waste?*

*Janine – this is a new issue for us. We are currently working on a rulemaking on enforcement and ability to assess penalties and hope to get legislative authority to undertake a rulemaking on the program in general and identify appropriate funding sources which may include fees.*

*Ken Niles, Asst. Director for Nuclear Safety – the intent of the state statute is not to allow disposal of radioactive waste so there should not be ongoing disposal for which we could charge fees. We are hoping this does not occur in the future.*

### **Energy Facility Siting**

- 13 staff, 16% of ODOE's employees
- ESA Funding = \$1,778,578, 30%
- POP – two limited-duration positions to process and review applications and amendments as well as monitor existing projects. These positions would only be filled if needed. Estimated cost to ESA \$97,400.

### **Administrative Services**

- Director's Office 8 staff, 10% of ODOE's employees
- Director's Office ESA Funding: \$3,174,264, 99%
- Central Services 23.77 FTE, 29% ODOE's employees
- Central Services ESA Funding: \$5,247,786, 55% (indirect rate transfers)
- ESA does not directly appear in the Central Services budget. It is estimated that ESA contributes approximately 55% of the indirect revenue paid by the other programs and fund types to Central Services.

*Question from Peggy Lynch:*

*Because you are a small agency, have you considered "contracting" with another small NR agency for some Central Svcs.? Like Payroll or HR?*

*Janine answered and said that yes, ODOE has looked in to three areas, IT, HR, and financial services. Assessment determined that at this point we would not see savings. Janine talked about this with the Ways and Means Committee on February 24, 2020, and suggested reviewing her presentation for more detail: <https://www.oregon.gov/energy/About-Us/Pages/Budget.aspx>*

## **REQUIRED REDUCTION OPTION LIST, CATHY CONNOLLY**

Cathy explained that every biennium, all agencies are required to submit a 5% and 10% reduction list along with their ARB. ODOE is currently working on the list. These reductions would be hard on ODOE and would impact filled positions. This list will be submitted with ODOE's ARB on July 31 and available to the public.

*Question from Danelle Romain: How will the 5%, 10% reduction list affect ESA?*

*Cathy explained that if either the CFO or LFO decided to select all reductions, it would reduce expenditures supported by ESA revenue by about \$1.6 million.*

*Question from Danelle Romain: Did ODOE consider cutting FTE?*

*Janine explained that ODOE followed the prescribed budget process by starting with CSL and then adding POPs. Reductions in FTE are not part of that process. The required 5% and 10% reduction lists would include reductions in FTE. As a small agency we cannot get to 10% reduction with cutting vacant positions because we cut most of our vacant positions last biennium.*

*Question from Peggy Lynch: How much of the budget cuts "Other Funds" are really GF?*

*Janine clarified that Other Funds do not include General Fund.*

*Question from Jennifer Joly: So 10% reduction would nearly cancel the proposed 11.9% increase from personal services increases?*

*Cathy responded that it would be close. Janine added that cuts made state-wide like furloughs and pay freezes would also affect our budget and reduce ESA. There are many factors that aren't determined yet so a specific calculation isn't possible.*

## **ENERGY SUPPLIER ASSESSMENT HISTORY, CATHY CONNOLLY**

Cathy reviewed Energy Suppliers gross revenue and ESA history. The maximum percentage ODOE can assess is 0.375% of gross operating revenue subject to assessment. ODOE's most current assessment rate was 0.117%. The ESA rate in 2021-23 is around the same amount as 2017-19, and an increase from 2019-21.

*Question from Jennifer Joly: Can you repeat info about the statutory max and the calculation? What did Cathy calculate?*

*Cathy explained that the statutory max that ODOE can assess is 0.375% of the gross operating revenues subject to the assessment. ODOE does not assess on gross revenues subject to the gas tax, revenue from inter-utility sales, and on suppliers whose assessment is under \$250. The most recent assessment was 0.117%. For next biennium, the rate is estimated at 0.131%, although both the assessment and the gross revenue could change before then.*

Cathy reviewed next steps:

- ODOE will submit the ARB to the Chief Financial Office and the Governor on July 31. It will be available on the ODOE website.

- The CFO and Governor will review budgets and submit her recommended budget to the legislature in December 2020.
- The Legislature will hold hearings and budgets will be finalized by the end of 2021 Session.

At this point, ODOE staff unmuted the lines and took questions from attendees.

*Question from Angela Crowley-Koch: – Question regarding solar rebate, the 2.5 FTE. Would there be less need for those staff if it took longer to issue rebates? Is there a timeframe?*

*Cathy – It seems like requests get bunched up. By making this a longer process people may not feel like they need to rush to get into the process which creates a backlog of work. It would be easier if there were a longer timeframe. ODOE tried to build the POP as closely to what was provided to us this biennium.*

*Question from Helen Kennedy: How does ODOE handle passage of Federal legislation that rolls out funds for energy programs impact the budget if happen between July 31 and Dec 1, also after Dec 1 or after then?*

*Cathy responded that it really depends on where we are in the budget process. We can work with the Governor during the development of the GRB. We can also work with LFO during session. If after passage, it becomes more challenging. We would have to wait until the short session to get position authority or expenditure limitation to be able to use.*

*Question from Angela Crowley-Koch: – You said that part of the 2.5 fte is for inspections. Has ODOE thought of remote inspections or contracting with ETO?*

*Cathy answered that yes, ODOE looked in to contracting costs and it was more than what we wanted to spend on a temporary program. We only inspect a select number of projects. If this was a permanent program, remote inspections may become more of a viable option. Angela will follow up with staff on percentage of projects inspected.*

## **CLOSING COMMENTS, JANINE BENNER**

Janine reminded the group that all slides are available on ODOE's website. Questions can be sent to [AskEnergy@oregon.gov](mailto:AskEnergy@oregon.gov). Please submit comments on the budget by Friday, July 24.