

## FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2257 - 5

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

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

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Prepared by: Michael Graham  
Reviewed by: Julie Neburka, Amanda Beitel  
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### Measure Description:

Establishes School Safety Construction Fund in State Treasury, separate and distinct from General Fund.

### Government Unit(s) Affected:

Department of Education, School Districts

### Summary of Fiscal Impact:

Costs related to this measure are indeterminate at this time - see explanatory analysis.

### Analysis:

House Bill 2257, as amended by the -5 amendments, establishes the School Safety Construction Fund, which consists of moneys appropriated by the Legislative Assembly. Moneys in the School Safety Construction Fund are continuously appropriated to the Department of Education (ODE) for making grants to school districts for school infrastructure construction projects.

The measure appropriates an unspecified amount of General Fund to ODE for making grants out of the School Safety Construction Fund to school districts, education service districts, the Oregon School for the Deaf, and certain charter schools. Moneys in the fund would primarily be used to remove asbestos, radon sources, mold, and other hazards; retrofit buildings to protect against earthquakes and other seismic events; install, repair or upgrade heating, ventilation, and air conditioning systems; remove sources of lead from drinking water; and repair roofs, walls, interiors, and foundations. The measure directs ODE to prioritize funding for projects based on the urgent need to protect the health, safety, and welfare of students and faculty. ODE must retain no less than 5% of the balance of the School Safety Construction Fund each biennium as a reserve for cash flow and revenue shortfall purposes.

ODE must accept grant applications from eligible school districts, education service districts, the Oregon School for the Deaf, and charter schools when a public school district applies on their behalf. ODE by rule must establish forms, procedures, and evaluation criteria for awarding grants to school districts from the School Safety Construction Fund. The measure takes effect 91 days after adjournment *sine die*.

### Department of Education

The fiscal impact to ODE is indeterminate because the measure includes an unspecified General Fund appropriation to ODE and the level of investment in this new grant program will ultimately inform the level of services that ODE would be required to provide. Furthermore, while the measure establishes the School Safety Construction Fund, it does not include any requirement to capitalize the fund or provide a certain level of funding.

The Department would require new resources to establish and administer a new grant program. Prior to beginning the new grant program, ODE would need to adopt new administrative rules for how to run the program, including the application process, award process, payment process, and any audit or review process; create forms and templates for applications, awards, and reimbursements; create a grant agreement template approved by the Oregon Department of Justice for use in the program; and provide ongoing monitoring and

administration of the program. ODE anticipates that the application process would be a discrete process, i.e., grant applications and awards would be processed at designated times in each year of the biennium. If the program were to require awarding grant funds on a competitive basis, ODE would anticipate the need to contract out the application review process to a third-party contractor.

Based on a hypothetical funding level of \$200 million per year, ODE would need to hire three permanent, full-time positions (2.49 FTE in 2023-25, 3.00 FTE in 2025-27), including one Program Analyst 4 to provide overall program guidance and administration; one Program Analyst 2 to process and evaluate applications, approve reimbursement claims, and follow-up and audit recipients; and one Administrative Specialist 2 to provide technical assistance, receive reimbursement documentation and review for accuracy, and track reimbursements and expenditures of grant moneys. The estimated cost of these positions, including services and supplies, is \$711,665 General Fund in 2023-25 and \$741,314 General Fund in 2025-27.

It should be noted that because nearly all the General Fund appropriation would be transferred as special payments to the School Safety Construction Fund to award the Grant-in-Aid, ODE would expend nearly all the appropriation as Other Funds. Thus, ODE would need an increase in Other Funds expenditure limitation to make special payments that award grant moneys.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to the State's General Fund and ODE's biennial budget.

**School Districts, Education Service Districts, Charter Schools**

The measure is anticipated to have at least a minimal fiscal impact on school districts, education service districts, and eligible charter schools that apply for these grants, as they would have to dedicate time and resources to apply, monitor, and report their expenditures for these grants.