

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 4058 - 2

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:

Directs Oregon Health Authority to create program to acquire and distribute air conditioners and air purifiers on emergency basis to individuals eligible for medical assistance.

Government Unit(s) Affected:

Confederated Tribes of Grand Ronde, Housing and Community Services Department (HCSD), Cities, Department of Human Services (DHS), Confederated Tribes of Warm Springs and Coquille Indian Tribe, Public Utility Commission (PUC), Counties, Department of Consumer and Business Services (DCBS), Confederated Tribes of Siletz, Oregon Health Authority (OHA), Bureau of Labor and Industries (BOLI), Department of Environmental Quality (DEQ), Department of Energy (DOE)

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	\$15,000,000	\$0
Total Funds	\$15,000,000	\$0
Positions	3	3
FTE	1.00	3.00

Table does not reflect Other Funds expenditure limitation needs since measure only appropriates General Fund

Analysis:

HB 4058 - 2 establishes two programs: one in the Oregon Health Authority to provide air conditioners and air filters to individuals who are eligible to receive medical assistance; and one in the Oregon Department of Energy to provide heat pumps and related home upgrades. Both programs are outlined in detail below. This measure declares an emergency and takes effect on passage.

Oregon Health Authority

The Oregon Health Authority (OHA) is directed to create a program to acquire an emergency 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 in turn to individuals who are eligible to receive medical assistance, reside in a house or recreational vehicle 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.

This measure also adds to the list of eligible entities for the OHA Healthy Homes program, and expands allowable uses of grant funds awarded under this program.

OHA assumes that of the funds appropriated under this measure, \$4.5 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 19,000 people, while purchasing devices at an average cost would serve closer to 7,200.

The remaining \$500,000 would likely go towards administrative costs and technical assistance for distribution entities. OHA does not have an exact estimate of how these funds would be spent but this amount could include guidance cards for operations and maintenance of equipment, assisting distribution entities with shipping devices to recipients, or assistance with installation of units as needed. OHA will also be tracking distribution of units and recipients. The agency notes that if funding for this program is extended into future biennia, there may be additional administrative costs to continue to track where devices are distributed and moved, so that multiple devices are not distributed to the same person or household.

Oregon Department of Energy

This measure also 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; and up to 15% of funds can also be used by eligible entities for program administration and marketing. 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.

Finally, this measure 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 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 25% of grant funds (\$2.13 million) during the 2021-23 biennium, starting in early 2023, and the remainder (\$6.37 million) over the course of the 2023-25 biennium.

Total Personal Services costs are estimated at \$274,524 in the 2021-23 biennium and \$685,270 in the 2023-25 biennium. ODOE anticipates that they will need to hire three new full-time, limited duration staff for this program, with all positions phasing out after the 2023-25 biennium. These include:

- One Program Analyst 3 (0.50 FTE in 2021-23, 1.00 FTE in 2023-25) to lead the program development.
- One Operations and Policy Analyst 3 (0.42 FTE in 2021-23, 1.00 FTE in 2023-25) to perform outreach to environmental justice communities in program design, and educate and engage with grant recipients and grant administrators.
- One Program Analyst 2 (.08 FTE in 2021-23, 1.00 FTE in 2023-25) to support program development and implementation, work on RFPs, and analyze and report data.

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 \$30,825 in 2021-23 and \$22,540 in 2023-25, including position-related Services and Supplies, costs for support of the Council, and Attorney General costs related to program rulemaking. Finally, ODOE will need to pay indirect costs from the funds appropriated, while remaining within the 15% percent administrative cost limit.

The Legislative Fiscal Office notes that this measure allows for both ODOE and grant awardees to use up to 15% of available funds for program administration and marketing. If the maximum amount of administrative funding is used by both ODOE and grant awardees, then of the \$10 million appropriated for this program, \$7.23 million would go towards financial assistance. The Legislative Fiscal Office also notes that General Fund moneys for this program will likely be carried over into the 2023-25 biennium and expended as Other Funds. ODOE will need to request Other Funds expenditure limitation as part of the 2023-25 budget development process in order to expend these 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.