

Agenda Item No.:	6
Work Plan Title & #:	Board Strategic Planning, Implementation and Monitoring Work Plan 1
IBI # & Title:	IBI5 – Strengthen Links to Forestry Work Outcomes
Presentation Title:	Principles and Guidance for 2011-13 Agency Request Budget Development
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SUMMARY

The time has come to begin the 2011-13 biennial budget development effort. As first steps in the process, agency leaders have collectively assessed the situation for the coming biennium and have created an initial set of budget development guiding principles and focus areas. Board consideration and shaping of these draft principles and focus areas will provide needed input and direction to the agency as the next steps of budget development occur during the winter and spring of 2010. This agenda item seeks that input and direction from the Board.

CONTEXT

Biennial budget development begins in the fall of odd-numbered years as one component of the Department’s strategic planning effort. To be effective with budget development over the course of the next 16 months through the finalization of the Governor’s Recommended Budget, joint engagement by the agency leadership, the Board, and stakeholders is necessary and is a part of the operating model of leadership at the Board and agency levels. The first steps involve assessing the current and expected situation, establishing development principles and guidelines, and creating initial focus areas for further consideration as the process moves along. The initial focus areas guide preliminary budget concept development, and may adjust due to changing environments over the course of the next 12 months as the Agency Request Budget is completed. This combination of assessment, principles and guidance, and initial focus areas sets the foundation for final budget development during 2010.

BACKGROUND AND ANALYSIS

Since March of 2009, the Department’s Leadership Team (District Foresters, Area Directors, Program Directors, Division Chiefs and Deputies, the Associate State Forester and the State Forester) have been working on the initial steps of strategic planning and budget development for the 2011-13 biennium.

Assessment of the Situation

The work of the agency leadership team on the assessment of the situation was completed at Leadership Team meetings in March and June under the guidance and support of the Department’s Strategic Planning Team. This assessment was conducted to determine the primary strengths, weaknesses, opportunities and threats that are anticipated to exist between now and 2013. While many items were identified, the following table summarizes the most significant assessment elements that will shape our future over the next four years.

Internal Assessment	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Passionate and committed employees at all levels • An empowered workforce • Internal alignment with the organization and “bringing folks along” • Strong relationships with stakeholders at the local level • Lots of credibility and support by landowners • Ability to organize and produce results • Provide good service – come to ODF to get things done • Regular interactions amongst the Leadership Team • Shared Leadership evolving well across the organization • Making progress towards business improvements with secured dollars 	<ul style="list-style-type: none"> • Lack of ability to say “no” and stop doing – over committing • Weak on the “check-act” part of the cycle – follow through – performance management • Difficulty refreshing/updating policy direction when needed in an efficient manner – need better input/feedback • Lack of focus on and ability to simplify processes to achieve greater efficiencies and effectiveness • Lack of effectiveness of time and meetings • Lack of ensuring maintenance of institutional knowledge and projects as personnel change occurs • Not well versed in attaining a variety of funds and revenues
External Assessment	
Opportunities	Threats
<ul style="list-style-type: none"> • Struggles with agency funding in the biennial budget process since the 2001-03 recession may have provided the opportunity for meaningful discussion about longer-term adjustments or changes to funding structures that will place less reliance on the state General Fund and more financial stability for future program delivery • Ability to effectively engage with federal partners – e.g. working thorough stewardship contracting and fire management plans • Increased competition and expectations for federal funds and the workload associated with delivery, tracking and compliance • Recession-ending financial improvement 	<ul style="list-style-type: none"> • Funding for Department operations – in particular, General Fund reliance in Fire and Private Forests and the future status of the Forest Development Fund in State Forests • Effectively delivering services in a changed budget and policy environment – changing workforce capacity – “keeping the wheels on the bus” and ensuring our core businesses are supported • Current budget negatively impacting our ability to effectively deal with organizational succession management, training, development and employee morale • Cost of fire protection for forest landowners and right-sizing protection for

<p>for revenue streams in all programs – recapture of lost efforts and/or moving forward on new initiatives</p> <ul style="list-style-type: none"> • Strong support for agency programs and services from most stakeholders, Governor and staff, and legislative leadership • The public is generally eager for solutions to forestry issues and support balance in management approaches 	<p>the future</p> <ul style="list-style-type: none"> • Current budget negatively impacting our ability to effectively provide the needed monitoring efforts in State Forests and Private Forests • Lack of relevancy to urban populations and urban legislators • Maintaining the social license to practice forestry • Declining health of rural communities
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Guiding Principles of Budget Development

Budget development principles are important to serve as sideboards in leading the Department and the Board in both budget content and budget process development (i.e. both the ‘what/why’ and the ‘how’). These principles set the stage for how we move forward and reflect “what’s important” in the long run from a budget process standpoint. They are not programmatic in nature, but rather make statements of principle about the Department, the Board and how the budget aspect of planning and implementation of resources is achieved.

Initial draft content and process principles identified by the Leadership Team, using previous biennia principles as a starting point, include the following, not in priority order:

2011-13 Budget Development will...

1. Maintain “core business functions” and customer service as a priority, and do so from a “whole agency” perspective rather than siloed programs. Sufficient capacity must be retained to meet the Board and Department’s basic mandates including fire protection, managing state forests, forest regulation, administrative and financial support as well as reliable and credible information and natural resource policy development and dissemination (content).
2. Identify and address service “gaps” that exist between the current budget level and the budget level needed to implement legal mandates, the *Forestry Program for Oregon* (FPFO), the Board of Forestry Work Plans, and key components of the Agency Strategic Plan (content).
3. Be creative and proactive but realistic in concept development and proposals, recognizing the balance between asking for needed resources and yet being realistic with budget climate, stakeholder and legislative expectations, and revenue constraints (content).
4. Maintain a viable, effective, highly skilled, professional and empowered workforce and organization in the present and into the future (content).

5. Identify and capture opportunities to increase efficiency and effectiveness in the short and long term (content).
6. Ensure that individual revenue sources fund a fair and equitable portion of the internal service costs that are in direct relation to services and products utilized by the program (content).
7. Synchronize well with the operating model of leadership at the Board, agency leadership, and program/unit levels, and align with the Board of Forestry and agency missions and legal mandates, the *Forestry Program for Oregon* (FPFO), the Governor's goals and principles, and agency/program performance measures (process).
8. Be open to new ways of thinking for revenue generation, providing services, and stakeholder outreach and involvement (process).
9. Be responsive to changes in the situation during the development process itself and be flexible to change direction or course if needed (process).
10. Prioritize services that most directly benefit or protect forest resources in the long term (process).
11. Promote an open and transparent process with employees and stakeholders (process).
12. Clearly describe the results and consequences of budget investments or reductions so that the citizens of Oregon can understand what is being gained or lost (process).

Question – Upon reflection of our current and projected situation, are these principles the core guidance for budget development, and do they adequately prepare the process for the 2011-13 cycle? If not, what needs to be changed, dropped, or added?

Conceptual Focus Areas

As in previous budget development cycles, we knew early on that the 2009-11 effort would be challenging for a number of reasons, not the least of which was the developing economic and state revenue situation. Realizing this set of circumstances, the agency Executive Team began, in late 2007, to narrow and sharpen the focus of budget development in order to propose the highest priority budget concepts and be more specific about need and results (or outcomes). This work initially began with 23 focus areas (linked to the *Forestry Program for Oregon* and the Board work plans), and evolved with both stakeholders and the Board of Forestry through early 2008, particularly narrowing the focus at the March 2008 Board meeting, and culminated with a set of seven key focus areas which represented the highest priorities to work on for the 2009-11 budget effort.

As we now shift attention to the next biennium, the Leadership Team considered these seven key focus areas, validated their importance and relevance for 2011-13 with one modification relating to the forest land base, but also added an eighth area relating to alternative funding and revenue. The initial concepts for 2011-13 focus areas include the following, not in priority order:

1. New thinking for agency funding. The structure of current agency funding and revenue streams has been relatively static and unchanged over many years. Key principles of equity and shared values between forest landowners and the general public and focused funding for services delivered are worthy concepts, but generally require a more complex funding system and one that is less responsive to change over time. Reliance on the state General Fund is problematic when economic conditions result in reduced state revenues or when competing interests are prioritized. Avenues for new revenue sources through partnerships, grants or service/value-based approaches can be explored for improvements to the funding structure, with goals of providing more broad-based public values participation, more stable landowner involvement, and the ability to more effectively deal with economic cycles.
2. Reducing large wildfires and costs. At a time when fire danger is growing more severe, proposed new investments in “up-front” resources and readiness would seek to reduce the number of large fires and the associated costs. Landowners and the state would share in these investments – and in the resulting reduced risk of incurring the costs and damage of large fires. Benefits would also include protection of natural resources, enhanced public safety, and reductions in the smoke effects of large wildfires.
3. Landowner assistance in many landscapes. Oregon’s changing landscape poses a broad range of forestry-related assistance needs – in urban areas, in the wildland-urban interface, and among family forestland owners and larger landholders. The Department seeks to replace lost capacity for forest practices administration; to assist with the sustainability of family forestlands; to participate more actively in the state’s land use planning program; and to fill the gap between the Urban and Private Forests programs by providing services focused on the unique needs of suburban fringes and other transitional areas.
4. Investing in forest research and monitoring. These activities provide information about compliance with and effectiveness of Oregon’s Forest Practices Act and rules, about forest health, and about the effects of harvest and other forest activities on streams, wildlife and other resources. Capacity is proposed to develop valid compliance surveys, effectiveness monitoring and auditing of management practices on private forestlands. The budget also proposes additional monitoring capability in state forests, and support for the Watershed Research Cooperative, which helps inform and improve rules that protect fish, streams and other natural resources at the lowest regulatory cost.
5. Continuous improvement in managing state-owned forests. Assuming a recovery of state forests revenues, restoration of lost capacity is proposed for management

of state-owned forests to produce a range of economic, environmental and social benefits.

6. Keeping forestland as forests. In the State Forests program, land transactions, in partnership with other organizations or agencies, could involve smaller parcels adjacent to existing forestland, with unique habitat or other values, or larger tracts that would otherwise be divided and sold for other uses. With private lands, incentives and regulations need to be maintained, modified or created to encourage long-term management of these lands in order to protect or enhance forest values, and produce a broad range of benefits for Oregonians.
7. Seeking solutions on federal lands. The federal government manages about 60 percent of Oregon's forestlands. Any statewide vision for diverse, sustainable management of Oregon's forest resource must address the management and the future of federal forests. Additional capacity of the agency could help with environmental analysis, biomass use, development of stewardship contracts and other activities to address challenges facing federal forests and nearby private landowners and communities.
8. Providing adequate support to front-line programs. The Department's ability to serve Oregonians depends on a well-functioning network of Department-wide support functions. However, the agency's human resources, purchasing, contracting and facilities management capacities are below those of other comparable state agencies, and are falling further behind. In addition, capital investment is needed to address critical maintenance issues and to replace worn-out buildings. Investments also are needed to increase efficiency and reliability of information technology and business systems, and to modernize business processes.

Question – Upon reflection of our current and projected situation, are these initial focus areas the appropriate direction for preliminary budget development? If not, what needs to be changed, dropped, or added?

RECOMMENDATION

The Department recommends that at the November 6, 2009 meeting, the Board review and discuss the initial proposed guiding principles and focus areas using the provided questions and provide the Department direction on needed changes, additions or deletions.

NEXT STEPS

Following Board discussion and input, the guiding principles and initial focus areas will be revised and begin to be used by agency staff on initial budget development and stakeholder engagement during the fall and winter of 2009 and 2010.