

# Legislative Report

## Oregon Clean Vehicle Rebate Program

September 2020



### **Air Quality**

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# Introduction

In 2017, nearly forty percent of greenhouse gas emissions in Oregon came from the transportation sector<sup>1</sup>. Transitioning to lower-emitting vehicles, including electric vehicles, is one of important approaches to meeting Oregon's statutory greenhouse gas reduction goal of reducing emissions to 75 percent below 1990 levels by 2050.

HB 2017 (2017) directed the [Oregon Department of Environmental Quality](#) to develop and implement a program for incentivizing the purchase or lease of electric vehicles in Oregon. Section 151 of HB 2017 required the agency to report to the legislative assembly on even-numbered years on the effectiveness of the program, use of funds, recommendations on future legislation and the results of relevant audits. DEQ submitted its first report in 2018; this 2020 report provides an update on the status of the program.

## Program Background and Description

HB 2017 (2017), also known as the *Keep Oregonians Moving Act*, represented the most comprehensive transportation investment package in recent Oregon history. The legislation included a suite of investments and programs aimed at reducing greenhouse gas emissions and other pollutants from the transportation sector. In addition to direct investments in public transit and safe routes to schools, the legislation directed DEQ to develop and implement an electric vehicle rebate program.

### Program Design

The [Oregon Clean Vehicle Rebate Program](#) is designed to provide additional incentives for the purchase and lease of electric vehicles by Oregonians through a suite of rebates. The rebates fall into two main categories and are summarized in Table 1:

- **Standard Rebates.** These are rebates for the purchase or lease of new battery electric or plug-in hybrid vehicles. Rebate amounts range from \$1,500-\$2,500 depending on the vehicle's battery capacity. Rebate qualifications include:
  - The vehicle's base Manufactured Suggested Retail Price (MSRP) must be less than \$50,000.
  - The vehicle must be continuously registered in Oregon for 24 months following purchase or lease.
  - The vehicle must be purchased or leased at a licensed automobile dealership, or an original equipment manufacturer that does not have licensed franchised new automobile dealers in Oregon.
- **Charge Ahead Rebates.** This is a flat \$2,500 rebate for the purchase or lease of a new or used battery electric or plug-in hybrid vehicle. Charge Ahead Rebates are specifically designed for low- and moderate-income households and in certain circumstances can be combined with a Standard Rebate for a total incentive of up to \$5,000. Rebate qualifications include:
  - The purchaser or lessee must qualify as low- or moderate-income. This is defined in statute as having a household income of less than 120 percent of the median family income where the purchaser lives.
  - The vehicle's base Manufactured Suggested Retail Price (MSRP) must be less than \$50,000.
  - The vehicle must be continuously registered in Oregon for 24 months following purchase or lease.
  - The vehicle must be purchased or leased at a licensed automobile dealership, or an original equipment manufacturer that does not have licensed franchised new automobile dealers in Oregon.
- **Additional Rebates.** The enabling legislation also directed DEQ to make rebates available for Electric Motorcycles (\$750) and Neighborhood Electric Vehicles (\$750).

**Table 1 – Rebate Program Features and Requirements**

	<b>Standard Rebates</b>	<b>Charge Ahead Rebates</b>
Rebate Amount	<ul style="list-style-type: none"> <li>• \$2,500 - Vehicles with battery capacity ≥ 10 kilowatt hours</li> <li>• \$1,500 – Vehicles with battery capacity &lt; 10 kilowatt hours</li> <li>• \$750 - Electric motorcycles</li> </ul>	\$2,500
Purchased vehicles qualify	Yes	Yes
Lease vehicles qualify	Yes	Yes
Eligible vehicle types	BEVs, Plug-in Hybrid (PHEV) and electric motorcycles	BEVs and Plug-in Hybrid (PHEV)
New vehicles qualify	Yes	Yes
Used Vehicles qualify	No	Yes
Income Restrictions	No	Less than 120% of Area Median Family Income
Registration	Consecutive 24-month minimum	Consecutive 24-month minimum

In 2018, the Legislative Assembly amended the program statutes through HB 4059, with a focus on technical adjustments and simplifying Charge Ahead Rebate requirements. Specifically, the legislation removed a requirement that Charge Ahead Rebate recipients scrap an older vehicle and live in an area of the state disproportionately impacted by pollution from motor vehicles.

Subsequently, in 2019, the Legislative Assembly passed HB 2592, which incorporated additional changes to clarify program requirements and expand program eligibility, particularly for the Charge Ahead Program participants. This included changes to allow plug-in hybrid electric vehicles to be eligible for the Charge Ahead rebate, prorating the reimbursement amount if a rebate recipient sells or terminates the lease of the electric vehicle before the end of 24 months. Additionally, it allowed people who purchased vehicles between Jan. 1 and Aug. 2, 2018 to have an additional six-month window to apply for rebates.

The rebate program expires on January 2, 2024.

### Program Funding

The rebate program is funded by a privilege tax on the sales of new cars by automobile dealers. The tax, also established in HB 2017 (2017) is projected to generate between \$40 million and \$56 million in revenue biennially. Transfers to the Zero-Emission Incentive Fund (the fund dedicated for EV rebates) are capped at \$12 million annually. Additional budget direction provided by the legislature includes:

- No more than 10 percent of available funds shall be used on administrative costs
- At least 10 percent of available funds shall be used for Charge Ahead Rebates

As of May 31, 2020, the Oregon Department of Revenue has transferred \$32,778,328.40 into the Zero-Emission Incentive Fund. The Legislative Revenue Office forecast predicts the full \$12 million annual transfer for each year of the program.

Following the adoption of HB 2017 (2017), the use of privilege tax revenue was challenged in court. The Legislature anticipated a legal challenge to the tax, and incorporated in the legislation a provision for expedited judicial review by the Oregon State Supreme Court. The petition for review was filed by AAA Oregon/Idaho and Oregon Trucking Associations on Nov. 3, 2017, and the court issued its opinion on Aug.

2, 2018. During the review period, the Department of Revenue collected the tax, but held collections in a suspense account. This meant DEQ did not receive any resources to begin program development until August 2018 when the court upheld the rebate program as an eligible use of privilege tax revenue.

### Administrative Rule Updates

After the Legislature passed HB 2017, the Environmental Quality Commission adopted initial program rules in May 2018. Subsequent legislative changes in 2018 and 2019 resulted in additional rule changes adopted by the EQC. These program changes included adjustments to reduce barriers for low- and moderate-income households hoping to access rebates, by removing certain program eligibility requirements included in the original 2017 legislation. Additional updates included an expansion of program eligibility by allowing plug-in hybrid electric vehicles to be eligible for the Charge Ahead rebate program. It also included prorating and allowing for a waiver of the reimbursement amount if a rebate recipient sold or terminated the lease of the electric vehicle before the end of 24 months.

## Implementation of the Program

Since 2018, DEQ has been accepting applications, issuing rebates and developing educational materials and branding for the program. DEQ completed a competitive procurement a private third-party vendor to implement the program, as anticipated by the legislature. DEQ worked closely with the vendor and stakeholders to establish program elements, including robust rebate application processing protocols and working with dealers to have rebates applied at the point of sale. More recently, the COVID-19 pandemic has affected DEQ's ability to issue rebates and conduct outreach events to promote the program.

### Program Administrator Vendor Contract

The legislature approved the rebate program with the expectation that DEQ would contract with a third-party to administer the program. This is the approach that has been used in most other states with similar programs. Due to the sensitive nature of the data required to run the program in Oregon (personal identifiable information, including income information for households to qualify), the program was subject to careful review and approval through the State's Enterprise Information Services Stage Gate process for information technology projects.

DEQ issued the RFP in December 2018, announced the Intent to Award in February 2019, and entered into a \$1.3M agreement with the [Center for Sustainable Energy](#) in late September 2019 to fully implement the program, including outreach and education. CSE has a proven track record of successfully managing electric vehicle rebate programs in five other states. The legislature authorized one position at DEQ to monitor the contract and periodically audit rebates.

### Remitting Rebates

DEQ launched an online "Phase I Application" on January 1, 2018, despite the pending legal challenges to the resources for the program. After the Supreme Court decision in August 2018 to uphold funding for the program, DEQ began implementation. Phase 1 referred to applicants who purchased or leased an eligible vehicle anytime between Jan. 1, 2018 and Dec. 11, 2018, and submitted applications to ensure they would meet the six month deadline in statute to apply following their purchase or lease date. Once the legal challenge to the program was resolved, and funds to implement the program were released, DEQ reached out to the Phase 1 applicants to have them submit a Phase 2 paper application to collect the remaining information needed to process rebates for the Standard Rebate program.

Beginning on December 12, 2018, DEQ began reviewing and accepting completed paper applications for Standard rebates, using internal DEQ staff to review applications until a web-based platform could be developed to allow applicants apply and submit documentation online. DEQ awarded Standard Rebates in early 2019, while deferring implementation of Charge Ahead Rebates until CSE could collect, safely secure, and review sensitive personal information needed to verify proof of household income. In February 2020, CSE developed a simple online temporary tool that allowed rebate applicants to upload and submit income documentation to support their rebate application. DEQ continues to work with CSE in the development of a full online platform that will allow applicants to apply online and track their rebate application. As of August 31, 2020, DEQ has awarded over \$17.6 million in rebates, comprised of 6,691 Standard Rebates, 497 Charge Ahead Rebates, and 95 combined Standard and Charge Ahead Rebates.

### *Rebate Application Backlog and COVID-19 Effect*

Due to the delay in beginning the program because of litigation that froze funding, a significant backlog of rebate applications was created. As of September 2020, there is still a 5-month backlog in rebate applications. Following the initial program delay, the COVID-19 pandemic resulted in a second set of delays. Charge Ahead rebate applications were most adversely affected, as IRS office closures prevented the issuance of tax return information to verify income. Recognizing the need to work through this backlog particularly with the current economic recession, DEQ has worked with CSE to increase staffing and resources that will enable CSE to eliminate the current backlog by the end of 2020.

### *Issuance of Rebates through Dealers*

DEQ entered into agreements with auto dealerships across the state -- allowing rebates to be applied at the time of purchase or lease. Applying this rebate at the point of sale increases the efficacy of the incentives by allowing participants to reduce the purchase price directly; DEQ then issues the rebate directly to the dealer. Over [60 dealers](#) currently participate in the program across the state, including in the Portland metro area, Salem, Eugene, Bend, and Southern Oregon. As of August 31, 2020, over \$3.43M has been issued through the dealerships (1,434 Standard rebates). DEQ plans to launch a Charge Ahead rebate component through the dealerships in 2021 in which potential applicants can prequalify for the Charge Ahead rebate and have the rebate applied at time of purchase or lease for a used vehicle or if purchasing new, have both the Standard and Charge Ahead rebate applied.

### *Stakeholder Outreach and Communication*

DEQ contracted with CSE to implement the program, and CSE has subcontracted with Forth to implement education and outreach. Forth is conducting marketing, education and outreach activities including community events, dealership engagement, vehicle manufacturers and developing community partners statewide. The outreach plan is to engage consumers at all levels including potential car buyers, dealerships and community-based organizations with an initial focus on major vehicle markets near major highway corridors, such as Portland Metro, Willamette Valley, Central Oregon and Southern Oregon, including areas with low-income and disadvantaged communities. A high priority focus on low-income and disadvantaged communities will include partnering with community based organizations and local government organizations that serve low income and disadvantaged communities to build awareness of the Charge Ahead Rebate.

### *Educational Materials and Web Site Development*

DEQ launched its Oregon Clean Vehicle Rebate Program web page in December 2018. This includes FAQs for applicants and dealers, lists of eligible vehicles for the Standard and Charge Ahead Rebates, and an income eligibility calculator Charge Ahead applicants can utilize to help determine program eligibility.

DEQ, in coordination with Forth, has designed and developed educational handouts, flyers and fact sheets for consumers who are potential car buyers/lessees. These documents are available in English and Spanish and will include Mandarin and other languages in the future. Similar materials are available for vehicle dealerships, including those selling used electric vehicles. Forth is also developing and finalizing "train-the-trainer" materials or a toolkit to support community partners in their outreach work on behalf of the Program. The toolkit will include sample newsletter articles, emails, blog posts, social media posts, web site content and other materials. These assets were developed in collaboration with community partners to ensure messaging and content are appropriate and effective.

#### *Outreach to Low- and Moderate-Income Communities*

Forth will collaborate with various community-based organizations (CBOs) that serve low- to moderate-income households and underserved communities to provide background on electric vehicles and charging and to promote the Charge Ahead Rebate program. Forth plans to embed education into the CBOs' other services.

Forth is also working closely with Transportation Network Companies (TNCs), such as Uber and Lyft, to help its drivers purchase electric vehicles. Research has shown that a significant number of TNC drivers have family median incomes below \$50,000 per year. Forth will conduct educational events to provide information about the benefits of driving electric and the resources available through the Program.

In addition, DEQ is contracting with [EV Noire](#), a multicultural organization focused on e-mobility and transportation equity whose purpose is to inform, educate and increase awareness of electric vehicle technology and to increase access to diverse and underserved communities. EV Noire is implementing a marketing plan for Oregon communities of color that will include a strategy focused on driving potential buyers to the program web site and community engagement events. The plan will also include specific marketing strategies and messaging recommendations targeted to communities of color that will increase the awareness of the Program, including the Charge Ahead Rebate.

#### *Community Engagement and Outreach Events*

Originally, DEQ had planned 20 community engagement events during the 2020 calendar year. Due to the COVID-19 pandemic, those efforts were scaled back to reflect the Governor's stay-at-home orders. Instead Forth, on behalf of DEQ, is partnering with utilities and community-based organizations to host 12 virtual events across the state. These are designed to provide Program education and outreach to potential electric vehicle buyers. To date, Forth has conducted the following outreach events:

- Portland International Auto Show (Febr. 20-23, 2020, Portland)  
Over four days in February, the Portland International Auto Show was a high visibility event that targeted a wide variety of consumers and car dealerships. Forth worked closely with local utilities to create an "Electric Avenue" display to inform and educate the public about electric vehicles. More than 50,000 people attended the Portland International Auto Show.
- Earth Day Electric Vehicle 101 & Oregon Clean Vehicle Rebate Program @ Lane Community College, (April 22, 2020, Eugene, OR) – Virtual Event  
Lane Community College hosted a virtual forum for students and faculty members regarding the Oregon Clean Vehicles Program and electric vehicles in celebration of Earth Day.
- 'Can I Afford an Electric Car? – Virtual Power Hour', hosted by [The Environmental Center](#), (May 19, 2020, Bend, OR) – Virtual Event  
In May, The Environmental Center hosted and presented their monthly speaker series, "Power Hour", with a presentation on the OCVRP program. The event was promoted through the organization's Facebook and

Instagram channels and its main newsletter, as well as through two different electronic newsletters to prior attendees of “Power Hour” events. The live program was also cross-promoted on four topic-related Facebook community pages, including the Bend Electric Vehicle Club, Portland Nissan Leaf Owners Group and Plug-In Bend Real Estate. More than 30 people tuned in to the live event and the video has 1,140 social media hits.

Forth is also planning to promote the Program via digital marketing, advertising, direct email, education, and public relations efforts with key elected officials. It will also promote the Charge Ahead Rebate using geographic and demographic targeting with primary social media channels: Facebook, Instagram, Twitter and LinkedIn.

#### *Coordination with Auto Dealerships*

Forth will conduct targeted outreach to auto dealers through an awareness and education campaign. The goal is to provide training and toolkits specifically designed to assist dealers in selling more EVs with the applied Rebate.

## Effectiveness Analysis

As mentioned previously, DEQ has issued 7,283 rebates. The agency’s initial analysis of program data indicates that:

- More than 9,500 people have applied for the program. DEQ continues to receive at least 200 applications a month and the COVID-19 pandemic does not appear to have had an effect on submission rate. This could be in part due to the fact that applicants have six months within purchase or lease to apply. Additionally, based on tax receipts collected from the vehicle privilege tax funding the Program, the pandemic does not appear to have affected vehicle sales overall.
- Approximately 28 percent of applications received (2,683 applications) include requests for Charge Ahead Rebates. DEQ has awarded 592 Charge Ahead Rebates thus far and continues to review and process the remaining applications. Part of the delay in processing is due to IRS office closures as a result of the pandemic and CSE’s inability to obtain tax records to verify income eligibility.
- Eighty-four percent of Charge Ahead Rebates (497 participants) have been for used car vehicle purchases/leases. 96 percent (479 participants) of the used car purchases were for battery electric vehicles.
- Sixteen percent of Charge Ahead Rebates for new vehicle purchases/leases (95 participants) were combined with the Standard Rebate for a combined total rebate of up to \$5,000.
- 0.3 percent (24 participants) were awarded Standard Rebates for the purchase/lease of zero-emission motorcycles.
- The majority of rebates were awarded in the Portland metro area (4,475 rebates). Other areas with the highest Rebate submission rates include Eugene, Salem, Bend, Medford-Ashland and Corvallis. Rebates have also been awarded to participants in Coos, Curry, Lincoln, Union, Malheur, Klamath and Josephine Counties.
- In general, DEQ is seeing approximately eight percent of Charge Ahead applicants qualifying for the Rebate. Many Charge Ahead applicants are not eligible because they withdrew their application after realizing their income levels did not qualify them for the Program, were not able to submit proper documentation or failed income verification.

DEQ expects OCVRP participation to increase as Forth conducts more outreach and works with dealerships, community organizations and other stakeholders to promote the program. Part of this effort will include targeted outreach to potential Charge Ahead-eligible and rural communities and ensuring that rebate



eligibility requirements are clear. Unfortunately, implementation of this component has been minimal up to this point in large part due to the COVID pandemic.

## Use of Funds

DEQ is required to report on the “uses to date of moneys in the Zero-Emission Incentive Fund.” Costs to the program include:

- DEQ’s programmatic costs to administer the program (program development and rulemaking)
- CSE’s contract costs to implement the program
- Contract costs with North Highland Consulting to project manage development of the OCVRP online platform and manage the Stage Gate process with the Oregon Enterprise Information Security office

These costs reflect expenditures from Aug. 2, 2018 (when DEQ first had access to funding) to June 30, 2020. Collectively, administrative expenses remain below the 10 percent cap established in statute.

<b>CSE Costs</b>	\$	819,725.98
<b>North Highland Costs</b>	\$	235,785.00
<b>DEQ Program Costs</b>	\$	622,943.00
<b>Rebates Issued</b>	\$	17,174,750.00
<b>Total</b>	<b>\$</b>	<b>18,853,203.98</b>

## Recommendations for Legislation

DEQ appreciates the Legislature’s willingness to work with the agency in the 2018 and 2019 legislative session to make technical fixes, accelerating OCVRP’s implementation. At this point, DEQ does not have specific recommendations for modifications to the Program’s enabling statutes. However, as noted, OCVRP does sunset on Jan. 2, 2024. Program and policies that promote transportation electrification and electric vehicles are essential to achieving Electric Vehicle adoption targets adopted by the Legislature in SB 1044 (2019). DEQ anticipates and welcomes continuing conversations about the future of the Oregon Clean Vehicle Rebate Program in the context of meeting those goals.