



COMMISSIONERS OF THE
LAND OFFICE
STATE OF OKLAHOMA
Managing Assets to Support Education

Commissioners of the Land Office

FY 2025 Budget Hearing Presentation

Submitted by: Dan Whitmarsh, Secretary to the Commissioners

Dan Whitmarsh

Secretary to the Commissioners



The Commissioners of the Land Office (CLO) serves as the administrator of the state school lands and is responsible for the management of assets for the benefit of the State's public education beneficiaries as set forth in the Oklahoma Enabling Act (Section 7) and the Oklahoma Constitution (Article 11 Sections 1 and 2.) The CLO assures the preservation and appreciation of the trust estate and maximum return from the use of state school lands to support education funding in the State of Oklahoma. The agency manages nine (9) State Trusts with the largest trust being the Common School Trust (K-12) and currently funds 507 Common School Districts. Six trusts are for the benefit of thirteen (13) higher education institutions. In FY-2023, the agency distributed \$96,134,138 to the Common School Trust and \$33,287,562 to Higher Education Trusts for a total distribution of \$129,421,700. The agency also manages two small trusts for the benefit of public buildings throughout the State.

Founded in 1907, this agency now encompasses the following divisions: Agriculture/Real Estate, Commercial Real Estate Management, Minerals Management, Royalty Compliance, Information Technology (IT), Legal, Financial Services, and Administration.

The Commissioners of the Land Office owns and manages approximately 726,000 surface acres and 1.2 million mineral acres.

Agency Vision, Mission and Core Values

Vision:

- Preserve the “sacred trust”, maximizing the return on School Land assets to grow both the Permanent Trust and distributable income for the benefit of future and current beneficiaries.

Mission:

- Managing Assets to Support Education

Core Values:

- Be good stewards of the land, minerals, and investments the agency manages
- Actively manage Trust assets, ensuring every dollar owed to beneficiaries is paid timely and accurately
- Create and maintain an investment policy consistent with Oklahoma Constitutional mandates
- Keep records of preservation to ensure accuracy and transparency
- Create efficiencies in operations, hiring and retaining professional and qualified staff



Accomplishments

Top accomplishments for FY 2023 – FY 2024

- 1) Distributions to beneficiaries in FY23 increased 5.7%.
- 2) Agency received the Certified Achievement Award from GFOA for the Agency's Audited Comprehensive Financial Report (ACFR) for three consecutive years.
- 3) Added \$5.4 million to the agency's Multiyear Education Stabilization Fund.
- 4) Implemented a new check template upload for Oil and Gas producers in January 2023 reducing time and errors related to manual entry of check detail.
- 5) Successful RFP for a new custodial bank, Northern Trust, which will allow the agency to recognize efficiencies and improve beneficiary investment portfolio reporting.
- 6) Improved efficiencies in the live auction process by modernizing the system, resulting in the elimination of check-in and check out lines, and reduction of paper transactions.
- 7) Transitioned out of non-performing or underperforming real estate assets resulting in both an increase in distributions and a substantial return on asset back into the trust's corpus.



Challenges

Top Challenges (current & upcoming years)

- ❖ Ability to operate optimally without recurring investment to our operating budget.

The agency's operating appropriation was cut by 20% (\$1.68M) in FY23 and has not been restored. As a result, five FTE vacancies for key personnel have not been filled. While the agency has been able to support core services, the reduction in staff has adversely affected the agency in the areas of cross-training, succession planning, the inability to complete special projects, development and documentation of agency formalized processes, continuing education and training of personnel.

- ❖ Agency turnover, retaining current employees, and the ability to attract professional staff.

The agency struggles to stay competitive with salaries for budgeted management and professionally certified positions resulting in loss of key staff members and the inability to replace these positions. As of 11/1/2023 the agency has lost seven specialized staff members since the beginning of FY24.



Savings & Efficiencies (Current or Planned)

Savings or Efficiency Name	Brief description of how savings were achieved	Savings in Unit of Measurement*	FY 2023 (Actual \$ Savings)	FY 2024 (Projected \$ Savings)	FY 2025 (Projected \$ Savings)
Mailroom	All incoming mail is being routed to BancFirst. Checks are deposited remotely, eliminating the statutory requirement for 3 persons to open agency mail.	personnel hours- Annually	0	750 Hours \$24,338	750 hours \$24,500
Upgrade of Surface Auction Application	Upgraded to a web-based application and enabled a paperless workflow, including scanning ID's, electronic signatures, and e-mailing lease copies, resulting in fewer keying errors, less customer waiting time, and reduction of paper and staff time.	personnel hours - Annually	0	40 hours \$1,500	40 hours \$1,500
Disaster Recovery	Implemented a SaaS for the Disaster Recovery solution, reducing the cost of renting a colocation site and replacing network and server equipment every 5 years along with reduction of software renewal.	Cost Saving in \$	\$43,000	\$43,000	\$43,000
Check Template	Implemented a new check template upload for Oil and Gas producers in January 2023, reducing time and errors related to manual entry of check detail.	personnel hours - Annually	0	360 \$9,735	360 \$9,800
Fleet Services	Two field staff vacancies allowed the agency to temporarily reorganize and reduce the number of vehicles the agency leases.	# of Vehicles	0	2 \$20,000	2 \$20,000

* Hours, FTE, square feet, etc.



Agency Goals and Key Performance Metrics

Goal		Metric	FY 22 Actuals	FY 23 Actuals	FY 24 Target	FY 29 Target
1	Increase revenue to beneficiaries	Annual distributions	\$122,474,890	\$129,421,700	\$135,900,000	\$158,000,000
2	Preserve and improve the land leased for agriculture through soil conservation program	Number of acres impacted	21,506	25,276	22,500	30,000+
3	Continue to grow investment portfolio for future generations	Annual investment reports	\$2.56 Billion	\$2.68 Billion	\$2.75 Billion	\$3.5 Billion
4	Clean up and plug abandoned well sites. (the cost to plug a well is \$106k)	Number of wells plugged	0	6 to 8	6 to 8	10 to 12
5	Reduce Agency Turnover Rate	Turnover Percentage	27%	14%	14%	12%



Projects for FY 2024 - 2025

Projects

- 1) Move to a bi-weekly payroll.
- 2) Address concerns outlined in the June 2023 LOFT report including upgrading the agency GIS system and focusing on digital transformation and efficiencies.
- 3) The agency is in the process of developing a Strategic and Work Force Plan potentially resulting in a reorganization that focuses on being proactive rather than reactive, looking for new revenue opportunities, and right sizing and organizing personnel positions so both the employee and the agency are efficient and successful.
- 4) Develop formal one-, three-, and five-year plans for Information Technology, Land Preservation, and well-site cleanup projects.
- 5) To maximize ability of multiple concurrent revenue streams on trust lands.



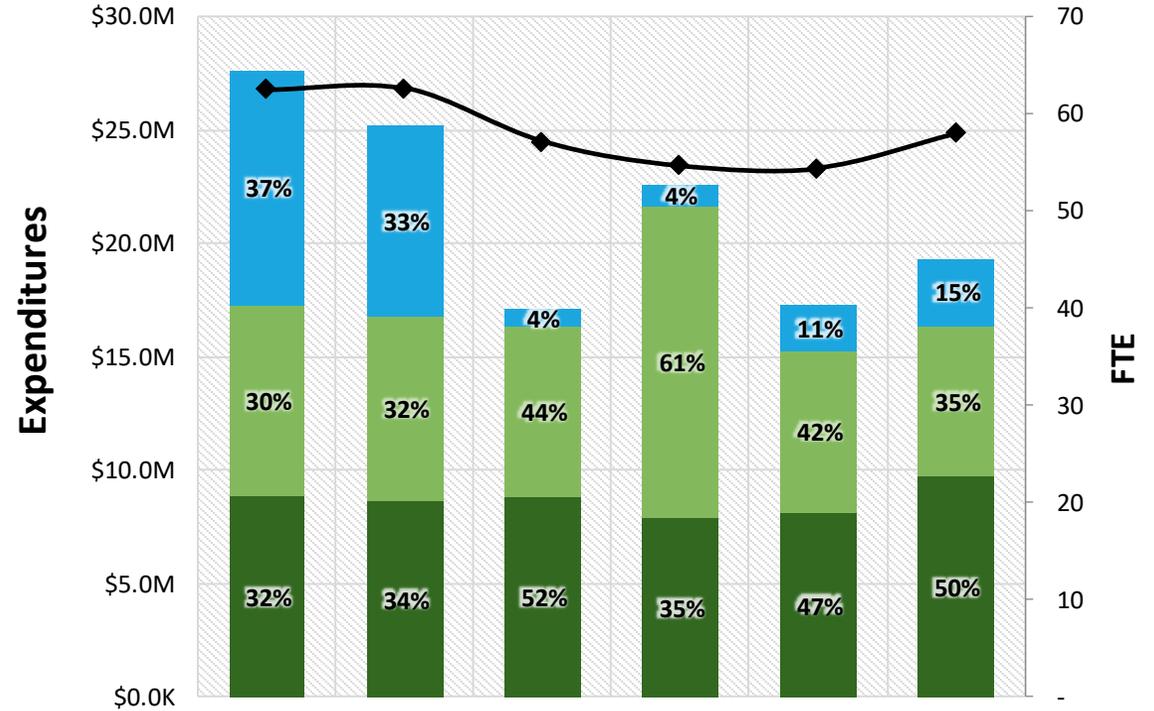
Historic Actual Expenditures (FY 2019-23) and Current Year Budget (FY 2024)

Explanation of Significant Changes and Trends

- Personnel turnover beginning in FY 2021 related to COVID and retirements. Agency had difficulty hiring and retaining qualified, professional personnel resulting in lower payroll related expenditures of appropriated funds and FTE numbers.
- In FY 2023 Appropriated Budget was cut by 20% (\$1.68M) and operations, including IT and Legal expenditures, are now funded by one-time revolving funds.
- FY 2022 the agency received a one-time appropriation (\$6M) related to the agency's assistance in relocating State Agencies in Tulsa to a new building.

Histc

Historic Actual Expenditures and Current Year Budget



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 Budget
Appropriated	\$8.4M	\$8.1M	\$7.5M	\$13.8M	\$7.2M	\$6.7M
Revolving	\$10.3M	\$8.4M	\$738.3K	\$887.1K	\$2.0M	\$2.9M
Federal						
Agency Special Accounts	\$8.9M	\$8.6M	\$8.8M	\$7.9M	\$8.1M	\$9.7M
Total	\$27.6M	\$25.2M	\$17.1M	\$22.6M	\$17.3M	\$19.3M
FTE	63	63	57	55	54	58



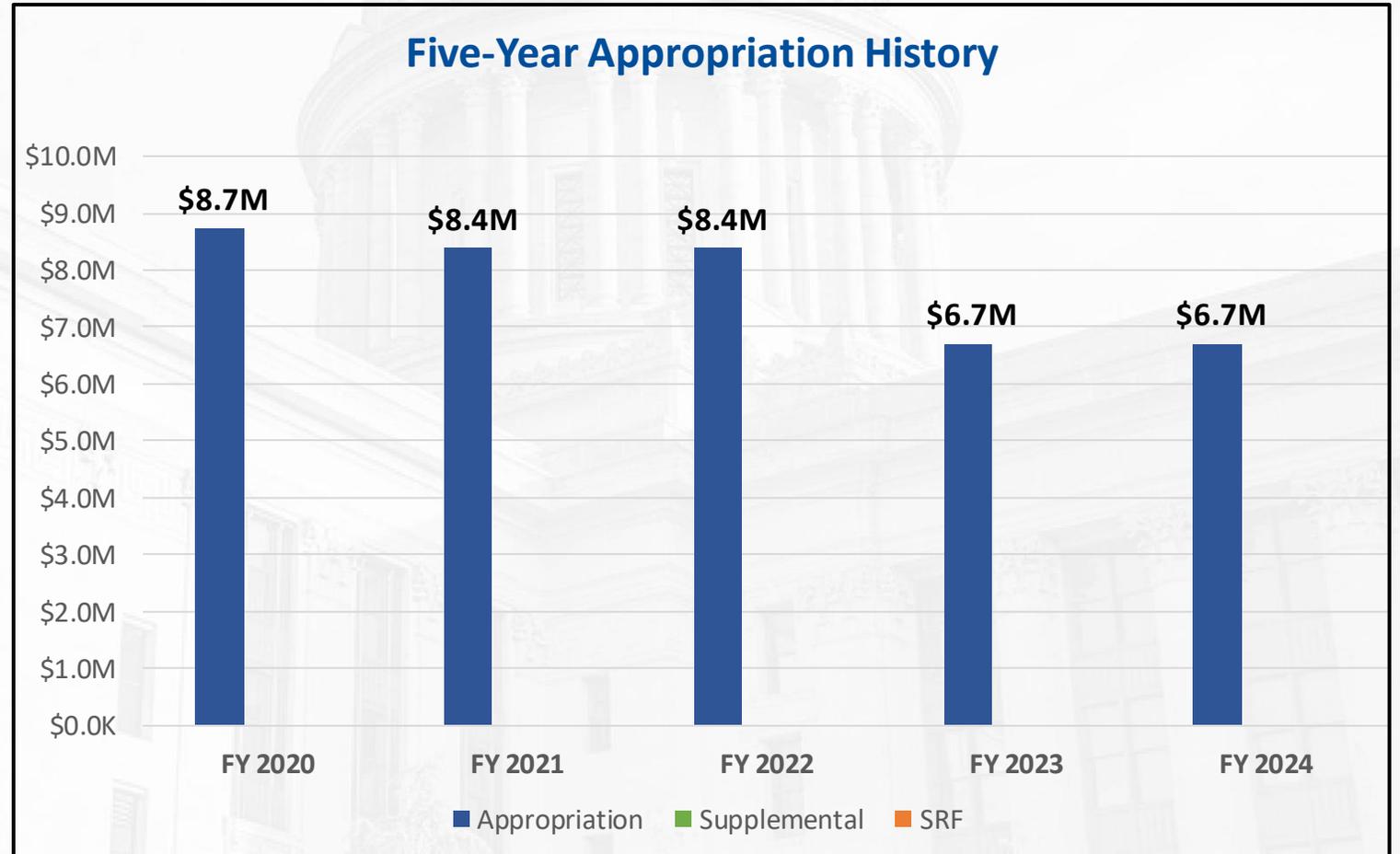


FY 2024 Budgeted Full Time Equivalents (FTE)

	FY 2024 Budgeted FTE
Total FTE	58
Supervisor FTE	18
Supervisors to Total FTE Ratio (%)	31%

Appropriation History

Fiscal Year	Legislated Appropriation (\$) (Includes supplementals and SRF/ARPA.)
FY 2020	\$8,728,413
FY 2021	\$8,379,276
FY 2022	\$8,379,276
FY 2023	\$6,703,421
FY 2024	\$6,703,421



**Includes Supplemental and Statewide Recovery Fund (ARPA) appropriations.*



Financial Resource Analysis

Carryover	FY 2020	FY 2021	FY 2022	FY 2023
Total appropriated carryover amount expended (\$)	\$155,750	\$0	\$289,186	\$810,536
Historical Cash Balances	FY 2020	FY 2021	FY 2022	FY 2023
Year End Revolving Fund Cash Balances <i>(All Revolving Funds)</i>	\$10,090,834	\$2,306,834	\$1,827,458	\$8,392,167

Class Fund # <i>(Unrestricted only)</i>	Class Fund Name <i>(Unrestricted only)</i>	Current cash balance (\$)
20000	Commissioners of the Land Office Revolving Fund	\$2,348,751
#		\$
#		\$
#		\$
#		\$
#		\$
	Total Current Unrestricted Fund Cash balance:	\$

Fiscal Year	Agency's plan to deploy unrestricted cash (including amounts):
FY 2024	N/A
FY 2025	N/A
FY 2026	N/A



Unrestricted funds are those that are not limited by state or federal law, rule, regulation, other legally binding method, or donor restriction.

FY 2022 Incremental Appropriation Review

Purpose of appropriation increase / decrease	Amount of increase or decrease (\$)	Included in FY24 appropriation? (Yes/No)	If yes, included in appropriation for same purpose? (Yes/No)	If not included for same purpose, please explain.
FY 2022				
One-time special appropriation for the CLO to assist in the relocation of State Agencies to the 201 Building in Tulsa	\$6M	No		
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
Total adjustment	\$6M			



**Do not include SRF / ARPA appropriation increases.*

FY 2023 Incremental Appropriation Review

<i>Purpose of appropriation increase / decrease</i>	<i>Amount of increase or decrease (\$)</i>	<i>Included in FY24 appropriation? (Yes/No)</i>	<i>If yes, included in appropriation for same purpose? (Yes/No)</i>	<i>If not included for same purpose, please explain.</i>
FY 2023				
20% Appropriated Budget Reduction	(\$1.68M)	Yes	Yes	
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
Total adjustment	(\$1.68M)			



**Do not include SRF / ARPA appropriation increases.*

FY 2024 Incremental Appropriation Review

<i>Purpose of appropriation increase / decrease</i>	<i>Amount of increase or decrease (\$)</i>	<i>Does this need to be included in your FY 2025 appropriation? (Yes/No)</i>	<i>If yes, included in appropriation for same purpose? (Yes/No)</i>	<i>If not included for same purpose, please explain.</i>
FY 2024				
No Adjustment	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
Total adjustment	\$			



**Do not include SRF / ARPA appropriation increases.*

Budget & Supplemental Request Summary

	Request Name	FY 2025 Appropriated Request Amount (\$) {or FY 2024 for Supplementals}	Type of Request: Operating, One-time, or Supplemental
1	Chief Internal Auditor position request (FTE)	\$127,500	Operating
2	Re-Appropriate Expired Budgeted Cash from FY19 and FY21 to modernize agency	\$612,687	One-time
3			
4			
5			



(1) Budget Request

Name of Request: Chief Internal Auditor	
Type: (Operating, One-Time, Supplemental) Operating	\$ Amount Requested for FY 2025 (Or FY 2024, if supplemental) \$127,500
<p>Compliance with Title 62 Section 1031 that states the CLO shall employ an internal auditor who is a competent, qualified accountant, with special training and experience in either county or state auditing or be thoroughly familiar with the system of accounting established in state departments. Currently, the agency does not have the FTE or appropriated funds in place to hire this position.</p> <p>A qualified Chief Internal Auditor (CIA) will evaluate agency operations, make recommendations, and provide assurance that assets are secure, financial reporting is accurate, and processes are efficient, effective, and compliant. The CIA will ensure Internal Audit and Government Audit Standards are followed and that controls are in place to mitigate risks.</p>	



(2) Budget Request

Name of Request: Re-Appropriation of Expired Budget Cash	
Type: (Operating, One-Time, Supplemental) One-Time	\$ Amount Requested for FY 2025 (Or FY 2024, if supplemental) \$612,687
Re-Appropriate Expired Budgeted Cash from FY19 and FY21 totaling \$612,687 to (1) Implement biweekly payroll in FY25 (\$233,987) (2) Address June 2023 Loft Report concerns including (a)expanding and updating GIS capabilities to address LOFT's concern that the current system has significant limitations and lacks user functionality and guidance (\$110,000) (b) complete digital transformation projects slowed due to lack of funding in FY23 and FY24 projects include enhancing online payment capabilities and completion of converting agency documents to digital format (\$58,700) (c) purchase audit software and provide specialized training to the Royalty Compliance Division to capture royalties on the front end rather than retroactively and avoid potential litigation costs (\$35,000). (3) Develop and implement Strategic and Workforce Plan (\$65,000) to potentially reorganize the agency and restructure the agency staff to optimize efficiencies, modernize operations for the future, and manage the possibility of a permanent reduction in the operating budget for the future. (\$110,000).	

