



TO: House Committee on Revenue
FROM: Stacy Michaelson, East Multnomah County Schools
DATE: February 3, 2023
RE: HB 2089

Chair Nathanson, Vice-Chairs Reschke and Walters, Members of the Committee:

I submit this testimony on behalf of the six school districts in East Multnomah County: Centennial, Corbett, David Douglas, Gresham-Barlow, Parkrose and Reynolds, as well as Multnomah Education Service District. Combined, these districts serve roughly 40,000 students from highly diverse backgrounds.

Having worked on behalf of local governments prior to this role, I can appreciate the funding challenges that Ballot Measure 110 has created for our cities and counties in Oregon. The need for more resources at the local government level is very real. However, simply pulling funds from other government entities is not an adequate solution. The proposed changes to the marijuana tax distribution included in HB 2089 would have significant consequences on our school districts.

I want to first provide some context on school funding and how the marijuana tax revenue fits in. The bulk of funding for school districts comes from the State School Fund. At the local level, this is essentially our General Fund. These are the funds we use to cover personnel, supplies, student transportation, and general operations. In addition to the State School Fund, the Legislature has made significant and appreciated investments in K-12 in recent years, most notably with the Student Success Act (SSA) of 2019, which established the Corporate Activity Tax (CAT). While a portion of the CAT revenue goes into the State School Fund, the bulk of the Student Success Act money is earmarked in statute for dedicated purposes. For a school district, these are restricted funds and cannot be used interchangeably with our State School Fund dollars.

For the 23-25 biennium, school business officials from across the state have calculated that schools need a State School Fund of \$10.3 billion in order to maintain Current Service Level. That's not an investment budget; that's just to continue operating as we are currently. The Governor's Recommended Budget (GRB) released on Tuesday included \$9.9 billion in the State

School Fund. That still leaves us short by roughly \$400 million. Of that \$9.9 billion in the GRB, \$40.8 million comes from marijuana tax revenue. If HB 2089 passes, that is either another \$40.8 million needed out of the General Fund for schools, or it is an additional cut of \$40.8 million from schools who are already facing a severe shortfall.

In comparison to an overall State School Fund in the billions, \$40.8 million may not sound like a lot of money. But it has a significant impact at the local level, and I'd like to share some examples from the districts I represent. Parkrose is a relatively small school district by metro area standards, at just 2,866 students. It is also one of the most diverse districts in our state. In Parkrose, \$40.8 million less in the State School Fund would result in just over \$96,000 less for the district, which equates to 1.4 FTE worth of classified staff positions. On the larger end of the spectrum, Gresham-Barlow serves 11,285 students and they would see an over \$820,000 reduction in funds if the State School Fund were reduced by \$40.8 million. That's equivalent to 6.4 licensed teachers or 13 classified staff. While I am only sharing examples from Multnomah County, this proposed cut would be felt by districts urban and rural, large and small and all those in between.

The Student Success Act was intended to bolster specific programs and services within our schools, not to make up for an insufficient State School Fund. The establishment of the CAT does not justify reducing other base funding for schools. I want to reiterate: even with the Student Success Act, and even with a State School Fund of \$9.9 billion, schools across Oregon will be making cuts in 23-25. This bill as written would only exacerbate those cuts. It would negatively impact the districts I represent as well as those in each of your communities. For this reason, I urge you not to move HB 2089.

Thank you for your consideration.