



Oregon

Kate Brown, Governor



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DATE: June 2, 2017

TO: Senator Mark Hass, Co-Chair
Representative Phil Barnhart, Co-Chair
Joint Committee on Tax Credits

FROM: Michael Kaplan, Director
Oregon Department of Energy

SUBJECT: HB 2681, SB 177 Testimony

For the record, Michael Kaplan, Director of the Oregon Department of Energy.

I am testifying in opposition to the extension of the Residential Energy Tax Credit.

A position our department has long held, articulated repeatedly, and following the Governor's directive, communicated nearly a year ago to legislative leadership.

I want to unequivocally state that I do believe in the value of the industries, jobs, and outcomes that the RETC supports.

RETC contributes to positive changes for the state of Oregon.

The promotion of energy efficiency and the implementation of renewable energy devices are more important every single day.

However, it can simultaneously be true that a program, no matter how well intentioned, can become antiquated and require significant re-investment, rethinking, and overhaul.

We have learned, repeatedly, that the Oregon Department of Energy did not manage its responsibilities with the tax credit programs well.

We have been working for years to dig out of the hole created by poor management of our incentive programs.

The RETC has not been specifically implicated in many of the larger problems that have captured the public's attention, but the absence of criticism should not convey a clean bill of health.

If I felt the program was retrievable with simple changes, I would say so.

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Our data is unreliable, we require significant IT investments to build out a program of this size appropriately, we do not have a claw back mechanism, we do not have sufficient compliance resources, we lack fee authority on RETC, audits and examinations of other tax credit programs in the agency all point to systemic problems that have impacted RETC.

We have been forthcoming about these problems in every venue available to us for years, including with the Joint Legislative Oversight Committee that met throughout 2016.

To move forward, we should make strategic decisions about what our incentives should accomplish together, as a state, so that clear expectations are set for the public, our stakeholders, and this body.

Is RETC an economic development program, an energy efficiency program, or a greenhouse gas reduction program?

Without clear goals, trackable metrics, sufficient compliance resources, and the sophisticated systems to track data, we are bound to repeat the mistakes of the past.

The effectiveness and legitimacy of every ODOE has been compromised by its struggle with incentive programs.

There is a place in state government for these types of investments – we should lead, we should help Oregonians contribute to our energy and climate goals.

However, rather than continuing this program, which has run for close to 40 years, I would strongly urge you to give state government the opportunity to start over.

I appreciate your time, I apologize that I cannot be here to give a full throated endorsement of these programs, and I know that I have disappointed valuable partners throughout Oregon.

I would be happy to take any questions.