

ANALYSIS

Item 56: Department of State Lands South Slough Rebalance

Analyst: Matt Stayner

Request: Increase Other Funds expenditure limitation and decrease Federal Funds expenditure limitation by \$450,000 for the Department of State Lands, South Slough National Estuarian Research Reserve, to allow for the payment of operational expenses from Common School Fund revenues due to an unanticipated shortfall of federal revenues.

Analysis: Although the South Slough National Estuarian Research Reserve (SSNERR) strives to fund its operational costs through federal resources to the maximum extent possible, the program periodically experiences operational cost increases that grow at a faster rate than available federal funding. The program had anticipated federal revenues to support a larger portion of the operational costs for the program in its 2021-23 budget request than has materialized. The resultant shortfall projected through the end of the current biennium is roughly \$450,000. In the prior biennium (2019-21) a similar mistaken assumption of federal revenues resulted in a shortfall of \$200,000 that was addressed by the Legislature during the 2021 legislative session.

The requested adjustment would allow the program to meet its currently budgeted activities by shifting the funding for those activities to Common School Fund revenues. The current budget split between Federal Funds and Common School Fund is 50.4% to 49.6%. The proposed change would result in a split of 42.3% Federal Funds and 57.7% Common School Fund revenues. It should be noted however, that it is in the purview of the Emergency Board to increase the Other Funds expenditure limitation, but not to decrease the Federal Funds expenditure limitation. If the additional expenditure authority is not provided, SSNERR would have to significantly curtail expenditures for the remainder of the biennium, including possible reduction of staffing.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase the Other Funds expenditure limitation for the Department of State Lands by \$450,000 for the operational costs of the South Slough National Estuarian Research Reserve.

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Request: Transfer \$450,000 Federal Funds expenditure limitation to Other Funds expenditure limitation for the South Slough National Estuarine Research Reserve due to the change in federal reimbursement for Personal Services expenditures.

Recommendation: Approve the request, with the following modifications: increase Other Funds expenditure limitation by \$450,000 for the South Slough National Estuarine Research Reserve due to the change in federal reimbursement for Personal Services expenditures, with the understanding the Department of Administrative Services will unschedule \$450,000 Federal Funds expenditure limitation for the same purpose.

Discussion: The Department of State Lands (DSL), South Slough National Estuarine Research Reserve (Reserve) manages nearly 7,000 acres of natural areas encompassing a portion of Coos estuary on the south coast of Oregon. The program operates an interpretive center and conducts a variety of research, education, and stewardship programs. The Reserve is affiliated with the National Oceanic Atmospheric Administration (NOAA). The state's portion of the Reserve is a Common School Fund (CFS) asset and operating expenses are paid by CSF revenues and federal grant funds.

In the 2021-23 biennium budget, DSL over-estimated their Federal Funds reimbursement by 11 percent, which left an Other Funds expenditure limitation deficit in Personal Services to cover their 2021-23 biennial costs. This request shifts \$450,000 Federal Funds expenditure limitation to Other Funds, to appropriately cover Personal Service costs with the correct revenue source. The Department of Administrative Services Chief Financial Office recommends an increase in Other Funds expenditure limitation to accommodate the request, with the understanding DAS will unschedule a like amount of Federal Funds expenditure limitation.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 607, section 1(3), Oregon Laws 2021, for the Department of State Lands, South Slough National Estuarine Research Reserve Operations, by \$450,000 for the 2021-23 biennium.



Oregon

Kate Brown, Governor

Department of State Lands

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August 12, 2022

Senator Peter Courtney, Co-Chair
Representative Dan Rayfield, Co-Chair
Joint Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

State Land Board

Kate Brown
Governor

Shemia Fagan
Secretary of State

Dear Co-Chairs:

Nature of the Request

The purpose of this letter is to seek approval from the Joint Committee on Ways and Means for the Department of State Lands (Agency) and the South Slough National Estuarine Research Reserve (Reserve) to reallocate \$450,000 from the Reserve's Federal Fund Appropriation to the Reserve's Other Funds Appropriation.

Tobias Read
State Treasurer

Agency Action

This request is for an adjustment to the Reserve's Other Funds Appropriation which is vital to maintain current operation levels at the Reserve to the end of the biennium. Expenditures within the appropriation cover payroll and operation costs. The 21-23 budget was based on historical information which estimated federal funds would cover approximately 44% of personnel service expenditures. During the 21-23 biennium, the actual percentage of federal funds that are covering these costs are approximately 33% of personnel service expenditures. The Agency is unable to adjust services and supplies to cover the additional expenditures in the Reserve's Other Funds Appropriation.

Action Requested

The Agency and Reserve request that the Joint Committee on Ways and Means provide approval for the adjustment of **\$450,000** from its **South Slough Reserve (Federal Funds) – Appropriation 62007** to its **South Slough Reserve (Other Funds) – Appropriation 32007**.

Legislation Affected

Chapter 607, Section 1 (3), Oregon Laws 2021 and Chapter 607, Section 3 (1), Oregon Laws 2021

Thank you for your interest and assistance. If you have any questions, please contact Jean Straight at 503-986-5227.

Sincerely,

Jean Straight
Deputy Director - Administration

Cc: Matt Stayner, Legislative Fiscal Office; Michelle Lisper, DAS Chief Financial Office
Vicki Walker, Director; Bill Ryan, Deputy Director - Operations