

Item 6: Department of Transportation

Wildfire Debris Removal

Analyst: Gregory Jolivette

Request: Increase the Other Funds expenditure limitation for the Department of Transportation by \$295,700,000 for hazard tree removal and establish a General Fund appropriation for the Department of Transportation by allocating \$50,000,000 General Fund from the Emergency Board for ash and debris removal.

Description: This request seeks to partially fund wildfire cleanup activities in the eight Oregon counties most significantly impacted by the Labor Day fires: Clackamas, Douglas, Jackson, Klamath, Lane, Linn, Lincoln, and Marion. The wildfire cleanup activities to be funded by this request and overseen by the Department of Transportation (ODOT) fall into two buckets: (1) hazard tree removal, and (2) ash and debris removal. ODOT aims to have contracts in place to begin work in mid-November. (The request mentions costs associated with household hazardous waste removal, but those costs will be addressed in a future request from the Department of Environmental Quality).

- **Hazard Tree Removal:** ODOT estimates this work will cost \$295.7 million. The Governor proposes to use State Highway Fund reserves to pay for the work. ODOT has indicated hazard tree removal can be completed in 6-9 months. The full estimated cost of hazard tree removal would be covered by the Other Funds expenditure limitation increase.
- **Ash and Debris Removal:** ODOT estimates ash and debris removal will cost \$326.0 million. The Governor is requesting \$50.0 million General Fund to begin this work. ODOT projects the entire ash and debris removal effort can be completed in 12-18 months. ODOT's proposed work schedule and cash flow projections indicate the \$50.0 million may be sufficient to fund ash and debris cleanup activities through mid-March 2021.

The Federal Emergency Management Agency (FEMA) is expected to reimburse at least 75 percent of eligible costs. State officials have indicated FEMA has discretion to reimburse as much as 100 percent of the costs. If there is no local funding as the request assumes, the state share of cost for wildfire cleanup activities described here could be as much as \$155.4 million.

The timing of federal reimbursements is an important and unresolved issue. State officials are pursuing FEMA approval for expedited funding of debris removal. Depending on the outcome of negotiations with FEMA, the Governor may seek to borrow from the State Treasury's interfund loan program to cover additional up-front costs, thereby mitigating or delaying future funding requests for ash and debris removal.

Recommendation: The Co-Chairs of the Emergency Board recommend that the Emergency Board increase the Other Funds expenditure limitation for the Department of Transportation by \$295,700,000 for hazard tree removal and establish a General Fund appropriation for the Department of Transportation by allocating \$50,000,000 General Fund from the Emergency Fund for ash and debris removal.



Oregon

Kate Brown, Governor

Department of Transportation

Office of the Director

355 Capitol St NE

Salem, OR 97301

October 19, 2020

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

Dear Co-Chairpersons:

NATURE OF THE REQUEST

The Oregon Department of Transportation (ODOT) requests a General Fund appropriation of \$50 million for structural debris removal and an expenditure limitation increase of \$295.7 million Other Funds for hazard tree removal. ODOT will appear before the Emergency Board and 2021 Legislative Session to bring an update on progress and to make additional requests for budget and funding.

BACKGROUND

The Labor Day fires constitute the largest and most expensive disaster in Oregon history. Historic winds caused numerous new ignitions and existing fires to spread rapidly across both rural and urban areas of the state, burning over 1,000,000 total acres and destroying over 5,000 residential and commercial structures. Though fire containment efforts are still ongoing, the state and its federal and local partners have begun work to clean up, recover, and rebuild in the wake of the fires' devastation. Of Oregon's 36 counties, eight are significantly impacted from the Labor Day fires: Clackamas, Douglas, Jackson, Klamath, Lane, Linn, Lincoln, and Marion.

The Federal Emergency Management Agency (FEMA) plays a critical role in providing financial aid to states and local governments in the wake of natural disasters. Oregon's cleanup and recovery efforts are led jointly by the Office of Emergency Management (OEM), ODOT, and the Department of Environmental Quality (DEQ). These agencies have formed a Debris Management Task Force to coordinate, facilitate, and lead efforts to clean up debris created by the fires and prepare impacted areas for further recovery and rebuilding. Wildfires like the Labor Day fires create a tremendous amount of debris, requiring safe and proper cleanup and disposal before rebuilding can begin.

Debris management is a two-step process:

- 1) *Household hazardous waste removal* – Materials representing a public health hazard, like certain construction materials (i.e. asbestos), paint, propane or gasoline, or other hazardous household items must be properly removed and disposed. Removal will be completed by the U.S. Environmental Protection Agency, and will result in a 25% non-federal cost share

responsibility. The total cost for this work is estimated at \$15.5 million, with a non-federal cost share estimated at \$3.8 million. Local jurisdictions have been informed that they will not bear the cost of the non-federal cost share, which is expected to be paid by the state. Based on experiences from similar fires in other states, this process is expected to conclude within two months from the date household hazardous waste removal begins; most Oregon counties are currently in this step or soon entering this step. Household hazardous waste must be completely removed before additional debris removal efforts can begin.

- 2) *Ash and debris removal* – General debris, including toxic ash, structural debris, and hazardous trees, must be removed to ensure safety and before rebuilding can begin. Costs can be covered by FEMA via reimbursement; the required non-federal cost share generally starts at a standard 25% but can be reduced at FEMA’s discretion to 10% or even 0%. Our current assumptions are based on a 25% non-federal cost share, as FEMA will not approve a different share until later in the cleanup effort, if at all.

Identifying and quantifying the impact from the Labor Day fires is ongoing and will continue to evolve over time. However, initial estimates assume debris cleanup costs in Oregon at approximately \$622 million total; this estimate includes \$326 million for ash and debris removal and \$295.7 million for hazard tree removal. These costs are initial estimates and include only those efforts eligible for FEMA reimbursement; these cost estimates do not include debris cleanup to commercial properties or other work essential to long-term recovery (e.g. infrastructure rebuilding, housing) or other response and recovery needs. ODOT also expects to receive significant funding from the Federal Highway Administration’s Emergency Relief program for immediate needs related to repairing and reopening roads.

Cleanup, including removal of ash and debris and hazard trees, will likely take 6-18 months in its entirety; the hazard tree removal component can likely be completed by the end of June 2021. ODOT will serve as the contracting agency for both tree removal along state highways and for ash and debris removal on private property. ODOT can use State Highway Fund resources for removal of hazard trees, but removal of ash and structural debris will require another funding source as it is not eligible for highway funding under the Oregon Constitution.

As FEMA payments are generally provided via reimbursement, the entity(ies) contracting for the cleanup work must have sufficient fund balances to make immediate and continued progress toward debris cleanup.

- A \$50 million General Fund appropriation will enable ODOT to execute cleanup contracts immediately and enable debris cleanup work to begin in the first half of November (some hazard tree removal has begun already in order to reopen public roads).
- ODOT and its state partners are pursuing FEMA approval for expedited funding for debris removal, under which FEMA may provide payment for up to half of the federal share for approved eligible costs.
- ODOT would seek to establish a loan or line of credit from the State Treasury’s interfund loan program to cover additional up-front costs as the cleanup work continues, potentially delaying additional General Fund asks to a future date. If FEMA approves \$400 million in eligible costs, the certainty of repayment by FEMA could leverage a \$150 million interfund loan.

- If FEMA does not reduce the cost share below 25%, further General Fund appropriations will be necessary to complete the ash and structural debris cleanup.

ODOT will appear before the Emergency Board and 2021 Legislative Session to seek additional budget and funding for this work as we refine cashflow estimates based upon anticipated FEMA reimbursements and planned contract expenditures. The scale of disaster Oregon is experiencing is unparalleled and the work ahead is unprecedented. With strong partnership between state, federal, and local partners Oregon can begin the process of recovery and rebuilding stronger than before.

ACTION REQUESTED

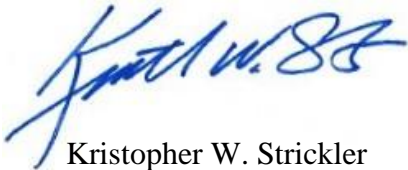
Approve ODOT's request for General Fund appropriation of \$50 million and an Other Fund expenditure limitation increase of \$295.7 million Other Funds.

LEGISLATION AFFECTED

Establish a General Fund limitation by amending Chapter 614 section 1 Oregon Laws 2019, by \$50 million General Funds for the 2019-21 biennium.

Increase Maintenance limitation, Chapter 614 section 2 (2) Oregon Laws 2019, by \$295.7 million Other Funds for the 2019-21 biennium.

Sincerely,



Kristopher W. Strickler
Director