

Analysis

Office of the Governor / Department of Geology and Mineral Industries

Report on Strategic Direction of DOGAMI

Analyst: John Terpening

Request: Acknowledge receipt of a report from the Office of the Governor on the strategic direction of the Department of Geology and Mineral Industries.

Analysis: The Department of Geology and Mineral Industries (DOGAMI) 2019-21 budget bill, SB 5511 (2019), provided the Department with one year of funding and included the following budget note instruction:

The Department of Geology and Mineral Industries has overspent its budgeted General Fund appropriation twice in the last four years, bringing into question the viability of the Department's current structure and funding mechanism. The Governor's Office, with the assistance of the Department of Administrative Services, is directed to prepare a detailed strategic plan for the future of DOGAMI, including evaluating if the Department should continue to exist as an independent agency or recommendations to abolish the Department and move the individual programs to other entities. The Governor's Office is directed to report to the Joint Committee on Ways and Means during the 2020 legislative session on the strategic plan so that any agreed upon recommendations can be incorporated into the 2021-23 biennial budget process.

In accordance with the budget note, the Office of the Governor submitted their report to the Co-Chairs of the Joint Committee on Ways and Means on January 17, 2020.

The report from the Governor outlines options that were considered, including abolishing the agency and moving the individual programs to other natural resource agencies or universities; moving the entire agency into a different natural resource agency or university; centralizing the agency by moving it from its offices in Portland and Albany to Salem; or allowing the agency to remain intact with a second year of funding.

The Office of the Governor is recommending in its report that DOGAMI receive a second-year of funding and remain intact for the 2019-21 biennium, with further evaluation of agency operations and a reevaluation of the options during the development of the Governor's Recommended Budget.

The funding proposal includes \$3.1 million General Fund for the Geologic Survey and Science Program which will cover second year costs, including the addition of a permanent manager position for the program. Additionally, the second-year proposal includes a fee increase for the Mined Land Regulation and Reclamation Program, which will be considered through separate legislation.

Legislative Fiscal Office Recommendation: Acknowledge receipt of the report.

KATE BROWN
GOVERNOR



January 17, 2020

The Honorable Representative Dan Rayfield, Co-Chair
The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

During the 2019 legislative session, Senate Bill 5511 — relating to the financial administration and budget of the Department of Geology and Mineral Industries (DOGAMI) — requested that the Governor's Office develop a report in response to the department's second year budget and structure. The Legislature asked that the response include an evaluation of whether DOGAMI should continue to exist as an independent agency or to abolish the agency and move its individual programs to other entities. The note also requested the development of a strategic plan for DOGAMI.

During the 2019 Legislative Session DOGAMI was granted two new positions, as well as a reclassification of one position, to assist in the overall financial management and oversight of grants within the agency. These positions were brought on board early in January of 2020. The department has also taken several actions to reduce spending and analyze the needs of the agency going forward.

At this time the Governor's Office would like to continue agency operations for the second year of the biennium. The Governor's Office and the Department of Administrative Services will review continued agency operations during the development of the Governor's Recommended Budget for discussion during the 2021 Legislative Session.

An initial analysis of potential options for the agency was developed, but a full strategic plan was not completed.

The attached report provides additional detail about work the agency has done and the options the Governor's Office has considered for the continued future of DOGAMI. Please accept this letter, along with the attached report as the Governor's Office response to the budget note. The Governor's Office recommends maintaining DOGAMI as an independent agency at this time and allocating the \$3.1M funding to DOGAMI, in compliance with the agency's budget request.

Joint Committee on Ways and Means

January 17, 2020

Page 2

If you have any additional questions, please contact Amira Streeter, Natural Resources Policy Advisor for Governor Brown.

Sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long, sweeping horizontal stroke extending to the right.

Nik Blosser
Chief of Staff

cc: Ken Rocco, Legislative Fiscal Officer
John Terpening, Legislative Fiscal Office
George Naughton, Chief Financial Officer
Renee Klein, Chief Financial Office
Brad Avy, Director, DOGAMI

Executive Response and Summary Report to SB5511 Budget Note Regarding DOGAMI

By Amira Streeter,
Natural Resource Policy Advisor
Office of Governor Kate Brown

Budget Note Background

The Department of Geology and Mineral Industries (DOGAMI) has overspent its budgeted General Fund appropriation twice since 2015. Given these financial challenges, the Legislature requested that the Governor's Office assess whether the agency should be abolished, whether its programs should be moved to other agencies, or whether DOGAMI should remain in its current structure, but with internal system changes. Over the last five months since the signing of SB5511, the Governor's Office worked with DOGAMI leadership and staff, the Department of Administrative Services Chief Financial Office, and the Legislative Fiscal Office to get a better understanding of the agency's budget and internal financial mechanisms.

Historical Background

There have been various challenges throughout the history of the entity currently known as DOGAMI. The inception of DOGAMI started with the first state geologist, Thomas Condon, appointed by the Legislature in 1872. In 1876, Condon resigned to become the first professor of geology at the newly formed University of Oregon. In 1910, the State Bureau of Mines was established as a response to the creation of the Federal Bureau of Mines, which would focus on conducting mining and minerals research. In 1913, the Bureau was renamed the Oregon Bureau of Mining and Geology.

Just ten years later the Bureau disbanded due to overlapping authorities, budget problems, public apathy for scientific investigations, and delayed publications. In 1925, all its records went to the School of Mines at the Oregon Agricultural College, or what is now Oregon State University. The Legislature responded by creating an Oregon Mining Survey Board that same year, but without any staff support or office. In 1929, the State Mining Survey Board was created specifically to conduct mineral investigations under the supervision of the Federal Bureau of Mines. This entity ceased to function in 1933 and a new Oregon State Mining Board was created with broad powers but without any operating funds. Efforts to establish adequate funding for this entity failed in 1934 and 1935.

The Legislature then created the present-day DOGAMI in 1937. The agency's mission was to conduct studies and surveys of Oregon's geologic and mineral resources, evaluate their commercial utility, and study the scientific and economic questions in the field of geology and mining for the benefit of the people of Oregon. The department has since remained administratively independent and separate from other state agencies.

ORS 516 is the primary statute that established DOGAMI as Oregon's source of geologic resource and hazard science, and outlines the agency's authority for developing maps, reports, data, and other information to help Oregon manage natural resources and better understand and prepare for natural hazards.

ORS 517, 520 and 522 gave DOGAMI regulatory authority for overseeing surface mining, oil and gas exploration and production, and geothermal exploration and production, as well as working to minimize impacts of natural resource extraction and to maximize opportunities for land reclamation. Over the years, additional statutes have given DOGAMI more responsibilities in the areas of natural hazards, seismic safety, land use, and archiving relevant mapping data and information.

Financial Background

DOGAMI has seen a steady decline in the level of General Fund allocation and an increased reliance on grant dollars to fulfill its mission. Some of this decline is due to the 2008 recession, where there was a decrease in the General Fund to state agencies overall, and DOGAMI compensated that shortfall by pursuing more grants. DOGAMI's 2015 financial issues were due to a lack of foundational financial tools and systems that would have enabled proper management of the agency.¹ At that time, DOGAMI had no foundational infrastructure or policies to inform necessary business practices, such as in human resources, IT, and finances. Many of those problems were resolved, but budget shortfalls remained due to project management deficiencies and lack of business office capacity.²

Other internal issues have impeded adequate financial management. DOGAMI's current business model relies heavily on funding from the federal government. At the end of the 2019 legislative session, DOGAMI had more than 60 individual grant projects within its portfolio. These uncertainties create a great deal of risk for funding the department's operations.

Additionally, agency culture was undisciplined about relying on bail-outs from the General Fund when project deliverables exceeded original scope. There was a reluctance to ask for additional funding to accommodate these requests because the agency wanted to be competitive and professional. There have also been limiting factors on federal grants, such as indirect costs limitations being well-below the administrative costs for the agency. The recently added positions should help with this, but they were just filled this month and need additional time to show results.

Future of DOGAMI – Options Considered

The Governor's Office considered the following options for the future of DOGAMI, including:

- 1) Abolishing the agency in its entirety and moving its programs to other natural resources agencies or universities;
- 2) Moving the entire agency under a different natural resource agency or university;
- 3) Centralizing the agency; and
- 4) Allowing DOGAMI to remain intact as an independent agency.

Making significant structural changes to the agency at this time would not be the best path forward.

¹ Secretary of State Audit: Department of Geology and Mineral Industries - Actions Taken to Better Manage Federal Funds, but Further Improvements Needed, 2016

² DOGAMI February 2018 Progress Report: Improvements to DOGAMI Business Practices, 2018

At this time, abolishing the agency in its entirety and moving its programs to another state entity would have immediate detrimental repercussions. If the Geological Survey and Services program (GS&S) or the Mining Land Regulation and Reclamation program (MLRR) moved into another state agency, then key project and administrative staff would potentially be lost. This loss in technical expertise and customer service could create negative impacts among Oregon stakeholders and grantors. Other state agencies and universities have broader missions and responsibilities than DOGAMI and could easily override the specific science-focused duties of the department. There is also a risk that existing active grants would be disrupted if DOGAMI was restructured, causing the loss of federal funds.

Centralizing the agency would also bring little change to DOGAMI's financial problems. DOGAMI has its headquarters in Portland and remote offices in Albany, Newport, Springfield and Baker City. If the agency was centralized in Salem, there would be an immediate loss of staff and decrease the effectiveness of customer service in these regions of the state. There would also be difficulties in recruiting additional staff with the expertise necessary for agency operations.

If the Legislature wants to pursue centralizing or abolishing the agency, a broader discussion and longer lead-time is required. There is not a lot of benefit to unsettling the current structure of DOGAMI in the middle of the biennium while the agency just fulfilled the Legislature's request of adding support to its Business Office. DOGAMI has taken steps to tighten financial controls, such as creating a grant-tracking tool, reviewing indirect rates with federal grantors, hiring new staff to fill Business Office positions, and halting all unnecessary supplemental costs to enforce cost-control initiatives.

If a restructuring of the agency is determined the correct path forward additional time and resources are required in order to design a plan to make these changes. The Governor's Office plans to continue to monitor DOGAMI's operations and will reconsider these options during the 2021-23 Governor's Recommended Budget process.

Funding DOGAMI's budget request for Fiscal Year 2021 would avoid future budget shortfalls.
The Governor's Office recommends there be an allocation of \$3.1M in General Fund to DOGAMI for the remainder of the 2019-2021 biennium. This funding would maintain the current service level of DOGAMI with the addition of two key positions that help right-size the agency and keep it on track.

The increase in General Funds would create one manager position to oversee the GS&S Program. Currently, GS&S does not have a permanent supervisory or management position. Having a permanent staff person in place would reinforce new business practices and policies for better oversight to a program that has persistently overspent its budget.

The Governor's Office also supports the current proposed fee increase. This increase is necessary to sustain the existing program operations and has broad stakeholder support. Without a fee increase, MLRR will run short of the funds necessary to continue its operations before the end of the current biennium. The fee increase to MLRR, will also partially fund one limited duration position. The focus of this position would be to manage the first chemical process mine permit

application in the state, which would be funded in part by direct billing to the applicant, but additional time from this position will help support the existing workload within the MLRR program.

The budget proposal developed by DOGAMI provides an accurate assessment of the department's financial and managerial needs, detailed information regarding the department's request is available in DOGAMI's request letter.



Oregon

Kate Brown, Governor

Department of Geology and Mineral Industries

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January 17, 2020

The Honorable Senator Betsy Johnson
The Honorable Senator Elizabeth Steiner Hayward
The Honorable Representative Dan Rayfield
Interim Joint Committee on Ways and Means
900 Court Street NE, H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

Nature of the Request

Late in the 2019 legislative session, the Department of Geology and Mineral Industries (DOGAMI) failed to meet its budget due to inadequate grant management practices and insufficient capacity and controls in its financial practices. As a result, the Legislature provided DOGAMI with a one-year budget. The purpose of this letter is to request legislative approval during the 2020 legislative session for a second-year DOGAMI budget. In addition to a second-year budget for the Geologic Survey and Services (GS&S) Program, we are requesting legislative approval of proposed fee and expenditure limitation increases for the Mineral Land Regulation and Reclamation (MLRR) Program. Lastly, we request an opportunity to present DOGAMI's proposed budget and proposed fee increase in the 2020 legislative session.

These requests are contingent on the Governor's Office strategic plan and recommendations regarding DOGAMI's future as required in Budget Note #2 – Agency Outlook in SB 5511 (2019).

Agency Action

DOGAMI has aggressively and urgently pursued actions to correct grant management and financial practice deficiencies. The Department has also undertaken strict cost-containment measures in the first year to limit General Fund spending. Specific actions taken are highlighted in Attachment 1 – DOGAMI Financial/Grant Management Progress.

Action Requested

DOGAMI Second-Year Budget for 2019-21

Agency Administration and Geological Survey and Services Program

The mission of DOGAMI is to provide earth science information and regulation to make Oregon safe and prosperous. Our work increases understanding of Oregon's geologic resources and hazards through science and stewardship. The following table presents the proposed Agency budget summary for a second-year.

DOGAMI Second-Year Budget for 2019-21	
Agency Administration/GS&S Program	
General Fund	\$3,104,928
Other Fund (excluding MLRR)	\$1,308,461
Federal Fund	\$2,902,495
MLRR – Fees	
Other Fund	\$2,230,303
(see Attachment 2 – Second-Year Budget for 2019-21)	
Agency Total	
General Fund	\$3,104,928
Other Fund	\$3,538,764
Federal Fund	\$2,902,495
Total:	\$9,546,187

The GS&S Program is currently without permanent supervisory or management positions. Since 2016, supervision and management have been provided through rotational opportunities for staff to gain supervisory and management experience to build capacity for the Agency (these rotations were generally budgeted 80% General Fund; 20% Federal Fund grants). However, the lack of a permanent, experienced manager for the GS&S Program contributed to grant management challenges. Due to the technical oversight required for project managers and staff, the current rotational supervisors have limited time available to spend on their grant project work which has required grant extensions.

In the proposed GS&S budget there is a request for one permanent PEM D manager position. The GS&S Program needs the skill sets of both supervision and management—ideally the current rotational supervisors will be focused primarily on day-to-day project manager oversight, staff training and development, evaluating technical performance, providing

technical guidance/coaching, and monitoring grant expenditures. In parallel with the MLRR Program's manager, the proposed GS&S Program manager would be primarily focused on providing leadership in overarching strategic-level geologic survey and services decision making, GS&S Program resources and outcomes needed to achieve long-term goals, program performance management, providing geologic survey program vision and direction, stakeholder engagement, and establishing and approving program budgets.

The attached organization chart identifies proposed positions for the Agency (Attachment 3 – DOGAMI Proposed Organization Chart). Increased Business Office capacity is already having a positive impact on financial operations. For the Agency to be positioned for long-term success, a parallel investment is needed in GS&S Program management.

The increases in the second-year budget for Personnel Services are attributable to higher than budgeted costs to fill the business office positions as a result of pay equity determinations and for the proposed GS&S manager position. Additionally, the request includes increases to Services and Supplies that were not adequately reflected in the first-year budget (e.g., facilities rent, professional services, office expenses).

GS&S Other Fund and Federal Fund

The proposed Other Fund and Federal Fund portions of the budget for GS&S match the first-year budget for the Agency. Based on current projects and grants, the Agency does not anticipate needing an adjustment at this time beyond matching the first-year budget.

Mineral Land Regulation and Reclamation Program

The MLRR Program is funded exclusively with fees paid by the regulated mineral resource exploration and extraction industries: surface mining, mineral exploration, oil and gas, and geothermal.

The MLRR proposed budget includes a request for a Limited Duration (LD) Natural Resource Specialist 4 (NRS 4) position with 60% time allocated as a Chemical Mining Permit Lead (100% cost recovery and not part of standard MLRR Program costs) and 40% time as a Mining Geologist to support the MLRR Program. The MLRR Program does not have internal capacity to meet the statutory demands of a chemical process mine application. The NRS 4 position will provide capacity to manage and administer the current chemical process mine application (Grassy Mountain application was submitted to DOGAMI November 2019) with the balance of the position's time to provide senior technical mining expertise for the program. In addition to the LD position, the MLRR proposed second-year budget includes an increase of \$362,917 which includes limitation necessary for \$238,687 of indirect costs that had not been previously budgeted and \$124,230 to reflect professional services that are cost recoverable for the chemical mine permit processing.

MLRR Proposed Fee Increase

Budget Note #3 – Mined Land Reclamation and Regulation Fees in SB 5511 (2019): *“...The Department is directed to review the program’s projected revenue and expenditures and report to the Joint Committee on Ways and Means during the 2020 legislative session with a detailed fee increase proposal to fund the existing program, including appropriate indirect costs, that will also provide a sufficient ending fund balance.”*

The proposed fee increase that accompanies this budget request is projected to sustain the existing program operations and enable the Program to achieve its regulatory responsibilities, meet stakeholder service delivery expectations, prevent permit-related delays and environmental impacts, while building toward an estimated six-month program operating reserve around the start of the 2025-27 biennium. The revenue projections should allow the program to remain sufficiently funded during a potential downturn in the economy and its related effect on fees. Without a fee increase, the MLRR Program will run short of Other Fund revenue sufficient to continue current operations before the end of the current 2019-21 biennium.

The Agency’s 2019 requested MLRR Program fee increase (SB 45) was not approved due to uncertainty around the permitting process related to the chemical gold mine known as Grassy Mountain and its impact on program cash flow. The current proposed fee increase is based in part on the fee increase proposed in 2019 with a more thorough budgeting of anticipated costs. Key principles of the proposed fee increase include: 1) each permitted program area to carry the cost of that industry segment (i.e., mining, exploration, oil and gas, geothermal with no subsidization between industries); 2) each program area fee’s to be brought current (some fees were last adopted in 1991 and 2007); 3) similar charges to industry for similar level of work required for permit applications; and, 4) inclusion of appropriate indirect costs. Unlike SB 45, the proposed fee increase does not support additional site inspection visits (Key Performance Measure (KPM) #4 – Percent of Permitted Mine Sites Inspected Biennially) or an e-permitting platform.

As with last session’s fee increase proposal, DOGAMI has reached out to 17 stakeholder groups representing both the industry and environment. Last session there was industry interest in an adequately funded MLRR Program and acknowledgement that certain fees had been neglected over time. The challenge with stakeholder support last session was lack of availability of detailed financials and a lack of clarity over whether chemical process mine cost recovery expenses were separate from the basis for the fee increase. These issues have been addressed and with DOGAMI Governing Board approval of the proposed budget on January 10, 2020, staff have begun meeting with stakeholder groups with detailed financial projections and backup documentation for the proposed MLRR fees. The fee increase is requested to take effect January 1, 2021. (Attachment 4 – DOGAMI-MLRR Proposed Fee Schedule Summary)

Legislation Affected

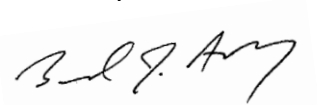
Legislation affected by the proposed Second-Year Budget for 2019-21 includes:

- SB 5511 sec 1, sec 2(1) and 2(2) and sec 3, chapter 690, Oregon Laws 2019
 - ORS 517 – Mining and Mining Claims
 - ORS 520 – Conservation of Oil and Gas
 - ORS 522 – Geothermal Resources.
-

The Director, Leadership Team, and Staff are committed to implement best financial and grant management practices and never again experience a budget shortfall. This commitment, project management controls, increased business office capacity, the proposed GS&S Program manager position, and the proposed MLRR Chemical Mining Permit Lead (limited duration) position help ensure success.

Thank you for your consideration of this request. If you have any questions, please contact me at 971-673-1550.

Sincerely,



Brad J. Avy
Director

cc: Ken Rocco, Legislative Fiscal Officer
George Naughton, Chief Financial Officer
Amira Streeter, Governor's Office
John Terpening, Legislative Fiscal Office
Renee Klein, Chief Financial Office

Attachments

- 1) DOGAMI Financial/Grant Management Progress
- 2) DOGAMI Second-Year Budget for 2019-21
- 3) DOGAMI Proposed Organization Chart
- 4) DOGAMI-MLRR Proposed Fee Schedule Summary

DOGAMI Second-Year Budget for 2019-21
Agency Administration/GS&S (General Fund)

	FY20 LAB	Proposed FY21 Budget
Beginning Balance		
0025 - Beginning Balance	—	—
0030 - Beginning Balance Adjustment	—	—
Total Beginning Balance	—	—
Revenue		
0050 - General Fund Appropriation	2,534,180	2,294,928
0210 - Non Bus Lic & Fees	—	—
0410 - Charges for Services	—	—
0605 - Interest and Investments	—	—
0705 - Sales Income	—	—
0975 - Other Revenue	—	—
0995 - Federal Funds	—	—
1010 - Transfer In - Intrafund	—	—
1020 - Transfer In - Indirect Cost	—	—
1248 - Transfer In - Military	—	—
1330 - Transfer In from Energy Dept.	—	—
1340 - Transfer In from DEQ	—	—
1543 - Transfer in from State Library	—	—
Total Revenue	2,534,180	2,954,928
Operating Transfer Out:		
2010 - Transfer Out - Intrafund	—	—
2020 - Transfer Out - Indirect Cost	—	—
2340 - Transfer Out to DEQ	—	—
Total Operating Transfers	—	—
Total Available Revenue for Ops	2,534,180	2,954,928
Expenditures		
Personal Services Total	1,622,450	2,072,593
Breakdown - Direct Costs		
Breakdown - Indirect entries		
Services & Supplies		
4100 - Instate Travel	5,159	20,000
4125 - Out of State Travel	3,725	5,000
4150 - Employee Training	1,333	15,000
4175 - Office Expenses	6,398	15,000
4200 - Telecomm	43,260	45,000
4225 - State Gov't Svc Chg	61,190	198,000
4250 - Data Processing	463,525	150,000
4275 - Publicity & Publications	—	—
4300 - Professional Services	3,272	75,000
4315 - IT Professional Services	—	4,500
4325 - Attorney General	2,665	10,000
4375 - Employee Recruitment	139	500
4400 - Dues & Subscriptions	742	3,500
4425 - Facilities Rent	135,694	200,000
4450 - Fuels & Utilities	—	—
4475 - Facilities Maintenance	—	—
4525 - Medical Supplies & Services	—	—
4575 - Agency Related S & S	—	—
4600 - Intra agency Charges	—	—
4650 - Other Services & Supplies	131,535	125,000
4650 - INDIRECT Cost Allocation	—	—
4675 - Undistributed (S&S)	—	—
4700 - Expendable Prop (\$250-\$5000)	3,706	4,000
4715 - IT Expendable Property	2,555	115,000
Total Services & Supplies	864,896	985,500
Capital Outlay		
5200 - Technical Equipment	—	—
5550 - Data Processing Software	46,835	46,835
5600 - Data Processing Hardware	—	—
5900 - Other Capital Outlay	—	—
Total Capital Outlay	46,835	46,835
Total Expenditures	2,534,180	3,104,928
Ending Balance (R+ OT-E)	—	—

Proposed FY21 Budget:
Includes (1) PEM D program manager

Reduced in 4250-Data Processing and more accurately redistributed to anticipated actual costs for 4225-State Gov’t Svc Chg, 4425-Facilities Rent, and 4715-IT Expendable Property

Increase attributed to budgeting for anticipated actual costs for mostly 4100-Instate Travel, 4150-Employee Training, 4175-Office Expenses, and 4325-Attorney General

DOGAMI Second-Year Budget for 2019-21
MLRR (Other Fund)

	FY20 LAB	Proposed FY21 Budget
Beginning Balance		
0025 - Beginning Balance	370,374	254,702
0030 - Beginning Balance Adjustment	—	—
Total Beginning Balance	370,374	254,702
Revenue		
0050 - General Fund Appropriation	—	—
0210 - Non Bus Lic & Fees	1,893,307	1,645,792
0410 - Charges for Services	2,401	130
0605 - Interest and Investments	6,532	17,455
0705 - Sales Income	—	—
0975 - Other Revenue	11,000	—
0995 - Federal Funds	—	—
1010 - Transfer In - Intrafund	—	—
1020 - Transfer In - Indirect Cost	—	—
1248 - Transfer In - Military	—	—
1330 - Transfer In from Energy Dept.	—	—
1340 - Transfer In from DEQ	129,500	153,255
1543 - Transfer in from State Library	—	—
Total Revenue	2,042,739	1,816,632
Operating Transfer Out:		
2010 - Transfer Out - Intrafund	—	—
2020 - Transfer Out - Indirect Cost	—	—
2340 - Transfer Out to DEQ	(7,500)	
Total Operating Transfers	(7,500)	—
Total Available Revenue for Ops	2,405,613	2,071,334
Expenditures		
Personal Services Total	1,215,959	1,744,413
Breakdown - Direct Costs		
Breakdown - Indirect entries		
Services & Supplies		
4100 - Instate Travel	32,350	35,000
4125 - Out of State Travel	—	—
4150 - Employee Training	36	7,500
4175 - Office Expenses	15,758	15,758
4200 - Telecomm	42,086	22,493
4225 - State Gov't Svc Chg	—	—
4250 - Data Processing	39,473	39,947
4275 - Publicity & Publications	1,861	1,861
4300 - Professional Services	49,521	150,000
4315 - IT Professional Services	—	—
4325 - Attorney General	29,125	50,000
4375 - Employee Recruitment	3	—
4400 - Dues & Subscriptions	310	1,000
4425 - Facilities Rent	39,860	41,000
4450 - Fuels & Utilities	5,721	6,500
4475 - Facilities Maintenance	5,703	6,000
4525 - Medical Supplies & Services	—	—
4575 - Agency Related S & S	—	—
4600 - Intra agency Charges	—	—
4650 - Other Services & Supplies	16,374	16,374
4650 - INDIRECT Cost Allocation	—	63,968
4675 - Undistributed (S&S)	—	—
4700 - Expendable Prop (\$250-\$5000)	2,415	7,000
4715 - IT Expendable Property	3,398	12,000
Total Services & Supplies	283,988	476,401
Capital Outlay		
5200 - Technical Equipment	—	—
5550 - Data Processing Software	9,489	9,489
5600 - Data Processing Hardware	—	—
5900 - Other Capital Outlay	—	—
Total Capital Outlay	9,489	9,489
Total Expenditures - LAB	1,509,435	2,230,303
Ending Balance (R+ OT-E)	896,178	(158,969)

0210-Non Bus Lic & Fees revenue of \$1,645,792 is reflective of current fees (no fee increase). \$410,782 revenue is attributed to Chemical Mine Permitting. Passage of a fee increase will increase 0210-Non Bus Lic & Fees revenue to \$1,724,507.

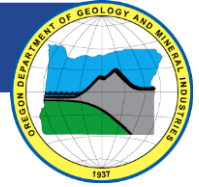
Proposed FY21 Budget:
\$1,510,184 direct
\$234,229 indirect
(indirect never fully recovered)
NRS4 new LD position (\$146k)

Chemical Mine Permitting-Related

Indirect never fully recovered

Increase attributed mostly to 4300-Professional Services (cost recoverable), 4650-Indirect Cost Allocation, and 4325-Attorney General

DOGAMI Update – Financial/Grant Management Progress



January 2020

Late in the 2019 regular legislative session, DOGAMI failed to meet its budget due to inadequate grant management practices and insufficient capacity and controls in its Business Office.

2019 DOGAMI Budget Note Requirements

- **One-year Budget**
- DOGAMI **monthly financial reporting** to: Legislative Fiscal Office (LFO) and DAS – Chief Financial Office (CFO)
- Governor's Office, with the assistance of the Department of Administrative Services will prepare a detailed **Strategic Plan for the future of DOGAMI**, including evaluating if the Department should continue to exist as an independent agency, abolish the Department, or move individual programs to other entities –
 - Report to the Joint Committee on Ways and Means during the 2020 legislative session
- **Mineral Land Regulation & Reclamation (MLRR) Program Fees –**
 - DOGAMI will report to the Joint Committee on Ways and Means during the 2020 legislative session with a detailed **fee increase proposal** to fund the existing regulatory program
- **Positions Eliminated –**
 - **Five positions** within the Geologic Survey program, including the Natural Resource Specialist 5 position, two Natural Resource Specialist 4 and two vacant positions (Public Affairs Specialist and Earth Sciences Field Geologist)
- **Positions Established –**
 - **Two new positions** (Grant Accountant 3 and Procurement and Contract Specialist 2) and reclassification of an existing Fiscal Analyst 1 to a Fiscal Analyst 3

Key Upcoming Decisions – DOGAMI's Future

- Will DOGAMI continue as an **independent agency**?
- If DOGAMI ceases to exist, will its book of work continue in **another agency or university** or be **discontinued**?

Agency Commitment

The Director, Leadership Team, and Staff are committed to implement best financial and grant management practices and never again experience a budget shortfall. This commitment, project management controls, and increased Business Office capacity help ensure success.

DOGAMI Recovery Milestones Achieved to Date

- **Clear expectations established for project management and financial accountability**
- **Staff Layoffs/SEIU Bargaining** – July & August
- **New Chief Financial Officer hired** – June
- Developed **grant tracking and database tool** to prevent reoccurrence of overspending grants; grant dashboard; four grant applications approved – November; one grant application pending approval – February session
- Developed **project management guidance** for project managers
- MLRR Program **fee development** on track
- Financial **cleanup** for FY19; **projections/tracking** for FY20
- **Hiring** status for **Business Office** positions
 - **Grant Accountant:** Started January 2
 - **Contract Specialist:** Starts January 6
 - **Fiscal Analyst:** Starts January 6
- **Chemical Process Mine Settlement and Cost Recovery Agreement;** first ever chemical process mine application submitted to DOGAMI November 2019
- **Ongoing DOGAMI financial reporting** to DAS-CFO, LFO, and Governor's Office; **daily budget team teleconference** with DAS
- **On-boarding** for Business Office positions

DOGAMI Next Steps

- Support Governor's Office development of a **Strategic Plan** for DOGAMI's future
- **Report** to Legislature in **February session**
- If **DOGAMI** granted a second year, **develop second-year budget** and start work on **FY21-23 Biennial Budget**

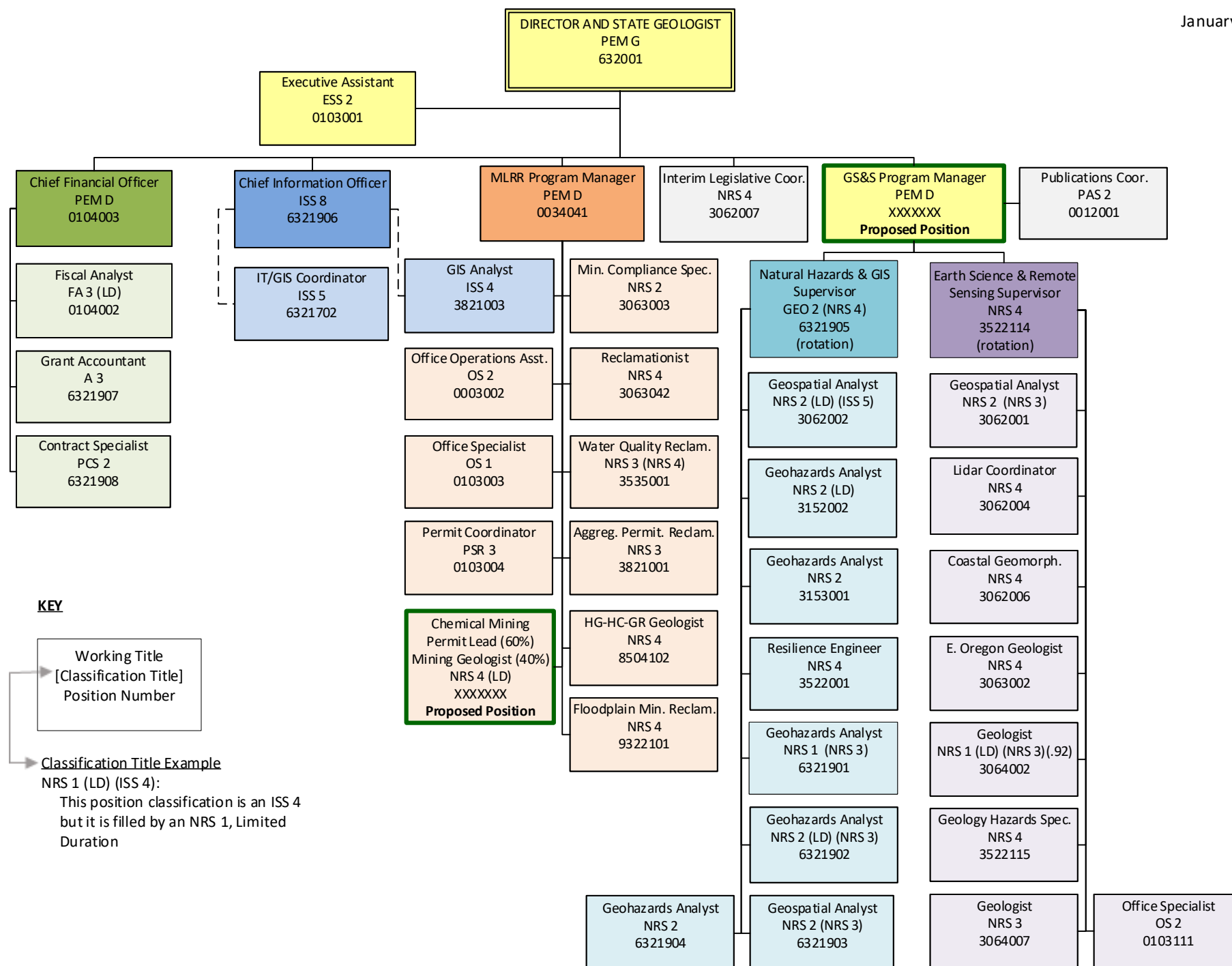
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OREGON DEPARTMENT OF GEOLOGY AND MINERAL INDUSTRIES

January 2020





MLRR Fee Schedule	Mining: Aggregate, Coal, Placer, Metal Mine Operating Permit 900 active permits		Exploration Permit 15 active permits		Oil & Gas – 100 active permits Geothermal – 30 active permits	
	Current Fees Last Updated 2015	2020 Proposed Fee Bill	Current Fees Last Updated 1991	2020 Proposed Fee Bill	Current Fees Last Updated 1991 & 2007	2020 Proposed Fee Bill
Application Fee	\$1,750	\$2,000	\$400	\$2,000	\$2,000	\$2,000
Annual Renewal Fee	\$850 (base fee)	\$1,460 (base fee)	\$300	\$1,460	\$1,500 (1 st year)	Oil & Gas: \$1,160
	\$0.0095 (\$/tons)	\$0.015 (\$/tons)			\$500 (2 nd yr. to closure)	Geothermal: \$2,725

Mining permit renewal fee schedule comparisons (Note: average annual tonnage 95,000 tons):

- **Current** renewal fee schedule: [base fee (\$850) + production fee (\$0.0095 x 95,000 tons of rock = \$902.50)] = **\$1,752.50**
- **2020 Proposed Fee Bill:** [base fee (\$1,460) + production fee (\$0.015 x 95,000 tons of rock = \$1,425)] = **\$2,885**

2020 Proposed Fee Bill includes:

- One limited duration position (NRS 4) distributed 60% Chemical Mining Permit Lead (100% cost recovery, not part of standard MLRR Program costs) and 40% Mining Geologist
- The proposed fee increase **does not support additional site inspection visits** (Key Performance Measure (KPM) #4 – Percent of Permitted Mine Sites Inspected Biennially) or an **e-permitting platform** (in contrast with SB 45 (2019))

Current Fee Challenges:

- Current fee **revenue/staffing does not** fully support delivery of **program services** including:
 - timely correction of **compliance issues**;
 - site inspections that proactively address **on-site problems**; and
 - staff support for the **Chemical Process Mining** (Grassy Mountain) permit/regulatory process
- By **Spring 2021**, fee revenue **will not** support current service levels, **requiring staff reductions**

Increased Fee Goals:

- Fulfill **regulatory responsibilities**
- Meet stakeholder **service delivery expectations**
- Achieve **Application Fee parity** across Mining, Oil & Gas, and Geothermal Programs
- Prevent **permit-related delays** and **environmental impacts**
- Build a six-month **program reserve by the 2025-27 beginning balance**; full share of **agency indirect costs**