

March 17, 2009

To: All ODF Employees

Hi everyone...we wanted to take a moment to update you again on our budget situation, particularly as we begin a new set of reduction plans in response to direction we received from the Legislature's fiscal office last Friday.

As we've discussed in previous messages, the Governor's Recommended Budget for the 2009-2011 budget period, beginning July 1, includes a 10 percent reduction in General Funds (primarily income tax dollars). In addition, to help legislators in their planning, the Legislative Fiscal Office (LFO) asked agencies in December to map out scenarios for a further 10 percent General Fund cut.

As we have mentioned, these two actions, cutting General Fund by a total of 20 percent, would involve substantial reductions in the Private Forests and Fire programs during 2009-2011.

On Friday, LFO directed agencies to plan a new set of reductions, this time totaling 30 percent of General Fund, for 2009-2011.

The new direction is based on continued economic deterioration and on two recent developments that may have changed agencies' earlier reduction plans for 2009-2011 – the availability of federal stimulus dollars, and actions by the Legislature to balance the current, 2007-2009, budget. Responses to the new direction are due back to LFO by the end of next week.

This effort will involve a new set of difficult choices about the services ODF would be able to provide with budget reductions of this size. But we'll continue to apply the principles we've used to this point, including identifying the services of highest priority for continuation, doing the best job we can with the resources available, and seeking to provide options wherever possible for employees whose current positions would no longer be funded.

As we've done in the past few months, we'll continue to share information – with the department as a whole and with employees on an individual basis. We'll also continue to involve stakeholders and the Board of Forestry in these discussions and decisions.

#### **An update about State Forests**

Although the State Forests Division does not depend on General Funds, its revenue – from timber sales – is also declining sharply, due to lack of demand for wood products.

The division has instituted substantial savings during the current fiscal year, ending this June 30. Even with that, the division will need to further reduce spending to 65 percent to 70 percent of recent levels for the coming biennium and beyond, at least until wood products demand recovers.

The division has identified a base budget that meets our most fundamental responsibilities for implementing forest management plans and revenue generation. With those plans as a guide, decisions are now being made about resources that can be added to the base, consistent with available revenues. As is the case on the General Fund side in the Fire and Private Forest programs, this involves difficult choices. We will have more information soon about specific reduction plans for the division.

### **Looking to the future**

Adjusting to the new budget realities will also require changes in administrative support services across the Department, and we are also developing those plans at this time.

As we have discussed, uncertainty is our constant companion in all this. We won't know the specifics of our 2009-2011 budget until the Legislature ends its current session, at about mid-year. Periodic state government revenue forecasts – the next one is scheduled for mid-May – will continue to provide new information, and perhaps require further changes in plans.

Such uncertainty can bring distraction and worry, and maintaining a healthy frame of mind can be a challenge. But as Marvin noted in his recent message, focusing on our daily work, and striving for a positive, constructive approach, can help. We hope that receiving information as the situation changes is also of use to you.

As always, thank you for everything you do, and please don't hesitate to talk to your supervisor or any of us if you have questions.

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