



To: House Business and Labor Committee
From: Lori Sattenspiel, Oregon School Boards Association
Re: House Bill 2419
Date: February 11, 2021

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Chair Holvey, Vice Chairs Bonham and Grayber, and members of the committee:

On behalf of OSBA membership, including 197 school districts and 19 Education Service Districts, thank you for the opportunity to testify on House Bill 2419.

HB 2419 would make changes to existing prevailing wage processes, and the potential impacts of these changes contained in HB 2419 are concerning to school districts.

Concerns:

The BOLI process currently in place works for districts because many are familiar with it and are trying to budget upcoming project work right now. This bill, along with other bills that would change prevailing wage statutes, has an effective date of January 2022. This date would impact school district bond projects already budgeted and on the ballot coming in May. This would compound the already challenging infrastructure problems COVID-19 has forced upon school districts. Schools have a longstanding backlog of infrastructure needs that have never been addressed due to inadequate funding. Now, adding COVID and wildfire issues, this backlog has emphasized the importance of addressing these infrastructure challenges.

There are currently eight districts going out for a bond in May to address aging facilities. Some also have COVID updates in the project works. If HB 2419 were to pass, then effective date would create a perfect storm for these eight schools.

In 2015, Senate Bill 447 passed and created the Office of School Facilities, along with a grant-matching program which allows for a school district to receive a matching grant from the state up to \$8 million in match that is determined by the bond amount. Before getting a matching grant, the school district must first pass a local bond. The core intent of this program is to help those smaller districts who have never (or rarely) been able to pass a bond. If these districts are going to be successful, they have to start the campaign with all the facts in hand. Running a bond campaign is a huge undertaking that requires months of organizing and

local community outreach, and a district needs to know where they stand from the very beginning.

This matching grant program has been a major step forward for schools to have state support for facilities. The state match has helped our small and rural school districts get the local communities to support the local bond knowing that the state has a match waiting, which helps leverage local community support to pass a bond.

Furthermore, if this bill passes and becomes effective, we expect wages to increase. These eight districts going out for a bond now may find themselves short of funds to complete projects. Again, these schools have done their due diligence up front, including some escalation factors to account for trends in materials and wage rates. If there is a wage spike caused due to these bills, referenced as results of similar legislation in Washington state, these projects are going to have problems.

How does a school explain to their communities that all the upfront work done, and budgeted **now** may not be enough?

Consider, please, the following examples of two small school districts that have been able to take a step forward to upgrade their school district facilities, both in Northeastern Oregon:

Enterprise school district passed a bond in November and is in the process of getting a project manager in place. However, school projects require some thought and timing to work being done when students are not in school. For Enterprise, this includes the need to include a new roof, and that is the focus of planning currently. However, the remainder of projects will not be out for bid until at the earliest February of 2022. This bill would potentially impact that project and drive up costs.

Wallowa school district is asking their voters to pass a bond in May, in order to address some health and safety issues associate with their school building. They have a very old building. Given the restrictions on the process after a bond is passed, the district would likely be unable to hire a suitable project manager and get bids out before next year. Again, this bill could push bond project costs up significantly and Wallowa may not have enough bond dollars to cover all the projects. This is a worst-case scenario because community trust, which was already a challenge, would become an even bigger issue for the district.

One other program of note that could be impacted by this bill is the Seismic Grants program that schools, community colleges, and emergency services can apply for. Again, this is planning, budgeting, and applying. The timing of any changes to prevailing wage or spikes in wage costs could impact these project costs.

Finally, this bill could also impact any projects on managed by Oregon's federally recognized governments. They have different process requirements and I do not have the best information on those projects, but they could potentially suffer the same negative consequences from wage cost increases related to this bill.

I caution moving this bill forward without further conversation creates some unintended consequences that would have major consequences for these May bonds.

Thank you Chair Holvey and members of the committee. I am happy to answer any questions.