

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: SB 5540-A

Carrier – House: Rep. Unger

Carrier – Senate: Sen. Edwards

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

Vote: 23 – 1 – 2

House

Yeas: Barker, Buckley, Frederick, Freeman, Hanna, Huffman, Jenson, Komp, McLane, Nathanson, Read, Richardson, Tomei, Williamson

Nays:

Exc: Smith

Senate

Yeas: Devlin, Edwards, Hansell, Monroe, Rosenbaum, Steiner Hayward, Thomsen, Whitsett, Winters

Nays: Girod

Exc: Bates

Prepared By: Lisa Pearson, Department of Administrative Services

Reviewed By: Linda Gilbert, Legislative Fiscal Office

Meeting Date: May 24, 2013

Agency

Department of State Lands

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$\$ Change	% Change
General Fund	\$ 681,266	\$ 0	\$ 0	\$ (681,266)	-100.0%
Other Funds	\$ 27,264,355	\$ 25,459,907	\$ 29,074,625	\$ 1,810,270	6.6%
Other Funds Capital Improvement	\$ 639,517	\$ 294,417	\$ 594,417	\$ (45,100)	-7.1%
Other Funds Nonlimited	\$ 29,054,249	\$ 10,054,249	\$ 10,234,249	\$ (18,820,000)	-64.8%
Federal Funds	\$ 6,099,914	\$ 2,777,493	\$ 1,696,671	\$ (4,403,243)	-72.2%
Total	\$ 63,739,301	\$ 38,586,066	\$ 41,599,962	\$ (22,139,339)	-34.7%

Position Summary

Authorized Positions	108	105	107	-1	-0.9%
Full-time Equivalent (FTE) positions	106.42	104.00	106.00	-0.42	-0.4%

⁽¹⁾ Includes adjustments through December 2012

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Department of State Lands relies primarily upon Other Fund revenues to support its budget. The department obtains Other Fund 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 off of the Common School Fund. The department also receives federal funds through grants and support for its South Slough National Estuarine Research Reserve.

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 \$41,599,962 and 106.00 full-time equivalent (FTE). The total funds budget is a 34.7 percent total funds

decrease from the 2011-13 Legislatively Approved Budget through December 2012, and a 7.8 percent increase from the 2013-15 current service level. The approved budget continues service levels at 2011-13 biennium levels.

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 \$35,273,956 and 89.00 full-time equivalent positions.

The Subcommittee recommended package 091: Statewide Administrative Savings. This package is a placeholder for administrative efficiencies in finance, information technology, human resources, accounting, payroll, and procurement expenditures. The Department of Administrative Services will continue to work on details of these reductions with agencies and report back during the 2014 session.

Package 092: PERS Taxation Policy was approved; this package reflects the policy change in Senate Bill 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving the payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.

The Subcommittee recommended package 093: Other PERS Adjustments. This package reflects the policy change in Senate Bill 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent. An administrative action by the PERS Board, as directed by a budget note in the Senate Bill 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

Package 101: Portland Harbor Clean Up was approved; it provides \$3,514,770 Other Funds expenditure limitation and one limited duration position (1.00 FTE) to continue work in case the state needs to defend itself in a Portland Harbor Superfund Site lawsuit. The position is a Natural Resource Specialist 4; it will conduct detail work otherwise performed by the Department of Justice (DOJ). The position will allow the agency to reduce its DOJ expenditures to around \$60,000 per month. The package also provides resources for contracted forensic analysis. Funding for the package comes from anticipated insurance reimbursements, but the timing and actual reimbursement amounts are uncertain. Therefore, the department should report on the status of the work and the fiscal situation during the 2014 legislative session. If adjustments are needed, they can be made at that time.

The Subcommittee recommended Package 104: Property Tax Expense. This package provides \$299,000 Other Funds expenditure limitation for four purposes: (1) to pay property taxes on the former Eugene Motor Pool site that was acquired in the 2009-11 biennium, (2) to pay property taxes on a commercial building acquired as an asset of the Common School Fund in the fall of 2012, (3) to pay property management fees and (4) to properly account for tenant incurred and paid costs such as utilities. Because item (4) is *not* in the control of the agency, the recommended package uses Non-Limited Other Funds. This fund type is used when costs are outside the control of the agency.

Package 810: LFO Adjustments was approved; it adds \$95,166 Federal Funds expenditure limitation to carryover unspent US Environmental Protection Agency grant funds for streamlining and upgrading Oregon's Rapid Wetland Assessment Protocol.

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 \$1,845,481 and 1.00 FTE.

Package 092: PERS Taxation Policy was approved; this package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving the payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.

The Subcommittee recommended package 093: Other PERS Adjustments. This package reflects the policy change in Senate Bill 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent. An administrative action by the PERS Board, as directed by a budget note in the Senate Bill 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

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 the Oregon Parks and Recreation Department agreed that DSL would continue to manage a few grants that were not complete by the transfer date. One of these grants remains outstanding, so the subcommittee approved a total funds budget of \$57,800 and no FTE.

Package 810: LFO Adjustments was approved; it adds \$57,800 Federal Funds expenditure limitation to carryover grant funds that are passed-through to the Yamhill Soil and Water Conservation District. The project is expected to be completed in December 2013.

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 \$3,828,308 and 16.00 FTE.

Package 092: PERS Taxation Policy was approved; this package reflects the policy change in Senate Bill 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving the payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.

The Subcommittee recommended package 093: Other PERS Adjustments. This package reflects the policy change in Senate Bill 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent. An administrative action by the PERS Board, as directed by a budget note in the Senate Bill 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

Package 105: South Slough National Estuarine Research Reserve Program Efficiencies was approved; it reclassifies a Principle Executive Manager A to a manager B, a Natural Resource Specialist 2 to a Natural Resource Specialist 3, and a Natural Resource Specialist 3 to a Natural Resource Specialist 4. The package is self-financed by moving expenditure limitation from services and supplies to personal services so there is no overall impact on budget. The Department of Administrative Services Chief Human Resources Office reviewed the proposed reclassifications and concluded they were correct.

The Subcommittee approved Package 106: South Slough National Estuarine Research Reserve Stewardship; this package adds \$152,856 Other Funds expenditure limitation and 1.00 FTE to implement the Reserve's forest management plan, climate change plan and watershed management plan. The Department of Administrative Services Chief Human Resources Office agrees with the classification of the requested Natural Resource Specialist 3 position.

Package 810: LFO Adjustments was approved; it reduces total funds by \$806,936 and no FTE. The package addresses two issues: carryover of Other Funds expenditure limitation for a habitat and monitoring restoration project and reducing Federal Funds expenditure limitation because of reduced federal revenue availability.

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 \$594,417 Other Funds and no full-time equivalent positions.

Package 103: Headquarters HVAC Upgrade was approved; it provides \$300,000 Other Funds expenditure limitation for digital HVAC controls at the Salem Headquarters building, which is an asset of the Common School Fund so its value must be maintained.

Summary of Performance Measure Action

See attached Legislatively Adopted 2013-15 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 5540-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			
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 681,266	\$ 0	\$ 27,903,872	\$ 29,054,249	\$ 6,099,914	\$ 0	\$ 63,739,301	108	106.42
2013-15 ORBITS printed Current Service Level (CSL)*	\$ 0	\$ 0	\$ 25,754,324	\$ 10,054,249	\$ 2,777,493	\$ 0	\$ 38,586,066	105	104.00
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
010 - Common School Fund									
Package 091: Stewate Administrative Savings									
Personal Services	\$ 0	\$ 0	\$ (97,253)	\$ 0	\$ 0	\$ 0	\$ (97,253)	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ (93,339)	\$ 0	\$ 0	\$ 0	\$ (93,339)		
Capital Outlay	\$ 0	\$ 0	\$ (3,720)	\$ 0	\$ 0	\$ 0	\$ (3,720)		
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (37,937)	\$ 0	\$ 0	\$ 0	\$ (37,937)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (303,130)	\$ 0	\$ 0	\$ 0	\$ (303,130)	0	0.00
Package 101: Portland Harbor Clean Up									
Personal Services	\$ 0	\$ 0	\$ 171,374	\$ 0	\$ 0	\$ 0	\$ 171,374	1	1.00
Services and Supplies	\$ 0	\$ 0	\$ 3,343,396	\$ 0	\$ 0	\$ 0	\$ 3,343,396		
Package 104: Property Tax Expense									
Services and Supplies	\$ 0	\$ 0	\$ 119,000	\$ 180,000	\$ 0	\$ 0	\$ 299,000	0	0.00
Package 810: LFO Analyst Adjustments									
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,000	\$ 0	\$ 60,000	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,166	\$ 0	\$ 35,166		
013 - Oregon Wetlands Revolving Fund									
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (424)	\$ 0	\$ 0	\$ 0	\$ (424)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (3,390)	\$ 0	\$ 0	\$ 0	\$ (3,390)	0	0.00
020 - NHAC									
Package 810: LFO Analyst Adjustments									
Special Payments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 57,800	\$ 0	\$ 57,800	0	0.00

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
030 - South Slough National Estuarine Research Reserve									
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (3,621)	\$ 0	\$ (3,006)	\$ 0	\$ (6,627)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (28,920)	\$ 0	\$ (24,020)	\$ 0	\$ (52,940)	0	0.00
Package 105: SSNERR Program Efficiencies									
Personal Services	\$ 0	\$ 0	\$ 13,473	\$ 0	\$ 5,596	\$ 0	\$ 19,069	0	0.00
Services and Supplies			\$ (13,473)		\$ (5,596)		\$ (19,069)		
Package 106: SSNERR Watershed Stewardship									
Personal Services	\$ 0	\$ 0	\$ 152,856	\$ 0	\$ 0	\$ 0	\$ 152,856	1	1.00
Package 810: LFO Analyst Adjustments									
Personal Services	\$ 0	\$ 0	\$ 233,390	\$ 0	\$ 0	\$ 0	\$ 233,390	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ 166,436	\$ 0	\$ (830,000)	\$ 0	\$ (663,564)		
Capital Outlay	\$ 0	\$ 0	\$ -	\$ 0	\$ (376,762)	\$ 0	\$ (376,762)		
088 - Capital Improvements									
Package 103: Headquarters HVAC Upgrade									
Capital Outlay			\$ 300,000				\$ 300,000		
TOTAL ADJUSTMENTS	\$ 0	\$ 0	\$ 3,914,718	\$ 180,000	\$ (1,080,822)	\$ 0	\$ 3,013,896	2	2.00
SUBCOMMITTEE RECOMMENDATION *	\$ 0	\$ 0	\$ 29,669,042	\$ 10,234,249	\$ 1,696,671	\$ 0	\$ 41,599,962	107	106.00
% Change from 2011-13 Leg Approved Budget	-100.0%	0.0%	6.3%	-64.8%	-72.2%	0.0%	-34.7%	-0.9%	-0.4%
% Change from 2013-15 Current Service Level	0.0%	0.0%	15.2%	1.8%	-38.9%	0.0%	7.8%	1.9%	1.9%

Legislatively Approved 2013-2015 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 2014	Target 2015
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	-15.10	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	45.20	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	56.40	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	4.38	5.20	5.30
4 - Complete Management Plans or Policies – Percent of DSL lands and waterways with completed area management plans or policies.		Approved KPM	87.00	92.00	95.00
5 - No Net Loss of Wetlands - Change in wetland acreage due to permit actions.		Approved KPM	101.00	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	56.80	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	56.00	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	73.00	50.00	50.00

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 2014	Target 2015
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	67.00	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	17.60	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	48.30	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	83.00	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	79.00	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.	Expertise	Approved KPM	85.00	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	84.00	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	84.00	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.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2014	Target 2015
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	79.00	93.00	93.00
14 - Regional Solutions Customer Service - Percent of local participants who rank the Department's involvement in the Regional Solutions process as good to excellent.		Approved KPM	57.00	85.00	85.00
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	13.00	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	50.00	50.00	50.00
17 - Best Practices - Percent of total best practices met by the Land Board.		Approved KPM	93.00	100.00	100.00

LFO Recommendation:

Approve the KPM's and targets as submitted by the department with the following modifications:

KPM #2a&b – Administrative and Operational Costs - A lower target is desirable; DSL has only met the target once in seven years. Shares of these costs are fixed and a lower target is largely dependent on the amount of revenue generated. Recommend revisiting the methodology during the interim to establish more meaningful metrics.

KPM #4 – Complete Management Plans or Policies - Agency expects to achieve the 90% completion target in 2013 leaving 10% remaining be completed. Recommend increasing the target to 92% in 2014 and 95% in 2015 and once 100% of the plans have been completed then the KPM will need to be modified to reflect updating the plans on some continuum.

KPM #14 – Regional Solutions Customer Service – The governor removed the agency from the Regional Solutions Team several years ago . Currently the agency is used by RST on an ad hoc basis. Customers, surveyed by the Governor’s office, only randomly see the agency’s work. The LFO recommends eliminating this KPM.

KPM #16 – South Slough Reserve Education Plans - Target was initially 90% then lowered to 37.5%. Actual experience of one biennium was 50%; Target should be increased to the actual experience and then increased appropriately over time.

KPM #17 – Best Practices of the Land Board – Target should be established at 100%

Sub-Committee Action:

The Sub-committee members discussed the importance of retaining KPMs 2a and 2b: Administrative and Operational costs. While this measurement applies to elements not in the agency's control, such as forest harvest demand, yield and pricing, litigation, etc, retaining the measure continues the discussion. The Sub-committee approved the LFO recommendation.