

Oregon Board of Forestry – Oregon Department of Forestry

2009-11 Biennial Budget Reduction Summary

June 4, 2008

Introduction

For the 2009-11 biennial budget, agencies are required, once again, to develop budget reduction options to either address declines in projected revenues or to provide decision flexibility by the Governor and/or the Legislature in appropriation of General Funds or Lottery Funds, or to establish lower limitations for Other Funds or Federal Funds. At this time, agencies are required to identify ten percent reduction options in all funds and submit those options with the Agency Request Budget. This effort also addresses the requirements of 1999 House Bill 3182, which requires the Governor to submit an alternative “90% All Funds Budget” which is effectively a ten percent reduction across all funds.

Based on the current biennium Legislatively Adopted Budget, the reductions total as follows:

Fund Type	2007-09 Legislatively Adopted Budget	10% Reduction Amount
General Fund	\$40,058,848	\$4,005,885
Other Funds	\$181,609,147	\$18,160,915
Federal Funds	\$26,483,943	\$2,648,394
Total	\$248,151,938	\$24,815,194

In addition to this ten percent reduction included in the Agency Request Budget, agencies are required to be prepared to submit an additional ten percent in General Fund and Lottery Funds reductions if necessary for declining revenue reasons.

For the current biennium, the agency has no Lottery Funds, and the General Funds are allocated primarily in the Fire Protection and Private Forests programs. In the Fire Program, the General Funds match with landowner assessments to provide the basic level of fire protection at the Districts, while in the Private Forests program, the General Fund statutorily matches with Harvest Tax in a 60/40 ratio to provide administration of the Oregon Forest Practices Act. With these Other Fund relationships, when General Funds are reduced, there is a corresponding Other Fund reduction as well.

The Department’s approach to budget reduction option development is results-based. Simply put, if reductions are required, services will be reduced or eliminated. Proposed reduction options are strategic in nature, rather than “across the board”. The Department develops reduction options in a deliberative fashion, meaning that reductions are based on the same set of strategic guidance used to develop policy packages such as legal requirements and obligations, Board priorities expressed in the *Forestry Program for Oregon* or work plans, and the Department’s goals, objectives and plans.

As indicated in earlier Board discussions, the agency is facing the prospects of reduced revenues in State Forests, Harvest Tax and federal grants during the 2009-11 biennium due to the current economic situation and other federal priority decisions. These possible revenue declines will be a part of the decision-making about budget reduction options for Other Funds and Federal Funds categories.

General Fund

As the reduction options are developed, they must be ranked in priority order. Since the agency's General Fund is concentrated in the Fire Protection and Private Forests programs, these programs take the brunt of General Fund reductions, and consequently, significant decreases or elimination of services. If reductions were to be taken at the highest levels (up to 20%), the following, in some combination, would occur:

- An adequate level of forest fire protection would not be maintained with a resulting loss of forest resource values, increased cost of large fires, and exposure of the state's General Fund for catastrophic fire costs beyond what the Oregon Forest Land Protection Fund and Fire Suppression Insurance provide. Reductions would likely impact up to 28 wildland engine crews across the state, five initial attack helicopter contracts, up to ten headquarters and field staff reductions or position abolishments;
- Forest Practices Act administration would be reduced to enforcement-only for major violations – no prevention nor education on an individual landowner basis, and minimal monitoring for enforcement only;
- Oregon Plan for Salmon and Watersheds technical assistance work would cease;
- Reductions would be made to the landowner services provided by field foresters and staff in the Private Forests program;
- Corresponding administrative reductions would be made in the Equipment Pool and agency support programs commensurate with a reduction in the operating programs.

As stated above, the program impacts become even more significant because the General Fund matches with and leverages Other Funds from landowner assessments and Harvest Taxes and for the Fire Protection and Private Forests programs. For example, with the current statutory funding split for fire protection of 50 percent General Fund/50 percent landowner assessment for private forestlands, every General Fund dollar cut requires a corresponding reduction in Other Funds. The Private Forests Program has a matching ratio of 60 percent General Fund to 40 percent harvest tax for Oregon Forest Practices Act administration, and again, any cuts to the General Fund involve a deeper program reduction with the matching requirement. In summary, in order to achieve a ten percent General Fund reduction of \$4.0 million, an Other Fund reduction of \$4.5 million is necessary, for a total reduction of \$8.5 million. We believe that programmatic reductions of this magnitude directly conflict with the achievement of the Board of Forestry and Department's mission, goals and objectives, and are contrary to the related Oregon Benchmarks and the Governor's priorities.

House Bill 3182

Regarding House Bill 3182 requirements for the Department, the General Fund reductions that are prepared as part of the base reduction process are used to meet the General Fund component

of HB3182 requirements, as well as the collateral (linked) Other Funds component of the base reduction process. However, additional Other Funds and Federal Funds reductions are also necessary to meet the ten percent reduction target across all funds. HB3182 reduction development directions and assumptions for the Department are as follows:

- Identify a ten percent (10%) reduction for each major funding category, i.e. General Funds, Other Funds, and Federal Funds.
- The HB3182 requirement must include those General Fund ten percent (10%) reductions proposed in the base budget process. Collateral Other Funds would move forward as well.
- Debt Service non-limited funds and Trust Funds are not to be used for determining the base nor used for reductions, i.e. for the Department this includes the Oregon Forest Land Protection Fund, the Forest Resource Trust, and debt service on certificates for capital construction and infrastructure investments.
- So called “pass-through” funds are not to be used in determining the base nor used for reductions (i.e. Protection from Fire’s Volunteer Fire Assistance (VFA) grants to Rural Fire Protection Districts).
- Capital Construction authorization/limitation is not to be used in determining the base nor used for reductions.
- The ranking is across all proposed reductions, not by major fund category.

To achieve a total of \$18.2 million Other Funds reduction and a \$2.6 million Federal Funds reduction, significant reductions must be made in the State Forests program (Other Funds) and in both the Fire Protection, Private Forests, and Urban Forests programs (Federal Funds). Reductions at the full ten percent will require:

- Reductions of state forest intensive management contract work, recreation infrastructure investments, and some research and monitoring work;
- Reductions in the number and investment levels of federal grants to landowners for fire hazard reduction and community wildfire planning;
- Reductions in the number and investment levels of federal grants to family forest landowners for intensive forest management projects and forest legacy projects;
- Reductions in the number and investment levels of federal grants to cities for urban forestry assistance;
- Corresponding administrative reductions would be made in the Equipment Pool and agency support programs commensurate with a reduction in the operating programs.

Once again, we believe that programmatic reductions in State Forest, Fire and Private Forests directly conflict with the achievement of the Board of Forestry and Department’s mission, goals and objectives, and are contrary to the related Oregon Benchmarks and the Governor’s priorities.

Summary

The detailed reduction options will be finalized as part of the Agency Request Budget and presented for Board consideration at the July 2008 Board meeting.