

Agenda Item No.:	3
Work Plan:	Administrative
Topic:	Agency Budget Development and Request
Presentation Title:	2023-2025 Agency Budget Request
Date of Presentation:	August 24, 2022
Contact Information:	Bill Herber, Deputy Director for Administration (503) 945-7203, bill.herber@oregon.gov James Short, Assistant Deputy Director for Administration (503) 945-7275 james.short@oregon.gov

SUMMARY

Department seeking approval of the 2023-2025 Agency Request Budget (ARB) and concurrence on a conceptual letter of transmittal from the Board.

BACKGROUND AND ANALYSIS

Strategic thinking and planning drive the Board and agency's budget development process. The strategic framework within which legislative concepts and budget development and implementation occur includes:

- The missions and statutory policy, responsibilities and obligations of the Board, the State Forester, and the Department;
- The Board and Department strategic planning efforts;
- The Department's core operational and support functions, which represent the essence of the agency and our fundamental "reason for being" as an organization; and
- The Department's biennial budget guiding principles which are used by agency staff in building the budget itself.

The budget development process is then structured around the following elements:

- Instruction and direction from the Governor's office and the Department of Administrative Services;
- The identification of agency legislative concepts and budget focus areas which address current and projected issues, needs, opportunities and outcomes; and
- Board and stakeholder involvement and input at various stages of the process.

The primary budget building blocks include (1) the current service level (which reflects the delivery of current services), and (2) the adjustments or enhancements to the current service level in the form of Policy Packages (POPs).

This Agency Request Budget seeks to maintain critical core business while solidifying and fully operationalizing the significant investments that were made through the 2021-23 biennium. Attachment 1 summarizes this budget and will be the review and discussion document on August 24, 2022.

RECOMMENDATION

At the August 24, 2022 meeting, the Department recommends that the Board approve the 2023-2025 Agency Request Budget and direct the Department to submit the required documents to the Department of Administrative Services by the August 31, 2022 deadline.

NEXT STEPS

Following Board approval and inclusion of any Board input at the August 24, 2022 meeting, the Agency Request Budget will be submitted to the Department of Administrative Services by August 31, 2022.

ATTACHMENT

1. 2023-25 ODF Agency Request Biennial Budget Summary

Oregon Department of Forestry



"Stewardship in Forestry"

Oregon Board of Forestry 2023-2025 Agency Request Biennial Budget Approval Wednesday, August 24, 2022

Oregon Department of Forestry
2023-2025 Agency Request Biennial Budget Summary

I. Executive Summary

The Oregon Board of Forestry and Department of Forestry are working to complete the 2023-25 Agency Request Biennial Budget (ARB). The biennial budget development process is a long, iterative, and often changing process dependent upon a number of internal and external relationships, inputs and analyses. The ARB is the first phase of that process. The ARB proposed by the Department was developed in accordance with the Board's and the Department's missions, legal responsibilities, obligations, and strategic and operational plans as well as a set of principles outlined by the Governor.

The Department's current 2021-23 Legislatively Approved Budget through April 2022 provides a stable basis for developing the 2023-25 biennial budget. The Legislatively Approved Budget is the department's 2021-23 Legislatively Adopted Budget that has been modified by Emergency Board or other legislative action during the course of the 2021-23 biennium.

The Current Service Level (CSL) is the estimated cost of continuing current programs into the next biennium, as required by law. The Department's CSL is calculated based on specific budget instructions provided by the Department of Administrative Services (DAS). The CSL totals approximately \$543.3 million which is a \$128.1 million or 24% decrease from the 2021-23 Legislatively Approved Budget.

In order to meet Board and Department goals and objectives, support Board work plans, meet statutory and rule obligations and responsibilities, manage risk and increase efficiency in the delivery of services, the Department is proposing a total of 16 new investment packages, totaling \$106.7 million total funds, with an increase of 57.56 Full-time Equivalent (FTE).

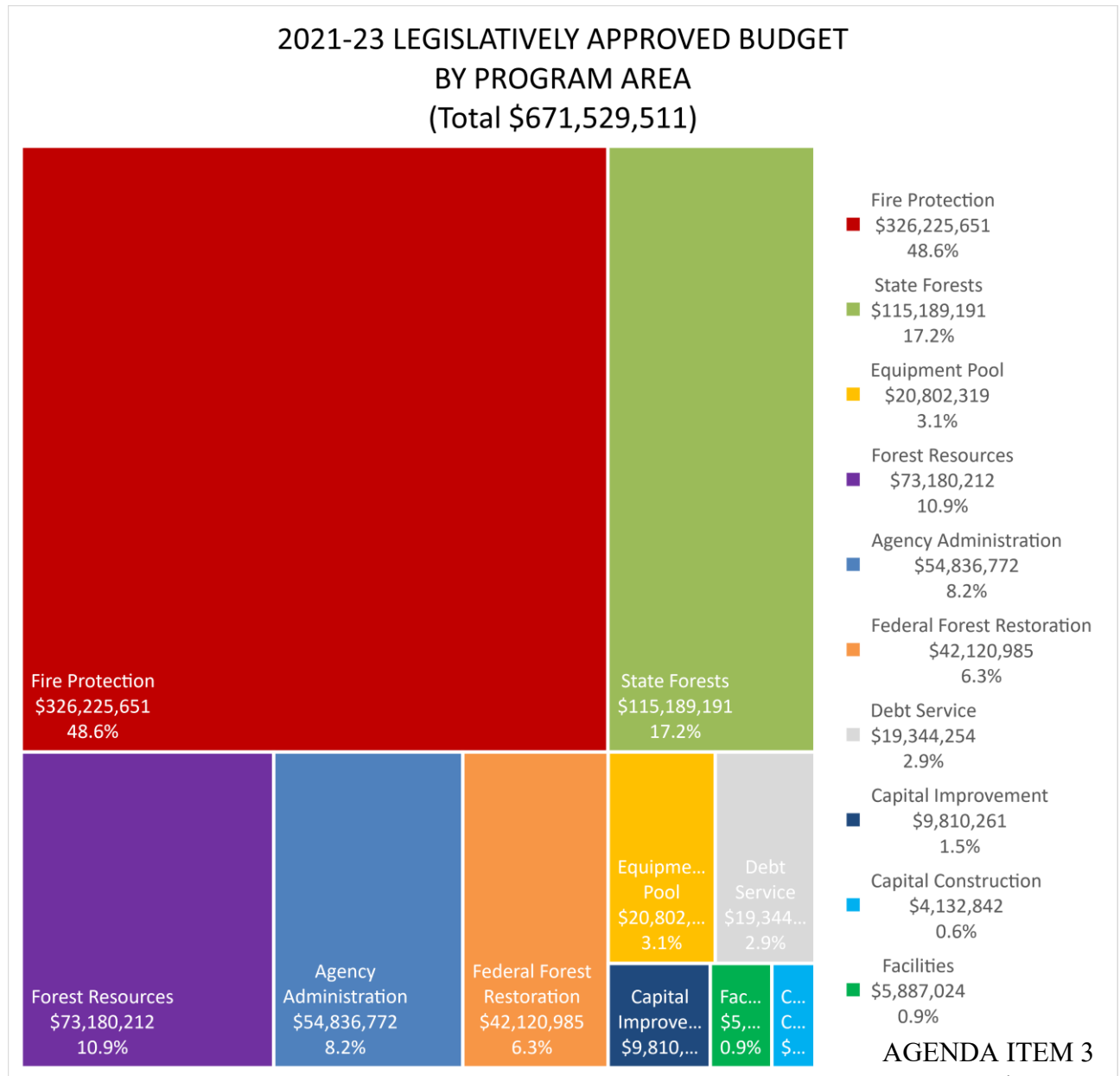
The sum of an agency's CSL and policy packages comprise the ARB. The Department is proposing an ARB of \$650.1 million for a \$21.3 million or 3% decrease from the current biennium's Legislatively Approved Budget. The number of Department FTE increases by 57.56 for a total of 1,097.71 FTE.

The Department will continue to involve stakeholders in the budget development process, and update the Board during regularly scheduled meetings, or more frequently as necessary, on any and all changes initiated by the Governor to the Department's Agency Request Budget.

**Oregon Department of Forestry
2023-2025 Agency Request Biennial Budget Summary**

II. 2023-2025 Biennial Budget Update – Status of Current Biennium’s Budget
Chart-1

Chart-1 shows the agency’s 2021-23 Legislatively Approved Budget as of April 2022 by program area and percentage of the total budget.



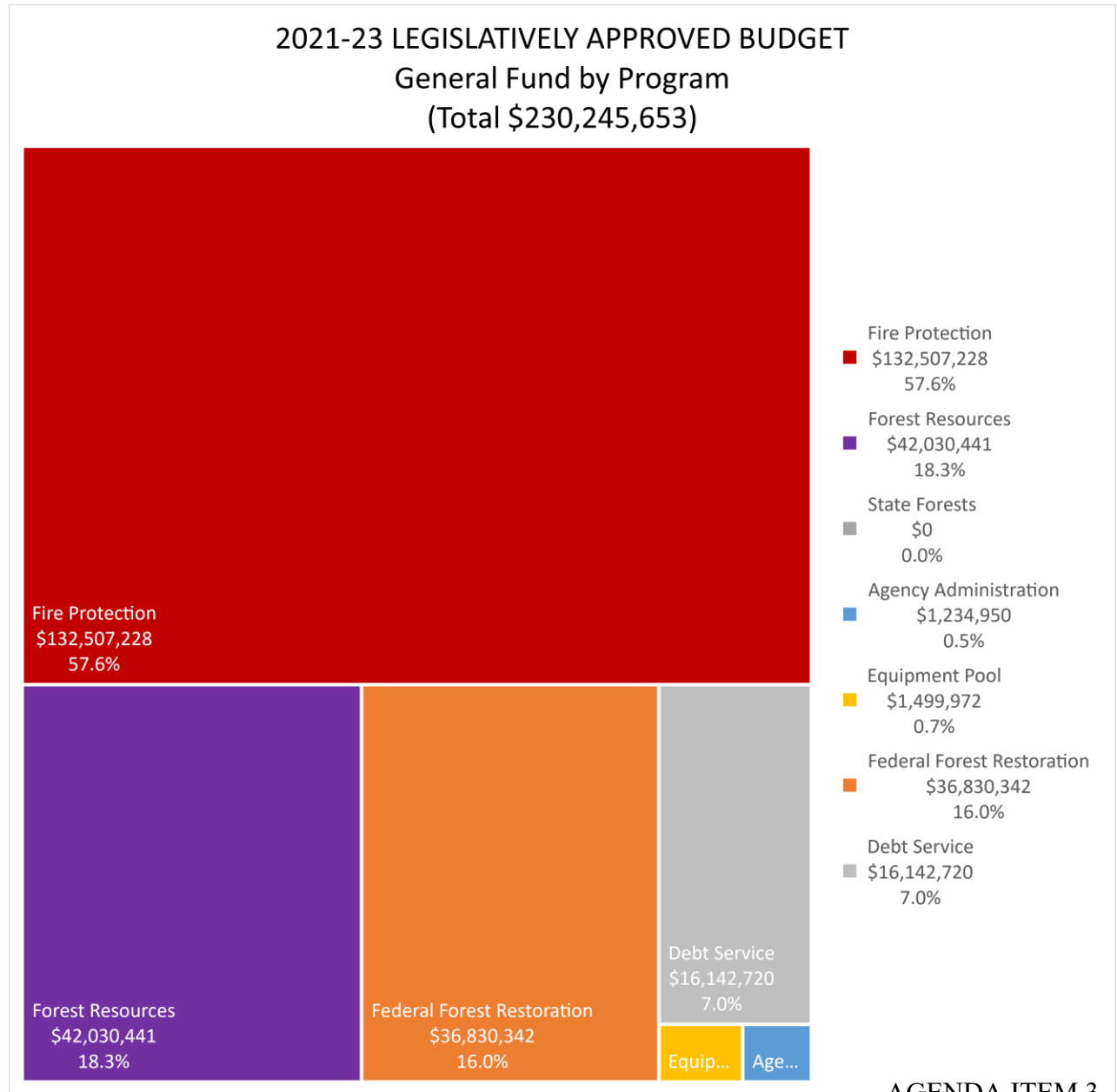
AGENDA ITEM 3

Attachment 1

**Oregon Department of Forestry
2023-2025 Agency Request Biennial Budget Summary**

Chart-2

Five of the Department's eight program areas currently have state General Fund dollars: Fire Protection, State Forests, Private Forests, Debt Service, and Agency Administration. General Fund in these programs leverages both Other and Federal Fund dollars.



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**Oregon Department of Forestry
2023-2025 Agency Request Biennial Budget Summary**

Result of Interim Legislative Actions

The Department’s Legislatively Approved Budget through April 2022 provides a basis for developing the base budget for the 2023-25 biennium. As necessary, all other post-April 2022 Legislative Session & Emergency Board actions for the current biennium will be incorporated into the budget process for consideration during either the Governor’s Budget or Legislatively Adopted Budget phases.

III. The Biennial Budget Development Process

The 2023-25 budget process has four major phases. The Board and Department are currently in the Agency Request Budget phase.

Table-1

Agency Request Budget	Agencies start the budget process early in even-numbered years. The agency request budget is first. It lays out the policies and finances the agency asks the Governor to recommend to the legislature. It is prepared under guidelines set by the Department of Administrative Services (DAS). It consists of descriptive narratives, budget forms, and audited Oregon Budget Information Tracking System (ORBITS) reports.
Governor’s Budget	The Governor and Chief Financial Office (CFO) of DAS review agency request budgets to compile the Governor’s Budget. That budget reflects the Governor’s priorities and the policies set in statute. It includes data on statewide revenue and expenditures and on all agencies’ budgets. Each agency prepares a Governor’s Budget document to show the changes the Governor made to the Agency Request Budget. Presentation materials for the legislative process are developed based on the Governor’s Budget.
Legislatively Adopted Budget	The Governor’s Budget is presented to the legislature as it convenes at the start of the next year. Legislative committees review the proposed revenues and expenditures. They hold public hearings to hear from each agency and the public. The committee recommendations are presented in budget reports for each budget bill. Votes on each bill produce the Legislatively Adopted Budget. It sets out General Fund appropriations; Lottery Funds allocations and expenditure limitations; Other Funds and Federal Funds expenditure limitations; and position authority for agencies. Each agency prepares a Legislatively Adopted Budget document to show the changes the legislature made to the Governor’s Budget.
Legislatively Approved Budget	As a biennium progresses, the Legislative Emergency Board can make certain changes to the budget between legislative sessions. Special sessions may also be called to deal with budget issues. Any such change(s) to the Legislatively Adopted Budget result in a Legislatively Approved Budget. This is the budget agencies implement, or execute over the course of the biennium.

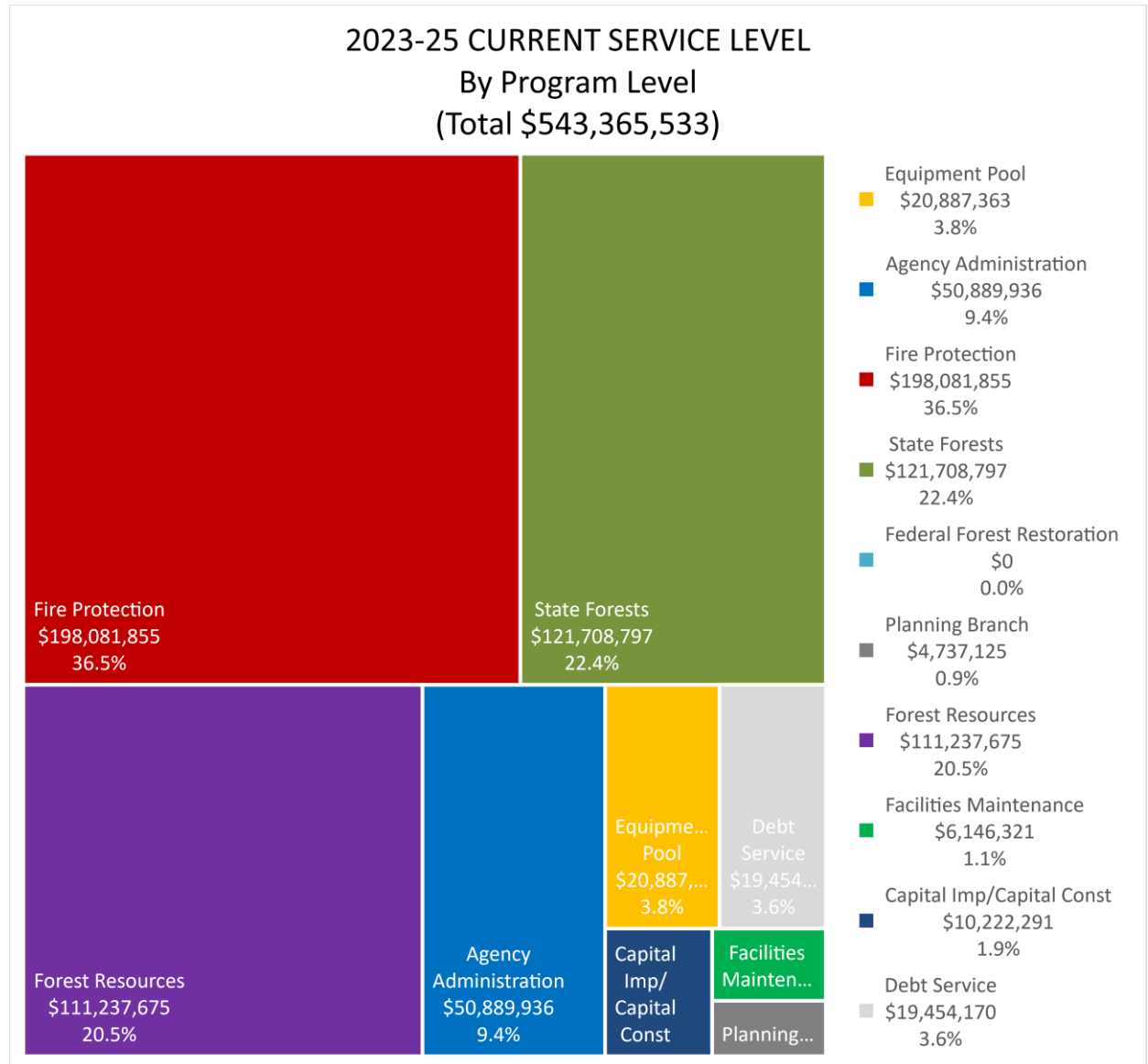
**Oregon Department of Forestry
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IV. Current Service Level Budget

Chart-3

The Current Service Level (CSL) is the estimated cost of continuing current programs into the next biennium, as required by law. The Department’s CSL is calculated based on specific budget instructions provided by the Department of Administrative Services. The CSL totals approximately \$415.9 million which is a (\$2.4) million or 0.57% decrease from the 2019-21 Legislatively Approved Budget.

Chart-3 graphically shows the CSL by program area and percentage of the total budget.



**Oregon Department of Forestry
2023-2025 Agency Request Biennial Budget Summary**

V. Policy Enhancement Packages

Table-2 Policy Enhancement Package Summary

Package#	Program	Title	Enhancement Package Description	Agency Request Budget						
				General Fund	Lottery Funds	Other Funds	Federal Funds	Total	Positions	FTE
100	Agency	Community Engagement & Climate Change	<p>The Community Engagement & Climate Change POP includes added capacity and investments across three programs to enable more deliberate engagement with diverse communities statewide and to increase the department’s capability for planning and implementation around climate change and community resilience.</p> <p>The components of the package include:</p> <ul style="list-style-type: none"> • Implementing Climate-Smart Forestry • Planning and Responding to Changing Climates and Forests • Electric Vehicle Infrastructure 	\$2,813,929	\$0	\$0	\$374,870	\$3,188,797	9	9.00
101	State Forests	Interpretive Education	<p>The Interpretive Education POP will provide strategic investments to enable the Oregon Department of Forestry’s Recreation, Education, and Interpretation Program to address the most significant barriers to access for under-represented</p>	\$2,410,236	\$0	(\$1,169,187)	\$0	\$1,241,049	4	3.51

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Package#	Program	Title	Enhancement Package Description	Agency Request Budget						
				General Fund	Lottery Funds	Other Funds	Federal Funds	Total	Positions	FTE
			communities on State Forests and better communicate why and how State Forest Lands are actively managed to provide the “Greatest Permanent Value” for Oregonians of both current and future generations.							
102	Agency Administration	Emergency Response & Life Safety	The Emergency and Life Safety POP includes added capacity and investments in the department’s smoke detection camera systems and radio communications repeater network. These investments will continue the ongoing investments in support of SB762 as well a continuation of the department’s progress of implementing its Automated Vehicle Location initiated during the 2021-23 biennium.	\$4,228,115	\$0	\$289,517	\$0	\$4,517,632	2	2.00
103	Agency Administration	Document Management System Preparation	Provide for appropriate staff support for a future agency-wide implementation of a public records management system, as recommended by the 2021 MGO report. Currently the department’s information technology maturity model does not lend itself to the wholesale implementation of a document and records management technology solution, however, it can benefit from increasing its awareness and proposed strategy in addressing the challenges as	\$145,341	\$0	\$271,539	\$0	\$416,880	1	1.00

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Package#	Program	Title	Enhancement Package Description	Agency Request Budget						
				General Fund	Lottery Funds	Other Funds	Federal Funds	Total	Positions	FTE
			outlined by the MGO recommendation. This proposal seeks to add permanent position to get a broad understanding of the primary bodies of records in the department's custody, the retention periods for those records, and any potential storage or access challenges associated with those records. This pre-work would be necessary to build an effective procedure for the department that would promote consistent retention, archiving, and destruction of records across the department, ultimately allowing for the implementation of a holistic record management system.							
104	Planning Branch	Planning Branch Capacity	The purpose of the Planning Branch Capacity program enhancement package is to provide management support and additional subject matter expertise to the Planning Branch, which is a new program emerging from a department-wide reorganization implemented in the fall of 2021.	\$1,324,404	\$0	\$978,458	(\$94,803)	\$2,208,059	6	6.00
105	Forest Resources	Federal Partnerships Support	The purpose of the Federal Partnerships Support program enhancement package is to establish permanent federally funded position authority for existing limited duration positions that support partnerships with federal agencies.	\$557,500	\$0	\$330,000	\$2,815,108	\$3,702,608	13	13.00

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Attachment 1

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Package#	Program	Title	Enhancement Package Description	Agency Request Budget						
				General Fund	Lottery Funds	Other Funds	Federal Funds	Total	Positions	FTE
106	Forest Resources	Private Forests Accord Development	After a series of mediated meetings over an 18-month period, representatives from the timber industry and conservation organizations reached an agreement to modify Oregon’s forest practice laws and regulations to draft a Habitat Conservation Plan. Collectively, these agreements are known as the Private Forest Accord (PFA). Since these agreements, SB1501 was introduced and amended in the 2022 Legislative Session. SB1501 directs ODF to adopt by rule a Small Forestland Owner Investment in Stream Habitat Program (SFISH) and an Adaptive Management Program. This POP provides the necessary funding to support these program elements, as well as additional investment in Services and Supplies (S&S) for positions associated with SB 1501.	\$17,524,273	\$0	\$140,000	\$0	\$17,664,273	0	0.00
107	Agency	SB 762 Continuing Investments	The department has been directed by SB 762 to implement a treatment program to reduce wildfire risk on public and private forestlands and rangelands. The legislation provided to ODF limited duration positions to support this work, even though the program is permanently funded. To maintain continuity for implementation, the department seeks to permanently	\$3,955,899	\$0	(\$188,170)	\$0	\$3,767,729	2	2.00

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Package#	Program	Title	Enhancement Package Description	Agency Request Budget						
				General Fund	Lottery Funds	Other Funds	Federal Funds	Total	Positions	FTE
			fund some of these positions. The legislation also directs the department to issue notice to property owners in high and extreme wildfire risk areas. The department seeks one time funding to support this work. Finally, the legislation created a small forestland grant program, which was funded at \$5M for one biennium. The department seeks to make this program permanent.							
108	Forest Resources	Federal Forests Restoration Infrastructure	The FFR Program conducted a capacity needs assessment to determine what was necessary to scale up its restoration work. This capacity needs assessment is the basis of this package, which is designed to build off the existing FFR Program structure.	\$622,355	\$0	\$6,611,844	\$1,665,946	\$8,900,145	22	17.05
109	Agency Administration	Facility Management Staff	Last biennium, the department's Facility Capital Management Program was given two Limited Duration positions to help facilitate various capital construction/improvement and deferred maintenance projects throughout the organization. This capacity has proven critical in furthering the department's efforts on addressing holistic infrastructure improvements across all districts as well as addressing the expected and unexpected capital construction	\$436,025	\$0	\$814,618	\$0	\$1,250,643	3	3.00

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Package#	Program	Title	Enhancement Package Description	Agency Request Budget						
				General Fund	Lottery Funds	Other Funds	Federal Funds	Total	Positions	FTE
			projects. This proposal seeks to shift those existing limited duration positions to permanent.							
110	Fire Protection	Fire Season Severity Resources	Proposes General Fund dollars for supplemental firefighting resources for use during high fire danger periods. The funds will not reside in ODF's budget, but rather would appear as a Special Purpose Appropriation (SPA) in the Governor's budget. This item will be moved to the Emergency Board budget later in the process.	\$15,232,000	\$0	\$0	\$0	\$15,232,000	0	0.00
111	Fire Protection	Landowner Rate Offset Continuation	This request is for general fund for the purpose of offsetting potential increases in landowner forest patrol assessments under ORS 477.270 due to the implementation of the provisions of section 30a of SB 762 and 2021-2023 LAB POP 101 positions. This is a one-time ask to allow for continued stakeholder and legislative conversation on the full extent of the financial impacts of the SB762 investments.	\$14,000,000	\$0	\$0	\$0	\$14,000,000	0	0.00
112	Agency Administration	Deferred Maintenance	To ensure the Governors' Budget complies with the requirements of Senate Bill 1067 (2017), agencies that own state buildings and infrastructure must request policy packages, to bring their budget to a level of deferred maintenance and capital improvements on existing state-owned buildings and infrastructure that is equivalent to at least two percent of the current	\$596,037	\$0	\$5,295,000	\$0	\$5,891,037	0	0.00

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Package#	Program	Title	Enhancement Package Description	Agency Request Budget						
				General Fund	Lottery Funds	Other Funds	Federal Funds	Total	Positions	FTE
			replacement value of the agency's state-owned buildings and infrastructure.							
113	Capital Construction	Toledo Phase III	This policy option package looks to support the needed investments to further the Toledo facility relocation project goals. The release of additional bonding is required.	\$54,465	\$0	\$1,410,677	\$0	\$1,465,142	0	0.00
114	Capital Construction	Klamath Facility Replacement	This policy option package seeks Other Funds limitation to enable the utilization of insurance proceeds and other revenue sources to rebuild the Klamath facility lost to fire.	\$0	\$0	\$1,500,000	\$0	\$1,500,000	0	0.00
115	Capital Construction	Santiam Facility Replacement	This policy option package seeks Other Funds limitation to enable the utilization of insurance proceeds and other revenue sources to rebuild the Santiam facility lost during the 2020 fire season.	\$0	\$0	\$2,500,000	\$0	\$2,500,000	0	0.00
116	Capital Construction	State Forester's Office Renovation	Designed by U.S. Forest Service architect Linn A. Forrest, the State Forester's Office Building (SFOB) was constructed in 1935 under the auspices of the Works Progress Administration (WPA) to house the Department following the Capitol Building fire and was listed on the National Register of Historic Places in 1982. Since that time, the SFOB has housed department staff in various capacities and in the nearly 90 years of use has acquired a backlog of both deferred maintenance and other	\$724,331	\$0	\$18,594,695	\$0	\$19,319,026	1	1.00

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Package#	Program	Title	Enhancement Package Description	Agency Request Budget						
				General Fund	Lottery Funds	Other Funds	Federal Funds	Total	Positions	FTE
			infrastructure improvements (including earthquake and flood mitigation) that aim to renew both the building and its systems. This POP would have the following key goals: <ul style="list-style-type: none"> • To provide a healthier and safer environment for the building’s occupants and users. • To renew outdated building infrastructure and systems; • To meet the modern business needs of the department. • To improve the energy efficiency of the building; and • To preserve a cultural and architectural landmark for generations to come. 							
TOTAL				\$64,624,908	\$0	\$37,378,991	\$4,761,121	\$106,765,020	63	57.56

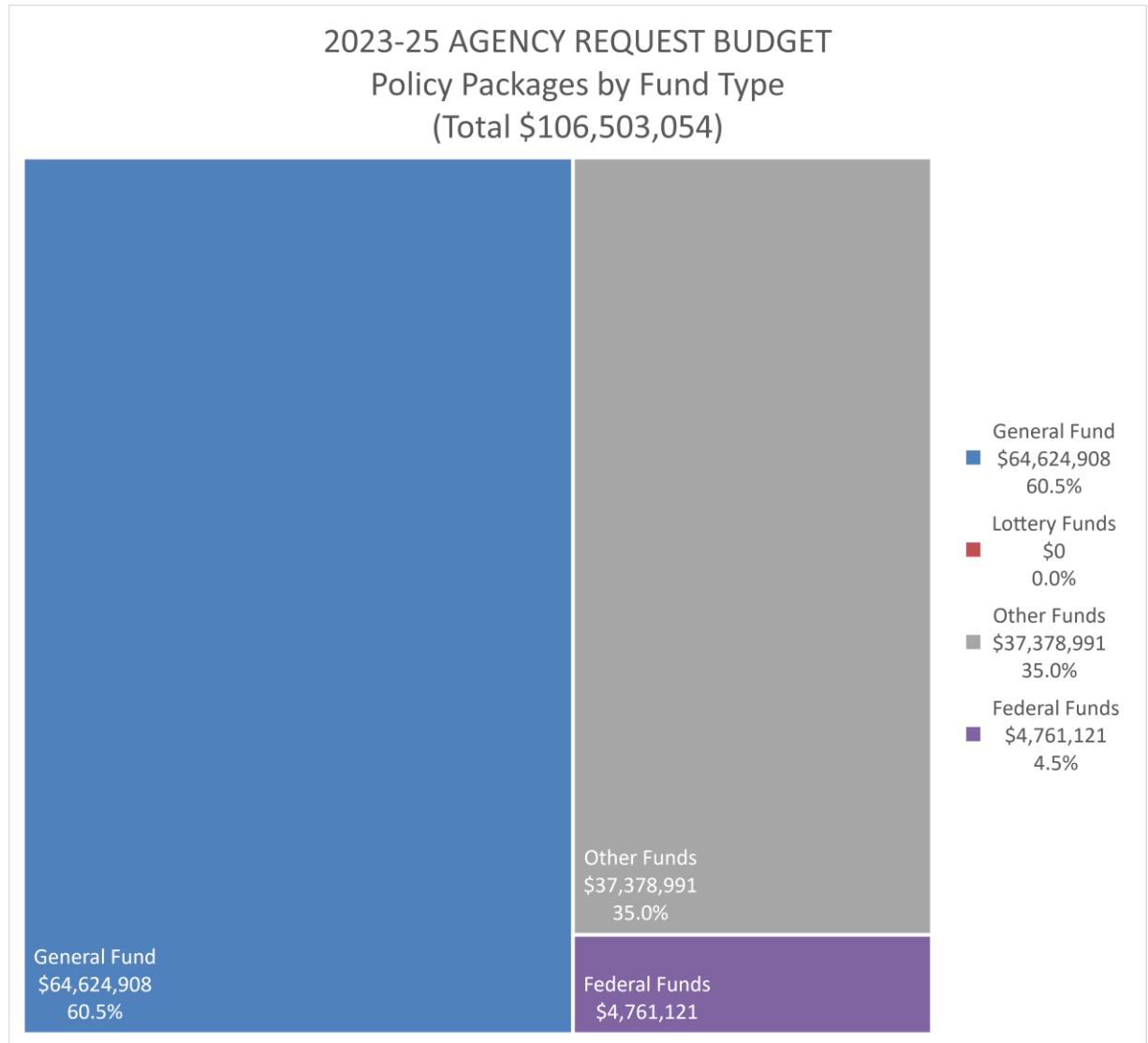
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Chart-4

Chart-4 graphically shows the Department’s proposed policy packages by fund type. Of the \$106.7 million proposed, 61% is General Fund, 35% is Other Funds and (5%) is Federal Funds

Other Fund sources of revenue include:

- Timber revenues
- Billings for services
- Grants and donations
- Miscellaneous sales

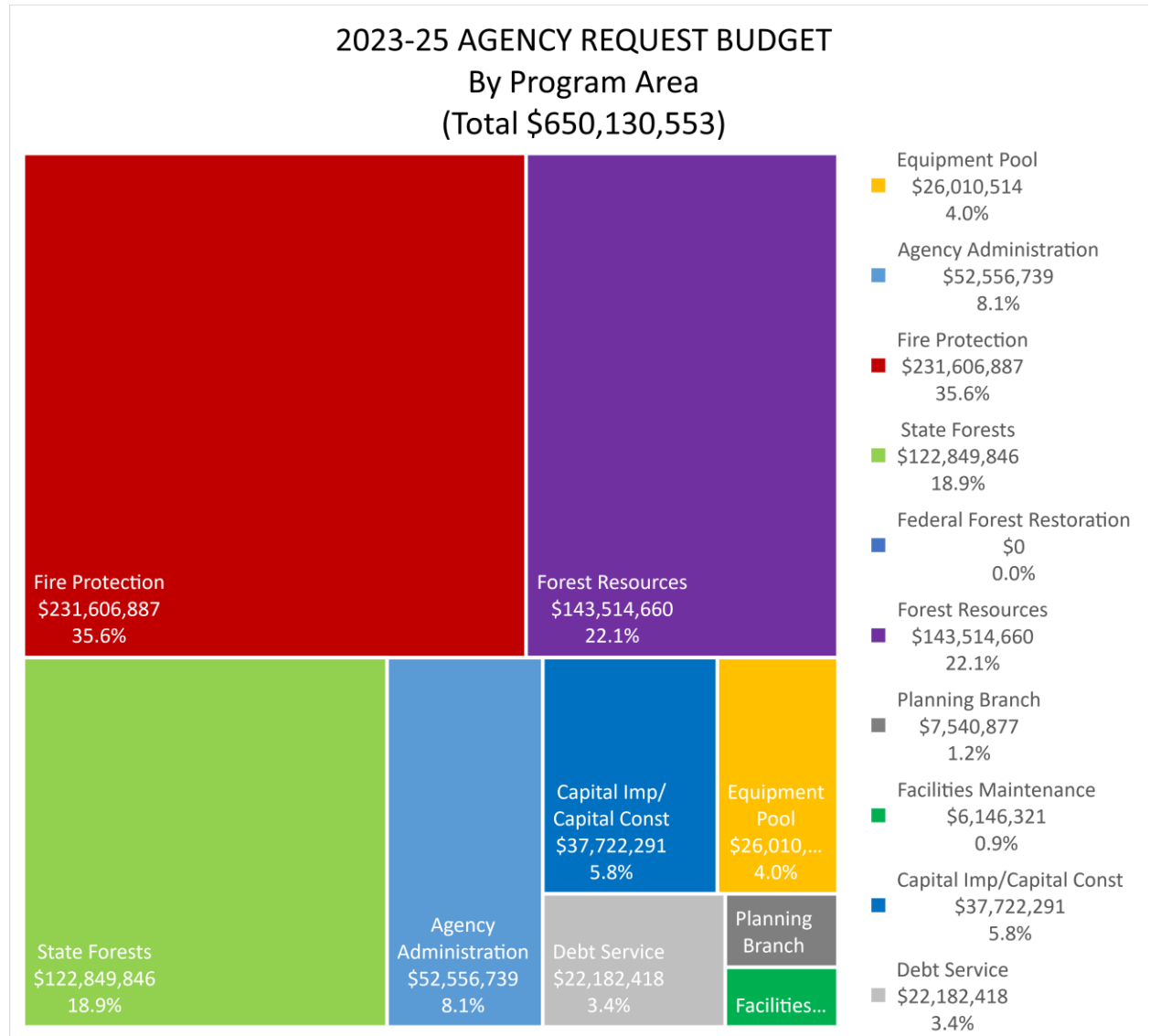


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VI. 2021-2023 Agency Request Budget Summary

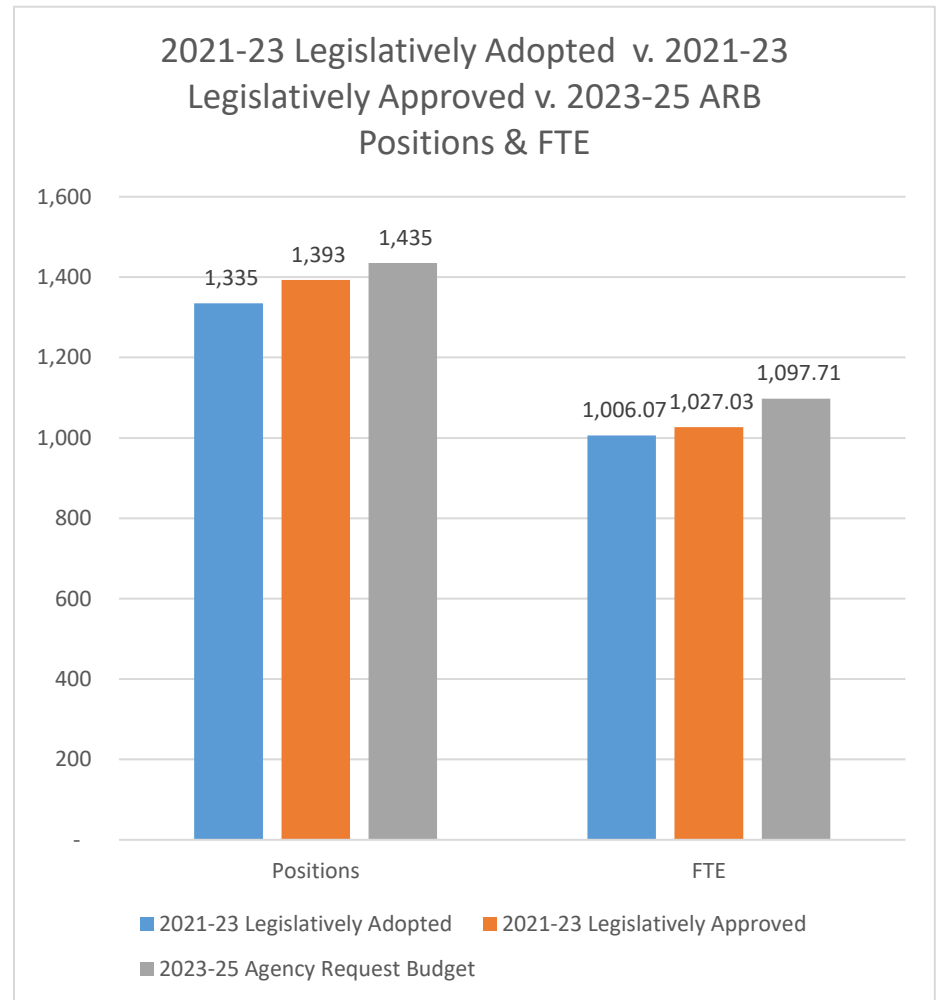
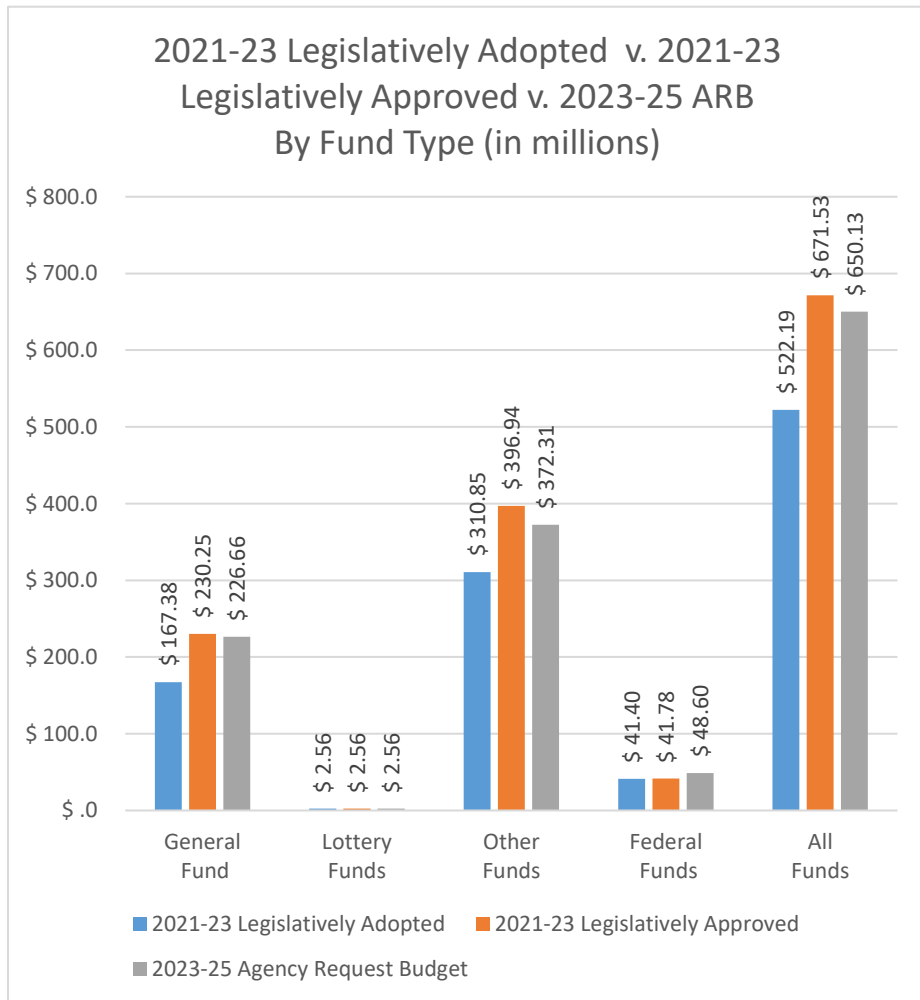
Chart-5

The sum of an agency's Current Service Level and policy packages comprise the Agency Request Budget (ARB). The Department is proposing an ARB of \$650.1 million for a \$21.3 million or 3% decrease from the current biennium's Legislatively Approved Budget. The number of Department positions increases by 63 positions.



**Oregon Department of Forestry
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Charts-6 & 7 Compares the Department's 2021-23 Legislatively Adopted and Approved Budgets with the 2023-25 Agency Request Budget



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VII. Governor's Budget

Pending Board approval, the Department will formally submit the 2023-25 Agency Request Budget to the Governor on or before August 31, 2022. The Governor and her budget analysts will then analyze the request and make changes based on the Governor's priorities which will be constrained by the projected amount of available General Fund resources.

The Board and Department can anticipate the following decisions to be made by the Governor:

- In order to achieve a balanced budget the Governor may require the Board and Department to undertake a certain level of General Fund budget reductions; and
- The Governor may choose not to fund all proposed policy enhancement packages put forth by the Board and Department in the Agency Request Budget.

The Department will continue to update the Board during regularly scheduled meetings or more frequently as necessary on any and all changes initiated by the Governor to the Department's Agency Request Budget. The Department will also continue to work closely with the stakeholders on key budget issues.