

ANALYSIS

Item 51: Department of Emergency Management COVID Reimbursements

Analyst: Steve Robbins

Request: Increase Federal Funds expenditure limitation for the Department of Emergency Management by \$512,333,715 to process federal reimbursements.

Analysis: The Department of Emergency Management (ODEM) is the State Administrative Agency for the Federal Emergency Management Agency's (FEMA) public assistance and hazard mitigation programs and functions as the pass through entity for FEMA funding related to eligible reimbursements of expenses for disasters with a federal declaration. Unlike other grant programs that receive consistent payments from FEMA, these public assistance and hazard mitigation programs are less predictable and are dependent on several factors. This includes when a subrecipient has submitted required documentation for reimbursement, ODEM verification of eligibility and documentation compliance, submittal to FEMA, and final approval and receipt of funds.

Oregon has received seven major disaster declarations over the last four years, including the 2020 wildfires and the COVID-19 pandemic. Additionally, federal policy changes have impacted the eligibility criteria for pandemic funding to state, local, and Tribal governments, as well as certain private nonprofits, for actual costs incurred related to the pandemic, which has made forecasting reimbursements a challenge. The federal government established two programmatic deadlines for the closure of all COVID-19 reimbursements, which fall on either December 31, 2024, and March 1, 2025, depending on the size of the reimbursement.

Currently, the agency has over \$122 million in COVID-19 and other grant reimbursements to Oregon agencies and communities that must be processed by December 31, 2024, and an additional \$573 million to be processed by March 1, 2025. The Department does not have sufficient Federal Funds expenditure limitation to pass through these funds, and the deadlines preclude delaying a request until the 2025 session. The total request of \$512.3 million includes an estimate of some additional reimbursements for other major disasters ODEM is administering, so additional requests for Federal Funds limitation is not anticipated for the remainder of the 2023-25 biennium.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase Federal Funds expenditure limitation for the Department of Emergency Management by \$512,333,715 to process federal reimbursements.

Request: Increase Federal Funds expenditure limitation by \$512,333,715 for reimbursements to subrecipients and expenses related to federal grants.

Recommendation: Approve the request.

Discussion: The Oregon Department of Emergency Management (OEM) is requesting to increase the maximum limit for payment of expenses from Federal Funds to allow the agency to pay subrecipients and other expenses related to assistance from the Federal Emergency Management Agency (FEMA).

Oregon experienced two unprecedented events in 2020: the COVID-19 pandemic and a series of destructive wildfires. Prior to 2020, a disaster in Oregon typically cost about \$50 million, whereas OEM has made payments across the state totaling more than \$1.6 billion between 2020 and 2024. OEM is the pass-through entity for federal disaster funds and makes payments only after receiving a request for reimbursement by the subrecipient. Since payments are dependent on subrecipients completing the required documentation, processing quarterly payments and projecting future allotment needs is not clear-cut.

Most of the unanticipated costs included in this request come from unexpected expenses related to COVID-19. Pandemic-related policy changes at the federal level further compound the ability to produce realistic budget projections for the state. COVID-19 disaster funding provides reimbursements to state, local, and Tribal governments, as well as certain private nonprofits for costs incurred in response to the pandemic. These grants are currently in various stages of review; however, per program deadlines for all pandemic-related projects, certain projects must close out by December 31, 2024, while others must close by March 1, 2025. Due to these deadlines, delayed payments are not a viable option for state entities.

Other expenses included in this request reflect costs related to the administration of ongoing recovery reimbursements for the seven other major disaster programs OEM administers. This includes an additional \$115 million in hazard mitigation grants to be validated and processed by the agency by June 30, 2025.

Without additional limitation authority, OEM expects to be unable to close out over \$122 million in COVID-19 and other grants before the December deadline and would be unable to close out the entire \$573 million of COVID-19 payments before the March deadline.

Legal Reference: Increase the Federal Funds expenditure limitation established by chapter 357, section 3(3), Oregon Laws 2023 for the Department of Emergency Management, Mitigation and Recovery Division, by \$512,333,715 for the 2023-25 biennium.



Oregon

Tina Kotek, Governor

Oregon Department of Emergency Management

3930 Fairview Industrial Drive SE

Salem, OR 97302

Phone: 503-378-2911

TTY: 7-1-1

www.Oregon.gov/OEM

December 3, 2024

Senator Rob Wagner, Co-Chair
Representative Julie Fahey, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of the Request

The Oregon Department of Emergency Management (OEM) requests the maximum limit for payment of expenses from federal funds be increased by \$512,333,715, to allow OEM to pay subrecipients and other expenses to administer assistance from FEMA. Administration of this assistance was not accurately anticipated in OEM's 2023-25 budget.

Agency Action

OEM has used \$539,144,050 of its federal funds limitation of \$996,018,006 provided in the 2023-25 budget. This leaves OEM only \$456,873,956 federal funds limitation remaining for the current biennium. We have \$969,207,671 in anticipated expenditures by the end of the biennium, of which \$573 million is due by March 31, 2025. This leaves the agency \$512,333,715 short of its needed limitation.

Background

Oregon suffered two unprecedented events in 2020 (the COVID-19 pandemic followed by destructive wildfires) and has received seven major disaster declarations within the last four years. Prior to 2020, a typical disaster for Oregon was estimated to be around \$50 million. In contrast, between 2020 and 2024, OEM has made over \$1.6 billion in payments to entities across the state. OEM is a pass-through entity and the administrator for FEMA's public assistance and hazard mitigation programs. As such payments are made once requests for reimbursement are submitted by the subrecipient and validated at the state and federal level. These grant programs do not have quarterly payments that are consistent each time. Instead, the payments are dependent on when subrecipients complete the required documentation that is then validated by OEM and submitted to FEMA for approval. It is very hard to budget for future allotment or spending authority when payments made by OEM are dependent on FEMA staffing, subrecipient compliance with documentation requirements, and extraneous factors like construction timelines, permitting and weather which can all expand a period of performance across several years.

Most of the unanticipated costs captured in this request are due to unforeseen expenses related to the COVID-19 pandemic. The pandemic provided unique challenges due to COVID-19 specific federal policy changes affecting eligibility criteria that occurred throughout the period of performance and adjustments to the time frames for that specific period of performance. Some of the policy changes included adjustments to the definition of a small and large project, changes to what medical care qualified for public assistance, changes to the cost share adjustment, and additional conditions placed on the focus of FEMA funding to include high-risk communities and undeserved populations. These adjustments have made projections at the state level difficult to estimate. The COVID-19 disaster funding provides reimbursement to state, local, and Tribal governments, as well as certain private nonprofits for actual costs incurred in response to the pandemic. These grants are currently in various stages of review, including review by FEMA, and may be adjusted based upon final reconciliation prior to payment. However, the federal government has established two programmatic deadlines for the closure of all COVID-19 projects, based on project size. Some must close by December 31, 2024; all others must close by March 1, 2025.

The remaining expenses in this request reflect costs attributed to the administration of ongoing recovery reimbursements. These reimbursements are related to the seven other major disasters OEM administers, including both public assistance and mitigation programs. Out of an abundance of caution, the total request for increased federal funds limitation includes the potential for an additional \$115 million in hazard mitigation grants to be validated and processed by June 30, 2025. The increase of this expenditure limitation will ensure that the payments continue, without delay, to Oregon communities that are awaiting their disbursements.

The FEMA grants OEM administers are reimbursable grants. While OEM is aware of the overall grant amounts available and the number of subrecipient applications in process, the agency does not know the final amount that will be spent under each grant unless and until each subrecipient submits all required documentation and the documentation is validated.

Alternative actions such as delayed payments are unavailable due to previously established timelines set by the federal government. OEM projects that without this additional limitation authority, the agency will be unable to close over \$122 million in COVID-19 and other grants before the December 31, 2024, deadline. OEM would also be unable to close the entire \$573 million of COVID-19 grant payments due by March 31, 2025. This will disadvantage the aforementioned entities who are waiting for these funds to be released.

Per Oregon Laws 2021, Chapter 539 (House Bill 2927), OEM was separated from the Oregon Military Department and established as an independent state agency on July 1, 2022. Oregon Laws 2023, Chapter 357 provided OEM's first full biennium budget. The agency hired its first Business Services Administrator and first new Chief Financial Officer in the second quarter of 2024. They have worked hard to hire a Budget Officer and Controller, both joining the agency in the last quarter of 2024. The team has worked with DAS Shared Financial Services to establish complete accounting of all federal funds under OEM administration. At the conclusion of this process, OEM determined that it did not have the amount of federal funds expenditure limitation necessary to process all FEMA grants that the agency has been awarded to date.

Action Requested

OEM requests the maximum limit for payment of expenses from federal funds be increased by \$512,333,715 in grant funding.

Legislation Affected

Oregon Laws 2023, Chapter 357.

Thank you for your consideration of this request.

Best regards,



Erin McMahan
Director
Oregon Department of Emergency Management