



# FEMA

## DISASTER ASSISTANCE POLICY

### I. TITLE: **Disposition of Equipment, Supplies and Salvageable Materials**

II. DATE: JUL 14 2008

### III. PURPOSE:

This policy provides guidance on disposition of equipment and supplies purchased and certain materials salvaged, by Grantees and subgrantees.

### IV. SCOPE AND AUDIENCE:

This policy is applicable to all major disasters and emergencies declared on or after the date of publication of this policy. It is intended for personnel involved in the administration of the Public Assistance (PA) Program, including applicants.

### V. AUTHORITY:

44 CFR Part 13, Subpart C – Post-Award Requirements, §§13.32 and 13.33, and Subpart D – After-the-Grant Requirements.

### VI. BACKGROUND:

There may be instances after a disaster when a Grantee or subgrantee will not have sufficient equipment and supplies to respond to a Presidentially-declared disaster in an effective manner. While the Federal Emergency Management Agency (FEMA) may provide funding for the purchase of needed equipment and supplies, the Grantee or subgrantee may be required to compensate FEMA for the fair market value of the cost of the equipment and unused supplies when the items are no longer needed for a disaster. Equipment already owned by Grantees and subgrantees or purchased without Federal funds is reimbursed at FEMA equipment rates when used for eligible purposes.

### VII. POLICY:

#### A. Definitions

1. Cost Share is the percent of eligible project costs that FEMA will fund.



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2. Current Fair Market Value is the value of equipment and supplies determined by selling them in a competitive market or by researching advertised prices for similar items on the used market. The current fair market value should be determined at the time the equipment and supplies are no longer needed by the Grantee or subgrantee for disaster operations regardless of when actual disposition takes place. Current fair market value will be determined by FEMA and may be based on Grantee or subgrantee research and recommendation.

3. Equipment is defined in 44 CFR §13.3 as tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

4. Supplies are defined in 44 CFR §13.3 as all tangible personal property other than equipment.

### B. Equipment and Supplies

FEMA will reimburse Grantees and subgrantees through a project worksheet (PW) for purchasing supplies and equipment that are necessary to respond to a disaster. The items must be needed for, and used directly on, the disaster for which funding was provided. Generally, reimbursement will be made without an estimated fair market salvage value deducted on the PW. (Exception: If the subgrantee concurs, the salvage value can be estimated and deducted on the original PW in order to reduce tracking records and additional administrative work.)

### C. Disposition of Equipment and Supplies

Pursuant to 44 CFR §§13.32(e) and 13.33(b) and the following guidelines, disposition of equipment or residual unused supplies purchased by a Grantee or subgrantee with a current fair market value exceeding \$5,000 requires compensation to FEMA when the items are no longer needed for the current operation of the PA Program or another federally sponsored program or project.

1. Disposition by a State Grantee. Pursuant to 44 CFR §13.32(b), States will dispose of equipment purchased for disaster operations under the PA Program in accordance with State laws and procedures. Equipment that is no longer needed for disaster operations may be used by States for other federally sponsored programs or projects, provided that FEMA is informed of this use.





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### 2. Disposition by Non-State Grantees and Subgrantees.

a. Pursuant to 44 CFR §13.32(e)(2), non-state grantees and subgrantees disposing of equipment with a current per unit fair market value in excess of \$5,000 are required to compensate FEMA its share of the current market value no later than program grant closeout of the disaster.

b. Pursuant to 44 CFR §13.32(e)(1), non-state grantees and subgrantees disposing of equipment with a current per unit value less than \$5,000 may retain, sell or otherwise dispose of it with no further obligation to FEMA.

### D. Equipment Leasing

1. Leasing equipment is an eligible method of obtaining equipment to perform eligible work without the administrative burden of disposition requirements.

2. Leasing costs should be reasonable and total leasing costs should not exceed the cost of purchasing and maintaining equipment during the life of the eligible project.

3. For equipment leased through the PA grant process: Even though a long-term lease may cost as much as purchasing the same equipment, the subgrantee is required to compensate FEMA if the subgrantee purchases the equipment instead of leasing it.

4. If the subgrantee purchases equipment outside of the PA grant process, the subgrantee may be reimbursed for the eligible use of equipment using FEMA equipment rates. If the subgrantee holds a lease-purchase agreement, the following applies:

a. Reimbursement to the subgrantee is made at FEMA equipment rates based upon usage. However, if a subgrantee completes the eligible work prior to obtaining ownership through the contract, the subgrantee can request supplemental funding for the difference between the FEMA equipment rate that the subgrantee was paid and the higher lease cost that the subgrantee actually incurred for the equipment.

b. If the subgrantee obtains ownership through the lease-purchase contract, there is no requirement to compensate FEMA.



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### E. Disposition of Salvageable Materials

Subgrantees must dispose of salvageable materials at a fair market value and the revenue must be cost shared with FEMA. The Federal cost share in disposition and salvage revenue is the same as its participation in the original cost. Disasters often result in large amounts of debris that may have a market value. With the exception noted in VII. C(2), revenue from debris must be used to reduce the project cost. Some of the materials that can be expected to be marketable are timber debris, mulched debris, and scrap metals.

1. Reasonable cost for administering and marketing the sale of the salvageable materials is allowed to be recouped by the subgrantee from the fair market value.
2. To reduce contract costs, subgrantee debris removal contracts may provide for the contractors to take possession of salvageable material and benefit from its sale in order to lower bid prices. When this is the method of award, there is no salvage value to be recouped at the end of the project.

**VIII. RESPONSIBLE OFFICE:** Disaster Assistance Directorate (Public Assistance Division).

**IX. SUPERSESSION:** This policy supersedes RP9525.12, dated August 29, 2000, and all previous guidance on this subject.

**X. REVIEW DATE:** This policy does not automatically expire, but will be reviewed 3 years from the date of publication.

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