

BUDGET REPORT AND MEASURE SUMMARY

Joint Committee On Ways and Means

Action:

Action Date:

Vote:

Prepared By: Lisa Pearson, Department of Administrative Services

Reviewed By: Linda Gilbert, Legislative Fiscal Office

Agency: Department of State Lands

Biennium: 2015-17

Budget Summary*

	2013-15 Legislatively Approved Budget⁽¹⁾	2015-17 Current Service Level	2015-17 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
				\$ Change	% Change
Other Funds Limited	\$ 30,419,167	\$ 26,958,268	\$ 35,074,616	\$ 4,655,449	15.3%
Other Funds Non-Limited	\$ 10,234,249	\$ 10,234,249	\$ 10,234,249	\$ -	0.0%
Other Funds Capital Improvement	\$ 1,769,417	\$ 303,250	\$ 1,026,250	\$ (743,167)	-42.0%
Federal Funds Limited	\$ 2,881,911	\$ 1,634,429	\$ 1,634,429	\$ (1,247,482)	-43.3%
Total	\$ 45,304,744	\$ 39,130,196	\$ 47,969,544	\$ 2,664,800	5.9%

Position Summary

Authorized Positions	107	105	108	1
Full-time Equivalent (FTE) positions	106.00	104.00	107.00	1.00

⁽¹⁾ Includes adjustments through December 2014

* Excludes Capital Construction expenditures

Revenue Summary

The Department of State Lands (DSL) relies primarily upon Other Funds revenues to support its budget. DSL obtains Other Funds revenues from two sources, operations and investment income. Operations generate revenue from the sale of timber, lease rentals and royalties, periodic land sales, permit fees, unclaimed property, donations, and publications. Investment income is from interest and capital gains earnings from the Common School Fund (CSF). DSL also receives Federal Funds through grants and support for the South Slough National Estuarine Research Reserve. The approved budget includes a fee to cover the costs of processing applications for easements and territorial sea crossings. This fee is expected to generate \$23,750 in the 2015-17 biennium.

Summary of Natural Resources Subcommittee Action

DSL generates revenue for the CSF while managing state owned land and conserving resources. DSL provides administrative support to the State Land Board, which is composed of the Governor, the Treasurer, and the Secretary of State, and implements the policies of the State Land Board in management of the CSF and its assets. The Subcommittee approved a total funds budget of \$47,969,544 (107.00 FTE). The total funds budget is a 5.9 percent increase from the 2013-15 Legislatively Approved Budget through December 2014, and a 22.6 percent increase from the 2015-17 current service level. The approved budget continues service levels and adds expenditure limitation for equipment replacement and upgrades, agricultural development on Eastern Oregon CSF lands, a study of alternative revenue generation from the Elliot State Forest, and accounting

staff. The budget continues funding for legal services related to the Portland Harbor Superfund Site, and provides expenditure limitation for fire suppression costs.

Common School Fund

The CSF program includes the Director's Office, Wetlands and Waterways, Land Management, and Finance and Administration. These units manage land (including rangeland), lease minerals and waterways, issue removal-fill permits, develop policies and rules, provide technical information, promote protection and enhancement of Oregon's wetlands, and manage unclaimed property, estate administration and forfeitures. This program also includes the revenue transfer of the CSF Fair Market Value for school support. The Subcommittee approved a total funds budget of \$41,542,125 (90.50 FTE).

Package 101: Portland Harbor Cleanup was approved; it provides \$4,746,229 Other Funds expenditure limitation and one limited duration Natural Resources Specialist 4 (1.00 FTE) to continue funding for legal expertise related to the Portland Harbor Superfund Site. The ongoing cost allocation discovery process for the Portland Harbor requires legal expertise to reduce potential costs in the future. Similar budget packages were approved in the 2011-13 biennium and the 2013-15 biennium. In both biennia, the Department required an expenditure limitation increase in the biennium closeout appropriation bill to handle higher-than-expected costs. The cost allocation process and legal questions are expected to continue for at least three more years, ending when the EPA issues a Record of Decision. Funding is partly provided by insurance policy payouts with the CSF providing the rest. DSL recalculated the total expected cost for 2015-17 based on updated estimates from the contractor. The total is now expected to be \$1.08 million more than this package. When actual costs are better known, DSL can report to the Legislature in early 2017 and request any needed budget adjustments then.

The Subcommittee recommended Package 102: Improved Internal Controls. This package adds \$294,311 Other Funds expenditure limitation and one permanent Accountant 4 position (1.00 FTE) to provide accurate and complete financial statements for the CSF diversified portfolio. DSL produced two annual financial statements that were audited by an independent firm and found to lack the necessary internal controls/separation of duties for reconciliation of substantial accounts. Given the importance of the internal control issue, DSL self-financed a limited duration Accountant 4 during 2013-15, which resulted in a clean independent audit. This package makes the limited duration position permanent. The limited duration incumbent will transition into the permanent position July 1, 2015.

Package 103: Replace and Upgrade Equipment was approved; it provides \$204,682 Other Funds expenditure limitation to address increasingly challenging maintenance and service issues with aging IT equipment and the Department's 1997 truck. It adds Other Funds expenditure limitation to replace three old servers and equipment for staff who work in central Oregon. Included are 32 smart phones with upgraded GIS data collection capacity, three satellite phones to use in remote locations, and the lease of a heavy duty pickup. The intent is to improve customer service through the use of smart phones and to reduce safety risks for employees through the use of satellite phones.

The Subcommittee recommended Package 106: Easement Application Administration Fee. This package provides \$23,750 in fee revenue and does not add any expenditure limitation. House Bill 2460 will establish a \$750 fee to process easement applications; it is expected to generate \$18,750 in the 2015-17 biennium. The bill also establishes a \$5,000 fee to process applications to locate infrastructure in the territorial sea. In the 2015-17 biennium, one such fee is expected to be collected.

Package 802: Elliot State Forest Alternatives Study was approved; it adds \$667,000 Other Funds expenditure limitation and one limited duration project manager (1.00 FTE) to continue leading the effort to develop and expand robust recommendations with respect to disposition of the Elliott State Forest. The next recommendation study is due to the Land Board in June 2015. There is also limitation for 1,400 hours of temporary staff time to lead the public outreach efforts and support the project manager.

The Subcommittee recommended Package 803: 2014 Fire Suppression Expense. This package provides \$2,204,126 Other Funds expenditure limitation to pay the BLM for invoiced expenses associated with Buzzard Complex wildfire fighting in 2014. In total, 398,596 acres of rangeland were burned, of which 77,982 were under DSL management. The total cost was \$11.3 million; DSL's share is \$2.2 million.

Oregon Wetlands Revolving Fund

This program is a revolving fund that receives payments from removal fill applicants needing mitigation for their projects. The fund provides resources to the State Land Board for investment in other wetland mitigation sites. The Subcommittee approved a total funds budget of \$1,821,439 (0.50 FTE). The budget continues the 2013-15 biennium level of service.

Natural Heritage Program

The Natural Heritage Program is mandated by ORS 273.563 to conserve a discrete, limited system of natural heritage resources and to establish a natural heritage database. The 2011 Legislative Assembly moved the program to the Oregon Parks and Recreation Department (OPRD) effective January 1, 2012. DSL and OPRD agreed that DSL would continue to manage a few grants that were not complete by the transfer date. In the 2013-15 biennium, one of these grants remained outstanding so the Legislatively Approved Budget included \$57,800 total funds expenditure limitation. The grant has been completed, resulting in no expenditure limitation for the Natural Heritage Program in the DSL budget.

South Slough Sanctuary (National Estuarine Research Reserve)

The South Slough National Estuarine Research Reserve (SSNERR) is a 4,800 acre natural research area encompassing a portion of the Coos estuary on the southern Oregon coast. The program gathers information for coastal zone decision-making and educates the public about estuarine zones. The state's portion of the Reserve is a CSF asset and its operating expenses are paid by CSF revenues and federal grant funds. The Subcommittee approved a total funds budget of \$3,579,730 (16.00 FTE).

Package 104: Program Alignment was approved; this package shifts funding from Services and Supplies to Personal Services to cover the cost of reclassifying a Natural Resource Specialist 3 to a Policy Analyst 4. The position functions as the lead for the SSNERR's education program.

Capital Improvements

This program provides resources to manage and maintain landholdings and leases following an asset management plan. Funds for the Capital Improvements program come from the CSF principal. The Subcommittee approved a budget of \$1,026,250 Other Funds (0.00 FTE).

Package 105: Agriculture Development was approved; it provides \$455,000 Other Funds expenditure limitation to develop 750 acres of rangeland for agriculture, which brings a larger revenue stream from leases. Development involves partnering with an interested lessee, where the Department pays for underground water and electricity and the lessee provides watering pivots above ground and pays a higher per-acre rate to the Department (Common School Fund). The return on investment over 20 years is expected to be \$40,000 per year. As grazing land, the CSF

receives \$2-\$3 per acre; when put into agricultural use, the expected rate per acre will be \$55, and includes two percent per year inflation. At the current grazing rate, revenue on this acreage is \$1,875 per year; under the agricultural rate it will be \$41,250 in the first full year of operation. This is the third such conversion undertaken by the Department since the Land Board directed the Department to manage CSF assets to achieve a higher rate of return.

The Subcommittee recommended Package 805: State Lands Building Remodel. This package provides \$268,000 Other Funds expenditure limitation related to the Department's 2014 reorganization and corresponding State Lands Building remodel. A delay in the project schedule resulted in the need to carry forward \$143,000 of the limitation already provided for in the 2013-15 biennium to the 2015-17 biennium. In addition, the Department has identified \$125,000 of other changes that need to be made such as upgrading the phone system, internal moving expenses, and conference room furniture that had been overlooked in the original planning. The remodel is being done in two stages with half the floor space being remodeled at a time. This means the Department avoids the expense of an offsite lease while the work is completed.

Summary of Performance Measure Action

See attached Legislatively Adopted 2015-17 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5037-A

Department of State Lands
 Lisa Pearson -- 503 373-7501

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE	
			LIMITED	NONLIMITED	LIMITED	NONLIMITED				
2013-15 Legislatively Approved Budget at Dec 2014 *	\$ -	\$ -	\$ 32,188,584	\$ 10,234,249	\$ 2,881,911	\$ -	\$ 45,304,744	107	106.00	
2015-17 Current Service Level (CSL)*	\$ -	\$ -	\$ 27,261,518	\$ 10,234,249	\$ 1,634,429	\$ -	\$ 39,130,196	105	104.00	
SUBCOMMITTEE ADJUSTMENTS (from CSL)										
SCR 010 - Common School Fund										
Package 101: Portland Harbor Clean Up										
Personal Services	\$ -	\$ -	\$ 186,916	\$ -	\$ -	\$ -	\$ 186,916	1	1.00	
Services and Supplies	\$ -	\$ -	\$ 4,559,313	\$ -	\$ -	\$ -	\$ 4,559,313			
Package 102: Improved Internal Controls										
Personal Services	\$ -	\$ -	\$ 237,961	\$ -	\$ -	\$ -	\$ 237,961	1	1.00	
Services and Supplies	\$ -	\$ -	\$ 56,350	\$ -	\$ -	\$ -	\$ 56,350			
Package 103: Replace and Upgrade Equipment										
Services and Supplies	\$ -	\$ -	\$ 71,432	\$ -	\$ -	\$ -	\$ 71,432			
Capital Outlay	\$ -	\$ -	\$ 133,250	\$ -	\$ -	\$ -	\$ 133,250			
Package 106: Easement Application Admin. Fee Revenue only - no expenditures										
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Package 802:Elliot State Forest Alternatives Study										
Personal Services	\$ -	\$ -	\$ 394,900	\$ -	\$ -	\$ -	\$ 394,900	1	1.00	
Services and Supplies	\$ -	\$ -	\$ 272,100	\$ -	\$ -	\$ -	\$ 272,100			
Package 803: Fire Suppression Expense										
Services and Supplies	\$ -	\$ -	\$ 2,204,126	\$ -	\$ -	\$ -	\$ 2,204,126			
SCR 030 - South Slough National Estuarine Research Reserve										
Package 104: Program Alignment										
Personal Services	\$ -	\$ -	\$ 36,402	\$ -	\$ -	\$ -	\$ 36,402	0	0.00	
Services and Supplies	\$ -	\$ -	\$ (36,402)	\$ -	\$ -	\$ -	\$ (36,402)			
SCR 088 - Capital Improvements										
Package 105: Agriculture Development										
Capital Outlay	\$ -	\$ -	\$ 455,000	\$ -	\$ -	\$ -	\$ 455,000			
Package 805: State Lands Building Remodel										
Capital Outlay	\$ -	\$ -	\$ 268,000	\$ -	\$ -	\$ -	\$ 268,000			
TOTAL ADJUSTMENTS	\$ -	\$ -	\$ 8,839,348	\$ -	\$ -	\$ -	\$ 8,839,348	3	3.00	
SUBCOMMITTEE RECOMMENDATION *	\$ -	\$ -	\$ 36,100,866	\$ 10,234,249	\$ 1,634,429	\$ -	\$ 47,969,544	108	107.00	
% Change from 2013-15 Leg Approved Budget	0.0%	0.0%	12.2%	0.0%	-43.3%	0.0%	5.9%			
% Change from 2015-17 Current Service Level	0.0%	0.0%	32.4%	0.0%	0.0%	0.0%	22.6%			

*Excludes Capital Construction Expenditures

Legislatively Approved 2015-2017 Key Performance Measures

Agency: STATE LANDS, DEPARTMENT OF

Mission: The mission of the Department of State Lands is to ensure a legacy for Oregonians and their public schools through sound stewardship of lands, wetlands, waterways, unclaimed property, estates and the Common School Fund.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
1 - Increase in Deposits to the Common School Fund - Percent annual increase in amount of cash generated by agency activities deposited to the Common School Fund.		Approved KPM	21.90	1.50	1.50
2 a - Administrative and Operational Costs - Percent of program revenue streams used to cover administrative and operational costs of programs for forest lands.		Approved KPM	118.00	36.00	36.00
2 b - Administrative and Operational Costs - Percent of program revenue streams used to cover administrative and operational costs of programs for all other activities of the agency.		Approved KPM	50.33	36.00	36.00
3 - Increase in Revenues from Land Management Activities - Percent increase in revenues generated by all Land Management activities, exclusive of timber harvest receipts.		Approved KPM	5.77	5.40	5.50
4 - Complete Management Plans or Policies – Percent of DSL lands and waterways with completed area management plans or policies.		Approved KPM	89.00	95.00	95.00
5 - No Net Loss of Wetlands - Change in wetland acreage due to permit actions.		Approved KPM	57.00	0.00	0.00
6 - Number of Days for a Permit Decision - Average number of days for an agency permit decision after receipt of a complete application.		Approved KPM	57.90	60.00	60.00
7 - Annual Resolution of Removal-Fill Permit Non-Compliance - Percent of removal-fill permit non-compliance conditions that have a final resolution in place within 12 months from date non-compliance is determined.		Approved KPM	42.00	50.00	50.00
8 - Annual Resolution of Removal-Fill Violations Related to Unauthorized Activities-Percent of removal-fill violations that have a final resolution in place within 12 months of receipt of a complaint generating determination of a violation.		Approved KPM	63.00	50.00	50.00

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Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
9 - Agency Response Time to Wetland Delineation Reports - Average number of days for the agency initial review and response to a complete wetland delineation report.		Approved KPM	86.00	60.00	60.00
10 - Agency Response Time for Wetland Land Use Notices - Average number of days for an agency response to wetland land use notices.		Approved KPM	8.70	22.00	22.00
11 - Use of Payment to Provide Moneys - Percent payment-to-provide money received in Mitigation Bank Fund obligated and committed within one year.		Approved KPM	100.00	100.00	100.00
12 - Increase Unclaimed Property Holder Reporting. - Percent annual increase in amount of unclaimed property reported and remitted annually.		Approved KPM	62.80	60.00	60.00
13 - Customer Service – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Accuracy	Approved KPM	87.00	93.00	93.00
13 - Customer Service – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Availability of Information	Approved KPM	81.50	93.00	93.00
13 - Customer Service – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Expertise	Approved KPM	88.00	93.00	93.00
13 - Customer Service – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Helpfulness	Approved KPM	87.00	93.00	93.00
13 - Customer Service – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Overall	Approved KPM	84.60	93.00	93.00

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Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
13 - Customer Service – Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Timeliness	Approved KPM	83.00	93.00	93.00
15 - South Slough National Estuarine Research Reserve Operation Costs Leveraged. - Percent of SSNERR operations funded from sources other than CSF, including leverage from grants, fees, program revenues and gifts.		Approved KPM	23.80	10.00	10.00
16 - South Slough National Estuarine Research Reserve Education Actions - Percentage of SSNERR education programs that use a structured assessment process surveys to provide information and decision support services responsive to audience needs.		Approved KPM	75.00	100.00	100.00
17 - Best Practices - Percent of total best practices met by the Land Board.		Approved KPM	93.00	100.00	100.00

LFO Recommendation:

The target on KPM #16 - South Slough, percent of education programs that use structured assessment process surveys to help respond to audience needs - should be increased to 100%. The South Slough education program has been performing above target for the last three years. KPM #3 - increase in revenues from non-timber land management - has exceeded its target and LFO recommends a small target increase in 2016 and 2017. As the measure includes revenues from waterways, and as the agency has recently reorganized, it will make sense in the future to separate waterways revenue from this measure. KPM #9 is reporting "red" performance. It deals with the number of days to respond to a wetland delineation report. The internal target is 60 days. Since 2011, the actual average number of days has increased. With the 2014 agency reorganization and full staffing, the agency believes it can meet the target. For context, the statutory target is 120 days, which the agency is well within achieving. The agency should consider re-writing KPM #11, which deals with timeframe for reinvesting wetland mitigation bank funds. The agency reports attaining its 100% goal since 2008. Either the timeframe or the nature of the measure should be changed.

Sub-Committee Action:

The Subcommittee approved the LFO recommendation.