

**76<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: HB 5042-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Cowan  
Carrier – Senate: Sen. Thomsen**

---

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

**Vote:** 16 – 9 – 0

House – Yeas: Beyer, Buckley, Cowan, Komp, Kotek, Nathanson, Nolan, Richardson, Whisnant  
– Nays: Freeman, Garrard, McLane, G. Smith, Thatcher  
– Exc:

Senate – Yeas: Bates, Devlin, Edwards, Monroe, Nelson, Thomsen, Verger  
– Nays: Girod, Johnson, Whitsett, Winters  
– Exc:

**Prepared By:** Lisa Pearson, Department of Administrative Services

**Reviewed By:** Susie Jordan, Legislative Fiscal Office

**Meeting Date:** May 13, 2011

---

**Agency**

Department of State Lands

**Budget Page**

F-21

**LFO Analysis Page**

153

**Biennium**

2011-13

## **Budget Summary\***

	2009-11		2011-13		Committee Change from	
	Legislatively Approved Budget (1)	Current Service Level	Governor's Budget	2011-13 Committee Recommendation	2009-11 Leg Approved	
					\$ change	% change
General Fund	\$ 2,441,534	\$ 0	\$ 0	\$ 0	-2,441,534	-100.0%
Other Funds	25,623,989	25,034,053	23,901,233	26,262,264	+638,275	+2.5%
Other Funds Nonlimited	9,812,450	10,054,249	10,054,249	10,054,249	+241,799	+2.5%
Other Funds Capital Improvement	307,505	314,885	307,505	287,517	-19,988	-6.5%
Federal Funds	6,101,737	3,065,077	2,895,671	5,802,964	-298,773	-4.9%
Total	\$ 44,287,215	\$ 38,468,264	\$ 37,158,658	\$ 42,406,994	(1,880,221)	-4.2%

## **Position Summary**

Authorized Positions	111	107	110	108	-3
Full-time Equivalent (FTE) Positions	108.46	106.00	106.76	106.42	-2.04

(1) Includes adjustments through March 2011.

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

The approved budget includes an increase of \$23 million in distributable Common School Fund revenues, based on December 31, 2010 Fund market values and a decision to use the maximum distribution percentage of 5 percent as was the case in the 2009-11 biennium.

## **Summary of Natural Resources 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 Subcommittee approved a total funds budget of \$42,406,994 and 106.42 full-time equivalents (FTE). The subcommittee approved packages to eliminate inflation, reduce projected personal services costs and reduce Services and Supplies, allow payments for projects begun in the 2009-11 biennium, pay for legal costs, and allow for spending successful federal grant applications.

### **Common School Fund**

This 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 Common School Fund Fair Market Value for school support. The Subcommittee approved a total funds budget of \$30,758,966 and 89.42 full-time equivalent positions.

The Subcommittee approved package 086 and package 087, which eliminate inflation and decrease projected personal services costs by 5.5 percent.

The Subcommittee increased policy package 103: Portland Harbor Cost Allocation Process by \$500,000, resulting in a total package of \$700,000. The Portland Harbor Superfund Site may result in litigation over allocating the costs of cleaning up the area, and the Department of Justice advised the department that it would be prudent to develop information from expert witnesses. Based on this advice, the department entered into an expert witness contract during the 2009-11 biennium. The Department of Justice also advised there could be related legal costs in the 2011-13 biennium, and the department requested General Fund to cover the majority of the estimated cost. Because of statewide General Fund revenue insufficiency, Other Funds from the Common School Fund statutory revenues will help cover the costs. It may be necessary to revisit covering some of the legal costs of Portland Harbor with General Fund in a meeting of the Emergency Board or during the 2012 Legislative Session.

The Subcommittee approved Package 801: Targeted Statewide Adjustments, which reduces non-fixed Services and Supplies expenditures by 6.5 percent. This results in a \$393,234 Other Funds reduction. This package is a standard statewide package. Reducing costs funded with the Common School Fund leaves more for future school distributions.

Package 810: LFO Adjustments was approved; it adds \$91,858 Federal Funds expenditure limitation to make a final payment to the contractor who worked on south coast gravel studies. The funding came from the Corps of Engineers under the American Recovery and Reinvestment Act.

#### 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 budget of \$1,791,136 Other Funds and one full-time equivalent position.

The Subcommittee approved package 086 and package 087, which eliminate inflation and decrease projected personal services costs by 5.5 percent.

#### 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 Subcommittee approved a total funds budget of \$603,583 and no full-time equivalent positions.

The Subcommittee approved package 086, which eliminates inflation.

Package 104: Transfer Natural Heritage Program to OPRD was not approved as part of House Bill 5042; it will be addressed through Ways and Means Committee work on Senate Bill 58, which is the policy bill that moves most of the program to the Oregon Parks and Recreation Department.

Package 810: LFO Adjustments was approved; it adds \$402,302 Other Funds expenditure limitation to make payments on federal grants that will carryover from the 2009-11 biennium. The grants support habitat conservation planning, easements, and research into invertebrate species such as the Fender's Blue Butterfly, Kincaid Lupine, and Oregon Silverspot Butterfly. The funding came from the US Fish and Wildlife Service through section 6 of the Endangered Species Act.

#### 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 operating expenses are paid by Common School Fund revenues and federal grant funds. The Subcommittee approved a total funds budget of \$8,965,792 and 16.00 full-time equivalent positions. It approved the base and essential budget level packages without modification.

The Subcommittee approved package 086 and package 087, which eliminate inflation and decrease projected personal services costs by 5.5 percent.

Package 102: South Slough National Estuarine Research Reserve Seasonals and Office Manager reclassification was not approved because of economic conditions. This package would have moved funding from Services and Supplies to Personal Services to reclassify an office manager position and provide two seasonal positions. The Subcommittee expects the Reserve to hire seasonal positions on contract and keep the office manager's duties at their currently classified levels.

The Subcommittee approved Package 801: Targeted Statewide Adjustments, which reduces non-fixed Services and Supplies expenditures by 6.5 percent. This results in a \$22,563 Other Funds reduction. This package is a standard statewide package. Reducing costs funded with the Common School Fund leaves more for future school distributions.

Package 810: LFO Adjustments was approved; it adds \$2,256,000 Other Funds expenditure limitation and \$2,283,000 Federal Funds expenditure limitation to acquire forested properties from willing owners. On January 14, 2010, the Interim Joint Committee on Ways and Means approved applying for the federal grants to make the acquisitions possible. The agency has been advised of grant approval and expects to receive written notification shortly. The grants are matched with donated funds from the Gustafson Trust Fund. Associated workload will be absorbed within existing resources. The Subcommittee requests the Department of Administrative Services to unschedule the expenditure limitation in this package until the funds are received.

### 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 Subcommittee approved a budget of \$287,517 Other Funds and no full-time equivalent positions.

The Subcommittee approved package 086, which eliminates inflation.

Package 801: Targeted Statewide Adjustments was approved. It reduces non-fixed Services and Supplies expenditures by 6.5 percent. This results in a \$19,988 Other Funds reduction. This package is a standard statewide package. Reducing costs funded with the Common School Fund leaves more for future school distributions.

### Summary of Performance Measure Action

See attached Legislatively Adopted 2011-13 Key Performance Measures form.

**DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION**

**HB 5042-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			
2009-11 Legislatively Approved Budget at March 2011 *	\$2,441,534	\$0	\$25,931,494	\$9,812,450	\$6,101,737	\$0	\$44,287,215	111	108.46
2011-13 ORBITS printed Current Service Level (CSL)*	\$0	\$0	\$25,348,938	\$10,054,249	\$3,065,077	\$0	\$38,468,264	107	106.00
2011-13 Governor's Recommended Budget *	\$0	\$0	\$24,208,738	\$10,054,249	\$2,895,671	\$0	\$37,158,658	110	106.76
<u>SUBCOMMITTEE ADJUSTMENTS (from GRB)</u>									
<u>Common School Fund - 010</u>									
Package 087: Personal Services Adjustments (Technical Adjustment)									
Personal Services	0	0	(850,550)	0	0	0	(850,550)	0	0.00
Services and Supplies	0	0	850,550	0	0	0	850,550		
Package 103: Portland Harbor Cost Allocation Process									
Services and Supplies	0	0	500,000	0	0	0	500,000	0	0.00
Package 801: Targeted Statewide Adjustments									
Services and Supplies: 6.5% reduction	0	0	(393,234)	0	0	0	(393,234)	0	0.00
Package 810: LFO Analyst Adjustments									
Services and Supplies: Final Gravel Studies Payment	0	0	0	0	91,858	0	91,858	0	0.00
<u>Oregon Wetlands Revolving Fund - 013</u>									
None									
<u>Natural Heritage Program - 020</u>									
Package 104: Transfer Natural Heritage Program to OPRD									
Services and Supplies	0	0	20,828	0	100,358	0	121,186		
Special Payments account 6030	0	0	0	0	29,775	0	29,775		
Package 810: LFO Analyst Adjustments									
Services and Supplies: Professional Services	0	0	0	0	47,482	0	47,482		
Special Payments account 6020 Benton County	0	0	0	0	236,820	0	236,820		
Special Payments account 6060 Yamhill SWCD	0	0	0	0	118,000	0	118,000		
<u>South Slough National Estuarine Research Reserve - 030</u>									

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Package 102: SSNERR Seasonals & Office Manager Re-class									
Personal Services	0	0	(44,484)	0	0	0	(44,484)	(2)	(0.34)
Services and Supplies	0	0	44,484	0	0	0	44,484		
Package 801: Targeted Statewide Adjustments									
Services and Supplies: 6.5% reduction	0	0	(22,563)	0	0	0	(22,563)	0	0.00
Package 810: LFO Analyst Adjustments									
Capital Outlay	0	0	2,256,000	0	2,283,000	0	4,539,000		
<u>Capital Improvements - 088</u>									
Package 801: Targeted Statewide Adjustments									
Services and Supplies: 6.5% reduction	0	0	(19,988)	0	0	0	(19,988)	0	0.00
TOTAL ADJUSTMENTS	\$0	\$0	\$2,341,043	\$0	\$2,907,293	\$0	\$5,248,336	(2)	(0.34)
SUBCOMMITTEE RECOMMENDATION *	\$0	\$0	\$26,549,781	\$10,054,249	\$5,802,964	\$0	\$42,406,994	108	106.42
% Change from 2009-11 Leg Approved Budget	-100.00%	0.00%	2.38%	2.46%	-4.90%	0.00%	-4.25%	-2.70%	-1.88%
% Change from 2011-13 Current Service Level	0.00%	0.00%	4.74%	0.00%	89.33%	0.00%	10.24%	0.93%	0.40%
% Change from 2011-13 Governor's Recommended Budget	0.00%	0.00%	9.67%	0.00%	100.40%	0.00%	14.12%	-1.82%	-0.32%

\* Excludes Capital Construction Expenditures

## Legislatively Proposed 2011-2013 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 2012	Target 2013
19 - 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.		Proposed New KPM		50.00	50.00
20 - Agency Response Time to Wetland Delineation Reports - Average number of days for the agency initial review and response to a complete wetland delineation report.		Proposed New KPM		60.00	60.00
21 - Agency Response Time for Wetland Land Use Notices - Average number of days for an agency response to wetland land use notices.		Proposed New KPM		22.00	22.00
22 - Increase in deposits to the Common School Fund - Percent annual amount of cash generated by agency activities deposited to the Common School Fund.		Proposed New KPM		0.00	1.50
23 - Increase in revenues from Land Management activities - Percent increase in revenues generated by all Land Management activities, exclusive of timber harvest receipts.		Proposed New KPM		3.00	3.00
24 - 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.		Proposed New KPM		50.00	50.00
24 - Number of Days for a Permit Decision - Average number of days for an agency permit decision after receipt of a complete application.		Proposed New KPM		60.00	60.00
26 - South Slough National Estuarine Research Reserve Education Actions - Percentage of SSNERR <u>education</u> programs that use a structured assessment process ( <u>surveys</u> ) to provide information and decision support services responsive to audience needs.		Proposed New KPM		37.50	37.50
1 - Increase in revenues to the Common School Fund - Percent annual increase in revenues from all agency activities.		Proposed Delete KPM	15.10	18.25	18.80



**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 2012	Target 2013
3 - Net Operating Income - Change in net operating income for all Common School Fund land assets.		Proposed Delete KPM	6.20	20.00	20.00
4 - Total annual revenue from real estate assets – Change in total annual revenue obtained from management of Common School Fund real estate assets.		Proposed Delete KPM	13.13	32.00	32.00
5 - Net Revenue from Escheated Estates - Increase in net revenue from escheated estates.		Proposed Delete KPM	1.73	4.24	4.46
6 - Administrative and Operational Costs - Percent of program revenue streams used to cover administrative and operational costs of programs for (a) Forested Lands, and (b) all other activities of the agency.		Proposed Delete KPM	52.60	36.00	36.00
7 - Completed Resource Inventories - Percent of DSL lands and waterways with completed resource inventories.		Proposed Delete KPM	48.50	45.00	47.00
10 - Annual Resolution of Removal-Fill Violations – Percent of removal-fill violations coming in during fiscal year that are resolved within one year.		Proposed Delete KPM	48.00	50.00	50.00
11 a - Permit Compliance - Rate of compliance with removal-fill permit conditions. (Wetland)		Proposed Delete KPM	64.00	85.00	85.00
11 b - Permit Compliance - Rate of compliance with removal-fill permit conditions. (Non-Wetland)		Proposed Delete KPM	74.00	85.00	85.00
12 - Permit Decisions Made within statutory Time Period - Percent of permit decisions made within 120 days after receipt of an application.		Proposed Delete KPM	62.00	60.00	60.00
16 - South Slough National Estuarine Research Reserve Recommended Actions - Percent of education activities and research projects used to educate students, coastal decision-makers or the general public in a way that helps to resolve problems.		Proposed Delete KPM	0.00	14.00	14.00
2 - Increase unclaimed property holder reporting. - Percent annual increase in amount of unclaimed property reported and remitted annually.		Approved KPM	52.42	58.00	60.00
8 - Completed Management Plans or Policies - Percent of DSL lands and waterways with completed area management plans or policies.		Approved KPM	87.00	90.00	90.00

**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 2012	Target 2013
9 - No Net Loss of Wetlands - [Percent] <u>Change</u> in wetland acreage due to permit actions.		Approved KPM	-158.00	0.00	0.00
13 - 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
14 - Economic Revitalization Team Customer Service - Percent of local participants who rank the Department involvement in Economic Revitalization Team process as good to excellent.		Approved KPM	82.00	85.00	85.00
15 - 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.		Approved KPM	93.00	93.00	93.00
15 - 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	93.00	93.00	93.00
15 - 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	93.00	93.00	93.00
15 - 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	93.00	93.00	93.00
15 - 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	93.00	93.00	93.00
15 - 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	93.00	93.00	93.00

**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.

<b>Legislatively Proposed KPMs</b>	<b>Customer Service Category</b>	<b>Agency Request</b>	<b>Most Current Result</b>	<b>Target 2012</b>	<b>Target 2013</b>
15 - 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	93.00	93.00	93.00
17 - 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	7.50	10.00	10.00
18 - Best Practices - Percent of total best practices met by the Board.		Approved KPM	93.00	93.00	93.00

**LFO Recommendation:**

LFO recommends approval of the Department’s request to continue existing KPM Numbers 2, 8, 13,14,15, 17 and 18 and related targets into the 2011-13 biennium. In existing KPM #9 LFO recommends the measure be re-worded to reflect the actual measurement of acreage by deleting the word 'Percent.' LFO also recommends approval of the proposed new KPM # 19,20,21,22,23,24, 25, and 26. In KPM 26, LFO recommends the word "education" be added to clarify the SSNERR Programs and that the word (surveys) be added to clarify what the structure assessment process is. For the proposed deletion of measures, LFO recommends approving the deletion of all but number 6. LFO recommends number 6 be retained but split into two components (a) for Forested Lands and(b) for all other activities of the agency.The Department is generally meeting performance targets. Areas where the Department’s performance is below target is related to the customer service measure (KPM #15); but is making improvements.

**Sub-Committee Action:**

Approved the LFO Recommendation