

Wildfire Structural Debris Removal Budget & Cash Flow

Background

Wildfires like the Labor Day fires create a tremendous amount of debris, requiring proper cleanup and disposal before rebuilding can begin. Oregon’s cleanup and recovery efforts are led by the Office of Emergency Management (OEM) in partnership with 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.

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. FEMA assistance requires a non-federal cost share that starts at a standard 25% but can be reduced at FEMA’s discretion to 10% or even 0%. FEMA has indicated that total eligible costs of more than \$570 million would likely tip this disaster into a 10% non-federal cost share.

Cost Estimates and Funding Sources

Initial estimates assume debris cleanup costs in Oregon at about \$622 million total; this estimate includes \$326 million for structural ash and debris removal and \$296 million for hazard tree removal. These cost estimates do not include other work essential to long-term recovery (e.g. infrastructure rebuilding, housing) or other response and recovery needs.

ODOT can use State Highway Fund resources for removal of hazard trees, but removal of structural debris will require another funding source as it is not eligible for highway funding under the Oregon Constitution.

Category	Cost Estimate	OR Share @ 25%	OR Share @ 10%	Funding Source	Lead Agency	Work Start	Duration
Hazard trees along highways	\$296m	\$74m	\$30m	State Highway Fund	ODOT	December 2020	12-18 months
Structural debris	\$326m	\$83m	\$33m	General Fund	TBD—likely ODOT	December 2020	6-9 months

Eligibility for FEMA Reimbursement

FEMA does not generally determine eligibility on specific items for recovery based on a statewide request. For hazard trees along roadways the state is confident FEMA will approve because the trees are a threat to public safety of the roadway users, regardless of whose property (state, Federal, private) the trees are on.

The threshold for FEMA participation on those recovery efforts is higher for private property debris removal, particularly commercial properties. FEMA has indicated that commercial

property cleanup is eligible only in extraordinary situations since commercial properties should have insurance to cover fires. In each area of the state, a specific case must be made for cleanup of those properties, generally based on a threat to public health and safety and/or economic recovery. Not all properties are likely to be considered eligible for FEMA reimbursement, but it is too early to know that answer as the state is still working with FEMA and the counties to make the necessary requests.

Based on wildfire recovery efforts in other states, likely contentious issues still to be determined eligible vs ineligible for FEMA funding include removal of concrete slabs or foundations, testing for cleanup confirmation, removal of abandoned vehicles, and commercial properties (residential and business). For example, based on a very preliminary US Army Corps of Engineers estimate, the cost for removal of concrete for the 4900 structures destroyed is \$43 million. This likely will result in additional state funding requests.

Contracting Approach

The Debris Management Task Force has recommended a State Managed, Locally Coordinated framework for debris management operations in which the state will take responsibility for the non-federal cost share. Under this framework, the state will manage the contracts and overall cleanup effort with strong coordination with local governments in each impacted area. This will provide the state more control of timing through contracting and starting before all FEMA eligibility decisions. The state will select contractors with shared Oregon values while meeting FEMA requirements.

ODOT will serve as the contracting agency for tree removal along state highways. Due to its resources, expertise with contract management, relationships with contractors, and experience working with federal agencies, ODOT may also be designated by the Governor as the contracting agency for structural debris removal on private property. ODOT is currently developing procurements for a variety of services. Before letting contracts for structural debris removal, ODOT will need contracting authority and an emergency declaration from the Governor, as well as legislative approval of funding. Contracting for tree removal can proceed without legislative action or authority from the Governor. If these elements fall into place quickly, contractors can likely begin work in the first half of November. Removal of structural ash and debris will likely take 6-18 months; the tree removal component can likely be completed by the end of June 2021.

Weather will be a key variable on work progress: While trees can be cut through winter months, mud can't be taken to a landfill. Due to climate conditions, work may move forward more quickly in the Rogue Valley than it will in areas such as the McKenzie River or Santiam Canyon.

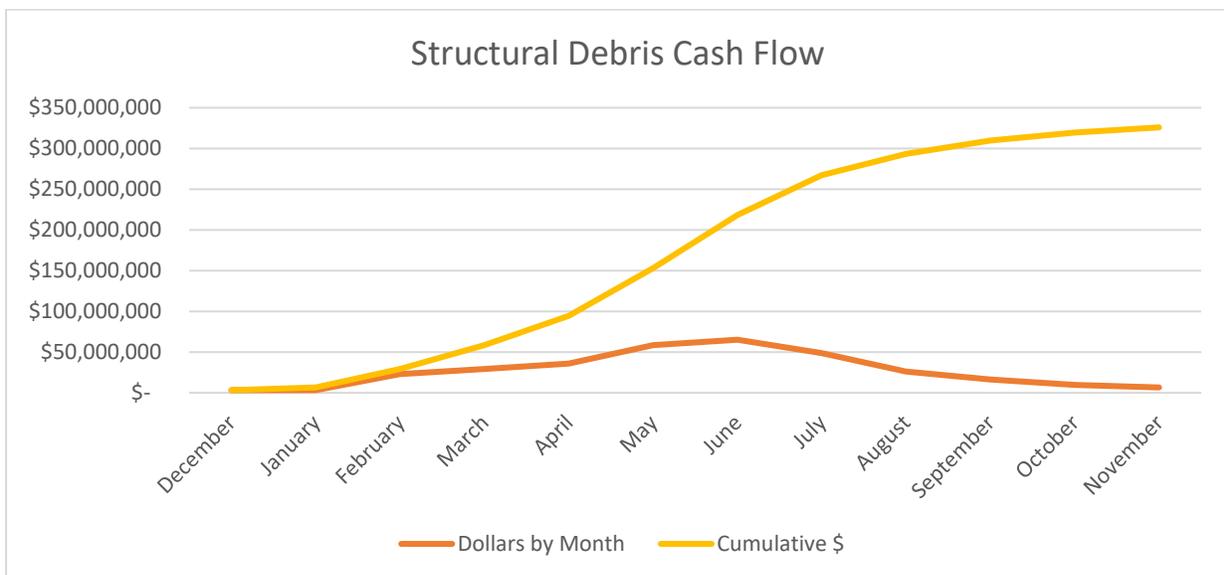
Cash Flow and Budget

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.

Structural Debris Removal

A \$50 million General Fund appropriation will enable ODOT to execute contracts and enable debris cleanup work to begin quickly. This appropriation will also enable ODOT and its state partners to leverage other funding and financing sources.

- Oregon will pursue FEMA approval for expedited funding for debris removal, under which FEMA can provide upfront payment for up to half of the federal share for approved eligible costs (37.5% of the total eligible costs). The state is providing FEMA documentation to support approval of approximately \$400 million in eligible costs; the state hopes to receive FEMA approval within 6-8 weeks, which would provide an upfront payment of about \$150 million.
- This appropriation will also allow ODOT to seek establishment of 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. The interfund loan program requires certainty of repayment; FEMA approval of eligible costs will provide this certainty of eventual repayment of an additional \$150 million.



Based on early analysis of likely cash flow, a \$50 million appropriation will provide cash flow for structural debris removal through sometime in March in the absence of other resources. With an additional \$150 million in FEMA expedited payment and an interfund loan of a similar amount, this strategy could provide \$350 million in cash up front, which could cover the cash flow needs for structural debris and a portion of hazard trees.

If FEMA does not reduce the cost share below 25%, further General Fund appropriations will be needed during the 2021 legislative session to complete the structural debris cleanup; at a 25% cost share this work is estimated at \$83 million. If FEMA drops the non-federal share to 10%, a \$50 million appropriation should be sufficient to cover the state's costs. ODOT and its state

agency partners will refine its cashflow estimates and return to the Legislature in the 2021 session for any additional funding needed to complete work.

Tree Removal

ODOT will use State Highway Fund resources for tree removal on highways. ODOT will need a limitation increase for the 2019-2021 biennium equal to the cost of tree removal (approximately \$296 million) but no appropriation of General Fund resources.

ODOT will explore how to manage cash in the State Highway Fund to limit impacts to other ODOT work, including both day-to-day maintenance and operations as well as transportation projects. This could involve short-term borrowing from the private sector or an interfund loan from Treasury. ODOT is already suffering a large structural deficit in its operational budget; covering the non-federal share of tree removal (estimated at \$74 million at a 25% cost share) will exacerbate this shortfall and will likely require additional reductions across ODOT’s maintenance and operations functions.

