

Department of State Lands

	2011-13 Actuals	2013-15 Leg. Approved*	2015-17 CSL LFO	2015-17 Governor's
General Fund	681,266	-	-	-
Other Funds	24,318,252	32,188,584	27,261,518	32,674,769
Other Funds Non-Limited	27,703,187	10,234,249	10,234,249	10,234,249
Federal Funds	4,417,118	2,881,911	1,634,429	1,634,429
Total Funds	57,119,823	45,304,744	39,130,196	44,543,447
Positions	107	107	105	107
FTE	105.42	106.00	104.00	105.92

* includes Emergency Board and administrative actions through December 2014

Program Description

The Department of State Lands, directed by the Governor, Treasurer, and Secretary of State, oversees state lands granted under the Oregon Admission Act for the purpose of funding public education through the Common School Fund. The Department also administers the state's unclaimed property program and estates of people who die without a will and known heirs; protects state wetlands and waterways; and is the state partner for the South Slough National Estuarine Research Reserve (SSNERR).

CSL Summary and Issues

- Current Service Level for this unit is a 13.6% reduction from 2013-15 LAB.
- CSL phases out \$6 million Other Funds expenditure limitation for Portland Harbor Superfund site legal costs, an EPA grant for streamlining Oregon's Rapid Wetland Assessment protocol, conversion of land to agricultural use, a business process mapping project, and an HVAC upgrade at the State Lands Building.
- Also phased out is one-time Federal Funds grant expenditure limitation for the South Slough National Estuarine Research Reserve.

- Other Funds Non-limited is included primarily for payment of Treasury and investment charges (management of the CSF accounts). It is also used for payment to third party auditors for conducting unclaimed property audits of national companies, like MetLife, Wal-Mart, Exxon, etc.

Policy Issues

- The Elliott State Forest is one of the few large-scale land holdings in the Common School Fund (CSF). Endangered Species Act litigation has affected timber harvest; it has diminished to the point that contractual expenditures for forest management by the Oregon Department of Forestry exceed the revenue generated from timber sales. In 2014, the State Land Board approved the sale of five parcels to test the market for further sales. Although the three completed sales generated \$4.2 million net revenue for the CSF, costs of forest management will likely exceed the Elliott's revenues in future years. The Department has undertaken a study to determine best future use of the asset, with expected next recommendations to the Land Board in June 2015.
- Cleanup of the Portland Harbor Superfund site is an ongoing funding issue. So far, an insurance policy has provided most of the revenue for legal expertise associated with assigning responsibility for the ultimate cleanup costs. Cost allocation process and legal questions are expected to continue for at least three more years. The 2013-15 budget for continued legal and investigative work was \$4.3 million, which will be about \$1.6 million short of need. 2015-17 requested budget includes \$4.7 million for the effort.
- Federal budget uncertainty could affect the South Slough National Estuarine Research Reserve, another CSF asset. It is currently funded jointly by the state (CSF) and federal governments.
- The Department is proposing legislation (HB 2460) for new administrative fees to cover processing costs for easement applications and territorial sea cable-crossings. If approved, the fees are projected to generate about \$24,000 in 2015-17.

Other Significant Issues and Background

The Department undertook reorganization during 2014 to realize administrative efficiencies and improved revenue generation. Specifically, administrative employees in Salem are centralized. Wetlands and waterways staff are also grouped together to improve communication between regulatory and proprietary staff. Additional revenue from commingling these employees and from concentrating staff on one floor is estimated at \$132,000 per year. Identified costs to date include \$231,000 for business process mapping and \$750,000 for new furnishings.

The Department requested six policy packages for 2015-17, including limitation for the Portland Harbor Superfund work and the revenue-only new fee package. The packages are all Other Funds.

A 2013 independent audit of Department annual account statements found insufficient internal controls for reconciliation of substantial accounts. For the 2013-15 biennium, the Department administratively added a limited duration Accountant 4, which allowed the Department to address the control issues, resulting in a clean audit in 2014. A policy package would make the accountant position, and therefore the internal controls, permanent.

An infrastructure package addresses several agency needs. Server replacement would provide stability and increased storage capacity agency-wide. The eastern Oregon office employees spend most of their time out of the office evaluating grazing and agriculture leases, performing archeological studies, surveying, monitoring compliance, etc. Many areas under their jurisdiction have no cell phone service. In addition, their 1997 vehicle needs to be replaced, and their office phone/technology system is not adequate to their needs. This package would provide satellite phones and a heavy duty pickup lease. Additionally the package includes smart phones for all field staff that enable the use of new GIS technology for data collection, as well as better connection to customers and the office.

To increase return on CSF investment, there is a package to convert grazing land to agriculture land. The Department partners with willing grazing lessees with an interest in sharing the investment, to increase land value. DSL purchases fixed infrastructure, i.e., electricity and water pump, and the lessee purchases the pivot watering system to be used above ground. Lease rates on the finished project increase from \$2-\$3 per acre for grazing to \$55 per acre on the improved land, providing a \$40,000 per year return on investment. To date two such projects (Hampton and Laton Point) have been completed, putting 624 acres under agricultural production.

A package for the South Slough reclassifies a position at no net cost, financing the action with Services and Supplies Other Funds limitation.

Co-Chairs' Budget Framework Discussion

No specific budget details or issues were identified in the Co-Chairs' budget framework for this agency.