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RESOURCES**

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MEMORANDUM

January 26, 2023

TO: TFW Policy Committee

FROM: Lori Clark, Acting Adaptive Management Program Administrator (AMPA)

SUBJECT: FY23-25 MPS Contingency Plan

At the November meeting, the Forest Practices Board unanimously approved TFW Policy's Net Gains options (#5 of the Washington State Auditor (SAO) report). As a part of the Net Gains Model, 3.3 Set Clear AMP Priorities, the AMPA and the TFW Policy Budget Workgroup were tasked with creating a Contingency Plan. The attached MPS Contingency Plan (23-25 Biennium) is attached for TFW Policy's consideration. The purpose of this Contingency Plan is to account for a potential budget shortfall. The plan, when fully developed and approved by Policy, will serve as the default MPS adjustment and will need to be immediately implemented as soon as the above contingency becomes reality. The Forest Practices Board (FPB), while not approving the Contingency Plan, would need to approve the resulting MPS.

The MPS contingency plan is a living document that would need to be updated every six months. The FPB approves an initial MPS in August of even fiscal years for the next biennium and approves a final and adjusted MPS based that reflects legislative action in May of odd fiscal years. For these two occasions, the contingency plan would need a full update.

MPS Contingency Plan (23-25 Biennium)

The 23-25 Master Project Schedule (MPS) for the Adaptive Management Program (AMP) carries the unanimous support of the Forest Practice Board (FPB). For 23-25 biennium, the program needs \$17.9 million to implement the entire scope and scale of the work program approved by FPB. The program's current carry-forward level budget is \$15.6 million. DNR has requested additional \$2.3 million in a funding decision package submitted to the Office of Financial management (OFM). The legislature may appropriate these additional funds as General Funds-State or from other funds or sources.

Purpose and objectives:

The purpose of this contingency plan is to account for potential budget shortfall. Specifically, this plan addresses a scenario where the legislature does not appropriate the \$2.3 million additional funds requested for the AMP. The plan, when fully developed and approved by Policy, will serve as the default MPS adjustment and will need to be immediately implemented as soon as the above contingency becomes reality. The FPB, while not approving the contingency plan, would need to approve the resulting MPS.

The MPS contingency plan is a living document that would need to be updated every six months. This frequency of update is dependent on budget development including expenditure forecasts, budget shortfalls and etc. Every MPS adjustment must also be accompanied by a contingency plan that stays at Policy as a consensus approach. The FPB approves an initial MPS in August of even fiscal years for the next biennium and approves a final and adjusted MPS based that reflects legislative action in May of odd fiscal years. For these two occasions, the contingency plan would need a full update.

The short to mid-term objectives of MPS contingency planning includes the following:

- 1- Agree on a budget adjustment approach that accounts for a potential \$2.3 million budget shortfall for the 23-25 biennium
- 2- Improve the quality of budget making for the AMP including better and accurate cost estimates for research projects as well as expenditure projections
- 3- Adjust the total MPS value for future biennia such that there are no more 5% under expenditure in a given biennium

Approach

For the 23-25 biennium, the following are two key approaches that are proposed to respond to a potential budget shortfall of up to \$2.3 million.

1- Make no MPS adjustments:

This approach accounts for the historic pattern of under expenditure and/or savings that emerge during the implementation of the MPS. Under expenditure pattern in the program fluctuates between 15% to 25% of the MPS value. With the exception of biennia where there was a major budget shortfall, this pattern appears in all other biennia expenditure and is likely to also be the case for the next biennium. The total value of a 15% under expenditure in the next biennium’s MPS will be \$2.6 million. This figure is more than the potential budget shortfall of \$2.5 million. It does, however, require reallocation of funds to categories for which the legislature may not have designated. Absent an authority to reallocate, this approach does not require MPS adjustment but has one key condition: the majority of under expenditure must be from research projects. Legislative directions (provisos) often limit the reallocation of under expended participation grants or, in some cases, salaries to research projects. (20% under expenditure in research projects alone = 1,083,843)

2- Reduce total MPS by \$2.3 Million

This is a criteria based approach with the target of reducing the total MPS value by \$2.3 million. The key criteria used to reach this target are listed below:

- a) Pause the implementation of AMP reform efforts including administrative elements of the State Auditor Office (SAO) recommendations
- b) Pause the scoping and study design development of new projects or do not acquire external expertise for this category of work as well as pause implementation except for Board priorities
- c) Maintain current funding level for all projects that are in active implementation phase but reduce values by 20% to account for likely under expenditure

The adjusted MPS is summarized in Table-1 if this approach were to be implemented.

MPS Line Items	Category	Approved MPS Value (\$)	Proposed Reductions (\$)
Line 13: IMS Updates (NWFIC)	Administrative	4,000	4,000
Line 14: CMER Conference	Administrative / Non-research	5,000.00	5,000
Line 15: Contingency funds for projects	Administrative/ non-research	50,000	50,000
Line 18: training for new members	SAO recommendation	70000	70000
Line 19: technical editor for CMER	SAO recommendation	20,000	20,000
Line 21: Review decision making model (principals)	SAO recommendation	75000	75000
Line 26: Dispute resolution	SAO recommendation	200,000	100,000

Line 39: Westside Type F Prescription Monitoring	Not scoped, no study design, not in implementation stage	467,272.00	400,000
Lines 43-46: (toolkit, groundwater, physical mod, landslide monit)	Not scoped, no study design, not in implementation stage	200,000	200,000
Line 47: temperature and amphibians in discontinuously flowing Np reaches	partially scoped, no study design, not in implementation	80,000	80,000
Line 48: ETHEP	Pause implementation (has study design)	322,521	322,521
Reduce by 20%:			
Line 49: PHB, DPC, LiDAR	PHB ready for implementation, no study design for DPC	635,600	127,120
Line 33: Extensive monitoring	no scoping document, no study design, not in implementation stage	100,000	20,000
Line 35: US: shallow landslide	Implementation stage	20,000	4,000
Line 36: US: landslide runout	Implementation stage	20,000	4,000
Line 37: US: Management susceptibility modelling	Implementation stage	50,000	10,000
Line 38: Eastside Type N		1,238,073	247,615
Line 40: Roads prescription scale eff.	Implementation stage	1,212,194	242,439
Lines 41-42: DSL	Implementation stage	300,000	60,000
Line 54: RCS	Implementation stage	320,231	64,046
Line 55: FWEP	Implementation stage	338,328	67,666
Line 63: Type N Hard Rock III	Implementation stage	398,600	79,720
CMER Scientists (NWFIC IAA)	Implementation stage	1,134,199	226,840
Total		7,261,018	2,479,966

Data Needs

Program staff are working on developing a project lifecycle tracking system. This approach is expected to provide more frequent and better estimates of projected expenditure on a rolling basis. In the event of a shortfall, project expenditure would need to be monitored on quarterly basis. In normal years, project expenditure figures would need be calculated and shared every six months.

This remains an ongoing effort. Alongside better expenditure projections, project cost estimations need to significantly improve. Project teams use educated guess to estimate cost. Project managers would need to be responsible for cost estimation and should include a distinct costing phase in every project implementation plan.

Meetings

Monthly budget workgroup meetings would need to continue regardless of budget developments. Policy would also need to have a standing budget agenda item for the duration of a biennium when there is a known/confirmed budget shortfall.