

**74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5043-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Garrard
Carrier – Senate: Sen. Nelson**

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 18 – 0 – 3

House – Yeas: D. Edwards, Galizio, Garrard, Hanna, Jenson, Morgan, Nathanson, Nolan, Shields

– Nays:

– Exc:

Senate – Yeas: Carter, Devlin, Gordly, Johnson, Morse, Nelson, Schrader, Verger, Whitsett

– Nays:

– Exc: Bates, Westlund, Winters

Prepared By: Lisa Pearson, Department of Administrative Services

Reviewed By: Susie Jordan, Legislative Fiscal Office

Meeting Date: 3/9/07

Agency

Department of State Lands

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Biennium

2007-09

Senators: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,
Schrader, Verger, Westlund, Whitsett, Winters

Senator Kurt Schrader, Co-Chair

Representatives: D. Edwards, Galizio, Garrard, Hanna, Jenson,
Morgan, Nathanson, Nolan, Shields

Representative Mary Nolan, Co-Chair

Senator Richard Devlin, Natural Resources Subcommittee Chair

Budget Summary*

	2005-07		2007-09		Percentage Committee
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	Change from Governor's Budget
General Fund	190,043	587,814	221,777	-366,037	-62.3%
Other Funds	35,740,010	19,927,421	37,979,173	+18,051,752	+90.6%
Other Funds Non-limited	1,602,450	1,101,450	1,602,450		
Federal Funds	3,617,090	3,054,205	3,941,234	+887,029	+29.0%
Total	\$ 41,149,593	\$ 24,670,890	\$ 43,744,634	\$ +19,073,744	+77.3%

Position Summary

Authorized Positions	112	114	108	-6
Full-time Equivalent (FTE) Positions	96.26	106.04	106.50	+0.46

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Common School Fund distribution will increase by \$37.9 million over the distribution amount projected in October 2006. The distribution estimate had been \$71.5 million but is now projected to be \$109.4 million because of better-than-expected earnings on the Common School Fund.

Summary of Subcommittee Action

The Department of State Lands generates revenue for the Common School Fund while managing state owned land and conserving resources. The Department 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 Common School Fund (CSF) and its assets. The Joint Subcommittee approved a total funds budget of \$43,744,634 and 106.50 full-time equivalent (FTE). This is 5.7 percent total funds higher than the 2005-07 biennium legislatively approved budget level.

Common School Fund

This program includes the Director's Office, Field Operations, Policy and Planning, and Financial 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 Common School Fund earnings for school support. The Joint Subcommittee approved a total funds budget of \$37,975,571 and 88.50 full-time equivalent positions. It approved the base and essential budget level packages without modification.

The Joint Subcommittee approved package 101: Continue Current Revenue Generation to the Common School Fund in the amount of \$793,606 Other Funds with an adjustment to Services and Supplies; this adjustment aligns these expenditures with the agency's average essential budget level per FTE. This package restores and makes permanent seven positions (5.50 full time equivalent positions). Two of the positions are restored to the Asset Management program at Salem headquarters, three are restored to the Asset Management program for Eastern Oregon, and two are restored to the Estates program at Salem headquarters. The positions support the Asset Management Plan, which is intended to increase revenue to the Common School Fund by adjusting the kinds of land held between industrial, commercial and residential uses.

Package 102: Continue Limited Duration (LD) Positions Funded by Grants was approved in the amount of \$1,057,547 total funds. This package continues seven limited duration positions (7.00 full time equivalent positions) for ongoing work on the State Programmatic General Permit (SPGP) Pilot program, the non-regulatory Wetland Restoration Program, and the Oregon Department of Transportation's (ODOT's) bridge replacement effort.

The Joint Subcommittee approved package 104: Service Delivery and Position Class Issues in the amount of \$32,091 Other Funds and an increase of 0.49 full time equivalent positions. This package reclassifies five existing positions and adds months to one of the positions. It also moves a position from management service to unrepresented. Three of the positions are in the Land Management Program, one is in the Finance and Administration program, one is in the Wetlands and Waterways program, and one is in the Estates program. The reclassifications allow for improved work flow and primarily involve positions which provide administrative assistance to professional staff.

Package 105: Unclaimed Property Transfer to Treasury was not approved because it is dependent on adoption of Senate Bill 67; if that bill progresses the fiscal impact identified in this package will be addressed through the Ways and Means process for Senate Bill 67. Senate Bill 67 would move the Unclaimed Property program to the Treasury Department. The action by the Subcommittee reverses a reduction of \$1,217,346 total funds and (5.46 full time equivalent positions).

The Joint Subcommittee approved package 107: Human Resource Support & Staff Maintenance in the amount of \$105,620 Other Funds. This package adds one permanent Human Resources Assistant position (1.00 full time equivalent position) to work on human resources issues, including inputting actions into the Personnel/Payroll database, reminding managers of performance evaluation dates, developing and posting job announcements, grading and inputting applications, creating hiring lists, maintain employee files along with other duties. The department currently has one position dedicated to human resources work. The Subcommittee modified the package reducing \$6,929 to reduce the first six months of PERS costs for the position and align associated Services and Supplies with the agency's average Essential Budget Level per FTE costs.

The Joint Subcommittee added package 109: CAFR Audit. This package adds \$100,000 Other Funds expenditure limitation to pay audit costs for the state Comprehensive Annual Financial Report. A change in the designation of the Common School Fund from a private purpose trust fund to a special revenue fund resulted in the agency participating in the CAFR.

Package 110: E-Commerce and Streamline Internal Processes was approved in the amount of \$233,321 Other Funds with a technical adjustment to remove the first six months of PERS costs and to align Services and Supplies with the agency's average Essential Budget Level expenditures per FTE. This package established one permanent Information Systems Specialist 4 position (1.00 full time equivalent position). This position will focus on E-commerce, including the possibility of applying and paying for permits through the internet, surveying all agency properties and using GIS to track those properties. It also funds the implementation of electronic filing, using the software also used by the Public Utilities Commission.

The Joint Subcommittee did not approve package 111: Expediting Wetland Delineation Reports, because it is dependent on adoption of House Bill 2106, which would establish a new fee. The fiscal impact of House Bill 2106 will be addressed by the Joint Ways and Means Committee if it progresses. The fiscal impact adds two new permanent positions to improve the timeliness of wetland delineations, which are key elements to state and local permitting for removal-fill activities.

The Joint Subcommittee also did not approve package 112: Implement WRPPITS Recommendations because it is dependent on adoption of House Bill 2251. The fiscal impact of House Bill 2251 will be addressed by the Joint Ways and Means Committee if it progresses. The fiscal is dependent on General Funds to add a position to provide procedural information and legal interpretations to permit holders. The bill relates to budget notes from the 2005 Assembly directing several agencies to work on ways of streamlining permitting processes related to water.

Package 113: Increase Fiscal Controls was approved in the amount of \$159,841 Other Funds with a technical adjustment to remove the first six months of PERS costs and to align Services and Supplies with the agency's average Essential Budget Level expenditures per FTE. This package adds a permanent Internal Auditor 3 position (1.00 full time equivalent position). The position will conduct internal audits and establish a State Lands Audit Committee. It will establish and monitor internal audits, risk assessment, management and internal controls.

The Joint Subcommittee approved, package 115 Portland Harbor and Critical Cleanup in the amount of \$544,907 Other Funds. The approved package establishes one limited duration Information Systems Specialist 4 (1.00 full time equivalent position) and associated Services and Supplies. It also adds Other Funds expenditure limitation for Attorney General costs equivalent to a 0.75 full time equivalent Assistant Attorney General position. The increase for Attorney General charges allows the department to seek legal advice on liability issues for contaminated land holdings. The Joint Subcommittee requested that the Department of Administrative Services un-schedule half (\$204,800) of the additional Attorney General budget authority until a report on need is provided to the Legislative Fiscal Office and the Department of Administrative Services Budget and Management Division. While the immediate issue is cleaning up the Portland Harbor superfund site, there are at least 18 other parcels owned by the state that probably are contaminated and will need to be cleaned up. The modification to the package stems from changes in federal estimates that postpones when the Portland clean up project will likely occur by two to four years. As a result, two positions originally in the package will not be needed during the 2007-09 biennium.

Package 117: Local and Federal Planning Efforts Response was approved but with no additional expenditure limitations. The modified package establishes a new permanent Principal Contributor 1 position (1.00 full time equivalent position) but adds no additional expenditure limitation. Instead, the amount of budget authority needed for the new position is removed from Services and Supplies to offset the increase in Personal Services costs. The package also is adjusted for the first six months of PERS costs for the new position. Previously, professional services contracts were used to evaluate land for sale. The new position will review environmental site assessments and natural, cultural and recreational resources. The asset management plan calls for realigning the Common School Fund's portfolio of land; this includes the disposal of some forest and range land, and a small amount of other land. It also calls for increasing the proportion of higher-value land such as industrial, commercial, and residential land. This position would evaluate land prior to disposal.

The Joint Subcommittee approved package 802: the Ways and Means Co-Chair 2 percent Reprioritization, which reduces Other Funds by \$339,929 in Services and Supplies.

Package 806: LFO Technical Adjustments was approved; it adds \$18 million of carryover expenditure authority for removal of the New Carissa wreck from the beach near Coos Bay. The Emergency Board approved an expenditure limitation increase at its September 2006 meeting for the removal project because the project was to occur during the 2005-07 biennium. Delays in the project will result in the removal attempt occurring during the 2007-09 biennium. The \$18 million comes from a settlement between the state and the ship's owner. The Joint Subcommittee asked that the Department of Administrative Services unschedule this carry over expenditure limitation until the agency negotiates a final contract and demonstrates a need to expend the additional funds.

Oregon Wetlands Revolving Fund

This program is a revolving fund that receives contributions and proceeds from the sale of mitigation bank credits. The fund provides resources to the State Land Board for acquisitions of other wetland mitigation sites. The Subcommittee approved a budget of \$708,997 Other Funds and one position. It approved the base and essential budget level packages without modification.

The Joint Subcommittee approved package 116: Payment to Provide Specialist in the amount of \$141,947 Other Funds with a technical adjustment to remove the first six months of PERS costs and to align Services and Supplies with the agency's average Essential Budget Level expenditures per FTE. This package establishes one limited duration Natural Resource Specialist 3 position (1.0 full time equivalent position) and expenditure limitation to manage the Oregon Wetlands Mitigation bank. The new position will develop and improve mitigation fund performance measures, recruit acceptable wetland restoration proposals, review and select acceptable projects, provide technical assistance, finalize legal agreements, monitor projects, and account for fund expenditures by watershed and wetland gained.

Natural Heritage Program

The Oregon 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 program includes the Natural Heritage Advisory Council (NHAC), which receives administrative support from the Department of State Lands. The State Land Board receives advice from NHAC on registering and dedicating natural heritage sites. A

database of natural heritage resources is operated by Oregon State University. The Joint Subcommittee approved a total funds budget of \$157,000 and no full-time equivalent positions. It approved the base and essential budget level packages without modification.

The Joint Subcommittee approved package 802: the Ways and Means Co-Chair 2 percent Reprioritization was approved; this reduces General Fund in Services and Supplies by \$4,526.

Package 806: LFO Technical Adjustments was approved; this package adds \$57,000 Federal Funds carry-over expenditure limitation for federal grants that won't be complete in the 2005-07 biennium. The projects include restoration of habitat and surveying habitat status for various species, including the Fender's Blue butterfly, the Insular Blue butterfly and the Seaside Hoary Elfin.

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 Common School Fund asset and its operation expenses are paid by Common School Fund revenues and federal grant funds. The Joint Subcommittee approved a total funds budget of \$4,266,937 and 17.00 full-time equivalent positions. It approved the base and essential budget level packages without modification.

The Joint Subcommittee approved package 103: South Slough Research and Stewardship in the amount of \$1,070,730 total funds. This package continues eight grant-funded positions (8.00 full time equivalent positions) for the SSNERR and reclassifies a permanent position. These positions existed in the 2005-07 biennium. Except for the reclassified position, all are limited duration positions and work on projects and ongoing federal grants. The positions coordinate the coastal training program, public involvement, and restoration monitoring. They also monitor the estuarine system.

Package 114: SSNERR Contract/Financial Assistant was approved in the amount of \$107,347 total funds with a technical adjustment to remove the first six months of PERS costs and to align Services and Supplies with the agency's average Essential Budget Level expenditures per FTE. This package adds one permanent Procurement and Contract Assistant (1.00 full time equivalent position) to conduct contract monitoring, reconcile fund balances, and maintain financial records. Staffing levels for this work has not kept pace with the number and increased complexity of projects.

The Joint Subcommittee approved package 806: LFO Technical Adjustments, which adds \$125,000 Other Funds and \$830,500 Federal Funds expenditure limitation to carry over expenditure limitation for existing grants. This includes funding for reimbursement of a small project to locate the source of contamination in Sunset Bay that involves other state agencies as well.

The Joint Subcommittee added package 807: South Slough Acquisitions, which provides \$250,000 Other Funds expenditure limitation to expend funds from the Gustafson Trust Account in purchasing land or easements adjacent to and within the boundaries of the reserve from willing sellers. The Gustafson Trust Account consists of monies willed to South Slough from the Gustafson estate, plus accrued interest, for the purpose of acquiring additional lands. The fund currently has a balance of almost \$2.5 million.

During the work session for House Bill 5043, the Legislative Fiscal Office noted that the department has several outstanding grant applications under review by federal agencies. If these grants are approved, the department will need an increase of Federal Funds expenditure limitation and Other Funds expenditure limitation (for federal matching requirements). To address uncertainty about the timing of grant approvals and if future Emergency Board meetings are delayed until early in 2008, the Subcommittee acknowledged the Legislative Fiscal Office's recommendation to include expenditure limitation increases for these grants in the end-of-session bill. The recommendation for the end of session bill would be \$75,000 Other Funds and \$964,000 Federal funds, and the Department of Administrative Services would be asked to unschedule the expenditure limitation until the federal grant requests are approved.

Capital Improvements

This program provides resources to manage and maintain landholdings and leases following an asset management plan. Funds for the Capital Improvement program come from the Common School Fund principal. The House Subcommittee approved a budget of \$636,129 Other Funds and no full-time equivalent positions.

The Joint Subcommittee approved package 108: the Protect Common School Fund Assets in the amount of \$337,000 Other Funds. This package provides funding for capital improvements intended to maintain Common School Fund property value. Proposed expenditures would maintain rangeland (including the removal of noxious weeds, monitor compliance with rangeland agreements, suppress fire, and manage forestland) that is not managed by the Forestry Department.

Summary of Performance Measure Action

See attached Legislatively Adopted 2007-09 Key Performance Measures form.