

Analysis

Item 4: Department of Education

Financial Support for Wildfire Impacted Schools

Analyst: Doug Wilson

Request: Allocate \$7,439,727 from the \$20.0 million reservation in the Emergency Fund to be deposited in the Education Cash Account established in ORS 327.485 and disbursed by the Oregon Department of Education to school districts, education service districts, and public charter schools in the form of grants, loans, or other contracts, instruments, or methods used to mitigate the cost of damages caused by wildfires and/or help students and their families recover from the impacts of recent wildfires.

Analysis: The multiple wildfires in 2020 have burnt over one million acres statewide damaging or destroying homes, personal property, businesses, and public facilities like schools. As a result, the Emergency Board on October 12, 2020 established a \$20.0 million reservation in the Emergency Fund for financial assistance to school districts, education service districts (ESDs), and public charter schools impacted by the wildfires. The Oregon Department of Education (ODE) requested information from all districts to assess the extent of the damage. Of the 53 districts that responded to the request, 18 districts or schools reported damage. The table below demonstrates the reported estimated damage by district. The table is for display purposes based on estimates provided at this time and will likely change as the districts continue to assess the wildfire damage.

School District Name	Damage Estimate in Dollars	ADMr	Total Damage per ADMr in Dollars	Damage Description
Eagle Point SD 9	\$ 2,100	4,103	\$ 0.51	Hotspots for evacuated students
Oregon Trail SD 46	\$ 2,344	4,435	\$ 0.53	Smoke and water damage cleanup and HVAC filters
Beaverton SD 48J	\$ 3,100	40,609	\$ 0.08	Over-time costs for site used as an evacuation center after fire
Cascade SD 5	\$ 3,329	2,348	\$ 1.42	Replace HVAC filters and extra maintenance costs
Sisters SD 6	\$ 4,308	1,077	\$ 4.00	HVAC filter replacement costs
Ashland SD 5	\$ 6,200	2,852	\$ 2.17	IT equipment and instrument replacement
Siuslaw SD 97J	\$ 9,000	1,315	\$ 6.84	Smoke damage
Oregon City SD 62	\$ 10,658	7,906	\$ 1.35	Food damage and staff over-time
Marcola SD 79J	\$ 11,535	273	\$ 42.25	Smoke damage cleanup and sports equipment replacement
Lincoln County SD	\$ 19,522	5,479	\$ 3.56	Replacement of Chromebooks, filter replacement and Hotspots for displaced students
Molalla River SD 35	\$ 22,000	2,727	\$ 8.07	HVAC filters and other HVAC equipment
Bethel SD 52	\$ 38,000	5,520	\$ 6.88	Replacement of all HVAC filters
Colton SD 53	\$ 435,000	603	\$ 721.39	Replace carpets due to smoke damage and wind damage to roof
Phoenix-Talent SD 4	\$ 595,200	2,564	\$ 232.14	Smoke damage and cleanup, student Chromebooks replacement and other IT equipment, Hotspots, temporary school sites, outreach learning hubs, transportation costs and other reopening costs
Santiam Canyon SD 129J	\$ 2,837,000	575	\$ 4,933.91	Smoke damage and other repair, transportation of displaced students, mobile classrooms, spoiled food, food for community, Hotspots, and counseling for staff/students
McKenzie SD 68	\$ 3,438,000	200	\$ 17,190.00	Replacement of damaged transportation and IT equipment, replace grandstand and related structures, debris removal, smoke damage and broadband access
Southern Oregon ESD	\$ 23,020,000	50,388	\$ 456.85	Replace Phoenix campus buildings and equipment destroyed by fire and debris removal
Armadillo Tech School (Phoenix/Talent)	\$ 2,430	81		Replace lost Chromebooks, air filter replacement and Hotspots
Total	\$ 30,459,725	133,055	\$ 228.93	

The damage amounts range from \$2,100 in Eagle Point to \$23.0 million which represents the replacement of the Southern Oregon ESD campus in Phoenix. On a per student basis, the reported damage ranges from \$0.08 in Beaverton to over \$17,000 for the McKenzie school district. The damage includes smoke related damage, HVAC filter replacement and other repairs, debris removal, replacement of Chromebooks and other IT equipment, and spoilage of food. Other needs related to the wildfires include resources to open schools, to provide access to broadband services like Hotspots, and to support students and their families for food assistance and transportation.

The amount of resources required by the districts in the long run remains unknown. While insurance and/or federal assistance (e.g., Federal Emergency Management Agency or FEMA) may reimburse the costs of addressing the damage, it may be months before the claims are processed and the financial assistance is available. Insurance will likely not pay for all the damage. Almost all school districts in Oregon are covered by a single entity (PACE). A major need of the districts is the remediation related to smoke damage. Generally, PACE will pay for the damage caused by a fire on district property, but not for smoke damage where its source is on non-district property.

Districts may need two types of assistance: 1) short term cash flow assistance so districts can immediately address the damage and in some cases open on-site education; and 2) assistance to fill the gaps between the cost of addressing the damage and the amount that insurance and/or federal assistance will reimburse. ODE will need to work with each district to determine the type and amount of financial assistance required. Factors that will drive the type and amount of assistance include the cashflow needs of the district; the amount reimbursed by insurance, FEMA, or other assistance; and the timing of when that other assistance becomes available to the district.

The Legislative Fiscal Office suggests allocating \$7.4 million of the reservation at this time which represents the damage reported so far for all districts other than Southern Oregon ESD. This ESD reported over \$23.0 million in damages with the fire loss of its Phoenix facility. ODE requires additional information from the ESD, its insurer, and FEMA to better understand its remediation plan. When more information is available, ODE can return to the Legislature or Emergency Board for further allocation, if necessary.

Other factors or requirements that ODE should consider in this financial assistance include:

- The resources from this reservation should be for filling the gap between the total damage for each district or school and what is paid by insurance, FEMA, and other assistance. It is clear not all \$7.4 million will be required for those districts included in the table, but any amount remaining should be returned to the General Fund. The 2021 Legislature can review the total damage and resulting claims and other assistance to determine what should be returned to the General Fund and how much is required to continue into the 2021-23 biennium as further claims are processed. This will also allow for changes in the cost estimates as districts continue to assess the damage.
- ODE should require each district requesting assistance to apply for reimbursement from their insurance provider and FEMA.
- Districts must submit sufficient information to ODE to determine the type and amount of assistance required. Damage estimates must be based on third party estimates including contractor estimates, insurance appraisals, or other individuals that provide estimates in their normal course of business.
- Financial assistance must be limited to those costs directly or indirectly due to wildfires including, but not limited to, damage to district property and equipment including smoke damage, debris and hazardous waste removal, district property damaged or destroyed at a student's residence

(e.g., student Chromebooks), expenses incurred by the district to provide immediate services to resident students affected by the wildfires, FEMA match, and other expenses that are eligible for FEMA reimbursement. Eligible costs can also include costs to districts related to using district facilities and equipment to assist students, families, and the local community that are the result of the wildfires.

- Given the financial structure of the Account these funds will be deposited into, ODE will need a comparable amount of Other Funds expenditure limitation to pay out to the districts.

Recommendation: The Legislative Fiscal Office (LFO) recommends that the Emergency Board allocate \$7,439,725 from the \$20.0 million reservation in the Emergency Fund to be deposited in the Education Cash Account established in ORS 327.485 and disbursed by the Oregon Department of Education to school districts, education service districts, and public charter schools in the form of grants, loans, or other contracts, instruments, or methods used to mitigate the cost of damages caused by recent wildfires and/or help students and their families to recover from the impacts of the wildfire. In addition, LFO recommends that the Other Funds expenditure limitation for ODE be increased by \$7,439,725.



Oregon

Kate Brown, Governor



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Colt Gill

Director of the Oregon Department of Education

October 20, 2020

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
Salem OR 97301-4048

Dear Co-Chairpersons:

Nature of the Emergency

The Oregon Department of Education (ODE) respectfully requests an allocation of \$7,439,727 from a \$20.0 million Emergency Board reservation to be deposited in the Education Cash Account established in ORS 327.485 and disbursed as directed by ODE to school districts, education service districts (ESDs), and public charter schools in the form of grants, loans, or other contracts, instruments or methods used to mitigate the cost of damages caused by wildfires and/or help students and their families to recover from the impacts.

Agency Action

On October 12, 2020, the Emergency Board established a \$20.0 million reservation of funds for the purpose of providing financial assistance to school districts, educational service districts, and public charter schools that have sustained damage due to wildfires. The Emergency Board directed ODE to continue working on gathering the specific needs of those schools impacted, and once available, return to request the specific amount of assistance required.

ODE has been working in partnership with the Legislative Fiscal Office, Oregon Military Department, and the impacted school districts, education service districts and public charter schools, to better assess the current damages and needs of each individual area. In addition, ODE has been working directly with PACE, the primary insurer of school districts administered through the Oregon School Boards Association (OSBA), to gain more information on the status of insurance claims, estimated coverages, and timelines for proceeds.

The Department has identified 16 school districts and 1 public charter with estimated needs of approximately \$7.4 million. Some of the most common needs include mitigating smoke damage to facilities, replacing destroyed computer devices and hotspots acquired for distance learning, cleaning or repairing air filtration systems, removing debris and performing hazmat analysis, and supporting students and their families in

areas such as transportation and food assistance. The amount of assistance required to address these needs range from \$2,100 for Eagle Point School District up to \$3,438,000 for McKenzie School District.

ODE proposes the Emergency Board allocate \$7,437,296 for the purposes of working with each of the 16 identified districts and 1 public charter school to structure the necessary support either through a loan or grant. As part of this process, ODE will require the impacted district to apply for reimbursement from both their insurance provider and the Federal Emergency Management Agency (FEMA). ODE is currently working with FEMA to ensure that any financial assistance provided by the Department does not jeopardize the district ability to receive federal assistance.

While ODE has established the amount requested as a preliminary estimate, there will clearly be adjustments and changes in both estimates and appropriate funding structures (loans vs. grants) to help meet district needs. ODE is requesting the Emergency Board allocate the resources now to enable the Department to begin putting these structures together and providing assistance as soon as possible. Any funds not committed or expended by the Department would be returned to the state General Fund.

In addition to the \$7.4 million in identified needs, the Southern Oregon Education Service District (SOESD) is estimating a total cost of \$23,020,000 to replace a lost building and its content for their Phoenix campus. This cost also includes providing debris removal and hazmat analysis. ODE is currently working with the SOESD and its insurance carrier to better understand the remediation plan for this loss. However, the Department is not currently at a place to recommend a specific amount until it is able to better understand the SOESD's strategy for replacing this facility and what other resources will be available through insurance coverage and FEMA. Once ODE is able to get more specific information on the overall resource need, it will return to the Emergency Board for an additional request from the remaining reservation.

Action Requested

Approve an allocation of \$7,439,727 from a \$20.0 million Emergency Board reservation to be deposited in the Education Cash Account established in ORS 327.485 and disbursed as directed by ODE to school districts, education service districts (ESDs), and public charter schools in the form of grants, loans, or other contracts, instruments or methods used to mitigate the cost of damages caused by wildfires and/or help students and their families to recover from the impact.

Legislation Affected

Section 2(4) Chapter 609, Oregon Laws (2019) +7,439,725 General Fund - Transfer
Section 7(4) Chapter 609, Oregon Laws (2019) +7,439,725 Other Funds - Expenditure

Thank you for considering approval of this request.

Sincerely,



Colt Gill
Agency Director