

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 3056 - 3**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

*Only Impacts on Original or Engrossed Versions are Considered Official*

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 Date: March 13, 2023

**Measure Description:**

Extends Residential Heat Pump Fund until January 2, 2026.

**Government Unit(s) Affected:**

Housing and Community Services Department, Department of Energy, Oregon Health Authority

**Summary of Fiscal Impact:**

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

**Summary of Expenditure Impact:**

	<b>2023-25 Biennium</b>	<b>2025-27 Biennium</b>
<b>Oregon Department of Energy</b>		
<b>General Fund</b>		
Special Payments	\$300,000	\$0
<b>Total General Fund</b>	\$300,000	\$0
<b>Other Funds</b>		
Personal Services	\$520,668	\$0
Services and Supplies	\$61,300	\$0
Special Payments	\$13,959,104	\$0
<b>Total Other Funds</b>	\$14,541,072	\$0
<i>Total Funds</i>	\$14,841,072	\$0
<i>Positions</i>	4	0
<i>FTE</i>	2.50	0.00
<b>Oregon Health Authority</b>		
<b>General Fund</b>		
Personal Services	\$476,445	\$0
Services and Supplies	\$154,100	\$0
Special Payments	\$5,374,350	\$0
<b>Total General Fund</b>	\$6,004,895	\$0
<i>Total Funds</i>	\$6,004,895	\$0
<i>Positions</i>	2	0
<i>FTE</i>	2.00	0.00
<b>Total General Fund</b>	\$6,304,895	\$0
<b>Total Other Funds</b>	\$14,541,072	\$0
<b>Total Fiscal Impact</b>	<b>\$20,845,967</b>	<b>\$0</b>
<i>Total Positions</i>	6	0
<i>Total FTE</i>	4.50	0.00

**Analysis:**

HB 3056 - 3 extends the repeal date for sections 19 to 21, chapter 86, Oregon Laws 2022, from January 2, 2025 to January 2, 2026. These sections establish a program for residential heat pump rebates and grants in the Oregon Department of Energy (ODOE), and establish the Residential Heat Pump Fund, with funds used to provide these rebates and grants. Additionally, the measure extends the deadline, from September 15 to December 31, 2023, for a required report from ODOE on the heat pump grants and rebates; community cooling spaces; and a cooling needs study.

The measure includes a \$1 appropriation to the Oregon Health Authority (OHA) for an existing program to provide air conditioners and air filters to certain individuals. The measure declares an emergency and takes effect on passage.

**Oregon Department of Energy**

This fiscal impact statement incorporates the costs to continue the residential heat pump rebates and grants program for the whole 2023-25 biennium, and not just the costs to extend the program for an additional year. All program expenditure limitation and position authority related to this program were phased out in the Oregon Department of Energy's (ODOE's) 2023-25 current service level budget. This fiscal impact also assumes that all grant and rebate funds will be disbursed by the end of the 2023-25 biennium, so although the program is extended through January 2, 2026, costs will only be incurred in the 2023-25 biennium and positions will be phased out at the end of that biennium. If all funds are not disbursed in the 2023-25 biennium, ODOE will need to request additional position authority and expenditure limitation as part of the 2025-27 budget development process to continue the program into the 2025-27 biennium.

To operate this program in the 2023-25 biennium, ODOE would extend four existing limited-duration positions (2.50 FTE). Positions include one Operations and Policy Analyst 3, one Program Analyst 3, one Program Analyst 2, and one Accounting Technician. These positions will be doing outreach and engagement work with impacted communities and applicants, reviewing applications, doing site inspections, collecting data, and processing payments. Total costs of extending these positions into the 2023-25 biennium are estimated at \$520,668 Other Funds in personal services and \$27,300 in position-related services and supplies, as well as an estimated \$258,928 in indirect costs which are already included in the agency budget and so not included in the table above. Additionally, ODOE would have estimated legal costs of \$34,000. All remaining funds in the Residential Heat Pump Fund would be disbursed as rebates and grants, totaling approximately \$14 million Other Funds.

The positions and expenditure limitation for rebates and grants are included in the Governor's budget in Policy Option Package 205, which totals \$11.4 million based on ODOE's early estimates of what would be available in the Residential Heat Pump Fund at the end of the 2021-23 biennium. Updated estimates from ODOE are that approximately \$14.8 million will be available in the fund at the end of the 2021-23 biennium. This increased amount is reflected in this fiscal impact statement. The Policy Option Package also only funds the program-related positions for the first 18 months of the 2023-25 biennium. Costs in this fiscal impact statement do not match up with Policy Option Package 205 since this fiscal analysis includes the costs to extend the positions for an additional six months, through the end of the 2023-25 biennium.

ODOE additionally notes that reporting requirements under this measure will likely require a General Fund appropriation of \$300,000 in the 2023-25 biennium. The agency received a General Fund appropriation of \$500,000 in the 2021-23 biennium for this report, but the report timeline was delayed, and the agency will only spend \$75,000 of this funding by the end of the biennium. The agency's total cost for the report is now estimated at \$375,000, with \$300,000 of these costs being carried into the 2023-25 biennium with the extended reporting timeline.

**Oregon Health Authority**

This measure includes a \$1 appropriation to the Oregon Health Authority (OHA) for an existing program to provide air conditioners and air filters to certain individuals. This fiscal impact discusses the costs to continue this

program at the same level in the 2023-25 biennium as the current biennium; however, these costs are not included in the table above, as the bill does not specify if any additional funding will be made available to OHA for continuation of this program. Additionally, OHA has also received approval from the Centers for Medicare and Medicaid Services of a 1115 Medicaid Waiver for 2022-2027, which includes health-related social needs benefits related to extreme weather events such as air conditioners, air filters, and generators for people with a high-risk clinical need. However, overlap between services under the waiver and through this program are currently unknown. While the information below states all costs as being funded by the General Fund, some program costs could be offset with Federal Funds later in the 2023-25 biennium.

During the 2021-23 biennium, OHA purchased 7,962 air conditioners and air filters. If the same number of air conditioners and air filters are to be distributed in the 2023-25 biennium, OHA estimates that program costs will total \$5.9 million General Fund in the 2023-25 biennium. This includes \$5.4 million for air conditioners and filters, assuming a cost of \$675 per unit, and \$110,000 for community-based organizations that assist with distribution and installation.

If funded at this level, OHA would also hire two new full-time positions (2.00 FTE) to coordinate this program, at a total cost of \$416,889 for personal services and \$44,100 for position-related services and supplies. This includes one Operations and Policy Analyst 4 and one Operations and Policy Analyst 2. Last biennium, air conditioner and air filter distribution was done using existing staff working on similar programs that will phase out at the end of the biennium.

#### Other agencies

There is no fiscal impact for the Housing and Community Services Department.