



January 23, 2014
Oklahoma Senate
Education Subcommittee
on Appropriations

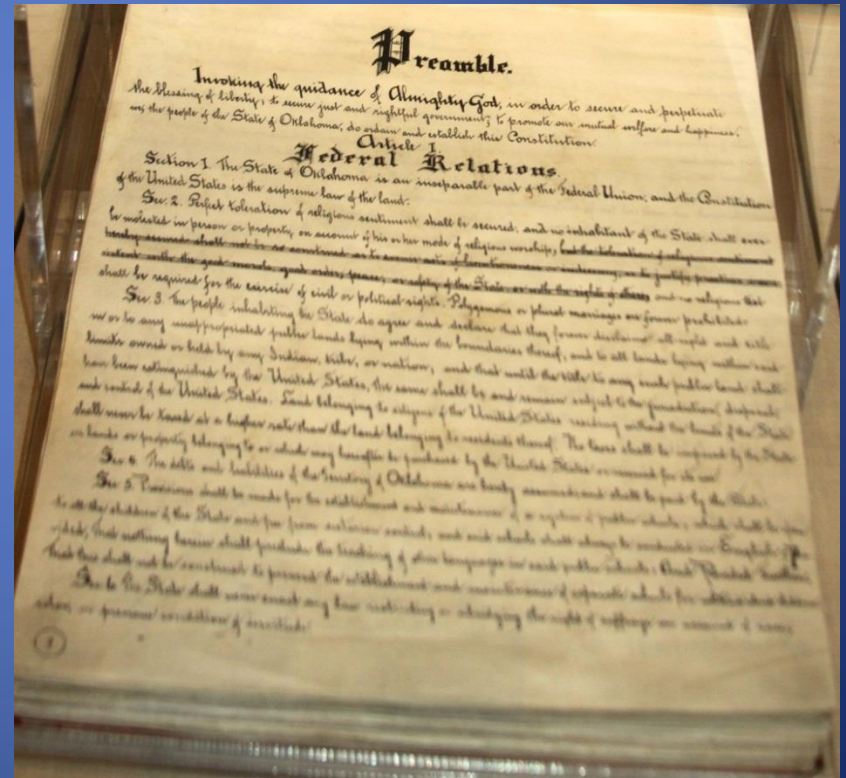
Our Mission

*“Managing Assets to
Support Education”*

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

Oklahoma Enabling Act

Oklahoma Constitution



Restraints and Guides

- Enabling Act of 1906 by which Oklahoma became a State
- Constitutional provisions which restrict the use of the money
 - The Oklahoma Constitution states that, “the principal (*or corpus*) shall be deemed a trust fund held by the state and shall ever remain inviolate.”
 - The Oklahoma Supreme Court has called the Trusts “sacred”.
- State Statutes



Who Are the Commissioners of the Agency?

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

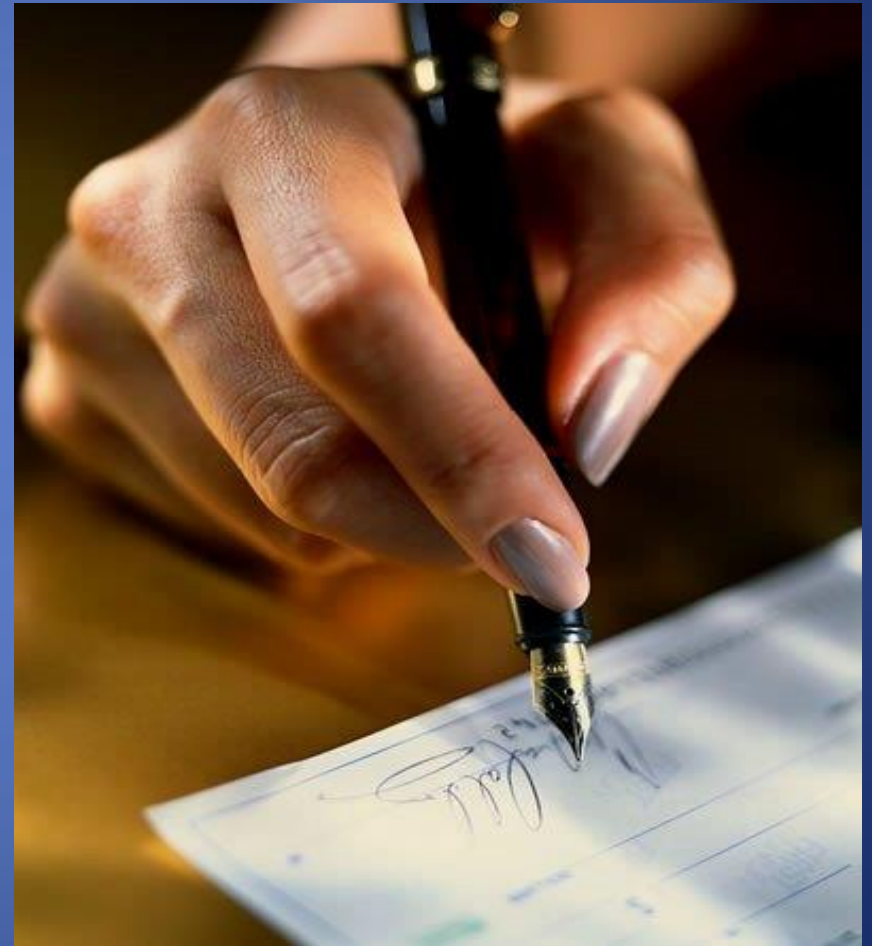


CLO Agency Highlights FY 2013



Distributions to Beneficiaries

- 2nd Highest Distributions in Agency History: \$128,753,406
- 2nd highest annual distribution for Higher Education beneficiaries: \$35,753,406
- 3rd Highest for Common Education: \$93,000,000



5 Year Distribution History

| Year | Common Schools | Higher Education | Total |
|---------|----------------|------------------|---------------|
| FY 2009 | \$ 60,341,452 | \$22,313,150 | \$ 82,654,602 |
| FY 2010 | \$ 83,212,998 | \$31,160,557 | \$114,373,355 |
| FY 2011 | \$ 93,159,520 | \$31,009,615 | \$124,169,135 |
| FY 2012 | \$102,144,986 | \$38,464,448 | \$140,609,434 |
| FY 2013 | \$ 93,000,000 | \$35,753,406 | \$128,753,406 |

5 Year Rolling Average

- In the absence of the 5 Year rolling average, public School distributions would have been \$15,000,000 less in FY 2012
- FYI... Lease Bonus Income Comparison:
 - FY 2012...\$59.70 Million
 - FY 2013...\$17.65 Million

Royalty Audits Division

- Record Recovery of Royalty Underpayments in FY 2013
- More than \$19.4 Million Received in Settlements for Underpayments
- 4 X greater than any year in CLO history



Legislative Highlights

- Authority to invest in Real Property 3% of the Investment Portfolio
- Authority to Move Funds Among CLO Revolving Funds to Accelerate Distributions to Beneficiaries

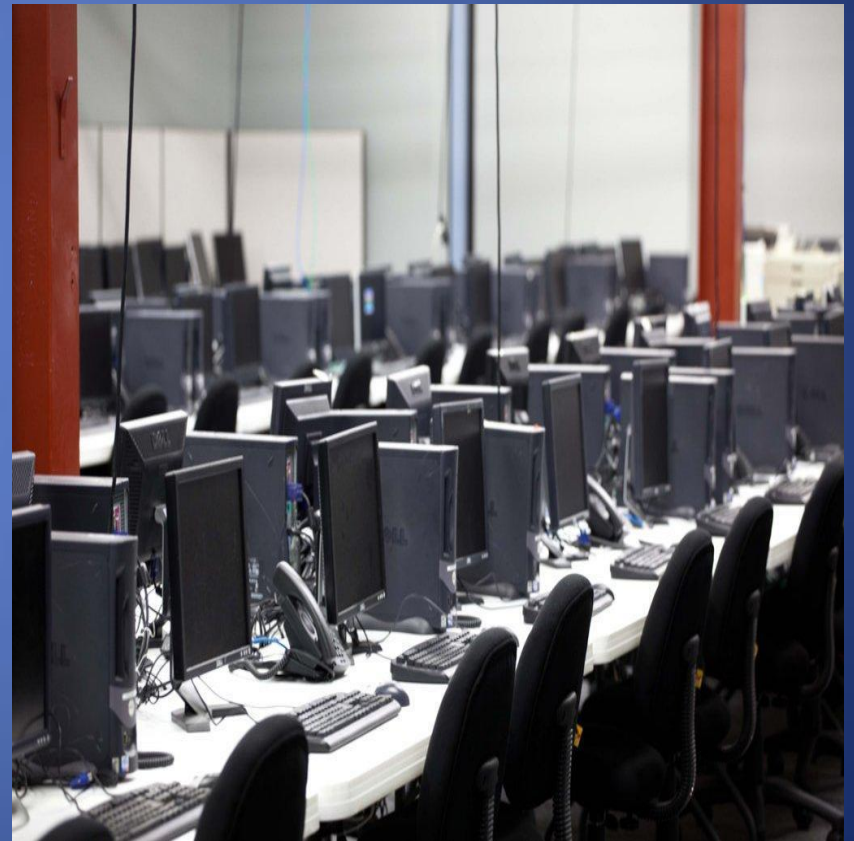


IT Improvements

Redundant Capability



Disaster Recovery Location



IT Improvements

- GIS Improvements:

Coordinator Hired

Equipment and Software
Purchased

Internal Coordination

Integrated Solutions for GIS

Satellite & Aerial Imagery

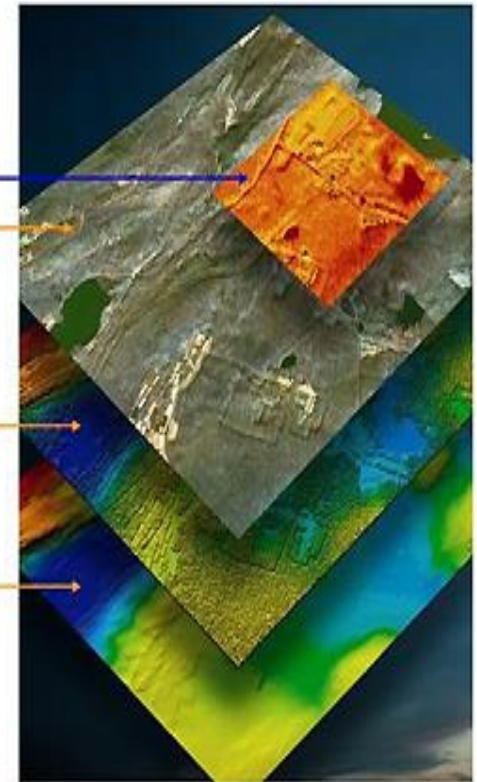
- 3D Terrain Modeling
- Stereo Imagery
- Multi & Hyper-Spectral
- Ortho-Imagery
- Film
- Digital (DSS or ADS)
- Thermal

Digital Surface Model

GIS Implementation

Derived Products

Bare Earth DEM/DTM



Real Estate Division

- FY 2013 yielded \$19.2 Million in Income (Surface Rent, Surface Damages, Easements, Surface Mining, etc.)
- Despite one of the hottest and driest summers on record in 2012, FY 2013 was the highest annual total in CLO history



Record Easement Total



- Total Easements of \$4.93 Million
- Largest Single Easement
- Reflection of positive development activity

Real Estate Division

- More Conservation Improvements on CLO Land than at any time since the 1980's
- More acres of Red Cedar removal than in CLO history



Minerals Management Division

- Electronic Payments from Mineral Lessees



Minerals Management Division

- Electronic Mineral Lease Auctions
 - Secure
 - Video and Audio Streaming



Minerals Management Division

- For the first time CLO has a dedicated field inspector verifying whether leases are producing
- Computerized lists to determine which leases we are being paid from
- Actively pursuing tracts that do not produce so that they can be reoffered for lease

Financial Services Division



- In 2013 CLO Passed \$2 Billion in Permanent Investment Fund
- The Permanent Fund grew by \$234 Million in FY 2013. (Income + Market Appreciation)
- Reduced fees paid to investment managers by estimated \$650,000 annually.

FY 2015 Appropriations Request

- CLO's FY 2015 appropriations request is \$358,000 higher than FY 2014
- Last year we requested, and were granted, a voluntary 10% cut
- In retrospect, it was too steep considering what all happened
- The largest increase in our costs last year was for outside counsel...but it resulted in \$18 million added revenue in settlements, \$8.9 million of which was interest and was distributed directly to our beneficiaries



FY 2015 Appropriations Request

- The FY 2015 request is still 5% lower than our appropriation for FY 2013
- The Commissioners of the Land Office is funded from agency generated earnings, and has no impact on the general fund of the State of Oklahoma



FY 2014 Legislative Requests

- Clean up of outdated statutory provisions
 - Largely things that require manual record keeping that have long since given way to electronic means
 - Examples: Running daily tapes, Printed vs. electronic publications, Renaming positions to reflect current operations and professional standards
 - Elimination of redundant reporting of information