

Analysis

Item 15: Department of Administrative Services

Agency FEMA Expenditure Limitation

Analyst: Ken Rocco

Request: Increase the Other Funds and Federal Funds expenditure limitations for the Oregon Health Authority, the Department of Transportation, and the Oregon Military Department for the 2019-21 biennium for reimbursement of costs due to the COVID-19 pandemic and the Labor Day wildfires received from the Federal Emergency Management Agency.

Analysis: The Federal Emergency Management Agency (FEMA) reimburses states and local governments for a portion of costs incurred in eligible disaster events such as the current COVID-19 pandemic and the recent Labor Day 2020 wildfires in Oregon. Normally, states are required to incur the initial expense and then seek federal reimbursement through FEMA. FEMA often covers between 75% to 90% of eligible costs depending on the individual event.

Within Oregon, most agencies work with the Oregon Military Department's Office of Emergency Management (OEM) when seeking federal reimbursement from FEMA. Agencies provide the documentation to OEM and OEM submits the reimbursement request to the federal government. Once reimbursement is approved, FEMA sends the reimbursable amount to OEM and OEM distributes it to the agency that submitted the documentation. The process leads to the frequent need in after-disaster situations to provide OEM with Federal Funds expenditure limitation to provide the FEMA reimbursement dollars to the recipient agencies and to provide the recipient agencies with Other Funds expenditure limitation in order to record the federal payments in the budget system.

Some expenditure limitation needs for FEMA reimbursements, especially from the COVID-19 pandemic, have previously been approved by the Emergency Board, but there are a few agencies that continue to need adjustments to account for necessary Other and Federal Funds expenditure limitation needs. The Department of Administrative Services worked with OEM and these selected agencies to coordinate a single request letter for this meeting of the Emergency Board. Additional adjustments will be necessary during the 2021 session to finalize agency budgets for the 2019-21 biennium.

Included in this request are Other Funds expenditure limitation increases for the Oregon Health Authority and the Department of Transportation (ODOT) and a Federal Funds expenditure limitation increase for the Oregon Military Department, Office of Emergency Management. At the December 2020 meeting of the Emergency Board, Item #37 included an increase of \$150 million Federal Funds expenditure limitation for ODOT related to FEMA reimbursements for wildfire recovery activities. After that action was taken, it was determined that ODOT needs Other Funds rather than Federal Funds expenditure limitation since OEM received the federal funding from FEMA and then transferred it to ODOT (as Other Funds).

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase the 2019-21 biennium Other Funds expenditure limitations for the Oregon Health Authority by \$6,409,489 and the Department of Transportation by \$150,000,000 and increase

the Federal Funds expenditure limitation for the Oregon Military Department, Office of Emergency Management by \$270,000,000 for FEMA reimbursements related to the COVID-19 pandemic and Labor Day wildfire responses. The Legislative Fiscal Office also recommends that the Emergency Board direct the Department of Administrative Services to unschedule \$150,000,000 Federal Funds expenditure limitation for the Department of Transportation until the unnecessary limitation can be removed during the 2021 session.

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Department of Administrative Services
Ball

Request: Increase Other Funds expenditure limitation for the Oregon Health Authority by \$6.4 million, increase Other Funds expenditure limitation for the Oregon Department of Transportation by \$150.0 million, and increase Federal Funds expenditure limitation for the Oregon Military Department by \$270.0 million, as a result of Federal Emergency Management Agency reimbursements associated with the COVID-19 pandemic and the Labor Day wildfires.

Recommendation: Approve the request.

Discussion: State agencies have incurred significant expenses in responding to the COVID-19 pandemic and the Labor Day wildfires. Certain of these expenses are eligible for federal reimbursement from the Federal Emergency Management Agency (FEMA). Although expenses have been incurred by several state agencies in responding to the COVID-19 pandemic and the Labor Day wildfires, this request is limited to the FEMA reimbursements received or where the FEMA obligation has been approved.

The Oregon Military Department, Office of Emergency Management (OEM) is the receiving state agency for these reimbursements. This request includes both Federal Fund expenditure limitation and Other Funds expenditure limitation, which will enable OEM to receive funds from FEMA as Federal Funds and when those funds are transferred to the receiving state agency, they will be received and expended as Other Funds.

It is important to note that a number of state agencies have potential FEMA claims, but have not yet submitted those requests to FEMA for reimbursement. Over the coming months, additional requests will be submitted to FEMA and additional expenditure limitation adjustments for both OEM and the recipient state agencies may be needed. Those requests for additional adjustments will be submitted during the 2021 Legislative Session or at future meetings of the Emergency Board that may occur during the 2021-23 biennium.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 695, section 2(1), Oregon Laws 2019, for the Oregon Health Authority, Health Systems, Health Policy and Analytics, and Public Health, by \$6,409,489 for the 2019-21 biennium.

Increase the Other Funds expenditure limitation established by chapter 614, section 2(2), Oregon Laws 2019, for the Oregon Department of Transportation, Maintenance and emergency relief programs, by \$150,000,000 for the 2019-21 biennium.

Increase the Federal Funds expenditure limitation established by chapter 534, section 3(2), Oregon Laws 2019, for the Oregon Military Department, Emergency Management, by \$270,000,000 for the 2019-21 biennium.



Oregon

Kate Brown, Governor

Department of Administrative Services

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January 5, 2021

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons,

Nature of Request

As state agencies have responded to the COVID-19 pandemic and the Labor Day wildfires, they have incurred some costs that are eligible for federal reimbursement from the Federal Emergency Management Agency (FEMA). The Department of Administrative Services (DAS) is requesting various Other Funds and Federal Funds expenditure limitation adjustments for those agencies who have already received the first wave of FEMA reimbursements.

Agency Action

Public Assistance under FEMA is a reimbursement based process for state agencies. In short, the state is required to make the initial expenditure out of its own resources and then seek FEMA reimbursement after the fact. From the time the state submits its request, it can take many months and significant documentation to complete the FEMA reimbursement process.

In order to standardize the process for FEMA reimbursement requests across state government, each agency works with the Office of Emergency Management (OEM) within the Oregon Military Department. Each agency provides the documentation to OEM, and then OEM submits the reimbursement request to FEMA on behalf of the state of Oregon. If the reimbursement request is successful, FEMA sends the reimbursement amount to OEM and it is up to OEM to transfer those resources to the recipient agency.

Under the state's accounting system, when OEM receives a FEMA reimbursement it spends those resources as Federal Funds in transferring the resources to the recipient state agency. The recipient state agency then receives and expends the FEMA resources as Other Funds. The Legislature has made some of these limitation adjustments over the course of 2020, but there are several agencies that need additional adjustments to accommodate these FEMA transactions. This letter seeks Federal Funds expenditure limitation adjustments for OEM to transfer FEMA proceeds to agencies and the corresponding Other Funds expenditure limitation adjustments for the recipient state agencies to spend those resources. In several cases, the recipient state agency may have already received the Other Funds expenditure limitation increase from the Legislature, but this letter adds the necessary Federal Funds expenditure limitation to OEM.

Finally, because FEMA reimbursement is a long process, this current letter only covers FEMA reimbursements that have already been received or the FEMA obligation has been approved and is in the process of being transferred to the State of Oregon. At this point, several state agencies have potential FEMA claims, but have not yet submitted those requests to FEMA for reimbursement. Over the coming months, additional requests will be submitted to FEMA and additional expenditure limitation adjustments for both OEM and recipient state agencies may be needed. Those requests for additional adjustments will be submitted during the 2021 Legislative Session, or future meetings of the Emergency Board that may occur during the 2021-23 biennium.

Action Requested

Increase Other Funds and Federal Funds expenditure limitation as requested.

Legislation Affected

Increase the Other Funds expenditure limitation established by chapter 695, section 2(1), Oregon Laws 2019, for the Oregon Health Authority, Health Systems, Health Policy and Analytics, and Public Health, by \$6,409,489 for the 2019-21 biennium.

Increase the Other Funds expenditure limitation established by chapter 614, section 2(2), Oregon Laws 2019, for the Oregon Department of Transportation, Maintenance and emergency relief programs, by \$150,000,000 for the 2019-21 biennium.

Increase the Federal Funds expenditure limitation established by chapter 534, section 3(2), Oregon Laws 2019, for the Oregon Military Department, Emergency Management, by \$270,000,000 for the 2019-21 biennium.

Sincerely,



Katy Coba
DAS Director | Chief Operating Officer

CC: Dustin Ball, Department of Administrative Services
Paul Siebert, Legislative Fiscal Office