

Department of State Lands

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	--	1,060,000	123,060,000	--	--
Other Funds	45,105,039	51,942,624	56,677,240	36,782,322	67,896,731
Other Funds (NL)	13,659,966	7,727,890	14,727,890	8,052,461	8,052,461
Federal Funds	1,745,507	2,933,955	3,473,851	2,282,521	2,925,269
Total Funds	60,510,512	63,664,469	197,938,981	47,117,304	78,874,461
Positions	115	105	105	102	116
FTE	112.63	103.38	103.38	100.50	112.82

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Department of State Lands (DSL) is the administrative arm of the State Land Board. The Board, created under the Oregon Constitution, consists of the Governor, Secretary of State, and State Treasurer. The Board is responsible for managing the assets of the Common School Fund (CSF). These assets include equity investments managed by the Oregon Investment Council and State Treasurer on behalf of the Board and over two million acres of state lands deeded at statehood in trust for education, other lands designated by statute, and escheated and forfeited property. In managing these assets, the Board adheres to the constitutional standard of “obtaining the greatest benefit for the people of the state, consistent with the conservation of... [the]...resource under sound techniques of land management.” By statute, related programs, such as removal-fill, and wetlands are assigned to DSL. The agency also manages the South Slough National Estuarine Research Reserve and provides administrative support for the Oregon Ocean Science Trust

For budget purposes, the Department is organized around four areas:

- Common School Fund – 87 positions (85.50 FTE): Consists of Land Management, Aquatic Resource Management, Business Operations and Support Services, and the Director’s Office. Although budgeted separately, the Portland Harbor Cleanup Fund is also managed under this program.
- Oregon Wetlands Revolving Fund – 0.50 FTE. Established by the 1987 Legislative Assembly to provide financial resources to acquire wetlands banking and wetlands mitigation sites; accomplish wetlands restoration, enhancement, and creation; and cover administrative costs.
- South Slough National Estuarine Research Reserve – 18 positions (17.00 FTE): A tidal inlet of the Coos estuary six miles southwest of Coos Bay. The area was designated in 1974 as the first national estuarine research reserve and consists of 1,000 acres of tidelands and open water surrounded by a 3,800-acre upland border. The total South Slough National Estuarine Research Reserve (SSNERR) acreage is part of the U.S. National Estuarine Research Reserve System established by the Coastal Zone Management Act of 1972. SSNERR

operates an interpretive center and maintains nature trails for hikers and canoeists. It also conducts a variety of research, education, and stewardship programs. Its laboratory work is co-located with the Oregon Institute of Marine Biology in Charleston, which is operated by the University of Oregon.

- Capital Improvements – no positions or FTE: Manages property as assets of the Common School Fund. Expenditures in this program include land rehabilitation and conversion; small infrastructure design and construction projects; facilities rehabilitation; general maintenance and repair; weed control; and response to environmental hazards.

CSL Summary

Beginning with the 2021-23 legislatively approved budget, adjustments are made both in the base budget and through essential budget packages to arrive at the current service level (CSL) budget for the 2023-25 biennium. The current service level contains the cumulative authorized expenditure and staffing levels for ongoing program activities and specific limited-duration activities. There are automated adjustments to the base budget that account for standard inflationary factors, changes to personal services for roll-up costs of permanent positions, elimination of limited-duration positions and associated costs, anticipated debt service, and non-limited expenditure authority. Essential package adjustments include the phase-in of ongoing programs that were not fully budgeted in the prior biennium, phase-out of one time or expiring expenditure authorizations, extraordinary inflation, technical adjustments, and revenue shortfall adjustments.

The 2023-25 current service level budget for the Department of State Lands is \$16.5 million, or 26% lower, than the legislatively adopted budget and \$150.8 million, or 76.2%, lower than the legislatively approved budget for the 2021-23 biennium. This dramatic change is due to the removal of one-time expenditure authorizations that were approved in the prior biennium, the largest of which was a \$121 million General Fund appropriation for deposit in the Common School Fund to complete the financial decoupling of the Elliott State Forest from the Common School Fund. Two other one-time General Fund appropriations totaling \$2.06 million were made to capitalize the Oregon Ocean Science Trust fund for the purpose of making wildlife and habitat conservation grants. \$16.5 million in Other Fund expenditure limitation was removed from the budget for one-time authorized expenditures that included costs of contracted management and maintenance of the Elliott State Forest, legal and project costs related to the Portland Harbor Superfund site, and work on the agency's Lands Administration System replacement project.

Standard inflation factors are applied at a rate of 4.2% for all service and supplies, capital outlay, and special payment accounts except for professional services expenditures which are allowed an 8.8% inflation rate. Agency-wide, inflation adjustments totaled \$683,460.

Governor's Budget Summary

The agency's requested budget includes a perennial request for funding dealing with the Portland Harbor Superfund site. The agency has included two policy packages (101 and 102), the first dealing with the cost of legal defense and the other for project work, primarily dealing with remedial design and environmental consulting with a combined cost of roughly \$5.4 million Other Funds.

Three policy packages requested by the agency deal with increasing operational capacity. The largest of these seeks to add six positions dealing with the removal-fill, wetlands, and undersea cable permitting programs. The other two packages seek to add a data analyst position, extend the use of an existing geographic information system specialist position, and add a seasonal park ranger position at the South Slough Estuarian Research Reserve.

The agency is seeking to move forward with the implementation of a replacement for its Land Administration System. A solution has been identified by the agency after receiving proposals on the replacement project. The requested \$4 million Other Funds limitation includes the costs of system implementation and maintenance through the end of the biennium.

Three policy packages (090, 109, and 112) seek to reestablish just under \$650,000 in Federal Funds expenditure limitation for federal grant funds received by the agency in prior biennia that have not yet been fully expended. Additionally, although the agency phased out \$200,000 Other Funds limitation in the current service level for the Submerged Lands Enhancement Fund, the agency has included a policy package to reestablish that expenditure limitation.

The Governor's budget includes the transfer and expenditure of \$18.76 million Other Funds from the monies received by the Department of Justice for the recent Monsanto settlement for the purpose of addressing abandoned and derelict vessels and unauthorized campsites along waterways in the state. DSL intends to use the funding to set up a discrete budgetary unit and operating program that includes a program manager, project manager, procurement specialist, natural resources specialist, and administrative positions. The requested funding is a one-time transfer and the positions are requested as limited-duration.

Other Significant Issues and Background

The decoupling of the Elliott State Forest and the transfer of the forest to the newly created Elliott State Research Forest Authority is intended to be completed in the upcoming biennium. Although the Land Board has taken official action to decouple the Elliott from the Common School financially, significant steps must still be completed before the transfer of the Elliott to the new agency can be completed. The most significant of these is the acceptance of the financial management plan for the forest which must be completed by June 30th, 2023.

Key Performance Measures

A copy of the Department of State Lands Annual Performance Progress Report can be found on the LFO website: https://www.oregonlegislature.gov/lfo/APPR/APPRProposed_DSL_2022-09-27.pdf