

S t a t e L a n d B o a r d

Regular Meeting June 13, 2006 Agenda Item 2

SUBJECT

Request for approval to submit the Department of State Lands' proposed 2007-2009 budget request. Request for approval to transfer the Unclaimed Property Program to the Office of the State Treasurer.

ISSUE

Whether the Land Board should approve the Department's proposed 2007-2009 budget request for submission to the Department of Administrative Services (DAS). Whether the Land Board should approve the transfer of the Unclaimed Property Program to the Office of the State Treasurer.

BACKGROUND

The Department is preparing its 2007-2009 budget request in accordance with the DAS budget development instructions. The Essential Budget level does not include one-time costs (i.e. special projects or grants), nor does it include limited duration positions approved through the current biennium.

The agency developed the budget request considering the Governor's priorities, the agency's Strategic Plan, performance measures, workload requirements and emerging issues identified by staff. The department also discussed the budget with key constituents such as the education beneficiaries and removal-fill consultants, and during the Asset Management Plan public review process. The request also reflects the 2005-07 budget adopted by the 2005 Legislature and various statewide program initiatives (e.g., Oregon Plan for Salmon and Watersheds, sustainability, regulatory streamlining). The Department's Executive Team reviewed and set priorities for the

proposals to establish Program Option Packages. In preparing this request, the agency considered the following:

1) Basic themes related to the agency mission including enhancing and protecting the Common School Fund and its assets, conserving and protecting natural resources, improving customer and public service, and streamlining service delivery.

2) Financial and administrative parameters including a recognition that:

- a) Most functions are funded from the Common School Fund. Therefore, cost containment is a component of "profitability."
- b) Removal-fill fee increase is necessary to meet resources needed for streamlining, better customer service delivery and to recover costs to operate the program.
- c) Wetland delineation fee is necessary to meet better customer service delivery and recover costs to operate the program.

3) Overall budget development approach includes the following priorities:

- a) Continue current revenue by maintaining programs and personnel.
- b) Tie the proposed budget to basic themes, performance measure requirements, Governor's Priorities, Asset Management Plan and Strategic Plan objectives.
- c) Respond to service delivery standards and fiscal responsibilities.
- d) Relieve dependence of regulatory programs on the CSF non-fee revenues.
- e) Protect Common School Fund assets and reposition assets to maximize the return over the long term.

Based on these guidelines, the proposed Program Option Packages, in order of priority for the 2007-09 Agency Budget Request are:

1) Continue Current Revenue Generation to the Common School Fund (POP #101)

- \$989,980 Other Funds/CSF

This package continues the level of service provided by the Land Management Division and by the Estates Program of the Finance &

Administration Division related to revenue generation for the Common School Fund. Within the Land Management Division, this package proposes to make two Limited Duration positions (PEM "D" and Planner 3/PC 1) in the Asset Management Section and three seasonal positions in the Eastern Oregon Region Permanent. It also proposes to continue as permanent two Estates Program positions within the Finance and Administration Division. The Emergency Board approved the seasonal positions and the estates positions during the 2005-07 biennium.

The change is needed to ensure that qualified, talented staff can be recruited and retained for these positions. During the past biennium, DSL experienced difficulty in recruiting for the Planner 3/PC 1 position due, in part, to its limited duration status.

This package funds the permanent continuation of three seasonal staff dedicated to establishing a baseline of current rangeland conditions necessary to maintain a healthy rangeland-leasing program.

Within the Finance & Administration Division, significant growth in the Estates Program has made securing additional staff critical to basic program delivery. In 2002, DSL handled 24 cases. In 2005, the program handled 197 cases. In 2006, the program anticipates managing approximately 235 cases. These increases triggered the Emergency Board request in April 2006 for a Program Analyst 1 and a Paralegal position. DSL indicated that if the workload continued, the agency would request that the positions be continued as permanent positions in the 2007-09 budget. The cost associated with these positions will be reimbursed through the estates they respond to.

- **STAFFING IMPACT:** 7 positions, 4 permanent full-time and 3 permanent seasonal, 5.5 FTE

2) Continue as Limited Duration Certain Positions Funded by Grants and Other Agencies (POP #102)

- \$286,691 Other Funds/NonCSF, \$761,904 Federal Funds

This package continues the activities of the State Programmatic General Permit (SPGP) Pilot Program started in the 2005-07 biennium, the grant-funded Wetland Restoration Program activities, and the Oregon Department of Transportation (ODOT) interagency coordination for facilitating statewide bridge repair. Of the five positions funded by the U.S. EPA grant, three are working to track,

evaluate and improve permit compliance, refine the permit decision-making process and provide reports to the U.S. Army Corp of Engineers, the National Marine Fisheries Service and the U.S. Fish and Wildlife Service on progress in implementing the SPGP. The remaining two positions are monitoring wetland restoration activities and data to determine the effectiveness of wetland mitigation efforts and developing training and cost-effective methods for obtaining and reporting on measurable restoration outcomes for program accountability.

- **STAFFING IMPACT:** Seven limited duration full-time positions, 7.0 FTE

3) Continue South Slough Reserve Educational, Research and Stewardship Activities (POP #103)

- \$1,125,325 Federal Funds, \$73,333 Other Funds/CSF and Other

This package will facilitate completion of project-oriented and ongoing work described in current grant awards at the South Slough Reserve. DSL requests limited duration positions be continued and supported with secured Federal and Other Funds. Each position is responsible for its own set of grant and award specific projects and duties. There are no similarly trained staff in any other position at the Reserve who can assimilate these grant responsibilities.

- **STAFFING IMPACT:** Eight limited duration full-time positions, 8.0 FTE

4) Ensure Better Service Delivery and Address Position Classification Issues (POP #104)

- \$130,830 Other Funds/CSF

This package proposes to address classification issues within the Department to ensure better service delivery and to correct classification issues that arose during the 2005-07 biennium.

The proposal includes:

- Reclassify an existing Natural Resource Specialist 2 position to a Natural Resource Specialist 3 to provide better service delivery to the rangeland leasing and agriculture leasing

programs. The current position is responsible for the day-to-day management of rangeland and agriculture leases, improvement projects, rangeland health analysis and planning as well as longer-term projects on rangeland and agriculture programs. Currently the position is not at an effective level to make day-to-day decisions regarding these programs. Many times these decisions have to be made in the field jointly with other resource agencies and lessees.

- Reallocate a Program Representative 1 to a Program Analyst 2. This position was not included in the reallocation process of October 2005 to establish the Program Analyst classification series. The Program Representative Classification was re-evaluated and the Program Analyst series was determined to be the appropriate one for this position. This position acts as a lead for estate teams in the field and it is critical that it has a classification that provides a high level of decision-making ability and independent judgment. Work out of class has been paid for this position since the establishment of the Program Analyst series during the 2005-07 biennium.
- Reclassify an Office Specialist 1 to Office Specialist 2 and convert the position from ½ time to full-time. The position in the Asset Management Section provides support to the two positions within the Section as well as support to the overall Land Management Division. This position will be involved in developing reports, files and other documents associated with land sales, complex lease transactions and public involvement processes.
- Reclassify an Office Specialist 1 to Office Specialist 2. The OS1 wetland program support reclassification to OS 2 is needed to permit additional duties of a complex nature to be assigned to the position. This will allow the department to shift to this position some of the complex, but less technical, duties from the NRS 2, NRS 3 and NRS 4 wetland specialist staff supported by this position.
- Reclassify a Contract Assistant to Contract Specialist 1. This position is responsible for all Requests for Proposals (contracts), purchasing processes and agency-wide contracting. This position is providing the contracting services for more than 100 interagency agreements and

active contracts each month, some with values of over \$1 million. The position is certified in public contracting and is required to perform at a level higher than the current classification.

- **STAFFING IMPACT:** No new positions, add 0.5 FTE

5) Transfer Unclaimed Property Program to Office of the State Treasurer (POP #105)

This package transfers the Unclaimed Property Section from DSL to the Office of the State Treasurer. The impact on the Department of State Lands' budget will consist of a reduction in 12.0 FTE and the cost of physically moving the Section's personal property to the Office of the State Treasurer.

The transfer will be achieved through a legislative concept under development by the Office of the State Treasurer.

- **STAFFING IMPACT:** 12 positions, 12.0 FTE (reduction)

6) Small Grant Limitation and Federally Funded Project Continuation (POP #106)

- Approximately \$175,000 FF, \$75,000 OF (Non-CSF)

This package will enable the South Slough National Estuarine Research Reserve (SSNERR) to apply for small grants that are available for application outside the timelines of the Emergency Board (currently often requiring retroactive approval). Approval of this package would allow the SSNERR to apply for and expend small grant sums for non-acquisition projects within the total sum of a small grant expenditure limitation authorized at the beginning of each biennium. Emergency Board requests strain staff resources to appear at nearly each session. Proactive authorization to seek funding through sources from Federal and Other Funds grants would enable the Reserve to respond to time sensitive application deadlines and to expend small awards without engaging in the costly process of appearing regularly before the Emergency Board.

Expenditure limitation authorized for ongoing and predictable Federal Funds awards would enable the Reserve to maintain continuity in project management of operations, construction and acquisition funds.

These funds are awarded to the Reserve by its federal partner NOAA (National Oceanic and Atmospheric Administration) each year—operations funds are non-competitive and distributed evenly system-wide; construction and acquisition funds are available each year on a competitive basis for available funding matched to specific projects. The Governor-appointed Management Commission of the Reserve dedicates one of its quarterly meetings each year to setting priorities for the staff in applying for and expending these funds.

- **STAFFING IMPACT:** None

7) Provide Human Resource Support & Maintain Staff Levels Agencywide (POP #107)

- \$97,174 Other Funds/CSF

Over the course of the last several biennia, DSL has grown in size, but support for human resources management has not been added. DSL requests the addition of one full-time Human Resources Analyst 1 to assist the Human Resources Manager with the day-to-day Human Resources functions. Human Resources staff ensure that the Department is in compliance with and creating a safe and healthy environment for employees to work. To accomplish these tasks, Human Resources staff work to develop, implement and administer programs related to the DAS guidelines, Family Medical Leave/Oregon Family Leave Act (FMLA/OFLA), Americans with Disabilities Act, Equal Employment Opportunities, Affirmative Action Programs, Bureau of Labor and Industries rules and regulations, OR-OSHA rules and regulations, the AFSCME Labor Agreements as they occur.

The Human Resources Analyst 1 will perform duties such as inputting personnel actions into the Personnel/Payroll Data Base and notifying managers of performance evaluation dates; assisting with the recruitment process by developing and posting job announcements, grading and inputting applications into the JAPI system; creating hiring lists and maintaining recruitment files; preparing FMLA/OFLA requests; maintaining employee personnel and medical files; processing terminating employee documents; and other clerical support as needed.

The general guideline for staff to Human Resource support is 30 staff to one Human Resources employee. DSL is currently at a ratio of 92 staff to 1 Human Resources employee.

- **STAFFING IMPACT:** One new position, 1.0 FTE

8) Protect Common School Fund Assets (POP #108)

- \$562,000 Other Funds/CSF

This package funds critical activities to protect and enhance Common School Fund real estate assets and revenue generation potential. Included in this package are monies to establish a fund to cover the cost of land improvements that will result in a maximum return on the Department's leased lands. These monies will also be used to fund land appraisals for certain proposed land sales as specified in the 2006-2016 Asset Management Plan. The package funds noxious weed treatment, compliance monitoring, waterway cleanup costs, rangeland analysis, wildfire suppression and fire rehabilitation.

- **STAFFING IMPACT:** None

9) CAFR Audit (POP #109)

- \$100,000 GF

During 2005, the Common School Fund was reclassified for purposes of complying with recommendations from a GASB 34 review from a Special Purpose Trust Fund to a Special Revenue Account. As a result, the CSF became the largest fund in the state to be classified as a Special Revenue Account and thus the fund subject to annual audit as part of the state's Comprehensive Annual Financial Report (CAFR). This audit benefits the entire state, not just the CSF and it is therefore appropriate that the cost of this annual audit be paid from the General Fund rather than the CSF, which is strictly limited in what it can be used for. This package would provide funding to cover costs of these future audits.

- **STAFFING IMPACT:** None

10) Allow Full Participation in E-Commerce and Streamline Internal Agency Processes (POP #110)

- \$237,206 Other Funds/CSF

This package will allow DSL to implement significant new eCommerce initiatives such as on-line permitting and accepting payments via the web and to streamline internal agency processes by migrating to a paperless work environment.

In the past five years DSL has successfully moved some of its business functions to the web, saving DSL substantial amounts of money and offering a higher level of service and convenience to the public. For instance, through the new electronic public review process, DSL has sent out 65,000 public notifications since its inception. Depending on how savings are calculated, this electronic public review process has already saved DSL between \$600,000 to \$1.3 million in direct expenses.

Another example is the online placer permit application process, which allows the public to apply for and receive a Recreational Placer Mining Permit from the convenience of their homes. The process takes only about 10 minutes.

Although all of the recent enhancements have been accomplished without any corresponding increase in IT budget or staffing levels, future eCommerce efforts will depend on DSL having the staff resources to work on new initiatives.

To accomplish these process improvements, DSL would add one IS4, which would allow senior IT staff to begin working on new eCommerce projects designed to both save money and increase agency efficiency.

The second part of this package would implement a document imaging system for the agency. With such a system in place, DSL would eliminate all paper documents after a minimal time period, using instead an electronic filing system to allow staff to access files from desktop or laptop and eventually from the field. The imaging project would substantially reduce storage requirements for paper files and streamline the internal processes of the agency by allowing instant access. The agency would minimize costs by adapting for its uses software already utilized by the Public Utility Commission for imaging their files. The conversion would require the time and technological expertise of DSL's IT staff to adapt the software to meet DSL needs and the purchase of necessary imaging equipment.

Other projects DSL would like to take on are increasing the use of GIS maps to survey state-owned properties to look for revenue generation

opportunities, as well as to provide better environmental data for the agency's regulatory staff to use when evaluating permits.

- **STAFFING IMPACT:** One new position, 1.0 FTE

11) Expediting Wetland Delineation Reports (Companion TO LC141-3) (POP #111)

- \$283,834 Other Funds/Non CSF

This package will expedite review and approval of wetland delineation reports submitted to the Department. The Department receives reports with permit applications and in advance of applications for verification and a jurisdictional determination before completion of site development plans. Two positions are requested and will be funded by a new wetland delineation report review fee (LC 141-3).

The Wetland Delineation Specialists are tasked with reviewing wetland delineation reports submitted to the Department. They review reports to ensure accuracy, including onsite review if needed, and provide a written determination of state jurisdiction over wetlands and other waters of the state. Delineation reports are often required as part of a Removal-Fill Permit Application. Reports are also submitted for approval in advance of (or in lieu of) a state permit application. Local governments and developers need to have accurate, state-approved wetland delineations completed early in land-use planning or site development planning in order to incorporate wetlands and waterways into their plans. Both state and federal law require that wetland impacts be avoided and minimized. If wetland issues, including inaccurate delineations, are raised late in the process, the result is often long delays and added expense for redesign and revision of local and state permit applications. The demand for wetland determinations and delineation report review has increased 250% since the last staffing increase (1993). With current staffing, wetland delineation reports submitted to the Department without a fill permit application may take a year or more for review and concurrence. With these two new positions, we anticipate that all initial report reviews will be completed within 120 days. A delineation report review fee addressed in Legislative Concept 141-3 will fund these new positions.

- **STAFFING IMPACT:** 2 New positions, 2.0 FTE

12) Implementation Of The Water-Related Permits Process Improvement Team (WRPPIT) Recommendations (POP #112)

- \$360,601 GF

This package implements streamlining and coordination of water-related permitting projects and also fund the associated development of data and software for early screening of wetland-related projects including on-line permit evaluation and submission tools. This is an important element of the Water-Related Permit Process Improvement Team (WRPPIT) review and implementation process. It is also in accordance with ORS 196.795 requiring the Department of State Lands to pursue methods to streamline the process for administering permits for the removal of material from the bed or banks of any waters of this state or for filling the waters of this state, reducing paperwork, eliminating duplication, increasing certainty and timeliness and enhancing resource protection.

This package establishes a State Regulatory Water-Related Project Coordinator (NRS-4) to provide early information and interpretation of complex environmental laws, rules, regulations, policies and procedures to project proponents and stakeholders relating to all state agencies' water-related permit and review programs; coordinates state water-related agencies' interaction and response to pre-applicants and applicants to ensure a timely, consistent and coordinated permit decision process.

In addition, DSL will work with the Institute for Natural Resources (INR) at Oregon State University to develop data, software and an Internet application to allow permittees to prescreen fill and removal projects to avoid potential impacts with known wetlands and endangered species, and to determine what endangered species or significant wetlands might be present in project areas. An automated application will be built to streamline the permit process, to allow for applications to be submitted online (following the prescreening reviews referenced above), and to distribute information on known and potential resources at the project sites to other involved regulatory agencies. This streamlined approach will work in conjunction with other streamlining initiatives such as the State Programmatic General Permit (SPGP) process for removal fill activities in waters of the State. This system should reduce staff costs related to permit review and handling.

The work will be completed through a contract with INR. Expenses related to the project are one-time costs to design and build the software and the necessary data to operate the system. Long-term maintenance costs will be addressed via fill and removal permit fees.

- **STAFFING IMPACT:** One position, 1.0 FTE.

13) Increase Fiscal Controls (POP #113)

- \$146,663 Other Funds/CSF

In 2003, the Department of Administrative Services established a requirement that certain agencies establish, maintain and fully support a full-time internal audit function. Because the Department receives and processes annually cash items valued at more than \$10 million, DSL meets the criteria established by DAS and must comply with this requirement. DSL initially attempted to comply with this requirement in two ways. First, the agency explored the possibility of using an existing auditor who currently performs proprietary audits for the Land Management Division to also conduct the requisite internal audits. However, DSL determined that workload requirements would prevent this staff person from dedicating 60-70% of his time to internal audits as required by the DAS policy and the current employee did not possess the requisite level of training and education. The agency then attempted to contract with an outside firm to perform the internal audit function. The agency determined that no firms were available and approved by DAS to conduct this type of work.

Due to the inability to find a solution with existing resources, the agency now proposes with this package to add one position of internal auditor. The internal auditor will be responsible for establishing a State Lands Audit Committee and will answer directly to the Director and Assistant Director for Finance and Administration. At least 60-70% of the position will be dedicated to internal auditing, risk management and internal controls. The reports produced by this person will greatly assist the agency in improving its fiscal and management operations and reducing risk to the agency and the Common School Fund assets. In taking on some of these functions, the internal auditor will free up some time of the Fiscal Manager to devote more time to budget development and implementation, Emergency Board requests, grant management, internal fiscal training for managers and other fiscal initiatives within the agency.

- **STAFFING IMPACT:** One permanent full-time position, 1 FTE.

14) South Slough Contract Administrator/Financial Assistant (POP #114)

- \$101,058 Other/Federal Funds

This package would increase fiscal capacity to assist the Reserve with the development, implementation and monitoring of contracts and financial record maintenance. This position will enable the Reserve to efficiently process and administer the increased level of contracts and grant-supported programs administered by the Reserve. In addition, this position will assist with reconciling fund balances among several open federal and other fund grants with the records maintained at DSL in a spreadsheet format.

- **STAFFING IMPACT:** One new position, 1.0 FTE

15) Portland Harbor Superfund And Other Critical Environmental Cleanup (POP #115)

- \$420,505 to \$5,000,000 OF/CSF

This package seeks to resolve land management issues related to the cleanup of the Portland Harbor Superfund site and other contaminated submerged and submersible lands managed by the Department for the Common School Fund.

The U. S. Environmental Protection Agency (EPA) has designated the lower portion of the Willamette River (Portland Harbor) as a Superfund Cleanup site under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The State of Oregon owns submerged and submersible lands in many of the rivers and harbors of the state including those within the designated Superfund Cleanup area. As we have experienced at locations such as North Tongue Point in Astoria and the McCormick and Baxter site in Portland, some of these sites are contaminated with hazardous waste discharged from upland sources. The Department must address complex environmental and legal issues with EPA, Oregon Department of Environmental Quality (DEQ) and entities like the Lower Willamette Group, the natural resources trustees under CERLCA, as they begin

their programs of sediment sampling and eventual cleanup of the contaminated sediments.

The Department must have adequate professional staff to address the highly complex and staff-intensive Superfund Cleanup requirements under CERCLA and possible Natural Resource Damage Assessments that may place the Common School Fund at significant risk for environmental cleanups or damage assessment from upland contamination problems.

In order to protect the Common School Fund, it is vital that DSL have adequate professional staff to address these issues on a timely basis. The magnitude of these issues requires full-time staff knowledgeable in Federal Superfund law and applicable state law.

- **STAFFING IMPACT:** Three new positions, 3.0 FTE

16) PAYMENT TO PROVIDE SPECIALIST (POP #116)

- \$145,417 Other Funds/Non-CSF

This package seeks to manage the payment-in-lieu of mitigation program for DSL and better serve the regulated community by improving accountability and standards in the existing program.

ORS 196.640 through 196.655 establishes the Oregon Wetland Mitigation Revolving Bank Program in DSL to provide a convenient and cost-effective alternative to conventional wetland mitigation for small projects where onsite wetland mitigation is not practicable and there is no mitigation bank available. Payment-in-lieu allows applicants to pay the cost equivalent of mitigation costs into the Oregon Wetlands Mitigation Bank Revolving Fund. Assets of the account are then used by DSL to fund mitigation projects. Funds have accrued in the account but current staffing has not been adequate to implement replacement wetland projects to meet the "no net loss" policy of the state and federal governments for wetlands.

One position is requested to manage the Oregon Wetlands Mitigation Bank Program and develop and implement improved measures to achieve fund objectives while protecting the integrity of the fund. According to the Department of Justice, the statute authorizes disbursements from the fund for administrative expenses including the payment of costs associated with an FTE but the current DSL rules

need to be modified to explicitly authorize this funding. Alternatively, the position may be funded from the General Fund.

- **STAFFING IMPACT:** One new position, 1.0 FTE

17) Increase Ability to Respond to Local and Federal Planning Efforts (POP #117)

- \$157,174 Other Funds/CSF

This package increases capacity to implement the Land Board's Asset Management Plan by establishing a new position within the Asset Management Section of the Land Management Division. The primary responsibility of the position would be to assist in implementing the Asset Management Plan by conducting and overseeing work in evaluating the natural, cultural and recreational resources on lands identified for evaluation for sale or exchange (estimated at 15,000 to 25,000 acres), reviewing environmental site assessments and assisting in the development of area management plans, particularly in Central Oregon.

- **STAFFING IMPACT:** One new position, 1.0 FTE

RECOMMENDATION

The Department of State Lands recommends that the Land Board approve submission of the DSL budget to the Department of Administrative Services and the transfer of the Unclaimed Property Program to the Office of the State Treasurer.

APPENDIX

A. Draft Summary of 2007-09 Budget.