

December 22, 2023

Wade Crowfoot, Secretary
California Natural Resources Agency
715 P Street, 20th Floor
Sacramento, CA 95814

Dear Secretary Wade Crowfoot,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the State Lands Commission submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Colin Connor, Assistant Executive Officer, at (916) 574-1800, colin.connor@slc.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Commission carries out its responsibilities in accordance with its Strategic Plan. The Commission's 2021-2025 Strategic Plan includes the following:

Vision Statement

The California State Lands Commission is a recognized leader that champions equitable and sustainable public land management and balanced resource protection for the benefit and enjoyment of all current and future generations of the people of California.

Mission Statement

The California State Lands Commission provides the people of California with effective stewardship of the lands, waterways, and resources entrusted to its care based on the principles of equity, sustainability, and resiliency, through preservation, restoration, enhancement, responsible economic development, and the promotion of public access.

Strategic Goals

1. Leading climate activism;
2. Prioritizing social, economic, and environmental justice;
3. Partnering with sovereign tribal governments and communities;
4. Meeting evolving Public Trust needs;
5. Leveraging technology;
6. Committing to collaborative leadership; and
7. Building a reimagined

Commission staff operates under the direction of an Executive Officer who is appointed by the Commission. Staff is organized into nine divisions: Land Management, Mineral Resources

Management, Marine Environmental Protection, Environmental Science, Planning and Management, Legal, External Affairs, Information Services, Administrative Services, and the Executive Office, which includes the Commission's Tribal Liaison and Environmental Justice Liaison. As of fiscal year 2023-24, the Commission has 248.6 authorized positions and a budget of \$53.27 million.

The Commission's main program areas are:

1. Land and mineral leasing, including oil and gas, renewable and geothermal energy - The Commission issues leases for the use of the sovereign and school lands and development of the state's minerals under its jurisdiction. Leases may be issued for uses such as industrial wharves; commercial marinas; agriculture and grazing; bridges and utility rights of way; shoreline protective structures, public uses for recreation, restoration or wildlife refuge; private recreational docks, piers, and buoys; oil, gas, and mineral extraction and transportation, including pipelines and marine oil terminals; and wind, solar, and geothermal energy projects. The Commission manages existing offshore oil and gas leases within three nautical miles of the coast, including oil-producing islands and offshore platforms. The 1994 California Sanctuary Act prohibits the state from issuing any new leases for oil and gas production in state waters. The Commission currently manages over 4,100 leases.
2. Oil spill prevention - The Lempert-Keene-Seastrand Oil Spill Prevention and Response Act of 1990 covers all aspects of marine oil spill prevention and response and divides responsibility between the Commission and the Office of Spill Prevention and Response, a division of the Department of Fish and Wildlife. The Commission is responsible for the prevention aspects of the program. The Commission's oil spill prevention program is designed to provide the best achievable protection of public health, safety, and the environment and to prevent an oil spill in state waters. The Commission implements inspection and safety audit programs for the existing oil and gas production, processing, and transportation facilities under its jurisdiction. The Commission also regulates every marine oil terminal in California, including enforcement of state building standards. There are 34 marine oil terminals in California where nearly two million barrels of oil and petroleum products are transferred overwater (between ship and shore) daily. Most marine oil terminals in California were built in the early 1900s when oil was carried by ships much smaller than the size of today's tankers, and before modern seismic safety standards and environmental requirements were established. The Marine Oil Terminal Engineering and Maintenance Standards, known as MOTEMS, are building standards (California Building Code, Chapter 31F - Marine Oil Terminals) that apply to all marine oil terminals in California. MOTEMS establish minimum engineering, inspection, and maintenance criteria for marine oil terminals to protect public health, safety and the environment, and govern the upgrade and design of terminals to ensure better resistance to earthquakes and reduce the potential of oil . In December of 2023, the Commission was awarded a federal grant for almost \$22 million in funding under the Inflation Reduction Act to mitigate methane emissions from marginal oil and gas wells. The grant funding will enable the Commission to work with oil and gas operators to plug and abandon marginal conventional wells on non-federal lands, measure and monitor methane

emissions, and restore well sites. The Commission's prevention programs have successfully limited the number and severity of oil spills in state waters.

3. Marine invasive species program (MISP) - In coastal environments, commercial shipping is the most common vector for non-indigenous species (NIS) invasion. Ships are responsible for almost 80% of the NIS introductions to North America. Commercial ships transport organisms through two mechanisms: ballast water discharge and vessel hull biofouling. Commission staff board and inspect vessels to ensure compliance with ballast water management requirements by interviewing ship's officers and reviewing paperwork, including Ballast Water and Hull Husbandry Reporting Forms, ballast water management plans, and engine room logbooks. Staff also educates vessel crews about the requirements of California's Marine Invasive Species Act and distributes educational materials directly to vessels. The MISP is also active in research and coordinates with the regulated shipping industry, other public agencies (state, federal, and international), leading scientists, and other stakeholders. Through these activities, the Commission has become a world leader in NIS management. The goal is to move the state expeditiously towards the elimination of the discharge of nonindigenous species into California waters.
4. Granted Lands Program - The Legislature has enacted over 300 statutes granting sovereign public trust lands to over 70 local municipalities (referred to as grantees or trustees) to manage in trust for the people of California. The terms and conditions of trust grants vary and are governed by the specific granting statute(s), the Public Trust Doctrine, the California Constitution, and case law. While granted public trust lands, resources, and assets are managed locally, the Legislature delegated the state's residual and review authority for granted lands to the Commission. The Commission represents the statewide public interest to ensure that trustees operate their grants in conformance with the California Constitution, applicable granting statutes, and the Public Trust Doctrine. This oversight has ranged from working cooperatively to assist trustees on issues involving boundary determinations, trust consistency determinations, and land exchanges, to judicial confrontations involving billions of dollars of trust assets.

Control Environment

The Commission establishes its control environment through multiple efforts.

The Commission's values (shown below) are memorialized in its strategic plan and shape its culture while serving as a foundation upon which to achieve its mission in accordance with its vision.

- Inclusivity - We value diversity at all levels and are committed to fostering an inclusive

environment where people with different backgrounds, cultures, and experiences are able to lend their strengths and unique insights to further the Commission's mission and progress.

- Accessibility - We strive to provide access to our lands and resources, all Commission materials, staff, and public meetings by addressing physical barriers and continually considering technology, educational opportunities, and communication pathways to benefit people of California of all abilities.
- Equity - We commit to practices and activities that prioritize racial justice, visibility, and representation, ensuring that all voices are heard, all communities are treated fairly and equitably, and the burdens and benefits stemming from our actions are equitably distributed.
- Environmental Justice - We are committed to advancing environmental justice through more inclusive decision-making that addresses the disproportionate burdens of past decisions and practices on disadvantaged communities and Native Nations.
- Sustainability - We understand the multi-generational impacts of our decisions. We seek opportunities and commit to actions that responsibly grow our economy, facilitate a just transition to a carbon neutral economy, support living wages, protect the environment and biodiversity, and that prioritize sustainable practices and outcomes for current and future generations.
- Visionary - We are forward-thinking and continuously seek new and innovative ways to be more effective public land and resources stewards.
- Responsible Economic Growth - We support our grantees, lessees, stakeholders, and partners in their efforts to balance sustainability and equity with economic growth. We strive to seek out opportunities to help our grantees and lessees implement and execute environmentally conscious practices that support inclusive job growth, living wages, healthy communities, and a resilient economy.
- Integrate Native American Perspectives - We are committed to respecting and recognizing the sovereign rights and heritage of tribal governments, learning from, and collaborating with them to integrate their unique and valuable knowledges and practices, including traditional ecological knowledges, into land management decisions. We are committed to working cooperatively to protect tribal cultural resources and to identify opportunities for co-management of and access to natural lands that are within Tribes' ancestral territories and under the ownership of or control of the Commission.

At the organizational decision-making level, the three-member State Lands Commission oversees all programmatic activities transparently at public meetings conducted throughout the state and virtually approximately six times per year.

Levels of responsibility and authority are conveyed to staff through our Commission approved Delegation of Authority document and additional controls are documented through established policies and procedures. Additional expectations regarding staff conduct and responsibilities are communicated through division or work unit expectation memos, email communications, and annual performance reviews.

The Human Resources Office routinely meets with the divisions to determine how best to assist in identifying their workforce needs surrounding hiring, developing staff, leadership succession and supporting performance and accountability management processes.

Information and Communication

The Commission collects information relevant to operational, programmatic, and financial decision making through several avenues including its strategic planning process, budget change proposal process, contract request process, staff report review, and staff meetings at various levels throughout the Commission.

Because of its relatively small size, the Executive Office and senior management are generally aware of vulnerabilities and risks to the Commission. However, if staff at any level identifies what they believe to be a Commission-wide vulnerability, then that person can communicate that concern to their management. Management shall then confer with the Executive Office and if it is deemed that the concern represents a potential vulnerability, then the topic will be agendized by that division for discussion at a weekly senior staff meeting. The Executive Officer may determine that it is necessary to assign staff to study the issue and report back to senior staff or the Executive Office with recommendations to address the issue. If warranted, measures will be taken to respond to the vulnerability. Measures may include new written processes, practices, or procedures with a notification (email or memo) going to the affected staff. This process for communicating concerns or vulnerabilities has been documented and shared with staff.

Communication with external stakeholders is ongoing with updates on the Commission's activities and public meetings posted routinely on its website and through X (formerly Twitter) and Instagram. In addition to web postings, the Commission actively engages with the community through Town Hall meetings, Environmental Justice Outreach meetings, project specific meetings and its public Commission meetings.

Employees who are aware of inefficiencies or inappropriate actions have several ways to report these to management or other entities. These options include discussing concerns directly with management, involving the Human Resources Office, Labor Relations Office or Equal Employment Opportunity Office, filing a whistleblower complaint with the State Auditor, or filing complaints with outside entities such as the Department of Fair Employment and Housing or the Equal Employment Opportunity Commission. Information on how to engage with these offices and outside entities is available to staff on the Commission's intranet site and/or on the displayed employment posters in each office.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the State Lands Commission monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Colin Connor, Assistant Executive Officer.

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Colin Connor, Assistant Executive Officer.

As the head of State Lands Commission, Jennifer Lucchesi, Executive Officer, is responsible for the overall establishment and maintenance of the internal control and monitoring systems. She has assigned an executive monitoring sponsor whose responsibilities include facilitating and verifying that the State Lands Commission's internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to Colin Connor, Assistant Executive Officer.

The Commission's Strategic Plan identifies its priority activities. The plan is developed with input from staff, management, Commissioners, and key stakeholders and is subsequently monitored on an ongoing basis. Key staff members ("champions") from each division are responsible for each Strategic Plan action item. Staff's Strategic Plan activities are overseen by the Division Chiefs. The Assistant Executive Officer, with the assistance of an experienced staff person, monitors the progress of the Strategic Plan implementation on a regular basis. The Assistant Executive Officer provides updates to the Executive Officer. The Executive Office prepares an annual Strategic Plan update for the Commissioners. The annual update is a public document that is posted on the Commission's website. Executive staff present the annual update to the Commissioners at a regularly scheduled public hearing near the end of the calendar year. The annual update is used as an opportunity to review internal control processes and prioritize activities over the next year. Senior staff seeks input from all staff members on evaluating progress on Strategic Plan action items prior to publishing the annual update, and all staff is encouraged to review the completed update.

In addition to the annual Strategic Plan update to the Commissioners, the Commission holds regularly scheduled public meetings approximately every two months. These meetings are an opportunity for the public to provide input to the Commissioners and staff on topics that may represent risks to the department. The meetings also allow the Commissioners to give direction to staff on how such matters should be addressed and monitored.

Throughout the year, the Commission's senior management staff holds weekly management meetings. Meeting topics include discussion of a wide range of current and potential internal control issues that need to be addressed, including Strategic Plan progress and issues related to the risks identified in this report. These meetings also allow management to elevate and discuss issues or vulnerabilities they or their staff have identified and decide what steps are needed to monitor or address the issues that arise.

Vulnerabilities may be identified by any level of staff up to senior management, including the Executive Office. Once identified, the issue is agendized by that Division for discussion at a weekly senior staff meeting. The Executive Officer may determine that it is necessary to assign staff to study the issue and report back to senior staff or the Executive Office with recommendations to address the issue. The timeframe and manner for addressing the issue may vary depending on what is needed to correct it. This process has been documented and

shared with staff.

Based on that decision, a new procedure may be put into place with a notification (email or memo) going to affected staff. The notification will detail who is responsible for monitoring the procedure and the timeline and the method of reporting to the Assistant Executive Officer.

Beyond internal methods to identify and monitor issues and vulnerabilities, the Commission engages with control agencies during external audits of various administrative and information technology functions. These audits serve as another avenue to identify and remedy any inefficiencies or vulnerabilities. Where deficiencies are found, ongoing reporting to the control entity may be required until remediation is complete.

RISK ASSESSMENT PROCESS

The following personnel were involved in the State Lands Commission risk assessment process: executive management, middle management, and front line management.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, and consideration of potential fraud.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

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Risk Identification

The Commission updated and adopted its Strategic Plan in 2021. Through the strategic planning process, the Commission identified its vision, mission, guiding principles and values, drivers of change and adopted strategic focus areas and goals. The Commission actively uses its Strategic Plan to monitor progress and address risks to the agency that were identified as part of that process, and to ensure that the agency is adhering to its mission. Staff reports annually to the Commission on its progress in implementing its strategic goals.

The Commission's senior staff members, which include the Executive Officer, Assistant Executive Officer and division chiefs and assistant chiefs, meet weekly to identify and discuss issues, priorities, and risks to the agency. At these meetings, managers raise and discuss issues related to all aspects of the agency, including information technology and administration.

As part of the SLAA reporting process, upper and mid-level managers provided input as to the risks they perceived. A small team of staff, including the Executive Officer and Assistant Executive Officer, completed the risk identification process by aggregating the risks, including those raised during weekly management meetings, risks identified in the ongoing Strategic Plan process, and risks identified in the survey. The risks that were selected are those that may affect the Commission's ability to adhere to its Strategic Plan.

Risk Ranking

The team then ranked the risks based on their likelihood to occur, severity of impact, and how soon the impact could happen. Once the risks were identified and ranked, the team identified the controls in place to lessen or eliminate the risks and discussed the effectiveness of those controls.

RISKS AND CONTROLS

Risk: Oversight, Monitoring, Internal Control Systems

The Commission manages more than 4,100 leases throughout the State, with improvements ranging from recreational docks and mooring buoys, commercial marinas, pipelines and utilities, to industrial marine oil terminals and oil and gas production facilities. While such improvements are in use, repair and maintenance costs are borne by the lessee; however, there are times when a lessee defaults on their lease and abandons these improvements. During the initial lease negotiations, Commission staff attempt to mitigate liability to the State by requiring adequate insurance coverage for the lease improvements, indemnification of the State for the use of the property, and bonding or other surety to ensure that critical lease obligations, including but not limited to restoration of the lease premises upon termination or expiration of the lease, are met in the event of a default.

However, the Commission lacks the expertise and experience to conduct risk analyses. Without this knowledge, staff is unable to accurately determine insurance levels and bonding/security requirements for the various uses of state land. Establishing adequate insurance and bond/security to be borne by lessees will greatly minimize the legal liability from the use of the land and the financial burden to the State in the event that lessees are unable to meet their lease obligations regarding removal of improvements and restoration of the lease premises.

Control: Control A

In light of several recent bankruptcies and lease abandonments that have left the State with the legal and financial obligations to remediate and clean up the lease premises, staff has been more thoroughly reviewing the financial strength of its major lessees and their ability to meet their lease obligations. For existing lessees, these reviews and reassessments happen whenever there is an opportunity to reopen an existing lease (e.g., assignment of lease, amendment, etc.). Where necessary, staff will renegotiate the terms to increase bond or surety or include other terms to reduce the financial and legal risks to the state. These evaluations are currently oriented towards the larger, more complex, or unique facilities, such as oil and gas operations, utility pipelines, marinas, and industrial wharves. Additionally, staff has undertaken more in-depth evaluations of applicants for

new leases, including their operational plans and financial strength. The analyses of both existing leases and application for new leases may involve the use of the Commission's Audit staff.

Control: Control B

In addition to staff's review of an applicant or lessee's financial strength, in those cases where the applicant or lessee have a consultant, staff will work with the consultant to estimate the cost to remove any facilities on the lease premises. This can then be used as the financial basis for bond or other surety.

Control: Control C

The Commission hired a consultant (AON) in the fall of 2023 to conduct a comprehensive statewide risk assessment of the types of facilities under lease, estimate the potential liability associated with those facilities, and then establish a framework to help staff calculate appropriate levels of insurance and bonding/security for leases. We anticipate the consultant will complete their work sometime in 2024 and staff hopes to apply any appropriate recommendations from the consultant's work to our practices and improve our ability to more accurately set appropriate bond levels for the facilities on state lands, reduce risk, and better protect the state.

Risk: Litigation

The Commission's litigation risk is high. The use and development of state lands triggers numerous legal issues including: property ownership and boundary disputes wherein the Commission sues for trespass and removal of unauthorized improvements, or the converse when the Commission is sued in a quiet title action potentially resulting in loss of ownership to state lands; loss of leasing revenue; tort liability resulting in monetary damages for failure to remove safety or environmental hazards; for inverse condemnation and general takings claims; for statutory and regulatory compliance issues; various land use issues; toxics; water quality; and for failure to comply with the California Environmental Quality Act (CEQA). The Commission also engages in complex litigation including Chapter 7 and 11 Bankruptcy cases; civil complaints against lessees for failure to pay rent; civil complaints against upland landowners who knowingly trespass on state-owned lands; condemnation actions against private landowners to ensure public access to sovereign lands; and torts cases undertaken to protect California's interests.

The Commission manages the State's sovereign and school lands and resources. The primary legal risks facing the Commission are: 1) challenges to the State's ownership due to the difficulty in locating the nature and extent of the State's sovereign land interest; 2) the failure of State lessees to meet their lease obligations (e.g., payment of rent, bond/security, environmental mitigation, restoration of lease premises); 3) challenges to environmental documents prepared by the Commission under CEQA; 4) the failure to remove or mitigate human-made hazards on lands under the Commission's jurisdiction (e.g., leaking legacy oil wells; remnants of docks, piers, jetties, dams, and old oil production facilities; abandoned mines); and 5) the increasing concerns surrounding ongoing oil and gas operations in the state

and the transition away from fossil fuels to renewable energy.

Depending on the cause of action, the State could lose valuable property and/or the State's general fund could incur many millions of dollars in litigation costs (to defend against or to pursue litigation), damages and settlement costs. Two bankruptcies of oil and gas lessees have already cost the state more \$100 million to secure the sites and safely abandon the offshore wells because of lessee insolvency. Complex bankruptcy cases require outside counsel with specialized experience and who are admitted to practice in other states where the bankruptcies are filed.

Control: Control A

Litigation over the nature and extent of the State's sovereign interest is always present but managed by the coordination and support of the Commission's legal Staff with its line divisions. The Commission provides its attorneys with extensive training regarding its jurisdiction and strives to resolve disagreements through settlements to reduce the threat of litigation.

Control: Control B

In recent years Commission staff have been reviewing with heightened scrutiny the financial strength of its major lessees and their ability to meet their financial obligations. Whenever there is an opportunity to reopen a lease (e.g., assignment of lease, amendment, etc.), staff will renegotiate the terms to increase bond or surety or include other terms to reduce the financial and potential litigation risks to the state. Additionally, updates to the Commission's statutory authority regarding assignments provides greater specificity regarding what is required for a reasonable assignment.

Control: Control C

The Commission reduces the potential for CEQA litigation by employing highly trained scientists, analysts, and CEQA consultants and by providing review of the Commission's environmental documents by the Commission's legal staff. The Commission also, where appropriate, requires an applicant to indemnify the Commission and pay all litigation costs in the event of a legal challenge pursuant to CEQA or the Commission's action on the application.

Control: Control D

The Commission has a program to remove hazards from sovereign lands; however, the program activities are contingent on funding, which has been intermittent. Additionally, the Commission has also partnered for several years with the Abandoned Mine Unit of the Department of Conservation to remediate abandoned mines on state property thereby reducing the potential for injury to members of the public and the risk of personal injury tort cases against the state.

Risk: Funding - Sources, Levels

In upcoming years, several core programs and compliance activities will be impacted as the Marine Invasive Species Control Fund (MISCF) trends toward insolvency, due to internal and external overhead, statewide salary and benefit augmentations, and increasing operating costs. While this issue is not unique, the remedy is largely out of the Commission's control. The Commission is taking steps to mitigate the impact of these structural deficits and will continue to work with other impacted agencies to seek long-term solutions and preserve the fund balance.

MISCF, and by extension, the Marine Invasive Species Program (MISP) will be impacted by the federal Vessel Incidental Discharge Act (VIDA). Once fully implemented in December 2026 or later, VIDA will preempt the state's authority across several program areas, creating some uncertainty about MISP's future operations. Staff does not foresee issues with compliance; however, VIDA caps the fees that states can charge to inbound vessels reducing fee revenue to MISCF by up to \$500,000 per year (nearly 9% of the current annual fee revenue) starting on or after January 1, 2027, depending on the completion of the federal rulemaking actions. At the same time, the Commission's growth places an increasing burden on the fund, as allocated overhead costs continue to creep, and staff salary and benefit costs continue to rise. Currently, MISCF bears around 10% of all Commission-wide allocated costs (with some variation), though this will likely need to be re-evaluated as the fund's balance declines. Based on current projections, MISCF will dip into the red by Fiscal Year 2026-27 without intervention.

Control: Control A

The Commission's priority is reducing all non-mission-critical expenditures to MISCF. This includes a deep review of prior year spending to identify any miscoded expenditures or misallocations that should have been borne by other funds, as well as carefully educating staff on the distinctions between the funds within the Commission's budget; this will build in additional controls and ensure that there are multiple opportunities to catch coding mistakes within any given procurement process.

The Commission's MISP staff is also exploring options to reduce spending and has already implemented limits on overtime, training, and travel, and has cut internal research budgets (used to fund specialized research contracts with universities), which is limiting the program's ability to adapt to and/or encourage new technologies in the field. The program is also looking for ways to reduce overhead costs, potentially revising how fees are collected to streamline administrative burden and other overhead costs. Staff would be the last to go, as the program is driven by their work; only at this point would the program face compliance issues, and this is not a likely scenario.

Control: Control B

In the near-term, the Commission will revisit its internal cost allocation practices to ensure that this special fund is not bearing a disproportional share of Commission-wide expenses. Although it is common practice to allocate costs based on each fund's spending

authority within the larger operational budget (minus any significant, one-time funding), the Commission recognizes that the status quo does not necessarily represent a best practice and sees an opportunity to better control costs at all levels. Upon completion of this internal review, administrative staff will leverage FISCAL to automate the large majority of the cost allocation process and establish other controls to ensure that allocated expenditures are truly representative.

Control: Control C

In the long term, the Commission will explore opportunities to increase fee revenues and better manage expenditures to MISCF. One potential revenue stream is settlements from enforcement actions; however, over time, MISCF strives for better enforcement and greater compliance by vessel operators, which means fewer revenue-generating judgements, so this is not a reliable revenue stream. The Commission also recognizes the opportunity to amend the Marine Invasive Species Act to place fees on different aspects of the MISCF portfolio that are not directly governed or impacted by VIDA, including the biofouling management program and species monitoring program. All of these revenue streams are, however, very uncertain, so efforts will largely be focused on sustainable, long-term expenditure reductions.

Risk: Staff - Key Person Dependence, Workforce Planning

As staff leave the Commission, a gap in critical institutional knowledge and technical competence can occur unless careful workforce and succession planning, and knowledge transfer strategies are in place.

The Commission is a small entity with 248.6 authorized PYs in fiscal year 2023-2024. As such, many of its staff have developed specialized and in-depth knowledge of certain programs or administrative areas that is not replicated in other staff members. The Commission will continue to see numerous retirements over the next several years as 20% of the staff are age 55 plus. These retirements will include a large percentage of staff members with extensive experience working in our programs. As these vacancies continue to be backfilled with the more mobile Gen X and Millennial staff, the Commission will continue to experience higher rates of staff turnover due to transfers and separations.

The Commission recognizes workforce and succession planning as a key action associated with meeting our goal of transferring institutional knowledge and technical competence. The Commission's Workforce Plan expired in 2021 and the Commission began the process of updating the new plan in March 2023. The Commission's Succession Plan expired in 2021 and the process of updating the new plan will begin in the first quarter of 2024. A lack of workforce and succession planning combined with a dependence on key people could result in significant loss of institutional knowledge, decreased efficiency, and a decline in the Commission's ability to effectively execute its programmatic and administrative responsibilities as positions are vacated.

Control: Control A

The Commission's existing Workforce Plan will be updated in the first quarter of 2024 to identify and address the gaps and risks, and committees will begin the process of implementing the initiative items over the life of the plan.

Control: Control B

The Commission's existing Succession Plan will be updated by or before the second quarter of 2024 to identify and address the competency gaps, and the committee will begin the process of implementing the initiative items over the life of the plan.

Risk: Staff - Recruitment, Retention, Staffing Levels

A major risk that can impact achievement of the Commission's strategic goals and objectives is the potential inability to quickly recruit and retain a skilled, trained workforce.

The Commission has experienced increased recruiting activity due to Baby Boomer retirements and anticipates a continued steady flow of retirements over the next several years as approximately 20% of its staff are currently age 55+. Transfers and separations of Generation X and Millennial staff members, who seem less content to stay with a single employer over a long period of time continues to make retaining staff a challenge. In addition to increased recruiting activity, the Commission has a significant number of department-specific classifications which continue to be challenging to fill due to the outdated minimum qualifications and salary disparities compared to similar private sector jobs. Frequent turnover results in an increased vacancy rate, that combined with the length of time and number of hours involved in examining and recruiting for department-specific classifications results in longer periods of vacancy, reduced production, increased reliance upon key personnel, loss of institutional knowledge, and a negative impact to the succession plan.

Labor market shortages have caused smaller applicant pools since 2020 which has created further challenges with filling vacancies. While the Commission has implemented some changes such as offering hybrid and flexible work environments to help recruit and retain staff, we are still experiencing issues with recruiting, particularly in our department-specific classifications.

Control: Control A

The State offers employees the opportunity to participate in Training and Development (T&D) Assignments. These assignments allow employees the ability to develop their knowledge, skills, and abilities in areas of interest and prepares them to meet minimum qualifications of the classification. The Commission's Human Resources Office will review each vacancy prior to recruiting to determine whether a T&D Assignment is appropriate to use as an option for filling the position. T&D Assignments can help increase applicant pools and meet the challenges of filling difficult to recruit positions.

Control: Control B

Many of the Commission's department-specific classifications have not been revised in decades and require assessment for revision. In order to meet our goals of building a reimagined workforce, the Commission's Human Resources Office started prioritizing their department specific classifications for revision. In the first quarter of 2024, the Commission's Human Resources Office will begin the process of updating the classification specifications for the Public Land Management Specialist series. Updating our department-specific classifications should help reduce the length of time these classifications remain vacant and increase our applicant pools.

Control: Control C

The Commission will explore nontraditional recruitment opportunities such as apprenticeship programs and partnerships with organizations to help expand our applicant pools and attract a more diverse workforce.

CONCLUSION

The State Lands Commission strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Jennifer Lucchesi, Executive Officer

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency