

State Lands

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	5,000,000				
Other Funds	48,948,759	54,079,207	61,787,659	41,170,389	53,860,690
Other Funds (NL)	17,560,020	10,627,890	10,627,890	10,627,890	7,727,890
Federal Funds	2,143,876	2,295,209	3,065,168	2,108,955	2,370,195
Total Funds	73,652,655	67,002,306	75,480,717	53,907,234	63,958,775
Positions	113	115	115	109	104
FTE	110.68	113.00	112.63	107.50	102.50

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Department of State Lands (DSL) is the administrative arm of the State Land Board. The Board, created under the Oregon Constitution, consists of the Governor, the Secretary of State, and the State Treasurer. The Board is responsible for managing the assets of the Common School Fund (CSF). These assets include equity investments managed by the Oregon Investment Council and the State Treasurer on behalf of the Board and over two million acres of state lands deeded at statehood in trust for education, other lands designated by statute, and escheated and forfeited property. In managing these assets, the Board adheres to the constitutional standard of “obtaining the greatest benefit for the people of the state, consistent with the conservation of... [the]...resource under sound techniques of land management.” By statute, related programs, such as removal-fill, wetlands, and unclaimed property, are assigned to DSL. The agency also manages the South Slough National Estuarine Research Reserve.

For budgetary purposes, the Department is organized around four areas:

- Common School Fund – 97 positions, 95.50 FTE. Consists of Land Management, Aquatic Resource Management, Business Operations and Support Services, and the Director’s Office. Although budgeted separately, the Portland Harbor Cleanup Fund is also managed under this program.
- Oregon Wetlands Revolving Fund – 0.50 FTE. Established by the 1987 Legislative Assembly to provide financial resources to acquire wetlands banking and wetlands mitigation sites; to accomplish wetlands restoration, enhancement, and creation; and to cover administrative costs.
- South Slough National Estuarine Research Reserve – 18 positions, 17.00 FTE. A tidal inlet of the Coos estuary six miles southwest of Coos Bay. The area was designated in 1974 as the first national estuarine research reserve and consists of 1,000 acres of tidelands and open water surrounded by a 3,800-acre upland border. The total South Slough National Estuarine Research Reserve (SSNERR) acreage is part of the U.S. National Estuarine Research Reserve System established by the Coastal Zone Management Act of 1972. SSNERR

operates an interpretive center and maintains nature trails for hikers and canoeists. It also conducts a variety of research, education, and stewardship programs. Its laboratory work is co-located with the Oregon Institute of Marine Biology in Charleston, which is operated by the University of Oregon.

- Capital Improvements – no positions or FTE. Manages property as assets of the Common School Fund. Expenditures in this program include land rehabilitation and conversion; small infrastructure design and construction projects; facilities rehabilitation; general maintenance and repair; weed control; and response to environmental hazards.

CSL Summary and Issues

The 2021-23 current service level budget for the Department of State Lands decreases by \$13.1 million, or 19.5%, from the legislatively approved budget for 2019-21. The CSL budget phases-out expenditure limitation that was provided on a one-time basis to the agency including:

- \$6.77 million Other Funds for Portland Harbor Superfund legal defense costs
- \$6.0 million Other Funds for expenditures from the Portland Harbor Cleanup Fund
- \$2.2 million Other Funds for Elliott Forest management contracts
- \$1.6 million Other Funds for contracted services related to the Elliott Forest public ownership project
- \$450,000 Other Funds for initial work on the Lands Administration System replacement project
- \$332,746 Other Funds for work on identifying historically filled lands as required by Senate Bill 912 (2015)
- \$250,193 Federal Funds and \$58,714 Other Funds for expenditure of federal grant funding

Additional adjustments include an increase in expenditure limitation for personal services costs primarily related to pension obligation bonds and standard inflationary costs for services and supplies expenditures.

Policy Issues

- Elliott Forest management. The State Land Board continues its work on a public ownership program for the Elliott State Forest. The current direction of the project is to transfer the property to Oregon State University for the purpose of establishing a research forest. OSU has developed an operational plan for the property, but the financial details, including how the Common School Fund will be made whole after the transfer, have yet to be finalized. The Land Board currently contracts with a private party for the custodial management of the Elliott. Under that contract, no new timber sales have been prepared and therefore no income is being produced from the land. In addition to the existing budgetary resources at the agency dedicated to the operation and management of the Elliott, the 2021-23 biennium Governor’s Budget includes \$2.0 million for the private management contract.
- Portland Harbor Cleanup Fund. Expenditures from the fund in the 2019-21 biennium are anticipated to total just over \$7.75 million, including a transfer of \$6.0 million to a joint City of Portland / State of Oregon trust fund to support remedial design work throughout the entire site. Funding requests for additional work previously identified and remaining remedial design work that will complete that

portion of the project is included in the Governor's budget. It is unlikely that work beyond the remedial design will be initiated in the upcoming biennium, however legal defense work will continue.

- Portland Harbor cleanup legal defense. For the past five biennia (since 2011) the agency's budget has included dedicated expenditure authority for dealing with legal and remedial project costs for the Portland Harbor. This expenditure authority is separate to the funding and expenditure authority provided for the Portland Harbor Cleanup Fund and comes from the Common School Fund. The current budget request is for \$7.9 million and includes two limited-duration positions.

Other Significant Issues and Background

The Governor's budget includes adjustments for the transfer of the unclaimed property program to the Oregon State Treasurer. There are a significant number of statutory changes that must be made to affect the change. The bill that is being used to accomplish this is HB 2158.

Governor's Budget

The Governor's budget includes a number of adjustments that were applied on a statewide basis for general cost reductions or to align budgeted expenditures to anticipated cost schedules.

There are two policy packages included in the proposed budget related to the Portland Harbor Superfund Site. For ongoing legal costs of the site, the budget requests continuation of a limited-duration position that has been approved in the last two biennia, but also requests the establishment of a second limited-duration position to share in the workload of the permitting and authorization process involved with various projects funded through the Portland Harbor Cleanup Fund. The personal services and associated operational expenses for the positions total \$483,565. The remaining cost of the package is for estimated Attorney General costs of \$3.0 million and \$4,459,041 in professional services contracts. Additionally, a package is included that seeks to provide \$1.765 million in Other Funds expenditure authority for professional service contracts and \$5.0 million for payments to other governmental units. A portion of the requested funding is for ongoing projects that were initiated in the 2019-21 biennium that are anticipated to continue into the 2021-23 biennium including remedial design work in three areas that were outside of the areas covered by the joint City of Portland and State of Oregon remedial design funding agreement with the EPA. Additional ongoing projects include the development and implementation of informational management plans, data management plans, public outreach, and technical support contracts. There is already roughly \$1.8 million of Other Funds expenditure authority in the agency's base budget for contracted activities. No new projects are anticipated to commence in the 2021-23 biennium that were not identified and provided one-time funding in the 2019-21 biennium. Since the request was initially formed in the spring, it is likely that the amount requested in the package will have to be adjusted downward for the revised estimated cost of project completion in the upcoming biennium.

Senate Bill 454 (2019) initiated the move of the Unclaimed Property and Escheated Estates programs from the Department of State Lands to the State Treasury. There are two policy packages that are included in Governor's budget that adjust the DSL budget for that move. The first package eliminates fourteen positions (14.00 FTE) that are program specific and are included in the transfer. The expenditure authority for another twelve positions (3.00 FTE) that represents a portion of the cost of those authorized positions providing support or supervisory functions to the program is also eliminated. There is a package in the State Treasury budget establishing positions and expenditure authority that substantively mirrors these amounts. The second package requests expenditure authority representing the restoration of that portion of the twelve positions (3.00 FTE) that were eliminated with the reduction in expenditure authority due to the transfer of the unclaimed property and escheated estates program to the Oregon State Treasury. These positions had provided administrative support or supervisory functions for the program on a fractional basis, but had performed duties in other programs with the majority of their time. Although budgeted in the same budgetary subdivision as the transferred programs, the restored expenditures will be accounted for from other programs, increasing those programs overall costs.

This budget proposes to self-fund six new positions to expand the agency's staffing capacity in the wetlands program, the land management program, and administration. The package proposes unspecified reductions in the services and supplies expenditure categories equal to the \$1.3 million in additional personal services expenditures for the positions.

These positions are:

1. Communications officer (administration)
2. Rules and records coordinator (administration)
3. Policy and legislative analyst (administration)
4. Jurisdictional Coordinator (wetlands)
5. Land ownership specialist (land management)
6. Real property planner (land management)
7. Forester (land management)

For the past two biennia, DSL has been working on a project to replace the systems that make up the Lands Administration System. The current system was initially deployed in 1999. The foundational technologies that underpin the current system are no longer supported. The agency received Stage Gate 1 endorsement from the State CIO in July 2018 to continue the planning phase for the project. The agency has struggled with managing their IT resources and during the prior biennium, the internal project management position was eliminated in favor of a contracted position. Additionally, the agency was required to conduct a comprehensive assessment of the agency's information technology-related operations in conjunction with the Office of the State Chief Information Officer (OSCIO). That assessment was completed, and the agency reported the findings to the Joint Legislative Committee on Information Management and Technology during the 2020 legislative session. DSL has now achieved Stage Gate 2 endorsement and has included requested budgetary support for the next phase of the project in the Governor's budget. The next steps to complete gate 3 are:

- o Completed RFP process and selection of vendor
- o Completed management plan
- o Approved draft contract.

The agency has continuing costs of a Quality Assurance contract and a Project Management contract that are estimated to cost \$1.1 million in 2021-23. The agency's current cost estimate for the solution vendor is between \$2.0 and \$3.0 million in 2021-23. The total requested funding in the package is \$4.0 million Other Funds.

The Governor has also proposed the establishment of a high-level Information Technologies position (ISS8) to act as a data architect for the agency. In 2018, HB 5201 provided expenditure and position authority to establish a similar position as a network architect. While that position is responsible for the overall design and implementation of the hardware and software that comprises the agency's IT infrastructure, the requested position would be tasked with creating a standard common business vocabulary for data management, the development of strategic data requirements, the development of high level integrated data designs to meet these requirements, and provide data strategies that align to the related business processes.

The Governor's Budget has again included a request for \$2.0 Other Funds expenditure limitation for costs related to the management of the Elliott State Forest. The majority of the funding supports a maintenance contract. The management contract contains three primary tasks including: maintaining road system for safe public access, reforestation as required under the Oregon Forest Practices Act, and general property oversight. In prior biennia this request also provided funding for a limited-duration forester position to manage the contracted services. The agency has requested that position be established as a permanent, ongoing position in a separate policy package (POP 105).

Expenditure limitation of \$200,000 Other Funds from the Submerged Lands Enhancement Fund is included in the proposed budget. Statute allows for DSL to deposit up to 20% of the monies collected by DSL for leases, easements, registrations, and other permissions for the use of state-owned submerged or submersible lands. The funds are granted to entities engaging in eligible activities including marine debris cleanup, abandoned and derelict vessel removal, and habitat and water quality enhancements. Approved expenditure limitation from the fund in the 2019-21 biennium was \$86,953, and \$100,000 in the 2017-19 biennium.

There are two packages that re-establish Federal Funds expenditure limitation for federal grant awards from the U.S. Environmental Protection Agency and the National Oceanic and Atmospheric Administration that were not fully expended in the 2019-21 biennium. These requests total \$325,000.

Key Performance Measures

A copy of the DSL Annual Performance Progress Report can be found on the LFO website https://www.oregonlegislature.gov/lfo/APPR/APPR_DSL_2020-10-19.pdf