

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 1536 - A4**81st Oregon Legislative Assembly – 2022 Regular Session
Legislative Fiscal Office***Only Impacts on Original or Engrossed
Versions are Considered Official***

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Measure Description:

Limits restrictions on portable cooling devices in residences by landlords, homeowners’ associations, condominium associations and local governments.

Government Unit(s) Affected:

Oregon Health Authority (OHA), Public Utility Commission (PUC), Bureau of Labor and Industries (BOLI), Department of Environmental Quality (DEQ), Housing and Community Services Department (HCSD), Counties, Department of Energy (DOE), Oregon Real Estate Agency (OREA), Construction Contractors Board (CCB), Department of Human Services (DHS), Department of Consumer and Business Services (DCBS), Cities, Oregon Judicial Department (OJD)

Summary of Fiscal Impact:

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

Summary of Expenditure Impact:

	2021-23 Biennium	2023-25 Biennium
General Fund	\$34,500,000	\$0
Other Funds*	12,365,532	12,390,609
Federal Funds	492,634	0
Total Funds	\$47,358,166	\$12,390,609
Positions	8	6
FTE	4.60	5.07

**Other Funds largely represent expenditure limitation for General Fund appropriated by this measure*

Analysis:

Senate Bill 1536 - A4 establishes four programs: one in the Oregon Health Authority to provide air conditioners and air filters to individuals who are eligible to receive medical assistance; and three in the Oregon Department of Energy to provide heat pumps and cooling spaces. This measure also directs Department of Human Services work related to certain shelters, and requires the Oregon Department of Energy to conduct a study on cooling. This work is outlined in detail below. This measure declares an emergency and takes effect on passage.

Oregon Department of Energy

This measure creates the Heat Pump Deployment Program in the Oregon Department of Energy (ODOE), to award grants to an eligible entity in each region of the State, and each federally recognized Indian tribe in Oregon. Grant funds are to be used to provide financial assistance for purchase and installation of heat pumps and related upgrades. ODOE may establish a maximum amount of grant funds to be disbursed for heat pumps and upgrades, and establish incentives to encourage use of higher efficiency heat pumps, heating and cooling devices, and upgrades. The measure also outlines ODOE oversight of grant funds, repayment provisions, and annual reporting requirements for entities receiving funds; and includes entities that should be consulted in program rulemaking.

This measure establishes the Heat Pump Deployment Advisory Council, which consists of representatives from eligible entities administering grant funds. The Council is to identify best practices and barriers for administering grant funds and providing financial assistance, and opportunities to provide technical assistance. ODOE is to provide staff support to the council.

This measure also creates the Heat Pump Deployment Fund, separate and distinct from the General Fund, with moneys continuously appropriated to ODOE for the purpose of the Heat Pump Deployment Program. Up to 15% of funds may be used by ODOE to administer and market the Heat Pump Deployment Program and for compensation and expenses of Heat Pump Deployment Advisory Council members. The ODOE Director must report to the Legislative Assembly biennially on expenditures of moneys in the Fund, with the first report to be submitted no later than December 31, 2023. ODOE may not use moneys collected through the energy resource supplier assessment to fund program grants. The measure appropriates \$10 million General Fund to ODOE for deposit in the Heat Pump Deployment Fund.

There is no sunset date on this program. This fiscal assumes that the \$10 million General Fund appropriation is the only source of program funding and is meant to sustain the program through the end of the 2023-25 biennium; any additional funding that may be provided by future Legislative action could change agency resource needs in this biennium or the next. Assuming this timeline and funding level, ODOE anticipates distributing \$5 million during the 2021-23 biennium, starting in early 2023, and \$3.5 million over the course of the 2023-25 biennium.

The second program is to provide rebates for purchase and installation of heat pumps to owners of a dwelling unit used as a residential tenancy, and to owners of manufactured dwellings or RVs. Rebates are to be claimed by contractors to reduce customer costs, with the rebates not to exceed 60% of purchase price of a heat pump for owners of a dwelling unit, or the entire price for manufactured dwelling or RV owners. ODOE is also to provide grants for upgrades to facilitate heat pump installation. This program sunsets January 2, 2025.

This measure creates the Residential Heat Pump Fund, separate and distinct from the General Fund, with moneys continuously appropriated to ODOE for grants and rebates, and program administration. Every year, moneys for rebates and grants must have 25% of program funds reserved for affordable housing providers and 25% for loans for owners of units occupied by households whose income is less than 80% of the area median income. The measure appropriates \$15 million General Fund to ODOE for deposit in the Residential Heat Pump Fund. The fund sunsets January 2, 2025, with all unexpended funds transferring to the General Fund. The agency notes that there will be work required to wrap up this program after the sunset date, and it is unclear how the positions working on the program will be funded once this money reverts to the General Fund.

This fiscal assumes that the \$15 million General Fund appropriation is the only source of program funding and is meant to sustain the program through January 2, 2025; any additional funding that may be provided by future Legislative action could change agency resource needs in this biennium or the next. Assuming this timeline and funding level, ODOE anticipates distributing \$6 million during the 2021-23 biennium, starting in early 2023, and \$7.5 million during the 2023-25 biennium.

Additionally, this measure directs ODOE to provide a grant to the nongovernmental entity that administers public purpose charge moneys to enable them to assist landlords in creating or operating private community cooling spaces on or near the premises during an extreme heat event. The measure appropriates \$2 million General Fund to ODOE for grants.

Finally, this measure directs ODOE to study cooling and electrical needs of publicly supported housing, manufactured dwelling parks, and RV parks. The measure appropriates \$500,000 General Fund to ODOE for this study.

ODOE is to report to an appropriate interim committee of the Legislative Assembly no later than September 15, 2023 on heat pump grants and rebates, community cooling spaces, and the cooling needs study.

Total Personal Services costs are estimated at \$685,347 in the 2021-23 biennium and \$979,198 in the 2023-25 biennium. ODOE anticipates that they will need to hire six new limited duration staff between the Heat Pump Deployment Program and the Residential Heat Pump Rebate and Grant Program. These include:

- One Program Analyst 3 (0.63 FTE in 2021-23, 0.88 FTE in 2023-25) to lead the development of both programs.
- One Operations and Policy Analyst 3 (0.50 FTE in 2021-23, 0.88 FTE in 2023-25) to perform outreach to environmental justice communities in design of programs; work with landlords, tenants, and contractors; to educate and engage with grant recipients and grant administrators; and to connect people to the programs.
- Two Program Analyst 2s (each .50 FTE in 2021-23, one 0.75 and one 1.00 FTE in 2023-25) to support program development and implementation, work on RFPs, and analyze and report data.
- One Procurement and Contract Specialist 1 (0.31 FTE in 2021-23, 0.50 FTE in 2023-25) to address increased contracts.
- One Accounting Technician 3 (0.25 FTE in 2021-23, 0.38 FTE in 2023-25) to address increased accounts payable.

ODOE will have additional Personal Services costs as the agency will need to pay existing staff who are supported by the energy supplier assessment for work on the Heat Pump Deployment Program, with staff costs paid from the Heat Pump Deployment Fund. This includes existing staff work on program oversight, rulemaking, IT support, and administrative support.

Additionally, the agency anticipates Services and Supplies costs of \$92,924 in 2021-23 and \$100,790 in 2023-25, including position-related Services and Supplies, costs for support of the Council, and Attorney General costs related to program rulemaking. Additional costs include indirect costs, as well as \$500,000 to contract for the cooling need study.

The Legislative Fiscal Office also notes that General Fund moneys for these programs will likely be carried over into the 2023-25 biennium and expended as Other Funds. ODOE will need to include Other Funds expenditure limitation for the 2023-25 biennium in order to expend these funds.

Oregon Health Authority

The Oregon Health Authority (OHA) is directed to create a program to acquire a supply of air conditioners and air filters, and to distribute these devices to a variety of eligible distribution entities. These devices are to be provided on an emergency basis to individuals who are eligible to receive medical assistance, reside in a house or RV with electricity, and can safely and legally install these devices in their residence. The measure appropriates \$5 million General Fund to OHA for this program.

OHA may contract with one or more third parties to administer this program. OHA or a third party are directed to determine the percentage of program funds needed to support costs of installation and installation materials; determine the percentage of program funds needed to cover the costs of administration, not to exceed 10%; to maintain technical assistance resources for the air conditioners and air filters; and to provide technical assistance to eligible distribution entities.

OHA assumes that of the funds appropriated under this measure, \$4.7 million would be used to purchase air conditioners and air filters and ship devices to eligible distribution entities. The number of people served by this program would vary greatly based on the costs of air conditioners and air filters purchased. According to OHA's cost estimates, lower cost air conditioners and air purifiers could be provided to close to 20,000 people, while purchasing devices at an average cost would serve closer to 7,500.

The remaining \$347,666 would likely go towards administrative costs and technical assistance for distribution entities. OHA estimates costs of \$150,000 to contract for education and technical assistance to eligible distribution entities. OHA would also need to track distribution of units and recipients; the agency anticipates hiring two new positions, an Information Systems Specialist 7 and Information Systems Specialist 8 (each 0.58 FTE in the 2021-23 biennium) to develop a new data system to track distribution entity applications, distribution of air filters and conditioners, and fulfillment of orders. Costs of this system will be paid for with a mix of General Fund and Federal Funds, with additional Other Funds expenditure limitation required due to OHA's Shared Services payment methodology.

There may be additional administrative costs for OHA to provide air conditioners and air filters in the 2023-25 biennium if funding is provided for continuation of this program. Additionally, this fiscal assumes that technical assistance only needs to be provided in the 2021-23 biennium; it is not clear if technical assistance is supposed to continue beyond the 2021-23 biennium even if no funding is provided for additional air filter and air conditioners after the current biennium.

Department of Human Services

This measure directs the Department of Human Services (DHS) to implement a grant program to allow local governments to establish or equip public buildings with emergency clean air, warming, or cooling shelters. Previously the program just provided grants for clean air shelters. The measure appropriates \$2 million General Fund to DHS to provide grants. DHS has an existing position to administer these grant funds.

Other Agencies

There is no or minimal fiscal impact anticipated for Cities, Counties, Housing and Community Services Department, Public Utility Commission, Department of Consumer and Business Services, Bureau of Labor and Industries, Department of Environmental Quality, and Department of Human Services.