

Chair Neron, Vice-Chairs Dobson and McIntire, honorable committee members, I'm Michael Dembrow, until a little over a month ago Chair of Senate Education. I'm here in support of HB 2941, which would help school districts secure funding to make their schools healthier, less expensive to operate, and more energy efficient.

Let me set some context for the bill. As part of its philosophy of local control, Oregon has historically treated school building infrastructure as a local responsibility, requiring local K-12 projects to be funded through the school district's local bonding authority. As a result, Oregon has been among the states with the lowest levels of state infrastructure funding. This has created great disparities around the state, with some districts willing and able to pass bonds and others not.

I'm proud to say that the Legislature has made improvements in supporting infrastructure upgrades over the last decade in some key areas: seismic retrofits and mitigation of toxins like lead, asbestos, and radon. And we did create a limited matching grant program called OSCIM, which has been very beneficial to those districts able to take advantage of it. As a result, I believe that we are no longer at the very bottom in terms of state investment.

Nevertheless, we need to take advantage of every funding opportunity that we can to help out our districts, particularly those in our small, rural communities improve their HVAC systems and make upgrades to make schools healthier and bring down utility costs. I know that that has been a priority for this committee and particularly for your chair, the Honorable Representative Neron.

Last summer we learned about a new federal program under the Inflation Reduction Act known as Direct Pay, or Elective Pay, that had the potential to be very beneficial. Coming in the form of refundable tax credits, it will reimburse school districts for up to a third and potentially more of their expenses to improve the energy profile of their schools, including upgrading their HVAC systems, installing solar panels, and installing charging stations for the electric buses that many districts are beginning to use thanks to support from the state and the federal government. During the pandemic, we came to understand just how many of our school HVAC systems are in poor shape. Many districts wound up

having to use dollars that were in hindsight needed to address learning loss and other academic challenges in order to begin to upgrade their systems.

We reached out to ODE to see if they were aware of the new program and what we could do as a state to better understand and take advantage of them. Not surprisingly, they were indeed aware and were exploring ways in which districts could be supported. We agreed that for many districts, particularly the smaller ones, learning about the program, making sure that projects fit within its parameters, applying for it, and just making sure that the T's were crossed and the I's dotted, would be a real challenge. Having staff at ODE to support them in this effort would be extremely valuable.

And that's what HB 2941 would make possible. It charges ODE with providing technical support to school districts to plan and develop eligible projects. The cost of doing so will be laid out in the department's fiscal analysis and through the Ways and Means process.

Committee members, you may be wondering about the future of the Direct Pay program in light of the change in administration. Though he hasn't mentioned this one explicitly, President Trump has articulated his general desire to eliminate all the funding programs included in the IRA that are going out to the states and local communities. All I can say at this point is that we don't know.

It appears at this point that it would take an act of Congress to end Direct Pay. Whether or not Congress will take that step is of course unknown. There does appear to be bipartisan support for Direct Pay, but of course anything could happen during the process of budget reconciliation that we can expect Congress to initiate in the next few months. (See <https://www.undauntedk12.org/ourwork/an-update-on-federal-funding-for-school-infrastructure>.)

For now, I would recommend to you that you pass this bill down to Ways and Means for final action until we know more. We should know more by the time the final session budget decisions will be made and Ways and Means can act accordingly. This bill has the potential to be very beneficial for our schools, and I would urge you to move it along.

I'm happy to answer any questions.