

ANALYSIS

Item 39: Department of Transportation Wildfire Debris Removal

Analyst: Michelle Deister

Request: Increase General Fund for the Oregon Department of Transportation by \$25,000,000 to help offset the cost of ash and debris removal resulting from the multiple fire events of September 2020.

Analysis: The Oregon Department of Transportation received a total of \$93.75 million in General Fund for wildfire ash and debris removal costs during the 2019-21 biennium, and \$14.4 million in the 2021-23 legislatively adopted budget. General Fund was necessary for the kinds of costs that were not eligible to be paid from State Highway Funds, including a 25% matching requirement for FEMA funds, and private property debris removal activities.

Expenditures for cleanup activities have not followed originally anticipated schedules. Instead of most payments being made in 2019-21, only \$38.4 million of the total appropriation was expended due to delays in contracting for certain aspects of the work. The projected \$55.35 million difference between the appropriation and expended amount is expected to revert to the General Fund at the end of the accounting period, December 30, 2021.

The delays referenced above have resulted in a “carry over” of a certain amount of expected expenses into the 2021-23 biennium, but the current General Fund appropriation for 2021-23 is not sufficient to accommodate the carry over. Therefore, an additional \$25 million General Fund is expected to be needed for 2021-23 to keep the debris removal activities on track and meet commitments to residents, ensure continued highway safety, and meet FEMA match requirements. The difference between the total amount of General Fund approved between 2019-21 and 2021-23 (\$108.15 million) and the amount of expected expenditures during the same four-year period (\$77.8 million) results in a projected General Fund savings overall of \$30.35 million from initial clean up cost estimates.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$25,000,000 General Fund for Department of Transportation in a budget reconciliation bill during the 2022 legislative session to continue ash and debris removal activities necessary as a result of the September 2020 wildfire season.

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Oregon Department of Transportation
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Request: Appropriate \$25,000,000 General Fund to assist with offsetting costs for ash and debris removal due to multiple wildfires during the 2020 wildfire session.

Recommendation: Consider the request during the February 2022 Legislative Session.

Discussion: The Oregon Department of Transportation (ODOT) is requesting \$25 million General Fund to offset the cost of the continued effort for ash and debris removal, which resulted from multiple wildfires that occurred in September 2020. The offset of costs in the Maintenance budget is due to unanticipated delays during the cleanup process. These delays resulted in General Fund, which was appropriated for the 2019-21 biennium, to remain unspent on June 30, 2021, at the end of the biennium. Some of the reasons for the delays include the delayed launch of the Private Property Debris Removal program and a termination of an ash and debris contractor necessitating negotiations for a new contractor.

During the 2019-21 biennium, ODOT received a \$93.75 million General Fund appropriation for ash and debris clean-up efforts. The funds covered the 25% Federal Emergency Management Agency (FEMA) match requirement and activities not eligible for FEMA reimbursements. These activities include demolition of partially burned structures with more than one wall still standing; removal of titled property such as cars, trucks, and RVs; soil sampling; debris removal from vacant lots and unimproved areas; and removing concrete slabs, structural footings, or retaining walls. ODOT spent \$38.4 million of the \$93.75 million for clean-up activities during the 2019-21 biennium. They expect an additional \$39.4 million of costs during the 2021-23 biennium, \$25.0 million more than already approved in ODOT's budget.

ODOT anticipates the total General Fund cost of the clean-up activities will cost \$77.8 million, which is below the \$108.2 million originally appropriated in both the 2019-21 and 2021-23 biennia, resulting in a savings of approximately \$30.4 million General Fund overall.



Oregon

Kate Brown, Governor

Department of Transportation

Office of the Director

355 Capitol St NE

Salem, OR 97301

December 6, 2021

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
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 permission to increase the 2021-2023 biennium General Funds Maintenance limitation by \$25.0 million to help offset the cost of ash and debris removal resulting from the multiple fire events of September 2020. This increase is a result of unforeseen delays in clean-up activities, which caused appropriated General Funds from the 2019-2021 biennium to be left unexpended by the June 30, 2021 deadline. Approving this request does not increase the total cost of wildfire ash and debris removal compared to the funding approved by the Legislature in the 2019-2021 biennium.

AGENCY ACTION

The 2020 Oregon wildfire season was one of the most destructive on record in the state of Oregon. On September 8th, wildfire across the state closed multiple highways, destroyed 3,992 residences and approximately 1,400 other structures, and burned approximately 1.2 million acres. The wildfires caused significant economic damages to the communities within these areas as well as to state highways that sustained pavement damage, hazard trees, slope destabilization, and other damages.

ODOT was called in to perform two different types of work funded with different sources.

- Ash and debris clean-up, funded by General Fund and Federal Emergency Management Agency (FEMA) reimbursements.
- Hazard tree removal on state highways, funded by the State Highway Fund and FEMA.

During the 2019-2021 biennium, ODOT requested and received \$93.75 million in General Funds for ash and debris clean-up efforts. These funds were to be used to cover the required 25% match for FEMA funding and to cover the costs of items that are not eligible for FEMA funding. Ineligible items include demolition of partially burned structures with more than one wall still standing; removal of titled property such as cars, trucks, and RVs; soil sampling; debris removal from vacant lots and unimproved areas; and removing concrete slabs, structural footings, or retaining walls. ODOT anticipates that the total General Fund cost of the ash and debris clean-up will reach \$77.8 million, well below the \$93.75 million originally approved during the 2019-2021 biennium. This is a cost savings of approximately \$16 million in General Fund.

ODOT encountered a few significant barriers to completing the amount of work expected during the 2019-2021 biennium and was only able to expend \$38.4 million. ODOT experienced delays launching the Private Property Debris Removal (PPDR) that includes work like burnt car removal and soil scraping because of bidding and awarding the monitoring contract concurrently with haul contractors. The concurrent process did not allow for the necessary pre-work, clearances and workload that is required for contractors to begin work. In addition, ODOT terminated a contractor responsible for ash and debris clean-up, requiring ODOT to negotiate and re-assign this work to an alternate contractor. All these factors worked in tandem to delay completing as much work as expected during the 2019-21 biennium, shifting the work into the current biennium.

There are also current biennium impacts that have increased anticipated costs for the ash and debris clean-up. These include increased monitoring costs for hazard tree removal associated with PPDR that includes home and business property clean-up and independent arborist consultations. In addition, new efforts were added to ODOT workload. These include additional properties that counties wanted cleaned up through their nuisance abatement processes and the Taylor Park site, which required 500 sites to be cleared. More than 120 contract change orders due to access limitations also added costs.

PPDR/Commercial Property Debris Removal work in all fire corridors should be complete by the end of January 2022. The exception to this is the added county nuisance abatements, which should be complete by the end of February 2022.

ODOT's General Fund costs for ash and debris removal for the 2021-23 biennium are expected to reach up to \$39.4 million. Therefore, this request seeks a budget increase of \$25.0 million in General Funds that will supplement the already approved \$15.65 million in General Funds provided to ODOT for the 2021-2023 biennium. This \$15.65 million is comprised of \$14.4 million for wildfires debris removal from SB5542 and \$1.25 million earmarked separately for cultural resources assessments for wildfires from HB5006. The \$39.4 million total anticipated General Fund wildfire clean-up costs within the 2021-23 biennium includes a \$4.1 million contingency to account for unanticipated costs, such as decisions by FEMA that render some costs ineligible.

	Appropriation	Expended/ Forecast	Need
19-21 Biennium	\$93.75M	\$38.4M	
21-23 Biennium	\$14.4M	\$39.4M	\$25.0M
	\$108.15M	\$77.8M	

ODOT intends to return later in 2022 to increase the Other Fund Maintenance limitation to cover the cost of hazard tree removal along state highways. This increase will be done as part of a

comprehensive update to our Maintenance limitation after the 2021-2022 winter is over and we can more accurately forecast costs for the remainder of the biennium. Looking ahead to 2023-2025, ODOT may seek additional funding if ongoing ash and debris clean-up efforts continue to incur costs beyond this biennium or if final determinations of FEMA eligible reimbursements impact the funding required to cover the costs.

ACTION REQUESTED

Approve ODOT's request to increase General Funds by \$25.0 million to offset the cost of ash and debris removal resulting from the multiple fire events of September 2020.

LEGISLATION AFFECTED

Increase Maintenance appropriation, Chapter 442 section 1 (2) Oregon laws 2021, by \$25.0 million General Funds for the 2021-2023 biennium.

Sincerely,



Kristopher W. Strickler
Director