

Background and Need for Legislation

The Oregon Rental Home Heat Pump Program and Community Heat Pump Deployment Program were established by the Oregon Department of Energy at the direction of SB 1536, which was passed by the Oregon State Legislature in 2022. The two programs provide financial assistance for the purchase and installation of heat pumps and related upgrades.

The Oregon Rental Home Heat Pump Program rebates are issued to participating contractors and are passed on to customers as a reduction in the price of the installed heat pump. The legislature directed the department to make at least 25 percent of the incentive budget available for projects installed for affordable housing providers and at least 25 percent of the incentive budget available for projects installed for dwellings occupied by low- or moderate-income households. The legislature has directed \$19 million to this program, including \$15 million in 2022 (SB 1536) and \$4 million in 2024 (SB 1530). As of October 25, 2024, more than 3,700 projects have either received or reserved rebates in 24 Oregon counties. \$16 million has either been reserved or issued for rebates and grants for the installation of heat pumps, supporting almost \$30 million in total project costs.

The Community Heat Pump Deployment Program provides grants to eligible entities for them to provide financial assistance to individuals who reside within the region or who are members of the tribe the entity has been awarded a grant for. The program prioritizes the provision of financial assistance to environmental justice communities; individuals who rely on bulk fuels or electric resistance heating; and individuals who reside in a home or structure that does not have a functioning heating or cooling system. The legislature directed \$10 million to the Community Heat Pump Deployment program, \$7,594,194 has been allocated to administrators to cover eleven regions and two tribes. \$905,806 has been transferred to the Oregon Rental Home Heat Pump Program and is available to benefit members of the Tribes it was originally allocated to, for which an administrator was not identified.

The legislature typically includes a sunset date for incentive programs in statute as a best practice to periodically revise or revisit those programs. SB 1536 included a sunset date of January 2, 2025, for the Oregon Rental Home Heat Pump Program that was revised to January 2, 2026, by HB 3409 in 2023. This means that the sunset must be lifted for the program to continue through the 2025-2027 budget period.

The Community Heat Pump Deployment Program requires an entity that receives a grant under the program to submit a report annually with a description of the use of the grant funds, including a list of the financial assistance provided. By statute, the report may not disclose the personal information of the recipients of financial assistance. Some personal information, such as the street address of the location where a heat pump is installed, would aid ODOE in the analysis and reporting of the program. Regional administrators have also expressed concern that the administrative fee cap is inadequate to cover their costs to implement the program. Finally, this program will receive federal funding and some changes are required to align state and federal requirements.

Proposed Solution

The proposed solution for the Rental Home Heat Pump Program would extend the program sunset an additional six years and make the program's four full time positions permanent instead of limited duration. This would continue the program's success in meeting the legislature's goals of reducing the upfront costs of installing heat pumps while also supporting recruitment and retention of agency staff.

With the extension of the program, the draft legislative concept also includes the addition of a requirement for ODOE to provide a report on the program every two years.

For the Community Heat Pump Deployment program, the requirement to not release personal information would be removed and replaced with a requirement that the entities use best practices to maintain the confidentiality and security of the information and data. This would allow grantees of the Community Heat Pump Deployment Program to provide the street address of the locations heat pumps were installed through the program. Also, the administrative fee cap for regional administrators would be removed and instead the cap would be set by rule. It would also change language around prioritization for environmental justice communities to align with federal regulations.

Expected Fiscal Impact

Additional funding to continue both programs has been awarded as part of the federal Climate Pollution Reduction Grant program.

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