



2009-11 Biennial Budget General Fund Reduction Planning

State Government Revenue Outlook Continues Downward Trend

The ongoing national economic crisis points to downturns in most major revenue sources for the Oregon Department of Forestry (ODF). Overall, department revenues may decline 12-20 percent over the next two to three years. The results will include service reductions, organizational changes, and difficulty in meeting the agency's statutory obligations. In many respects, the situation resembles the broad-based impacts of the recession of the early 1980s.

The statewide government revenue forecast issued in September 2008 described a particularly worrisome General Fund outlook for 2009-11, with a gap of \$524 million, or about 3.1%, between expected revenues and the cost of continuing current programs and services. In light of the major national and global economic developments of recent weeks, the outlook for 2009-11 will likely deteriorate further with release of the next revenue forecast on November 19. In addition, several measures on the November 4 ballot could have significant General Fund impact beginning in the 2009-11 biennium.

Reduction Planning at ODF Focuses on Private Forests Division

Given this situation and forecast, the Governor has directed General Fund based agencies to develop specific plans to reduce General Funds by 10 percent from current levels for 2009-11. For ODF, the 2009-11 current service level General Fund total is \$45.6 million, resulting in a 10 percent cut of \$4.56 million. All of the General Fund in the agency available for reduction planning is located in the Fire Protection and Private Forests Divisions.

The Department's initial reduction plan has been crafted with the following rationale, strategy and assumptions:

- Budget reductions in either division would immediately result in service reductions.
- Reducing resources across the board, while trying to maintain current service levels, would produce unacceptable performance in both divisions.
- Given the significant public safety and natural resource risks associated with reducing initial attack resources below current levels for the Fire Protection Division, the agency has applied the budget reduction plan principally to the Private Forests Division.
- Reductions in the Private Forests Division are planned at both the headquarters and field levels.
- The plan will significantly reduce the Department's ability to administer the Oregon Forest Practices Act, risking the credibility of the Act as an effective means of protecting resources. Accordingly, statutory or administrative rule changes to the Act will likely be required, particularly if a fundamentally different approach to resource protection is taken.
- A reduction of this size for the Private Forests Division will require changes in program philosophy and service delivery. A new program vision for administration of the Forest Practices Act and landowner assistance must be part of the planning process.
- To the greatest extent possible, ODF will seek to retain current employees through reassignment, relocation, transfer or promotion to other positions.
- This is only the beginning of a process that will continue through mid-2009, when the Legislature adopts a 2009-11 state budget. The plan as currently proposed is likely to change substantially along the way.
- When ODF faced reductions in 2001-03, federal dollars were available to replace some lost General Fund. In many positions, the change in funding resulted in changes in duties, but allowed us to retain

staff. Because of the current federal funding outlook, this means of replacing lost state dollars is no longer available.

Specifics of Proposed Reduction Plan

When lost matching funds are factored in, the plan reduces the Private Forests budget by \$6.7 million - roughly one quarter. Although details will change between now and July 1, the plan:

- Eliminates funding for eight Salem staff and 23 stewardship foresters in the field. Six additional field-based staff positions in specialized roles are currently proposed for elimination. The stewardship foresters' duties include ensuring reforestation and protection of water, wildlife habitat and other resources. The Salem staff support field foresters, forest practices policy, and the work of the Board of Forestry.
- Reduces overall Private Forests staffing by 32 percent, back to levels of the late 1980s.
- Eliminates formal ODF involvement with the Oregon Plan, recovery planning for salmon and other aquatic species, the state Invasive Species Council, the Pesticide Stewardship Partnership and other interagency activities. While program goals and objectives would continue to indirectly support Oregon Plan and recovery efforts, there would no longer be dedicated funding for these purposes.

Together, these measures would reduce the Department's ability to administer the Forest Practices Act, and may require statutory and/or rule changes. With our stakeholders, we will work to create a vision that clearly expresses what we strive to accomplish for Oregonians with the resources available, and how we can succeed in realizing that vision.

Three Phase Timeline and Action Plan

The Department's action plan is built in three phases. All will include agency-wide employee communication, and Board and stakeholder involvement.

- 1. Present – December 1, 2008 (November 4th Election; November 19th Revenue Forecast; December 1 Release of the Governor's Budget):**
 - Analysis of Private Forests program futuring options
 - Development of a position vacancy management plan (VMP), with some elements to be implemented immediately.
- 2. December 1, 2008 – June 30, 2009 (the legislative process – January 12th legislative opening):**
 - Implement the VMP – minimize impacts to employees; maximize future options; clarify and communicate program priorities given diminished capacity
 - Legislative processing of information, options, results, and possible statutory changes
- 3. July 1, 2009 – June 30, 2011 (the 2009-11 biennium):**
 - Implement 2009-11 Legislatively Adopted Budget; reorganize program resources as needed
 - Administrative Rule changes as needed

For More Information

Please contact:

- Clark Seely, Associate State Forester, (503) 945-7203
- Jim Paul, Private Forests Division Chief, (503) 945-7206