

COMMISSIONERS OF
THE LAND OFFICE



Managing Assets to
Support Education

Oklahoma Legislature
Joint Committee on Appropriations
Subcommittee on Education
January 29, 2013

- *“Managing Assets to Support Education”*

A Mission Older Than the State

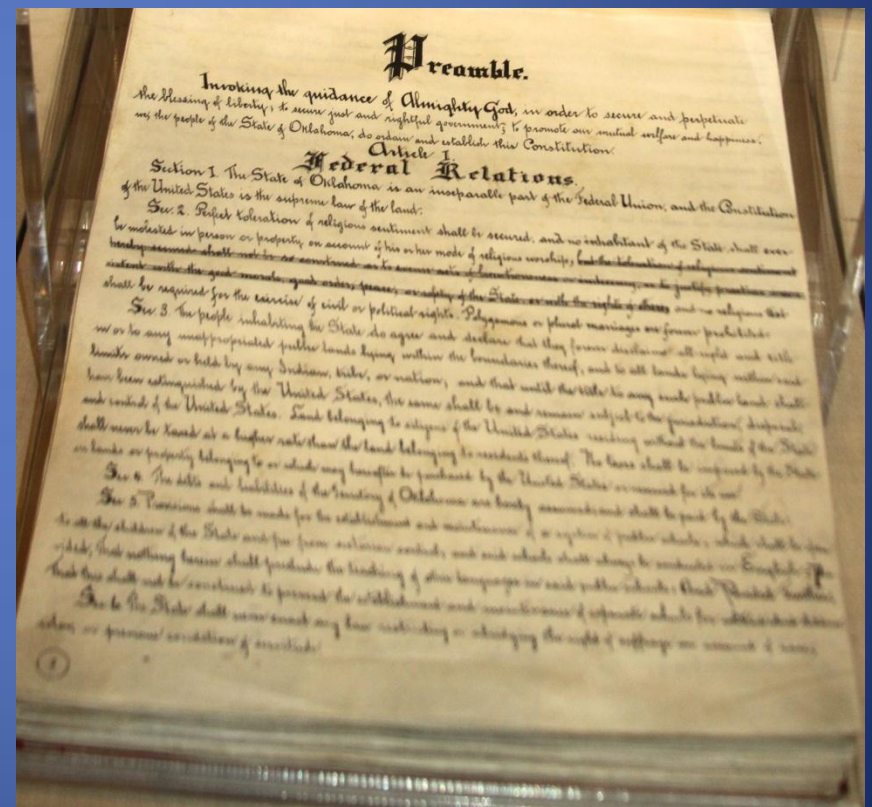
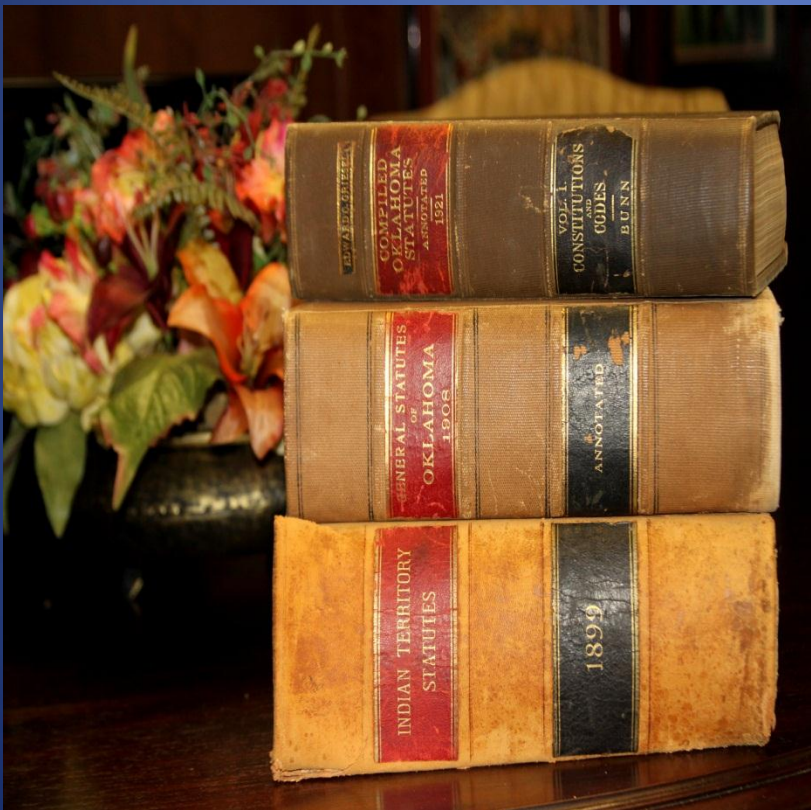
- The Organic Act passed by the US Congress in 1890 assured that when there was a state of Oklahoma, lands would be assigned to support education.
- The Enabling Act, which brought Oklahoma into the Union of States, assigned lands into trust to support education.



The CLO is Anchored in the Founding Documents of the State of Oklahoma

Oklahoma Enabling Act

Oklahoma Constitution



Requirements

- The Oklahoma Enabling Act Approved by the US Congress makes the CLO Trust and the Function of the Agency a Condition of Oklahoma Statehood.
- The Oklahoma Constitution Ratified the Requirements for Statehood and Restated Ownership of Federal Land Grants, Management, Beneficiaries (either by name or defined category), Perpetual Duration, and Exclusive Use of Funds to Support Public Education.

Commissioners of the Agency

- Governor
- Lt. Governor
- Auditor and Inspector
- State Superintendent
- Secretary of Agriculture



FY 2012 Agency Highlights

Record Distributions

- * FY 2012 was another all-time record year for distributions to beneficiaries: \$140.6 Million.
- * Surpassed the FY 2011 total by \$16.5 Million (13%)*



Record Distribution to Common School Beneficiaries



- \$102 Million
- (9.5%) increase over FY 2011

Record Distribution to Higher Education Beneficiaries



- \$38.5 Million
- (19.5%) Increase over FY 2011

Record Land Lease Income



- Record income for all surface leases (\$14.5 M) auctions despite the drought of 2011 and 2012
- Record appraisals due to high commodity prices and the need for land with water

Record Easement and Fee Income



- FY 2012 was the record year for easement payments on CLO land (\$1.956 M)

Strong Lease Bonus and Royalty Income from Minerals

- FY 2012 was the second highest year for lease bonus revenue in agency history...
\$59.748 Million
- The last five fiscal years have included 4 of the highest 5 years for lease bonus revenue in Oklahoma history



Record Underpayment Recovery

- Record for collection of royalty underpayments to the Agency by mineral lessees....\$3.680 Million



Growth of Assets

* Appraised Values of land increased by 14 % in FY 2012

* Asset values grew by \$90 Million in FY 2012



Information Technology and Computing

- Completed Phase 1 of the technology and computing upgrade
 - Efficient apportionment and distribution to beneficiaries
 - One coordinated data base
 - Live communications and synchronization with field staff

Information Technology and Computing

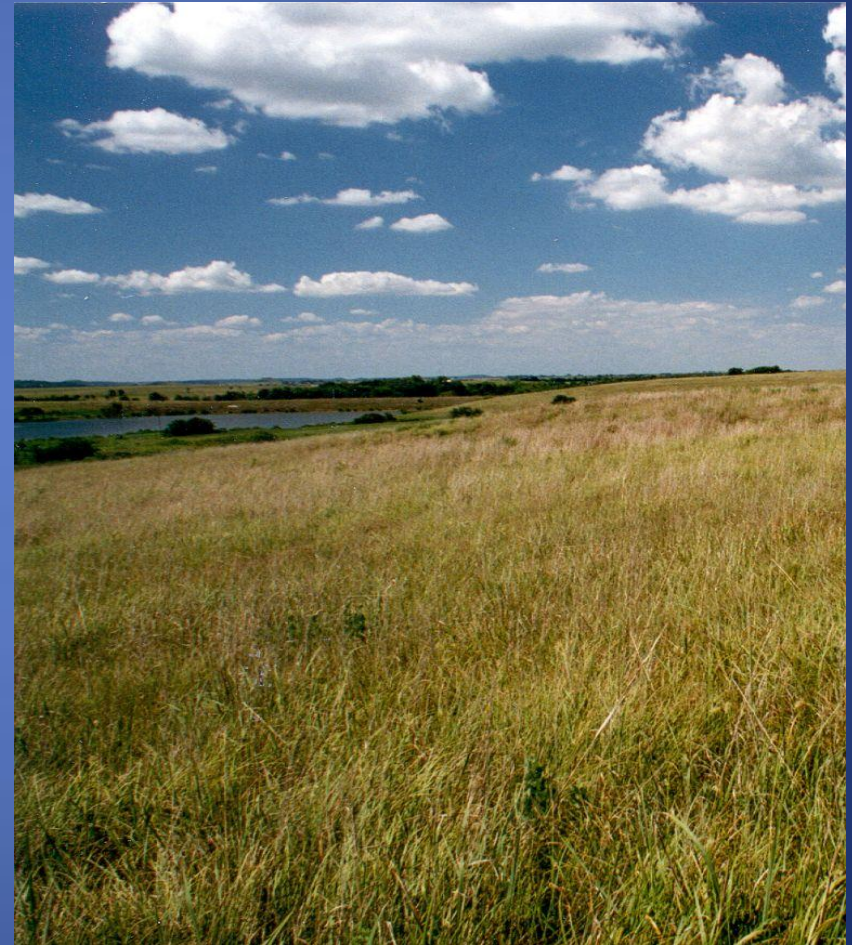
- Nearing completion of Phase 2 IT upgrade
 - Electronic production reporting
 - Electronic payments by lessees
 - Electronic Auction capability
 - GIS Improvements
- Website upgrade
- Improved public access to CLO Information and records via .gov system

2012 Legislation

- Created Funding Accounts for five (5) year rolling average distribution of lease bonus income to facilitate predictability and stability for beneficiaries

2012 Legislation: Preservation of Assets

- Records Improvement
- Legislation to enable greater stewardship improvements, including soil and water conservation



2012 Legislation: Preservation of Assets

- Removing Infestations of Red Cedars
- Drilling Water Wells in the Panhandle



A Negative Trend in Mineral Leasing

- During FY 2010 through FY 2012, mineral lease bonus money became a growing portion of funds distributed to our beneficiaries.
 - FY 2010...19%
 - FY 2011...32%
 - FY 2012...38%
- But, the price of natural gas during calendar year 2012 serves as a significant concern for CLO funding until natural gas prices improve

Trends in Mineral Auctions

<u>Auction</u>	<u># Tracts</u>	<u>Revenue</u>	<u>Auction</u>	<u># Tracts</u>	<u>Revenue</u>
Jan 11	340 (340)	\$13.6 M	Jan 12	84 (57)	\$ 4.6 M
Mar 11	200 (195)	\$15.3 M	Mar 12	397 (205)	\$16.1 M
May 11	250 (216)	\$18.8 M	May 12	127 (58)	\$ 3.5 M
July 11	123 (85)	\$ 5.0 M	July 12	188 (137)	\$ 7.8 M
Sept 11	169 (153)	\$12.8 M	Sept 12	100 (63)	\$ 3.6 M
Nov 11	145 <u>(127)</u>	<u>\$17.7 M</u>	Nov 12	34 <u>(33)</u>	<u>\$ 2.8 M</u>
	1,116	\$96.8 M		553	\$38.4 M

50% as many properties leased in 2012

40% of the lease bonus revenue in 2012

FY 2014 Budget Request

- Commissioners of the Land Office is a Constitutional Agency whose Budget Funding is self generated by agency activity.
- CLO was given statutory authority to use portion of generated funds to operate the agency
- For FY 2014 CLO is requesting a 10% reduction in funds for agency operations
- \$ 798,000 reduction for agency operations.
- CLO advised last year we were doing some one time things...and that we would attempt to tighten our belts

2013 Legislative Requests

- “Clean up” language:
 - Transfers to permit added distributions
 - Authority to negotiate with potential mineral lessees when only one bid is received on a tract
 - Treatment of earnest money from mineral lease auctions
 - Surface damage funds to CLO
- Authority to diversify our investment portfolio to include income producing commercial real estate