

## MPS Contingency Plan

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 requested \$17.9 million from the legislature to implement the scope and scale of the work approved by FPB and received \$17.4 million.

### Purpose and objectives:

The purpose of this contingency plan is to account for budget shortfalls. The original MPS contingency plan was approved by TFW Policy in February 2023, to serve as the default method for MPS adjustments. The FPB does not approve the contingency plan but does approve the resulting MPS.

The MPS contingency plan is a living document that should be updated every six-twelve months 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 May 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- Improve the quality of budget making for the AMP including better and accurate cost estimates for research projects as well as expenditure projections
- 2- Adjust the total MPS value for future biennia such that there are no more 5% under expenditure in a given biennium

### Approach

The following are two key potential approaches 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. 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 (ex. in FY23 20% under expenditure in research projects alone equaled \$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 of projects that are not in active implementation by 20% for likely under expenditure

## 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.