

# **OREGON DEPARTMENT OF FORESTRY**



***“Stewardship in Forestry”***

## **2009-2011 INTERNAL LEGISLATIVELY ADOPTED BUDGET REPORT**



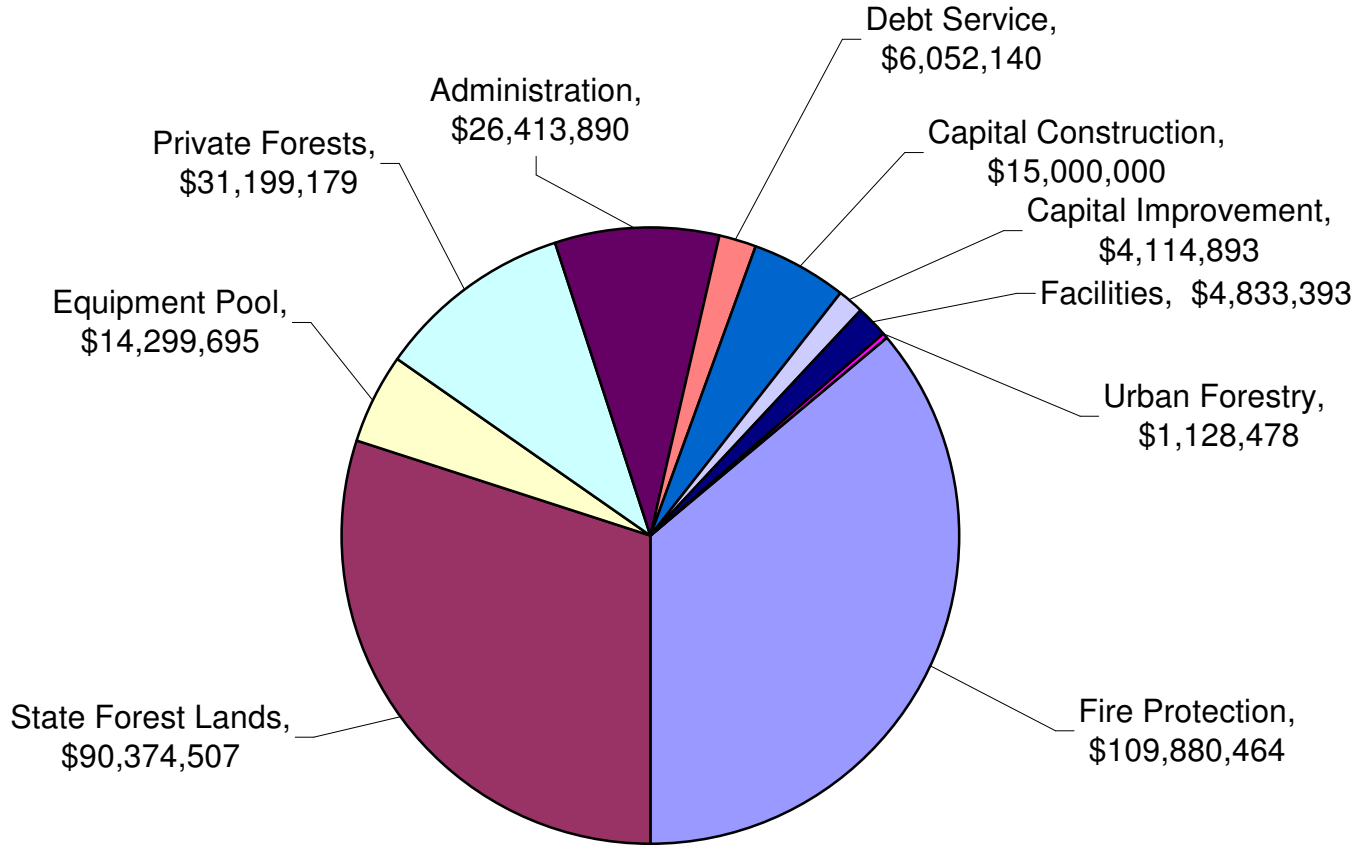
Program	Fund-Type Positions/FTE <sup>2</sup>	2007-2009 Legislatively Adopted Budget	2007-2009 Legislatively Approved <sup>1</sup> Budget	2009-2011 Agency Request Budget	2009-2011 Governor's Balanced Budget	2009-2011 Total Legislative Change	2009-2011 Legislatively Adopted Budget <sup>2</sup>	% Chg 09-11 vs. 07-09 Leg. Adopted Budgets
<b>Fire Protection</b>								
General Fund		\$23,874,658	\$30,888,405	\$43,216,012	\$22,883,894	\$6,244,226	\$29,128,120	22.00%
Other Fund		\$59,581,726	\$111,538,303	\$48,331,851	\$52,743,805	(\$5,242,728)	\$47,502,491	(25.04%)
Other Fund, Non-Limited		\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$0	\$15,000,000	0%
Federal Funds		\$17,671,462	\$17,671,264	\$18,226,149	\$18,426,185	(\$176,332)	\$18,249,853	3.27%
Subtotal		\$116,127,846	\$175,098,172	\$124,774,012	\$109,053,884	\$826,580	\$109,880,464	(5.38%)
Pos./FTE		727/412.25	727 / 412.25	863/461.36	728/412.94	(1) / (0.50)	727 / 412.44	0% / 0.05%
<b>Private &amp; Community Forests</b>								
General Fund		\$11,259,348	\$10,260,291	\$17,188,720	\$7,614,965	(\$2,588,923)	\$5,026,042	(55.36%)
Other Fund		\$9,114,091	\$9,103,730	\$11,098,287	\$7,531,273	(\$685,240)	\$6,846,033	(24.89%)
Federal Fund		\$7,099,189	\$7,096,767	\$15,861,212	\$10,854,815	\$8,472,289	\$19,327,104	172.24%
Subtotal		\$27,472,628	\$26,460,788	\$44,148,219	\$26,001,053	\$5,198,126	\$31,199,179	13.56%
Pos./FTE		123 / 115.80	123 / 115.80	140 / 138.20	101 / 80.99	(6) / (0.25)	95 / 80.74	(22.76%) / (30.28%)
<b>Urban Forests</b>								
Other Funds		\$256,958	\$256,958	\$264,153	\$264,153	\$0	\$264,153	2.800%
Federal Fund		\$794,430	\$792,559	\$710,683	\$884,718	(\$20,393)	\$864,325	8.80%
Subtotal		\$1,051,388	\$1,049,517	\$974,836	\$1,148,871	(\$20,393)	\$1,128,478	7.33%
Pos./FTE		3 / 3.00	3 / 3.00	3 / 2.00	3 / 3.00	0 / 0.00	3 / 3.00	0% / 0%
<b>State Forest Lands</b>								
Other Funds		\$63,698,183	\$65,743,209	\$95,258,816	\$93,716,178	(\$10,655,007)	\$83,061,171	30.40%
Federal Fund		\$145,102	\$145,102	\$0	\$0	\$7,313,336	\$7,313,336	4,940.13%
Subtotal		\$63,843,285	\$65,888,311	\$95,258,816	\$93,716,178	(\$3,341,671)	\$90,374,507	41.56%
Pos./FTE		302 / 260.20	302 / 260.20	305 / 266.55	304 / 266.05	(16) / (12.89)	288 / 253.16	(4.64%) / (2.71%)
<b>Agency Administration</b>								
General Fund		\$2,429,208	\$2,901,949	\$17,272,861	\$4,032,065	(\$517,879)	\$3,514,236	44.67%
Other Fund		\$21,122,330	\$19,984,979	\$15,754,069	\$21,105,983	\$989,569	\$22,095,560	4.61%
Federal Funds		\$773,760	\$773,760	\$828,489	\$820,971	(\$726)	\$804,094	3.92%
Subtotal		\$24,325,298	\$23,660,688	\$33,855,419	\$25,959,019	\$470,964	\$26,413,890	8.59%
Pos./FTE		81 / 78.85	81 / 78.85	103 / 102.27	80 / 78.74	3 / 4.48	83 / 83.22	2.47% / 5.54%
<b>Equipment Pool</b>								
Other Funds		\$13,795,060	\$13,890,118	\$14,522,114	\$14,458,252	(\$158,557)	\$14,299,695	3.66%
Subtotal		\$13,795,060	\$13,890,118	\$14,522,114	\$14,458,252	(\$158,557)	\$14,299,695	3.66%
Pos./FTE		29 / 30.75	29 / 30.75	30 / 30.56	30 / 30.56	0 / 0.00	30 / 30.56	3.45% / (0.62%)
<b>Facilities Maintenance</b>								
General Fund		\$0	\$0	\$881,562	\$0	\$0	\$0	0%
Other Funds		\$3,297,762	\$3,315,995	\$4,843,429	\$4,841,063	(\$7,670)	\$4,833,393	46.57%
Subtotal		\$3,297,762	\$3,315,995	\$5,724,991	\$4,841,063	(\$7,670)	\$4,833,393	46.57%
Pos./FTE		1 / 1.00	1 / 1.00	1 / 0.95	1 / 0.95	0/0.00	1 / 0.95	0% / (5.00%)
<b>Capital Improvement</b>								
General Fund		\$0	\$0	\$1,195,009	\$0	\$0	\$0	0%
Other Fund		\$10,402,814	\$10,402,814	\$4,114,893	\$4,114,893	\$0	\$4,114,893	(60.44%)
Subtotal		\$10,402,814	\$10,402,814	\$5,309,902	\$4,114,893	\$0	\$4,114,893	(60.44%)
<b>Capital Construction</b>								
Other Fund		\$2,750,000	\$5,369,050	\$7,200,000	\$1	\$14,999,999	\$15,000,000	100.00%
Subtotal		\$2,750,000	\$5,369,050	\$7,200,000	\$1	\$14,999,999	\$15,000,000	100.00%
<b>Debt Service</b>								
General Fund		\$2,495,634	\$2,342,531	\$3,992,046	\$2,806,582	\$0	\$2,806,582	12.46%
Lottery Fund		\$0	\$0	\$0	\$0	\$1,507,601	\$1,507,601	100%
Other Fund		\$1,790,223	\$1,790,223	\$2,594,902	\$1,612,481	\$125,476	\$1,737,957	(2.92%)
Subtotal		\$4,285,857	\$4,132,754	\$6,586,948	\$4,419,063	\$1,633,077	\$6,052,140	41.21%
<b>Total</b>								
General Fund		\$40,058,848	\$46,393,176	\$83,746,210	\$37,337,506	\$3,137,424	\$40,474,980	1.04%
Lottery Fund		\$0	\$0	\$0	\$0	\$1,507,601	\$1,507,601	100.00%
Other Fund		\$190,304,955	\$245,890,584	\$203,982,514	\$200,388,082	(\$632,744)	\$199,755,346	5.81%
O.F. Non Limited		\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$0	\$15,000,000	0%
Federal Funds		\$26,483,943	\$26,479,452	\$35,626,533	\$30,986,689	\$15,588,174	\$46,558,712	75.80%
Grand Total		\$271,847,746	\$333,763,212	\$338,355,257	\$283,712,277	\$19,600,455	\$303,296,639	11.57%
Position		1,311	1,311	1,445	1,247	(20)	1,227	(6.41%)
FTE		920.96	918.81	1,001.89	873.23	(9.16)	864.07	(6.18%)

<sup>1</sup> Legislatively Approved Budget as of June 2009

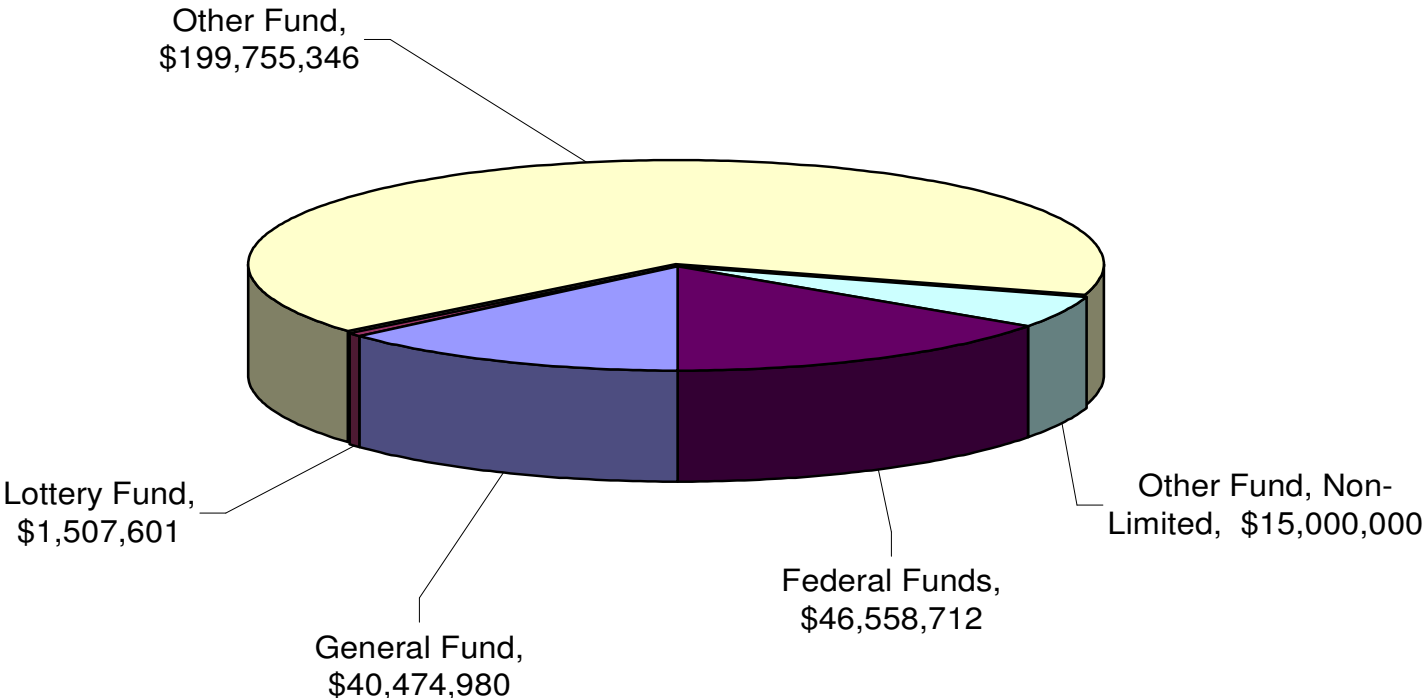
<sup>2</sup> The Legislature has allocated \$4.7m in a special purpose appropriation, accessible only through action by the Emergency Board, which is reserved for additional Fire Severity resources and half the biennium's cost of fire insurance.



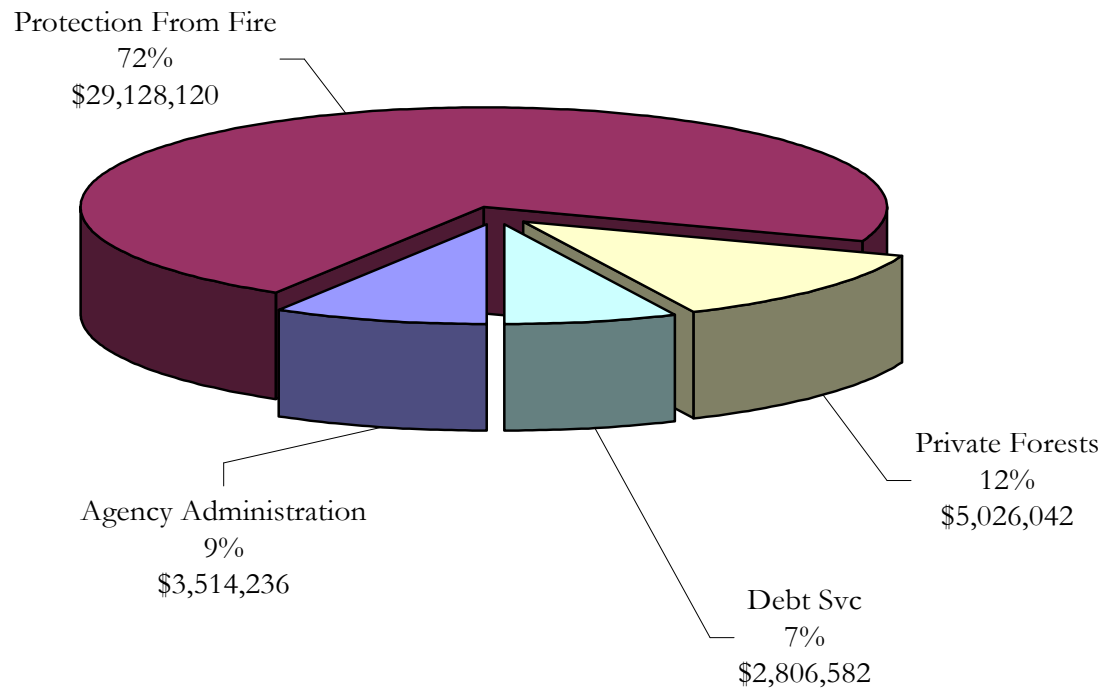
**2009-11 LEGISLATIVELY ADOPTED BUDGET  
BY PROGRAM AREA  
(Total \$303,296,639)**



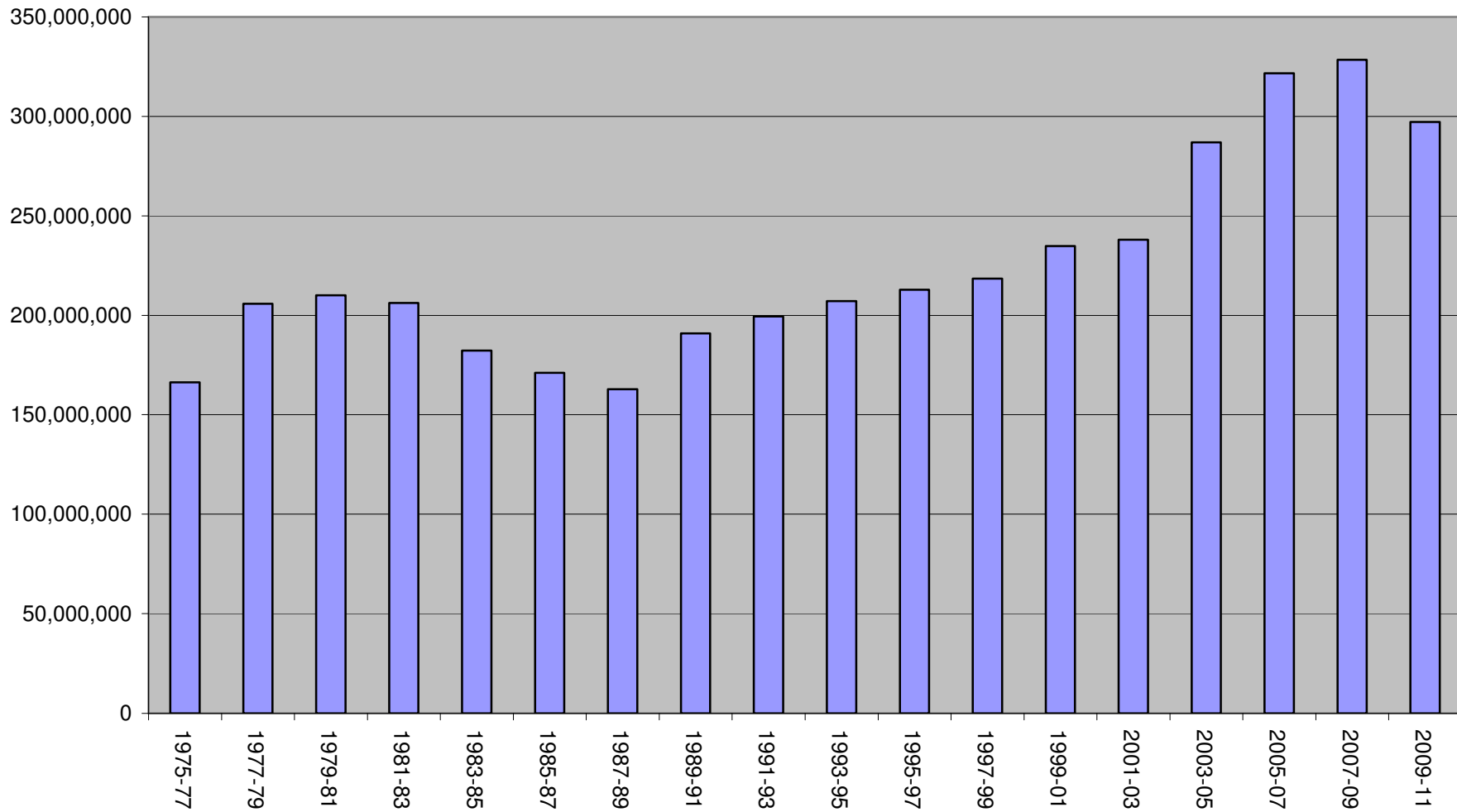
**2009-11 LEGISLATIVELY ADOPTED BUDGET  
BY FUND-TYPE  
(Total \$303,296,639)**



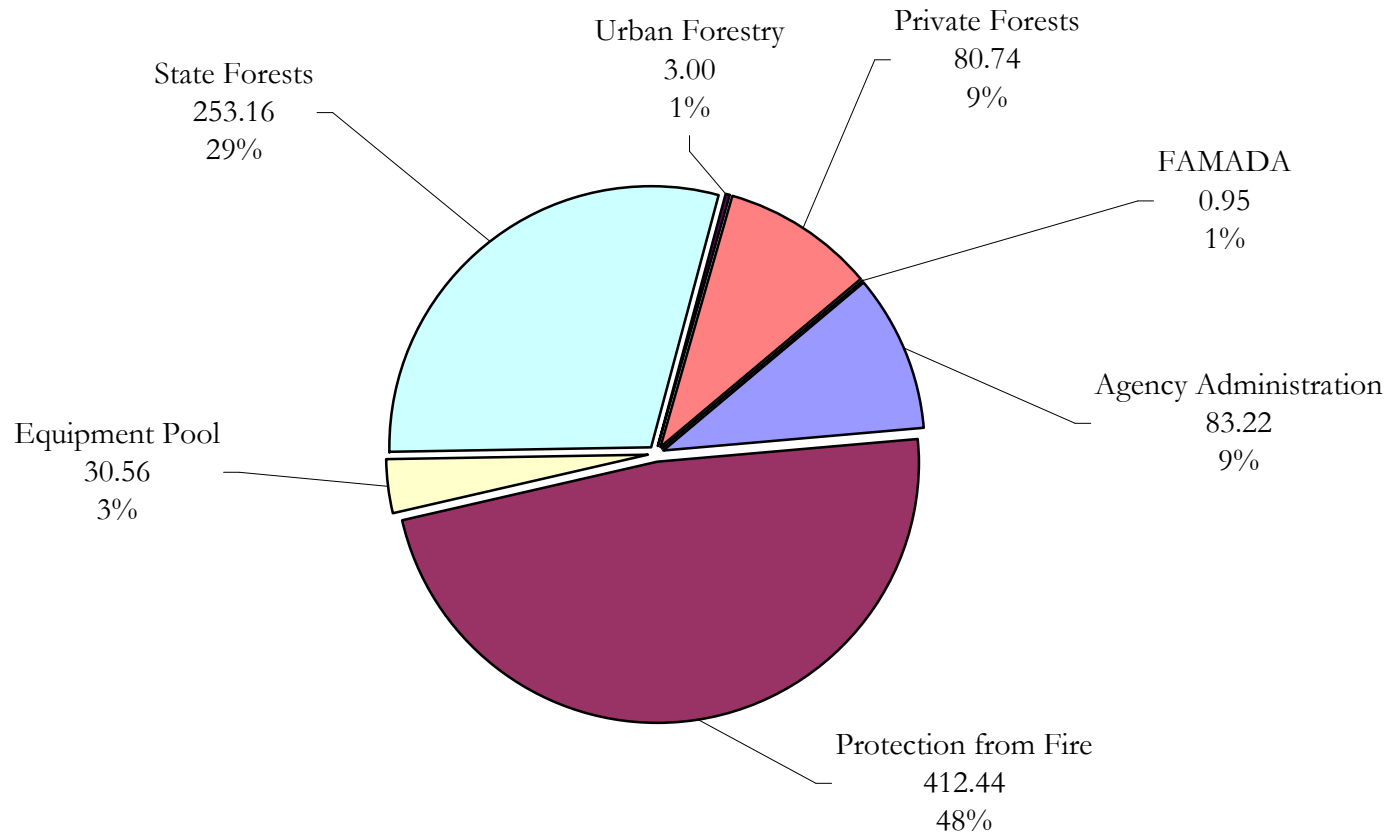
**2009-11 LEGISLATIVELY ADOPTED BUDGET**  
**General Fund by Program**  
**(Total \$40,474,980)**



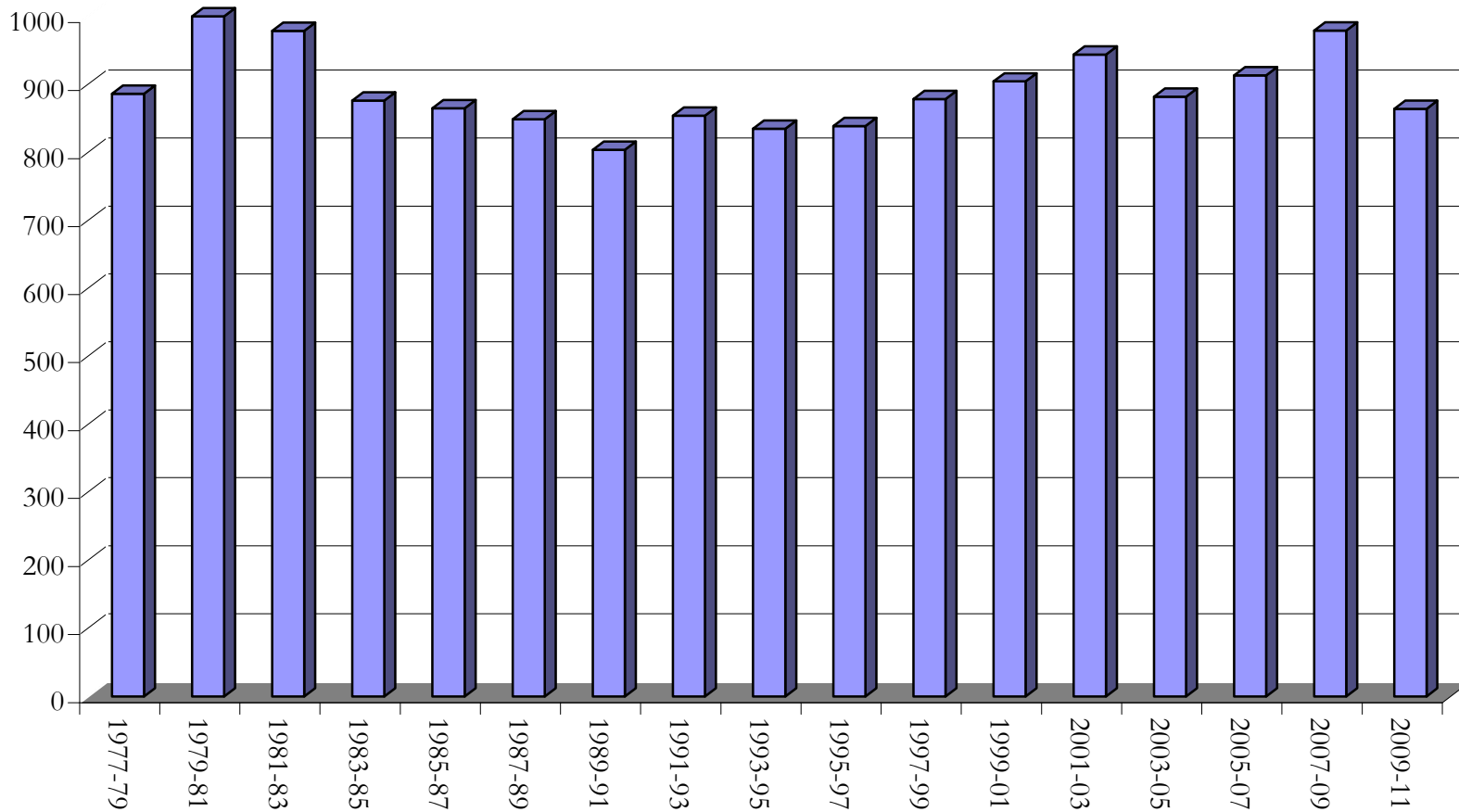
LEGISLATIVELY APPROVED BUDGETS - INFLATION ADJUSTED  
 AND 2009-11 LEGISLATIVELY ADOPTED BUDGET OF \$297,244,499  
 (not including Debt Service)  
 (in year 2009 dollars)



**2009-11 LEGISLATIVELY ADOPTED BUDGET  
FULL-TIME EQUIVALENTS BY PROGRAM  
(Total FTE 864.07)**



**FULL TIME EQUIVALENTS (FTE)  
 1977-2005 LEGISLATIVELY APPROVED FTE  
 AND 2009-11 LEGISLATIVELY ADOPTED FTE OF 864.07**



*The following discussion of the Legislatively Adopted Budget is based on eight bills:*

- ✓ *SB 5522 – Agency’s primary budget bill;*
- ✓ *HB 2214 – Forest Products Harvest Tax;*
- ✓ *HB 2216 – Establishes State Forests Land Acquisition Funds;*
- ✓ *HB 3267 – Fire Protection costs*
- ✓ *HB 5009 – Establishes GF Fire Severity & Fire Insurance;*
- ✓ *HB 2215 – Oregon Forest Land Protection Fund bill;*
- ✓ *SB 189 – Forestland Fire Protection*
- ✓ *SB 5506 – Gilchrist Project*
- ✓ *HB 5054 – Statewide Adjustments*

**I. Legislative Actions with an Agency-wide Impact:**

Program	Fund-Type	2007-2009	2009-2011	2009-2011	2009-2011		% Chg
	Positions/FTE	Legislatively	Agency Request	Governor's	Total	2009-2011	09-11 vs. 07-09
		Adopted Budget	Budget	Recommended	Legislative	Legislatively	Leg. Adopted
				Budget	Change	Adopted Budget	Budgets
Total							
	General Fund	\$40,058,848	\$83,746,210	\$37,337,506	\$3,137,424	\$40,474,980	1.04%
	Lottery Fund	\$0	\$0	\$0	\$1,507,601	\$1,507,601	100.00%
	Other Fund	\$190,304,955	\$203,982,514	\$200,388,082	(\$632,744)	\$199,755,346	5.81%
	O.F. Non Limited	\$15,000,000	\$15,000,000	\$15,000,000	\$0	\$15,000,000	0.00%
	Federal Funds	\$26,483,943	\$35,626,533	\$30,986,689	\$15,588,174	\$46,558,712	75.80%
	Grand Total	\$271,847,746	\$338,355,257	\$283,712,277	\$19,600,455	\$303,296,639	11.57%
	Position	1,311	1,445	1,247	(20)	1,227	(6.41%)
	FTE	920.96	1,001.89	873.23	(9.16)	864.07	(6.18%)

Budget Notes included in HB 5522

- Fire Protection Program: Directs agency to track and report actual fire season costs, and resulting liability to the General Fund.

Legislature’s Policy Packages:

The Legislature modified the agency’s budget as follows:

- Package #801 – LFO Technical Adjustments
- Package #803 – Statewide Budget Adjustments
- Package #805 – Budget Reconciliation Adjustments
- Package #806 – End of Session Legislative Changes
- Package #810 – Public Fire Cost Share
- Package #811 – Co-Chairs Reductions in Private Forests
- Package #812 – State Forests Revenue Shortfall
- Package #813 – Tillamook Forest OHV
- Package #814 – Federal Stimulus
- Package #815 – IPA Cooperative Agreements
- Package #816 – Harvest Tax Rate

Modifications from Governors' Recommended Budget - Agency Wide:

The legislature reduced the agency's 2009-2011 budget due to the following: a) technical adjustments to Fire Protections, Private Forests, State Forests, Agency Administration, Equipment Pool and Debt Service, both increases and decreases; b) reductions to DAS and other assessments; c) Management salary reductions; d) changes to the Fire Protections' portion of Administration costs; e) a 15% agency-wide decrease to General Funds taken entirely in the Private Forests program; and f) an increase in Federal Funds due to expected Federal Stimulus grants. The net impact of the above is:

Personal Services:

- General Funds = \$2,270,251
- Other Funds = (\$11,474,632)
- Federal Funds = \$2,558,359
- Positions (20)
- FTE (9.16)

Services & Supplies, Capital Outlay, Special Payments:

- General Funds \$867,223
- Lottery Funds \$1,507,601
- Other Funds \$10,841,896
- Federal Funds \$13,013,664

Agency's Policy Packages:

The Legislature modified the agency's budget as follows:

*Approved (as modified)*

- Package #081 – June 2008 Emergency Board (modified)
- Package #211 – Fire Protection Operations Support (unchanged)
- Package #213 – Fire Protection Contracting Effectiveness (unchanged)
- Package #232 – Timber Sale Accounting Process Revision (unchanged)
- Package #252 – Sudden Oak Death Monitoring Effort (unchanged)

*Disapproved*

- Package 090 – Governor's Adjustments
- Package 215 – Emergency Fire Cost Finance Coordinator
- Package 231 – Improve State Forest Management Plans
- Package 294 – Gilchrist Project

Anticipated Emergency Board Appearances:

To be announced

## II. Fire Protection Program

Program	Fund-Type	2007-2009	2009-2011	2009-2011	2009-2011 Total	2009-2011	% Chg
	Positions/FTE	Legislatively	Agency Request	Governor's	Legislative	Legislatively	09-11 vs. 07-09
		Adopted Budget	Budget	Recommended Budget	Change	Adopted Budget <sup>2</sup>	Leg. Adopted Budgets
Fire Protection							
G.F. – PSFF		\$23,874,658	\$43,216,012	\$22,883,894	\$6,244,226	\$29,128,120	22.00%
G.F. – Industrial Fire		\$0	\$0	\$0	\$0	\$0	0%
O.F. Operation		\$51,127,221	\$39,116,309	\$43,568,166	(\$5,242,728)	\$38,325,438	(25.04%)
O.F. Coop.		\$6,784,938	\$7,418,084	\$7,392,057	\$0	\$7,392,057	8.95%
O.F. N/L. EFCC		\$15,000,000	\$15,000,000	\$15,000,000	\$0	\$15,000,000	0%
O.F. - EFCC		\$426,379	\$461,413	\$457,918	\$1,414	\$459,332	7.73%
O.F. - Smoke Mgmt		\$1,243,188	\$1,336,045	\$1,325,664	\$0	\$1,325,664	6.63%
Federal Funds		\$17,671,462	\$18,226,149	\$18,426,185	(\$176,332)	\$18,249,853	3.27%
Subtotal		\$116,127,846	\$124,774,012	\$109,053,884	\$826,580	\$109,880,464	(5.38%)
Pos./FTE		727/412.25	863/461.36	728/412.94	(1) / (0.50)	727 / 412.44	0% / 0.05%

<sup>2</sup> The Legislature has allocated \$4.7m in a special purpose appropriation, accessible only through action by the Emergency Board, which is reserved for additional Fire Severity resources and half the biennium's cost of fire insurance.

### Budget Notes

- Directs agency to track and report actual fire season costs, and resulting liability to the General Fund.

### Anticipated Emergency Board Appearances:

- February 2010

### Legislature's Policy Packages:

The Legislature modified the agency's budget as follows:

- Package #801 – LFO Technical Adjustments (Revenue only)
- Package #805 – Budget Reconciliation Adjustments
- Package #810 – Public Fire Cost Share

### Status of GRB Policy Packages

- Approved (as modified by the Oregon Legislature)
  - Package #081 – June 2008 E-Board (modified)
  - Package #211 – Fire Protection Operations Support (unchanged)
  - Package #213 – Fire Protection Contracting Effectiveness (unchanged)
- Denied
  - Package 090 – Governors Reductions
  - Package 215 – Emergency Fire Cost Finance Coordinator

### Agency Requested Adjustments to GRB

- Approved (as modified by the Oregon Legislature)
  - None
- Denied
  - None

Modifications from Governors' Recommended Budget

- Package 081 – June 2008 E-Board. Fund Shifts revenues & expenditure limitation from GF to OF on fire suppression resources in the amount of \$2,339,261.
- Package 215 – EFC Finance Coordinator. Package was denied completely, resulting in an increase of \$1,414 and a loss of (1) Position and (0.50) FTE.
- Package 801 – LFO Technical Adjustments. All changes impact revenues but not expenditure limitation. (A) Reduces Intra-Agency OF Transfers Out of (\$325,391) as a result of decreased transfers to the Agency Administration program for COP. (B) Moved Federal Funds expenditures between cost categories to accommodate Federal Stimulus Grant Funding requirements, with a net zero program impact.
- Package 805 – Budget Reconciliation Adjustments. Management salary reductions as well as DAS and other assessment changes result in a loss of (\$40,377) GF, (\$1,389,606) OF, and (\$176,332) FF, but no loss of Positions or FTE.
- Package 810 Public Fire GF Cost Share. (A) Fire Protection's portion of the Agency Administration program costs (approximately \$7.1M) will be funded 25% from public land owners and 75% from General Funds. (B) Establishes Special Purpose Appropriation of \$4,722,321 in Emergency Fund for Severity Resources and half the cost of the biennium's year 2 Fire Insurance premium (year 1 is in the base budget). (C) Re-iterates that private land owners continue to pay the first \$15M of the insurance deductible, and insurance premiums will be paid from the Oregon Forest Land Protection Fund.
- Total modifications: increase of \$6,244,226 GF, a decrease of (\$5,241,314) OF and a reduction of (\$176,332) FF, for an All Funds limitation increase of \$826,580, as well as a decrease of (1) Position and 0.50 FTE.

### III. Private Forests Program

Program Fund-Type Positions/FTE	2007-2009 Legislatively Adopted Budget	2009-2011 Agency Request Budget	2009-2011 Governor's Recommended Budget	2009-2011 Total Legislative Change	2009-2011 Legislatively Adopted Budget	% Chg 09-11 vs. 07-09 Leg. Adopted Budgets
Private Forests						
General Fund	\$11,259,348	\$17,188,720	\$7,614,965	(\$2,588,923)	\$5,026,042	(55.36%)
Other Fund	\$9,114,091	\$11,098,287	\$7,531,273	(\$685,240)	\$6,846,033	(24.89%)
Lottery Funds	\$0	\$0	\$0	\$0	\$0	0%
Federal Fund	\$7,099,189	\$15,861,212	\$10,854,815	\$8,472,289	\$19,327,104	172.24%
Subtotal	\$27,472,628	\$44,148,219	\$26,001,053	\$5,198,126	\$31,199,179	13.56%
Pos./FTE	123 / 115.80	140 / 138.20	101 / 80.99	(6) / (0.25)	95 / 80.74	(22.76%) / (30.28%)

#### Budget Notes

- None.

#### Anticipated Emergency Board Appearances:

- None known at this time

#### Legislature's Policy Packages:

The Legislature modified the agency's budget as follows:

- Package #801 – LFO Technical Adjustments
- Package #805 – Budget Reconciliation Adjustments
- Package #811 – Co-Chairs Reductions in Private Forests
- Package #814 – Federal Stimulus
- Package #816 – Harvest Tax Rate

#### Status of GRB Policy Packages

- Approved (as modified by the Oregon Legislature)
  - Package 252 Sudden Oak Death (unchanged)
- Denied
  - Package 090 Governors Reductions

#### Agency Requested Adjustments to GRB

- Approved (as modified by the Oregon Legislature)
  - None
- Denied
  - None

### **Budget Impacts to Private Forests Division**

This budget results in about an \$8.5 million reduction in the Private Forests Program, or a loss of about 40% of the program capacity. Impacts include the elimination of nearly half of the stewardship forester positions stationed throughout Oregon (27 of 57), as well as the loss of a number of Salem-based positions providing field and technical support for forest practices enforcement and assistance to forest landowners. These reductions will include the elimination of direct staff support for the Oregon Plan for Salmon & Watersheds, effectiveness monitoring, and much of ODF's Insect and Disease program services. Substantial adjustments will also need to be made in how the Forest Practices Act is administered and enforced. Stewardship forester's time will need to be prioritized and allocated towards higher priority operations and notifications, with fewer resources available for lower priorities.

Existing monitoring projects will be brought to closure, as monitoring resources have also been eliminated. Future monitoring will potentially occur in a more ad hoc manner, as priorities are identified and funding is made available. State support for insect and disease control efforts, including monitoring bark beetle tree mortality and Sudden Oak Death outbreaks in southwest Oregon, will be substantially reduced. Any new, aggressive insect infestations, including invasive species of insects or pathogens, will have a greater likelihood of going undetected, increasing the risk of increased forest health impacts in the near future.

Other impacts will include an increase in wait times for members of the public seeking assistance from stewardship foresters with questions or no-cost consultation regarding forest issues, as well as reduced availability of stewardship foresters for landowner outreach and assistance. Landowners needing assistance with developing riparian management plans, stewardship plans, geotechnical assessment, special resource sites, certification monitoring or similar forest management assistance are more likely to be directed to other resources, such as consulting foresters, contract specialists, or existing resources such as OSU Extension or Soil & Water Conservation Districts.

### **Modifications from Governors' Recommended Budget**

- Package 090 – Governor's Recommended Reductions. Reductions in this package were reversed, having been superseded by the Legislative modifications.
- Package 801 – LFO Technical Adjustments. (A) Four positions and their costs were moved from the Private Forests and State Forests programs into the Agency Administration program, resulting in a decrease of (\$177,909) GF, (\$118,608) OF, (2) Positions and (2.00) FTE in the Private Forests program. (B) Reduces expenditure limitation by (\$458,112) OF due to projected revenue losses. (C) Reduces transfer out of revenue by (\$103,533) as a result of a decreased transfer to the Agency Administration program for COP.
- 805 – Budget Reconciliation Adjustments. Management salary reductions as well as DAS and other assessment changes result in a loss of (\$339,417) GF, (\$235,802) OF, and (\$54,965) FF, but no loss of Positions or FTE.
- Package #811 – Co-Chairs Reductions in Private Forests. 15% agency-wide GF reduction is taken in the Private Forests program, leaving 20% of the state supported forest health program and 50% of the Forest Practices Act administration. Results in a loss of (\$6,566,661) GF and (\$3,414,861) OF, an increase of \$266,043 FF, and a reduction of (23) Positions and (47.70) FTE.
- Package #814 – Federal Stimulus. Result is an increase of \$8,437,000 FF and 9.25 FTE.
- Package #816 – Harvest Tax Rate. Results in an increase of \$1,400,000 OF, 2 Positions and 6.52 FTE.
- Total modifications: loss of (\$2,588,923) GF and (\$685,240) OF limitation, increase of \$8,472,289 FF, and decrease of (6) Positions and (0.25) FTE.

## IV. State Forest Program

Program	Fund-Type	2007-2009 Legislatively Adopted Budget	2009-2011 Agency Request Budget	2009-2011 Governor's Recommended Budget	2009-2011 Total Legislative Change	2009-2011 Legislatively Adopted Budget	% Chg 09-11 vs. 07-09 Leg. Adopted Budgets
State Forest Lands							
Other Funds		\$63,698,183	\$95,258,816	\$93,716,178	(\$10,655,007)	\$83,061,171	30.40%
Federal Fund		\$145,102	\$0	\$0	\$7,313,336	\$7,313,336	4,940.13%
	Subtotal	\$63,843,285	\$95,258,816	\$93,716,178	(\$3,341,671)	\$90,374,507	41.56%
	Pos./FTE	302 / 260.20	305 / 266.55	304 / 266.05	(16) / (12.89)	288 / 253.16	(4.64%)/(2.71%)

### Budget Notes

- None.

### Anticipated Emergency Board Appearances:

- None known at this time.

### Legislature's Policy Packages:

The Legislature modified the agency's budget as follows:

- Package #801 – LFO Technical Adjustments
- Package #805 – Budget Reconciliation Adjustments
- Package #812 – State Forests Revenue Shortfall
- Package #813 – Tillamook Forest OHV
- Package #814 – Federal Stimulus
- Package #815 – IPA Cooperative Agreements

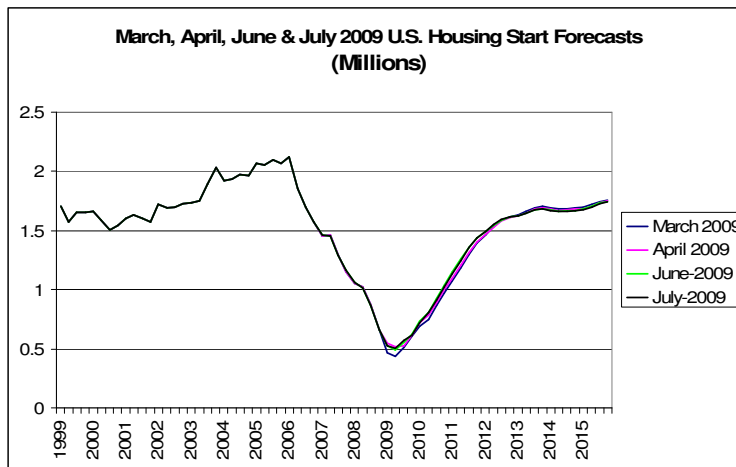
### Status of GRB Policy Packages

- Approved (as modified by the Oregon Legislature)
  - Package 232 Timber Sale Accounting Process Revision (unchanged)
- Denied
  - Package 090 Governors Reductions
  - Package 230 – Protecting Working Forests & Land Acquisition
  - Package 231 – Improve State Forest Management Plans

### Budget Impacts to State Forests Division

The legislatively authorized budget for state forests significantly decreases authorized expenditure levels for state forest management, increases authority to expend federal funds, and makes an accounting shift to recognize investments in roads. The net result is a biennial budget with higher authorized expenditure levels.

**A reduction in revenues was the primary factor impacting the State Forests Division budget outcomes.** In the past year, the primary product marketed by the State Forests Division, sawmill-grade logs, has plummeted in value. Collapsing housing starts and a slowing economy have soured markets for primary forest products, wood chips, and consequently stumpage marketed by ODF. Housing starts have fallen from 2 million several years ago to a forecasted low of .5 million in 2009 (See figure below). Oregon log prices are highly correlated with national housing starts.



Gary Lettman, Economist, ODF

The net result is that revenue forecasts for State Forests Division share of Board of Forestry land revenue predicts a 40-45% decline in revenues in 2009-11 from the projected revenue in the current biennium. The same projection reflects a 55% decline in revenues from the 2005-07 biennium. These revenue projections resulted in a policy option reduction package (#812) that impacted the biennial budget results. The State Forests Division depends on revenue from timber sales to fund its operations. The Division operates on a one-third share of timber sale receipts resulting from management of Board of Forestry lands. The other two-thirds go to counties where the operations occurred. The Division is reimbursed for costs associated with managing Common School Forest Land through the Department of State Lands – Common School Fund.

**Capacity reductions will impact benefits and outcomes that result from state forest management.** In an attempt to be sized for economic sustainability, the division reduced expenditures and staffing, eliminating 45 positions (15% of staff). Of these positions 14 were taken in Salem staff with the remaining primarily affecting the Northwest Oregon Area and subsequent districts.

Reductions to key staff – including field foresters, managers and technical support – combined with an uncertain market jeopardizes our ability to meet harvest objectives and revenue levels to counties. Other impacts include:

- **Minimal reforestation.** Tree-planting and reforestation practices after harvesting will meet basic requirements, but they will limit future economic and environmental investments and returns on investments.
- **Recreation cutbacks.** At a time when the demand for recreation on state forests is increasing, the Division’s ability to manage for this demand will be greatly reduced. The program will be challenged to maintain the existing recreation infrastructure and mitigate conflicts between diverse forest users. Some recreation management capacity was restored in the budget through other revenues coming from Oregon Parks and Recreation All Terrain Vehicle fund (Package #813).
- **Fewer education programs.** Fewer educational programs will continue. The Tillamook Forest Center has curtailed its summer operating schedule, and will close in the winter, reducing services for the public, teachers and students.

- **Fire protection support capacity reduced.** Staffing to coordinate and fight forest fires will be in short supply because many of those State Forests Division staffing positions reduced also fill key roles on fires.
- **Conservation shortfall.** Investments in the Oregon Plan for Salmon and Watersheds to restore and enhance fish habitat will go unfinished.
- **Limited research and monitoring.** Learning from forest science and experience will be constrained, inhibiting our ability to adapt to improve our forest management practices.
- **Public disconnect.** Meeting and interacting with the public – forest users, stakeholders and interest groups – will be significantly reduced.

**State Forests Division to utilize other revenue.** The budget reflects a shift from other funds to federal funds (Package #814). The Division has applied for grant funding (Economic Stimulus Dollars) to accomplish restoration and fuels reduction projects on State Forests through both the U.S. Forest Service (USFS) and the National Oceanic and Atmospheric Administration (NOAA). Along these same lines positions were also secured (#815) that may result in some opportunities for displaced employees to assist other agencies completing their work through Cooperative Agreements or Interagency Personnel Agreements.

**Improved Accounting Practice:** A provision to allow timber sale project work to be accounted for according to the Generally Accepted Accounting Principles (GAAP) was approved (Package #232 for \$25 million). This package results in ODF being able to properly account for the assumed revenues and expenditures associated with the asset improvements generated by timber sale operations.

**Positive results affecting future State Forests Acquisition opportunities.** The Department of Forestry worked closely with the Oregon Legislature to take on two key actions relating to the acquisition of state forest land: one action was specific to the goal of acquiring the former Gilchrist Timber Company lands in Central Oregon, and the second action was related to updating the Board of Forestry’s acquisition authority and funding mechanisms for acquisition, some of which had not been updated since the 1940s.

### **Gilchrist Acquisition**

The Oregon Legislature authorized the use of \$15 million in lottery bonds for the Department of Forestry to acquire portions of the former Gilchrist Timber Company lands in Central Oregon. These lands, currently under the ownership of Fidelity National Timber Resource Inc., are at risk of being carved into minimum parcels and going out of forest land use. ODF has targeted acquisition of about 95,000 acres of these lands, primarily located between Highway 97 and Highway 31 in the Gilchrist-Crescent area of northern Klamath County. ODF is negotiating with Fidelity to acquire these lands, and an acquisition is expected in the next 6-12 months. The authorized amount of Lottery bonds is less than the total property has been appraised at, so ODF is considering several strategies, one of which involves a phased purchase over time. Initially, the lands will be managed out of the Klamath District, which also manages the Sun Pass State Forest, which is about 50 miles south of the Gilchrist area. The acquisition has received wide support, including from Klamath County.

## **Acquisition Authority**

The Legislative update to Board of Forestry Authority enables the Board to acquire lands that are encumbered by conservation easements or other agreements, and allows the Board to grant conservation easements or enter into partnerships regarding land ownership. These authorities apply only to lands acquired from here forward. The update also freshened the various bonding mechanisms available to the State, including revenue bonding and general obligation bonding, so that the department is well positioned to act on potential future acquisitions that may arise. These authorities were updated in House Bill 2216.

## Modifications from Governors' Recommended Budget

- Package 231 – Improving State Forests Management Planning. Package was completely denied, resulting in a loss of (\$1,215,442), (5) Positions and (6.00) FTE.
- Package 801 – LFO Technical Adjustments. (A) Four positions and their costs were moved from the Private Forests and State Forests programs into the Agency Administration program, resulting in a reduction of (\$360,706) OF, (1) Positions and (2.48) FTE in the State Forests program. (B) Reduces transfer out of revenue by (\$258,833) as a result of a decreased transfer to the Agency Administration program for COP.
- Package 805 – Budget Reconciliation Adjustments. Management salary reductions as well as DAS and other assessment changes result in a loss of (\$1,306,423) OF, but no loss of Positions or FTE.
- Package #812 – State Forests Revenue Shortfall. Result is a loss of (\$14,898,922) OF, as well as a loss of (45) Positions and (39.01) FTE.
- Package #813 – Tillamook Forest OHV. Result is an increase of \$1,019,790 OF, 6 Positions and 6.10 FTE.
- Package #814 – Federal Stimulus. Result is an increase of \$3,229,688 OF and \$7,313,336 FF, as well as an increase of 12 Positions and 12.00 FTE.
- Package #815 – Cooperative Agreements. Results in an increase of \$2,877,008 OF, 17 Positions and 16.50 FTE.
- Total modifications: loss of (\$10,655,007) OF limitation, increase of \$7,313,336 FF limitation, decrease of (16) Positions and (12.89) FTE.

## IV. Urban Forests Program

Program	Fund-Type	2007-2009 Legislatively Adopted Budget	2009-2011 Agency Request Budget	2009-2011 Governor's Recommended Budget	2009-2011 Total Legislative Change	2009-2011 Legislatively Adopted Budget	% Chg 09-11 vs. 07-09 Leg. Adopted Budgets
Urban Forests							
	General Funds	\$0	\$0	\$0	\$0	\$0	0%
	Other Funds	\$256,958	\$264,153	\$264,153	\$0	\$264,153	0%
	Federal Fund	\$794,430	\$710,683	\$884,718	(\$20,393)	\$864,325	0%
	Subtotal	\$1,051,388	\$974,836	\$1,148,871	(\$20,393)	\$1,128,478	0%
	Pos./FTE	3 / 3.00	3 / 2.00	3 / 3.00	0 / 0.00	3 / 3.00	0% / 0%

### Budget Notes

- None.

### Anticipated Emergency Board Appearances:

- None known at this time.

### Legislature's Policy Packages:

The Legislature modified the agency's budget as follows:

- Package #805 – Budget Reconciliation Adjustments

### Status of GRB Policy Packages

- Approved (as modified by the Oregon Legislature)
  - None.
- Denied
  - None.

### Modifications from Governors' Recommended Budget

- Package 805 – Budget Reconciliation Adjustments. Management salary reductions as well as DAS and other assessment changes result in a loss of (\$20,393) OF, but no loss of Positions or FTE.

## V. Agency Administration Program

Program	Fund-Type Positions/FTE	2007-2009 Legislatively Adopted Budget	2009-2011 Agency Request Budget	2009-2011 Governor's Recommended Budget	2009-2011 Total Legislative Change	2009-2011 Legislatively Adopted Budget	% Chg 09-11 vs. 07-09 Leg. Adopted Budgets
Agency Administration							
General Fund		\$2,429,208	\$17,272,861	\$4,032,065	(\$517,829)	\$3,514,236	44.67%
Other Fund		\$21,122,330	\$15,754,069	\$21,105,983	\$989,577	\$22,095,560	4.61%
Federal Funds		\$773,760	\$828,489	\$820,971	(\$16,877)	\$804,094	3.92%
Subtotal		\$24,325,298	\$33,855,419	\$25,959,019	\$454,871	\$26,413,890	8.59%
Pos./FTE		81 / 78.85	103 / 102.27	80 / 78.74	3 / 4.48	83 / 83.22	2.47% / 5.54%

### Budget Notes

- None.

### Anticipated Emergency Board Appearances:

- None known.

### Legislature's Policy Packages:

The Legislature modified the agency's budget as follows:

- Package #801 – LFO Technical Adjustments
- Package #805 – Budget Reconciliation Adjustments
- Package #806 – End of Session Adjustments

### Status of GRB Policy Packages

- Approved
  - None.
- Denied
  - None.

### Modifications from Governors' Recommended Budget

- Package 801 – LFO Technical Adjustments. (A) Three positions and their costs were moved from the Private Forests and State Forests programs into the Agency Administration program, resulting in an increase of \$640,186 OF, 4 Positions, and 4.48 FTE in the Admin program, offset agency-wide by decreases in the Private Forests and State Forests programs. (B) Services & Supplies increased by \$900,000 for COP costs of IT projects moved from 2007-09 to 2009-11. (C) Increases COP Revenue by \$1,765,000 and decreases Transfer In Revenue by (\$865,000). (D) Correction which moves S&S (GF) to Personal Services (GF); net zero impact.
- Package 805 – Budget Reconciliation Adjustments. Management salary reductions as well as DAS and other assessment decreases result in a loss of (\$517,829) GF, (\$944,990) OF, and (\$16,877) FF, but no loss of Positions or FTE.
- Package 806 – End of Session Adjustments. Limitation increased for issuance costs on Lottery Bonds result in an increase of \$394,381 OF, but no impact on Positions or FTE.
- Total modifications: Decrease of (\$517,829) GF, increase of \$989,577 OF, decrease if (\$16,877) FF, for an All Funds limitation increase of \$454,871, as well as increases of 3 Positions and 4.48 FTE.

## VI. Equipment Pool Program

Program	Fund-Type	2007-2009 Legislatively Adopted Budget	2009-2011 Agency Request Budget	2009-2011 Governor's Recommended Budget	2009-2011 Total Legislative Change	2009-2011 Legislatively Adopted Budget	% Chg 09-11 vs. 07-09 Leg. Adopted Budgets
Equipment Pool	Other Funds	\$13,795,060	\$14,522,114	\$14,458,252	(\$158,557)	\$14,299,695	3.66%
	Subtotal	\$13,795,060	\$14,522,114	\$14,458,252	(\$158,557)	\$14,299,695	3.66%
	Pos./FTE	29 / 30.75	30 / 30.56	30 / 30.56	0 / 0.00	30 / 30.56	3.45% / (0.62%)

### Budget Notes

- None.

### Anticipated Emergency Board Appearances:

- None expected.

### Legislature's Policy Packages:

The Legislature modified the agency's budget as follows:

- Package #801 – LFO Technical Adjustments
- Package #805 – Budget Reconciliation Adjustments

### Status of GRB Policy Packages

- Approved
  - None.
- Denied
  - None.

### Modifications from Governors' Recommended Budget

- Package 801 – Reduces Transfer Out of revenue of (\$51,767) resulting from decreased transfer to Agency Administration program for COP.
- Package 805 – Budget Reconciliation Adjustments. Management salary reductions as well as DAS and other assessment changes result in a loss of (\$158,557) OF, but no loss of Positions or FTE.
- Total modifications: Decrease of (\$158,557) OF, but no impact on Positions and FTE.

## V11. Facilities Maintenance Program

Program	Fund-Type	2007-2009 Legislatively Adopted Budget	2009-2011 Agency Request Budget	2009-2011 Governor's Recommended Budget	2009-2011 Total Legislative Change	2009-2011 Legislatively Adopted Budget	% Chg 09-11 vs. 07-09 Leg. Adopted Budgets
Facilities Maintenance							
	General Funds	\$0	\$881,562	\$0	\$0	\$0	0%
	Other Funds	\$3,297,762	\$4,843,429	\$4,841,063	(\$7,670)	\$4,833,393	46.57%
	Subtotal	\$3,297,762	\$5,724,991	\$4,841,063	(\$7,670)	\$4,833,393	46.57%
	Pos./FTE	1 / 1.00	1 / 0.95	1 / 0.95	0/0.00	1 / 0.95	0% / (5.00%)

### Budget Notes

- None.

### Anticipated Emergency Board Appearances:

- None Expected.

### Legislature's Policy Packages:

The Legislature modified the agency's budget as follows:

- Package # 805 – Budget Reconciliation Adjustments

### Status of GRB Policy Packages

- None

### Modifications from Governors' Recommended Budget:

- Package 805 – Budget Reconciliation Adjustments. Management salary reductions as well as DAS and other assessment changes result in a loss of (\$7,670) OF, but no loss of Positions or FTE.

## VIII. Capital Improvement Program

Program	Fund-Type	2007-2009	2009-2011	2009-2011	2009-2011 Total	2009-2011	% Chg
	Positions/FTE	Legislatively	Agency Request	Governor's	Legislative	Legislatively	09-11 vs. 07-09
		Adopted Budget	Budget	Recommended	Change	Adopted Budget	Leg. Adopted
				Budget			Budgets
Capital Improvement							
General Fund		\$0	\$1,195,009	\$0	\$0	\$0	0%
Other Fund		\$10,402,814	\$4,114,893	\$4,114,893	\$0	\$4,114,893	0%
Subtotal		\$10,402,814	\$5,309,902	\$4,114,893	\$0	\$4,114,893	0%

### Budget Notes

None.

### Status of GRB Policy Packages

None.

### Modifications from Governors' Recommended Budget:

None.

## IX. Capital Construction Program

Program	Fund-Type	2007-2009	2009-2011	2009-2011	2009-2011 Total	2009-2011	% Chg
	Positions/FTE	Legislatively	Agency Request	Governor's	Legislative	Legislatively	09-11 vs. 07-09
		Adopted Budget	Budget	Recommended	Change	Adopted Budget	Leg. Adopted
				Budget			Budgets
Capital Construction							
General Fund		\$0	\$0	\$0	\$0	\$0	0%
Other Fund		\$2,750,000	\$7,200,000	\$1	\$14,999,999	\$15,000,000	100%
Subtotal		\$2,750,000	\$7,200,000	\$1	\$14,999,999	\$15,000,000	100%

### Budget Notes

None.

### Anticipated Emergency Board Appearances:

- None Expected.

### Status of GRB Policy Packages

- Approved
  - Package 294 Gilchrist Construction Project (modified).
- Denied
  - None.

### Modifications from Governors' Recommended Budget:

- Package 194 – Gilchrist construction project. Placeholder of \$1 replaced with increase of \$15,000,000. There is no impact on Positions or FTE.

## X. Debt Service Program

Program	Fund-Type Positions/FTE	2007-2009 Legislatively Adopted Budget	2009-2011 Agency Request Budget	2009-2011 Governor's Recommended Budget	2009-2011 Total Legislative Change	2009-2011 Legislatively Adopted Budget	% Chg 09-11 vs. 07-09 Leg. Adopted Budgets
Debt Service							
General Fund		\$2,495,634	\$3,992,046	\$2,806,582	\$0	\$2,806,582	12.46%
Lottery Fund		\$0	\$0	\$0	\$1,507,601	\$1,507,601	100.00%
Other Fund		\$1,790,223	\$2,594,902	\$1,612,481	\$125,476	\$1,737,957	(36.80%)
Subtotal		\$4,285,857	\$6,586,948	\$4,419,063	\$1,633,077	\$6,052,140	120.08

### Budget Notes

None.

### Anticipated Emergency Board Appearances:

- None Expected.

### Legislature's Policy Packages:

The Legislature modified the agency's budget as follows:

- Package #801 – LFO Technical Adjustments
- Package #803 – Statewide Budget Adjustments

### Status of GRB Policy Packages

- Approved
  - None.
- Denied
  - None.

### Modifications from Governors' Recommended Budget:

- Package 801 – LFO Technical Adjustments. Increases COP Issuance Costs for COP by \$125,476 due to 2007-09 projects moved to 2009-11.
- Package 803 – Statewide Budget Adjustments. Result is an increase of \$1,507,601 OF, but no loss of Positions or FTE
- Total modifications: Total change is an increase of \$1,633,077 OF.