

AGENCY SUMMARY

PROGRAM OVERVIEW

What we do

The Department of State Lands (DSL) protects natural and fiscal resources in four ways:

- **Managing trust lands** granted to Oregon upon statehood by the federal government.
- **Protecting the state's waterways and wetlands** from unregulated alteration.
- **Holding in custody** proceeds of unclaimed property.
- **Acting as personal representative** for estates of individuals who die without a will and without known heirs.

DSL is the administrative agency of the State Land Board, composed of the Governor, Secretary of State and State Treasurer. Established in 1878 as the Office of the Clerk of the Land Board, DSL is one of Oregon's oldest state agencies. DSL handles the board's day-to-day work managing resources dedicated to the **Common School Fund (CSF)**:

- **Land:** 631,917 acres of rangeland and agricultural land; 38,816 acres of special stewardship land; 6,912 acres of industrial, commercial and residential land; and 755,748 acres of mineral and energy resources.
- **Forest:** 102,033 acres, including the Elliott State Forest.
- **Waterways:** 800,000 acres of land under navigable and tidal waters held in trust for public navigation, recreation, fisheries and commerce.
- **Unclaimed property:** Such as bank accounts and unclaimed checks, and abandoned safe deposit boxes (\$104.3 million in unclaimed property was reported in the 2007-09 biennium).
- **Escheated estates:** Real and personal property of persons who die without a will and with no known heirs (staff handled 292 estates in 2007-09).

DSL manages land

At statehood, the federal government granted Oregon roughly six percent of the new state's land for the use of schools. The Oregon Constitution dedicated the school lands and their mineral, timber and other resources to the Common School Fund. The Constitution also established the State Land Board as trustee of the Fund.

The Constitution requires the Board to manage lands under its care to obtain the greatest benefit for Oregonians, consistent with resource conservation under sound techniques of land management. DSL's Asset Management Plan provides standards and strategies to obtain a reasonable return on investment for the Fund while meeting Constitutional and trust obligations.

AGENCY SUMMARY

The agency leases range and agricultural land and waterways for a variety of business activities. The Oregon Department of Forestry manages forestland under contract with the Land Board.

Funds distributed to schools

Proceeds from all of these activities are deposited in the Common School Fund. The State Treasurer and Oregon Investment Council invest the Fund.

In 2007, the value of the Common School Fund reached over \$1 billion. During the economic downturn (2008-09), the value dropped to less than \$750 million and is currently \$1.1 billion. Twice a year, earnings from investments are distributed to Oregon's 197 K-12 public school districts according to a formula established by the State Land Board. Annual distributions in recent years have fluctuated from \$13 million to \$55.4 million.

DSL protects land, including waterways and wetlands

Removal-Fill Law

DSL protects waterways, wetlands and other bodies of water for navigation, fisheries, natural functions and values, commerce and recreation through administration of Oregon's Removal-Fill Law, enacted in 1967. This law requires most activities that affect more than 50 cubic yards of material in streams, lakes, estuaries and wetlands to have a permit from DSL. Almost all activities, regardless of size, need a permit in State Scenic Waterways and streams designated essential salmon habitat. DSL is spearheading efforts to streamline the permit process among state and federal agencies, and to improve online permitting.

Wetlands

DSL provides public information about wetlands and helps local governments with wetland inventories and planning. Staff members also help property owners determine if wetland fill permits are needed, and provide technical review of wetland delineations submitted to DSL. Wetlands program staff assist with applied research and develop technical manuals and other tools to implement the Removal-Fill Law and help maintain the state's wetlands resource base.

South Slough National Estuarine Research Reserve (SSNERR)

The agency administers the research reserve near Coos Bay. Reserve staff manages 1,000 acres of open water and tidelands plus 3,804 acres of uplands needed to protect the watershed. The area is managed for research, education and interpretation on estuarine ecosystems and their restoration. The Reserve was established in 1974 in partnership with the National Oceanic and Atmospheric Administration. In 2007-09, 17,247 people participated in the reserve's interpretive and educational programs; 12,176 people visited the Reserve's interpretive center. The SSNERR continues to conduct research and monitoring efforts on estuaries in the Coos Bay region, benefiting

AGENCY SUMMARY

the health of the eco-region and indirectly the economy. The SSNERR also provides training and education for coastal leaders, and as such, is a key player in developing tsunami preparedness in the region.

Oregon Natural Heritage Program

DSL also administers the Oregon Natural Heritage Program, which identifies and works to preserve representative examples of the state's natural plant and landscape resources. The program also maintains a comprehensive database on rare, threatened and endangered species, natural vegetation and ecosystem types. An advisory council of scientists, citizens and state agency representatives guides the program. Significant changes to the Oregon Natural Heritage Program are in the 2003 Natural Heritage Plan, an update of the 1998 plan. Major changes include the adoption of new eco-regional boundaries and major revisions of the geology and species sections. In 2007, the council completed a 25-year review of the program and recommended it be moved to another agency whose mission is a better fit with the council's. Senate Bill 58 would move the Natural Heritage Program to the Oregon Parks and Recreation Department whose mission is better aligned with the program.

DSL acts as fiduciary

Unclaimed Property

Under Oregon's Unclaimed Property Act, DSL holds in custody, abandoned property, such as bank accounts, lost securities and uncashed payroll checks. Holders of these funds must deposit them with DSL a few years (three years for most items) after efforts to contact the owner have failed. Agency staff search for the owner, who may claim the funds at any time. In 2007-09, DSL received \$104.3 million and returned \$26.5 million to owners, up significantly from the funds received in previous biennia. Unclaimed property is held in the Unclaimed Property Revolving Fund as part of the Common School Fund until claimed by the owner. All money earned on unclaimed property while it is held in the CSF is used to pay the expenses of the program, and to make distributions annually to schools.

Estates Administration

The agency administers estates for people who die without a will and without known heirs. DSL searches for heirs, inventories and protects estate assets, pays claims against the estate and files with the probate court. If no heirs are found after 10 years, the assets escheat to the state and become part of the Common School Fund. Over the past several years, the estates program workload has increased significantly throughout the state, and with the addition of two staff positions in 2006, the unit administers about 150 cases per year, compared to 24 in 2002.

DSL supports The Oregon Plan for Salmon and Watersheds

DSL is a participating agency in The Oregon Plan for Salmon and Watersheds, an interagency and intergovernmental program whose goal is to restore fish and wildlife, habitats and water quality through a cooperative watershed approach. Many of the

AGENCY SUMMARY

activities in the Land Management and Wetlands & Waterways Conservation Divisions, the Natural Heritage Program and the South Slough National Estuarine Research Reserve that affect fish and wildlife habitat have been modified to support this initiative. Since 2005 DSL has been working with the Oregon Department of Fish and Wildlife (ODFW) and other state and federal agencies to develop federal recovery plans for salmonids listed under the federal Endangered Species Act.

Operating programs outlined

DSL is a diverse agency carrying out proprietary, regulatory and fiduciary functions through many programs requiring specialized disciplines. The functional operating programs are outlined below and details may be found in the division narratives. Program descriptions for the Oregon Removal-Fill Mitigation Fund, South Slough Reserve, and the Natural Heritage Program may be found in those decision section narratives. The organization charts included in each division of this document provide graphic representations of each entity.

The budget is presented as five decision sections:

- 010 - Common School Fund
- 013 - Oregon Removal-Fill Mitigation Fund
- 020 - Oregon Natural Heritage Program
- 030 - South Slough National Estuarine Research Reserve
- 088 - CSF Capital Improvements

The operating responsibilities of the Department of State Lands are divided into six basic areas:

- Director's Office
- Land Management Division
- Wetlands and Waterways Conservation Division
- Finance and Administration Division (includes Unclaimed Property and Estates Administration)
- South Slough National Estuarine Research Reserve
- Oregon Natural Heritage Program

Please note that program overviews for the Natural Heritage Program and South Slough Reserve programs are included as separate budgets within the overall administrative structure. Overviews for Common School Fund Program activities follow.

COMMON SCHOOL FUND - PROGRAM DESCRIPTION

The Common School Fund began as a constitutional land trust granted by the federal government to Oregon at statehood and created for the benefit of current and future generations of Oregon school children. The intent of this large land grant to the state

AGENCY SUMMARY

was to provide a source of revenue to fund public education (K-12). The State Constitution requires that sources of income to the Common School Fund include: proceeds of all land granted to this state for educational purposes, all monies and clear proceeds of all property which may accrue to the state by reason of escheat or forfeiture, and proceeds of all property granted to the state when the purpose of such grant is not stated. The State Land Board may expend monies in the Common School Fund and from earnings on investments to carry out its powers and duties under the Constitution and related statutes.

The Land Board establishes the policy for distributions to schools. The Board revised the distribution policy at its April 2009 meeting to distribute 4% of the average balance of the preceding three years. In June 2009, the Land Board agreed to distribute 5% rather than 4% in the 2009-11 biennium to assist with the budget deficit. During 2010, \$50.5 million was distributed to elementary and secondary schools throughout Oregon. The total Common School Fund distribution in 2009-11 will be \$99.2 million. DSL forwards semi-annual distribution funds to the Oregon Department of Education for distribution to Oregon's 197 K-12 public school districts.

Director's Office

The Director's Office oversees administrative responsibilities for the State Land Board and directs the operation of DSL, under the jurisdiction of the Land Board. Responsibilities include making recommendations to the Land Board and Legislature, approving policies and plans, and overseeing budget, grants and contracts. The Director serves as chair of the South Slough National Estuarine Research Reserve Commission.

The Director supervises three assistant directors (for Land Management, Wetlands & Waterways and Finance & Administration), an executive assistant, the Communications Manager, the Human Resources Manager and the Internal Auditor. The Communications Manager is responsible for all media relations, Web site content, public outreach and agency communications materials. The HR Manager is responsible for affirmative action compliance, records administration, pay and classification, recruitment and retention, labor relations, policy development, training and organizational development, and supervises the HR Assistant. The Internal Auditor oversees and manages DSL's internal audit functions, serves as the agency's risk manager and performs an annual review of Key Performance Measures.

In 2009, the receptionist position for the front office of the agency was moved to the Director's Office from the Finance and Administration Division. This was done to make more efficient use of the position and relieve the Unclaimed Property Program of agency mail responsibilities.

The Director's Office consists of **7 FTE/7 positions**. The costs are supported by Other Funds – Common School Fund (constitutional and statutory receipts).

AGENCY SUMMARY

Land Management Division

The Land Management Division includes all programs and activities that generate revenue for the Common School Fund from trust and statutory lands, including land granted to Oregon upon statehood and the submerged and submersible lands underlying navigable waterways. Property managers issue leases, easements, rights-of-way and licenses for use of state-owned uplands and waterways. The division is also in charge of DSL's Asset Management Plan, which guides the work of the State Land Board in managing state land assets. The plan was first adopted in 1995; a new 10-year plan was approved in 2006. A key goal of the revised plan is to significantly increase land management revenues to benefit the Common School Fund over the long term.

The division is comprised of **24 FTE/25 positions** and is managed by an Assistant Director who reports to the Director and manages DSL's headquarters building, which includes state-agency tenants. A Western Region Manager oversees land management activities west of the Cascades, an Eastern Region Manager oversees all land management activities east of the Cascades, and an Asset Manager oversees all activities related to the implementation of the Asset Management Plan; all report to the Assistant Director for Land Management. The division also houses cartographic and geographic information systems staff, a policy specialist, asset management program staff and administrative support staff.

The costs are supported by Other Funds -- Common School Fund (constitutional and statutory receipts).

This division's programs affect public and private agencies, industries and businesses, in addition to landowners and people who use waters of the state or uplands managed by the agency, or who are concerned about their use.

Wetlands and Waterways Conservation Division

The Wetlands and Waterways Conservation Division's primary function is to conserve and protect waters of the state, including wetlands, for their contribution to aquatic life and habitats, fisheries, aquatic-based economies, public recreation, navigation, water quality, floodwater storage and other natural resource functions and values through the Removal-Fill and Wetlands programs. The division is responsible for three core functions:

- **Regulating Removal-Fill Activities:** Staff resource coordinators implement the Removal-Fill Law by assisting landowners, consultants and others in obtaining permits for removal-fill activities in waterways, wetlands, the Pacific Ocean and other waters of the state. Staff also monitor permits for compliance with permit conditions. **Enforcement:** Division staff seek to deal in a fair and timely manner with removal-fill activities occurring without a permit or activities that are out of compliance with an existing permit. **Permit Streamlining:** DSL is working with a variety of public agencies and constituent groups on improving the removal-fill

AGENCY SUMMARY

permit process, including developing online permitting and creating more applicant-friendly processes. DSL is working with other agencies and interests to expedite permitting for stream restoration projects, including developing an exemption for activities known to have no adverse impacts.

- **Wetland Inventories, Delineations and Planning:** The wetlands staff provide technical assistance to local governments completing wetlands inventories, and review inventories for accuracy and agency approval. These inventories provide landowners and developers with information about wetlands on their land and potential permit requirements. Staff also provide guidance on conducting wetland delineations and review of wetland delineation reports, an important component of the removal-fill permitting process. Project proponents are encouraged to provide wetlands delineation reports during the initial stages of development planning in order to avoid wetland impacts. Once the wetlands and other waters of the state are located and the boundaries mapped accurately, the removal-fill permitting evaluation process can begin for unavoidable impacts.

- **Mitigation:** When property owners seek permits to alter wetlands, they are required to replace the resource lost to development by enhancing, creating or restoring wetlands. This is known as compensatory mitigation. Mitigation requirements support Oregon's "no-net-loss of wetlands" policy. When impacts to streams and other waters require compensatory mitigation, DSL provides various options for landowners and developers to fulfill their mitigation requirement: purchasing mitigation bank credits, purchasing in-lieu credits, and conducting their own mitigation project. DSL's mitigation specialists assist with establishing wetland mitigation banks and in-lieu-fee projects, and maintaining consistent standards between all forms of mitigation. Currently, there are 20 approved banks and two Corps-approved in-lieu-fee sites in Oregon, and several more such projects in process. Mitigation banks are an expanding business sector: as of April 2010, the approximate total market value of all wetland bank credits available for sale was \$38 million. Under the state payment-in-lieu mitigation program, DSL receives payment for mitigation and uses these monies in the Oregon Removal-Fill Mitigation Fund to provide wetland replacement at alternate sites. In 2009, DSL received federal approval of an "in-lieu-fee" program, the first such program approved in the U.S. under the new federal mitigation rules. Currently, there is approximately \$2 million in the fund that has not been obligated. DSL has one full-time FTE focused on mitigation banks, and one full-time FTE that oversees the state and federal mitigation programs.

The division is comprised of **31 FTE/31 positions** and is managed by an Assistant Director who reports to the Director. A Northern Region Manager, Southern Region Manager, Wetlands Program Manager and Support Staff Supervisor report to the Assistant Director. Five resource coordinators handle removal-fill permit activities in the northern region. The two wetland mitigation specialists also report to the Northern Region Manager. Three resource coordinators handle permits in the southern region. A

AGENCY SUMMARY

resource coordinator responsible for Oregon Department of Transportation (ODOT) projects also reports to the Southern Region Manager. Five wetlands specialists and two wetland program support staff (1 FTE) report to the Wetlands Manager, along with one limited-duration wetland restoration specialist funded by a grant from the Environmental Protection Agency. DSL's member of the Economic Revitalization Team (ERT) is located in this division, and works primarily on wetland mitigation to expedite industrial-site readiness for development. The ERT liaison and a GIS specialist report to the Assistant Director.

The costs are supported by Other Funds Statutory Grant Funds (including other funds and federal funds).

Finance and Administration Division

This division is responsible for DSL's agency-wide support functions, as well as for oversight of DSL-managed funds, audits and properties. It includes the following sections: Unclaimed Property, Information Systems and Fiscal Services, which includes Estates Administration. The Assistant Director also serves as the agency's legislative coordinator responsible for development of legislative concepts, tracking legislation during sessions, providing information to legislative committees and maintaining relationships with legislators. The Assistant Director also oversees the Administrative Rule process, DSL's business continuity planning, the agency's Key Performance Measures, and serves as liaison to the South Slough National Estuarine Research Reserve and the Oregon Natural Heritage Program.

The division's primary functions include:

- **Unclaimed Property Section**

The goal of the Unclaimed Property Program is to reunite as many people as possible with their money or possessions. In accordance with individual state laws, property becomes unclaimed if the holder of the asset can't contact the owner within a specified period of time. When agency staff cannot find the rightful owner, unclaimed money is held in custody forever.

- **Fiscal Services Section**

This section provides budget development and maintenance, general administrative support, accounting, purchasing, grant management and internal/external audit services for the agency. These supporting services are also provided to the South Slough National Estuarine Research Reserve and the Oregon Natural Heritage Program. The section also houses the Estates Program which administers estates of persons who have died without a will and for whom heirs cannot be found during the estate probate process. In those cases, a court appoints DSL as personal representative of the estate. If DSL does not locate a will or heirs, the estate escheats to the Common School Fund. If no heirs are found within 10 years, the funds remain permanently in the Common School Fund.

AGENCY SUMMARY

- **Information Systems Section**

This section supports all information systems for the agency, including the Land Administration System (LAS), integration of Web, LAS and GIS applications, the unclaimed property system (UPS 2000), day-to-day desktop support for staff in Salem and at satellite offices in Bend and Charleston, e-commerce functions and all services related to data storage, retrieval and documentation.

The Finance and Administration Division includes **28 FTE/28 positions** managed by an Assistant Director reporting to the Director. The Fiscal Manager, Unclaimed Property Manager and Information Systems Team Leader report to the Assistant Director. The costs are supported by Other Funds -- Common School Fund.