

CHASE Jeri

From: SEELY Clark W
Sent: Thursday, June 25, 2009 8:27 AM
To: ALL FORESTRY
Subject: Agency Budget Update and Planning for the Future

Hi everyone...the Department's 2009-2011 budget was approved Monday by the Legislature's Ways and Means Committee. It is ready now for votes in the full House and Senate, where we expect that it will also meet with approval.

As this process nears completion, we have more certainty than we have had for many months, although some question marks remain about the longer-term budget outlook for all of state government.

During the process, some resources have been added back to our budget. The reduction in General Fund for the agency is about 12.5 percent, somewhat better than the 15 percent scenario we have been discussing.

We'll use the additional resources, as well as expected federal stimulus money, wherever possible to provide opportunities for employees who would otherwise be laid off. However, further layoffs and displacements through bumping will be necessary, and we wanted to update you on the timing of those processes.

A new time frame for work force reductions

Several things are happening at once with regard to layoffs. First, as you know, because of revenue decreases in State Forests – the result of falling timber prices – we felt we needed to go ahead with layoffs there. Those layoff notices have been issued, and will become effective on Wednesday, July 1, as will the related changes resulting from the bumping process.

Still ahead are the reductions needed in Private Forests – again with the added effects of bumping. The Executive Team has tentatively decided not to initiate the layoff process until mid-July, with an effective date in mid-September at the earliest. This will mean that affected employees and their families won't be facing displacements during the heart of the fire season.

We expect to decide soon on a specific date for issuing layoff notices, and we'll keep you updated on that decision. We're continuing with our approach of issuing layoff notices to employees with less seniority wherever that's possible, in order to minimize the subsequent bumping activity.

It's important to remember, too, that depending on how the affected employees choose to exercise their seniority rights, notices issued to Private Forests employees in the operating areas or in Salem may ultimately result in displacements elsewhere within those areas.

Assuming that our new budget becomes effective on July 1, the beginning of the 2009-2011 biennium, implementing the Private Forest reductions a few months later will bring some costs. However, we believe the rest of the two-year budget period will provide time to mitigate these, with vacancy savings and other measures.

The 2009-2011 budget: a closer look

06/25/2009

Landowners have committed to keeping the Forest Products Harvest Tax rate for administration of the Forest Practices Act unchanged for the 2009-2011 biennium. (Because this tax rate is based on a match with General Funds, the rate ordinarily would drop as General Funds are reduced).

Although we are still analyzing the details, we believe this will allow us to retain about 10 positions that otherwise would have been lost at the 15% General Fund reduction level.

Beyond this, effects of the budget are along the lines that we have discussed before – layoff of about 27 of our 57 stewardship foresters, elimination in Salem of much field and technical support for forest practices, and discontinuation of direct support for the Oregon Plan, eastern Oregon effectiveness monitoring, and much of our insect and disease work.

Information about the specific stewardship forester and Salem positions affected by layoff will be provided to supervisors this week.

In total, the effect of these reductions will roll back our capacity to administer the Forest Practices Act to roughly mid-1980s levels, which will undoubtedly require some significant changes in both the structure and administration of the Private Forests program. As mentioned earlier in this note, we're still considering the timeframe for implementing this layoff.

Other features of the budget include restoration of the 50-50 split between the state and landowners for basic fire protection (earlier versions had proposed a smaller state share), and a cap of \$10 million, rather than the \$15 million of the past several years, in landowner costs for large fires, with the General Fund picking up the additional exposure.

Reaching resolution on the fire-finance aspects of the budget involved considerable negotiation among landowner groups and key legislators. Although there were differing opinions on how the costs should be shared, none of the parties questioned the efficiency, effectiveness, cost or need for these services. This is an excellent reflection on our agency and the value we provide.

Planning for stimulus dollars

Just as we face these serious reductions in our work force and our services, we will likely be receiving substantial federal stimulus payments to pay for specific new activities, largely involving fuels reduction. As we've mentioned, this will substantially reshape our work for the next couple of years, while providing opportunities for some employees who have been laid off.

The funds are intended to provide jobs in the private sector. However, a portion will be available for agency administration of the various projects around the state. The division chiefs and area directors are working on a process for identifying and filling a limited number of positions needed for this administration.

At the same time, we are looking long-term at a more efficient way to solicit and use grant dollars that we receive through normal federal channels. Clark Seely will be sending a message soon with more detail about our approach to managing grants and stimulus dollars.

Closing notes

Although we now have more detail about our 2009-2011 budget, uncertainty remains. As you may have heard in news reports, interest groups may work to refer tax increases, approved by the Legislature as

part of its budget-balancing plan, to the voters.

If that occurs, the voters' decision will determine whether additional budget reductions may be necessary – issues the Legislature could address in a session perhaps early next year. Unknowns also remain about the future direction of our economy, which directly affects tax revenue available to state government.

We have been discussing uncertainty in our budget picture since last fall, and we must keep in mind that more change is possible. We appreciate your continued focus on our work during these times, and, as always, invite you to contact any of us, or your supervisor, if you have questions. And again, thank you for all the work that you do.

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