

## FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 3166 - A

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:

Requires State Department of Energy, in consultation with Housing and Community Services Department, to establish whole-home energy savings program and high-efficiency electric home rebate program.

### Government Unit(s) Affected:

Department of Energy, Housing and Community Services Department, Public Utility Commission, Special Districts Association of Oregon

### Summary of Fiscal Impact:

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

### Analysis:

HB 3166 - A directs the Oregon Department of Energy (ODOE), in consultation with the Housing and Community Services Department (HCSD), 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 that the program maximizes benefits for applicants 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. The measure declares an emergency and takes effect on passage.

The total of cost of implementing this measure is indeterminate at this time. The measure does not specify how much funding or what fund type will be used to provide rebates. As per ODOE, the agency intends to use funding provided under the federal Inflation Reduction Act (2022) to implement the rebate programs, as the Inflation Reduction Act included funding for rebate programs for home energy efficiency retrofits. However, 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.

In total, 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. The agency believes this funding could be made available sometime in 2024.

Prior to receiving federal funds, ODOE would need to fund program startup costs with General Fund. Estimated costs for program administration are \$518,801 General Fund and \$55,839 Federal Funds in the 2023-25 biennium; and \$315,018 General Fund and \$223,357 Federal Funds in the 2025-27 biennium. In the 2023-25 biennium, these costs include:

- \$320,549 General Fund and \$55,839 Federal Funds for personal services. 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 an 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 December 2024, but it is not clear if the work of the Operations and Policy Analyst 2 is eligible to be federally funded. ODOE also notes that federal funding may be available for the Program Analyst 3 position earlier than December 2024, but this date is used due to uncertainty regarding Federal Funds availability.
- \$159,409 General Fund for indirect costs. The agency's services and supplies costs 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.
- \$16,746 for position-related services and supplies, and \$23,440 in estimated costs for legal costs related to program agreements.

There are additional indeterminate costs related to the cost of the resource for energy efficiency incentives and programs. The Operations and Policy Analyst 2 will be responsible for scoping this work and will determine if this work should be done by ODOE or contracted for. It is unclear if this work would be eligible for federal funding, and General Fund may be required for implementation of this aspect of the measure based on the scoping work and additional federal guidance on use of funds.

ODOE also has ten years to spend the funds provided under the Inflation Reduction Act. This measure does not include a sunset date. A ten-year time frame is outside of the two biennia scope of this fiscal impact statement, but the Legislative Fiscal Office notes that state funding may be required if this program is intended to continue after federal funding sources are exhausted.

There is minimal fiscal impact for HCSD and no fiscal impact for the Public Utility Commission.