

House Appropriations and Budget Committee
Common Education Subcommittee
Performance Review Agency Questions

Objective: To gather information and gain insight into agency performance and strategies used to adjust to funding reductions and maintenance levels, and to ascertain the agency's perspective on strategies, measures, performance, inputs, outcomes, programs and fiscal needs to be used to develop the FY-14 agency budget.

Please provide the following information.

1. Agency mission statement, including program goals, cost and effectiveness, program and performance measures and objectives;

"Managing Assets to Support Education."` This mission statement is mandated by the Oklahoma Enabling Act and the Oklahoma Constitution.

The values and behaviors of the agency continue to be:

- Be proper stewards of land, minerals and investments we manage and maximize earnings for beneficiaries*
- Create and maintain an investment policy consistent with the constitutional mandates*
- Create efficiencies in staffing by demanding professionalism and certification standards*
- Record preservation to ensure accuracy*
- Maintain contact with the beneficiaries so our actions, plans and distributions are transparent*

2. Authorized and actual FTE; FY-12 actual expenditures and FY-13 budgeted expenditures;

Authorized FTE 63. FY-12 Actual FTE 57. FY-13 FTE 61.

Authorized expenditures for FY-12 \$7.1M, actual \$6.2 Million. Budgeted expenditures for FY13 \$7.9 include office and IT upgrades, start-up of record retention program. Note: FY-14 Budget 10% reduction \$7.1 Million Budget Request.

3. Funding sources for each program;

The CLO is a self-funded agency. Title 64 Section 1009 allots 6% of the agency revenue generated to be used for operations of the agency.

4. Components of each program illustrating that it is unique, necessary and unduplicated by other agency services or programs.

The CLO's mission is unique as set out in the Oklahoma Enabling Act and State Constitution. The agency has only one program, CLO Operations, to support the agency mission. The agency is made up of seven divisions as follows:

- *Administration - Responsible for the administration and management of the agency. (13% of FY-13 Operating Budget)*
- *Real Estate - Responsible for the management of surface lease, land sales, and land management. (28% of FY-13 Operating Budget)*
- *Minerals - Responsible for overseeing and maximizing the agency subsurface assets. (10% of FY-13 Operating Budget)*
- *Royalty Compliance - Responsible for reviewing royalty payment transactions and production reports for lease compliance. (8% of FY-13 Operating Budget)*
- *Legal - Advises and counsels Commissioners, the Secretary, division directors and agency personnel on agency legal matters. (8% of FY-13 Operating Budget)*

5. What strategies would you employ in response to flat funding or a five percent reduction in appropriated funding?

The agency self-imposed a 10% operational cut for the FY-14 budget request. This cut can be achieved as a result of cost savings through the implementation of the agency database and electronic payment and reporting programs.

6. If Applicable, how will potential federal sequestration/reduced federal funds affect the agency and programs, and what contingencies are in place?

Not applicable.

7. What are your personal services costs, including professional services, as a percentage of your total budget? Which positions have received salary increases in FY-12 - FY-13?

Approximately 84% of the agency's budget is personal service costs. Personnel cost for FY-13 are expected to be approximately \$5.1 Million, 70% of budget with the remaining 14% for professional services related to IT and record retention upgrades.

In 2010 House Bill 3026 was passed to allow for modernization of the Land Office. It was the first major update and upgrade to the agency in four decades and in some cases since statehood. The measure included increased education and certification standards

for staff. As a result several positions have received salary increases in an effort to retain a professional staff with an emphasis on education and certification.

8. What are your vacancy and turnover rates? What have you done with any funds accumulated from vacancies? What strategy, if any, do you utilize to retain key personnel?

Vacancy and turnover rates have been low for the agency with turnover rates in the past two years being 10-15%, primarily related to the change in administration resulting from the Secretary Birdwell appointment in 2011. The agency has replaced vacant positions with educated and certified personnel. The CLO focuses on maintaining a professional staff and encourages communication and education.

9. Please provide the status of any implementation activities related to the information technology reforms enacted in the last three years regarding your agency with the Chief Information Officer in the Office of Management and Enterprise Services (OMES)?

Based on a letter from the State CIO the CLO was determined to be a self-funded, Constitutional agency and HB 1304 is not currently being implemented. The agency works closely with the CIO and utilizes OMES services whenever possible. Currently, the agency is working with the State CIO to move data storage to OMES.

10. Do you currently contract with OMES for shared services, or have you contacted or been contacted by OMES regarding their providing certain shared services to your agency that are currently accomplished in-house? Which services? Have you realized net savings?

Payroll services, voucher scanning, ok.gov, OK Delivery and graphic design services are the shared services currently being utilized by the CLO. The agency does not use OMES for financial accounting or human resources at this time. The cost savings have not been recognized for a full year for the voucher scanning, OK Delivery and graphic design services. The cost savings for the payroll services was \$730 in FY-12.

11. Do you consult with other agencies to share strategies related to decreasing costs? If so, what have you shared and what costs have decreased and what has been the impact on programs, services, etc.?

The agency regularly communicates with other agencies and provides services and cost savings opportunities to those agencies. Examples include:

- The Gas Marketing program allows other state agencies and universities to purchase whole sale natural gas to provide at a discount.*
- The Other Agency Minerals program, where the CLO auctions and manages other drilling and mineral production on land owned by other state agencies.*
- The Real Estate division has highly skilled appraisers and land sale mechanisms that work with other state agencies desiring sell property or buildings.*

12. To what extent have you explored the cost effectiveness of initiating or expanding the privatization of certain functions, service delivery or programs of your operations?

The Land Office has been contacted in recent years by Electronic Auctions firms. The programs offered had inadequate security to insure the integrity of the Mineral or Real Estate Auctions. A large metro area bank also contacted the Land Office about managing the minerals and records of the agency. The bank decided the Land Office's staff sophistication in the area exceeded the bank's.

13. Identify specific revenue sources for each of your agency's revolving/disbursement funds and provide totals for FY-11 and FY-12. What have your carryover funds been the past two fiscal years? Please note any significant revenue trends regarding any specific funding source.

CLO operations are self-funded agency as per Title 64 Section 1009 requiring 6% of the agency revenue generated to be used for operations of the agency. The FY-11 operating budget was \$7.1M and FY-12 \$7.98M.

OK Statute 64 §1011 created a revolving fund designated as the Commissioners of the Land Office and Office Revolving Fund. The current balance of this fund is approximately \$9 Million. The purpose of this fund is to collect all fees paid to the agency, to serve as a savings account to fund operations in years when revenues are not sufficient to carry out the CLO's mission, to fund expenses related to maintaining, improving and conserving CLO lands.

The carryover for FY-11 and FY-12 was \$2.1M and \$2.9M. These carryover funds are being used for the purpose of implementing the 2010 House Bill 3026 passed to allow for modernization of the

Land Office. Measures of this Modernization bill included increased education and certification standards for staff, allowing for increases in the distributions to schools, major technology upgrades, the restructuring of divisions in the agency, a full time internal auditor, user friendly web access to information for the beneficiaries and lease holders and major security upgrades. The security upgrades include the first time use of lockbox services for checks, 24 hour monitoring of the mailroom and cashiers window.

The one major trend for the agency is Lease bonus revenues, part of the agency's 6% revenue generating formula that funds that agency, are significantly down from prior years as the inventory for minerals leasing is low. Oil and gas revenues should be up as a result of more mineral lands have been leased; however, this revenue goes to support the permanent trust rather than current distributable revenue.

14. What costs elements are included in your administrative program? Are certain administrative costs allocated throughout your budget?

Administrative costs are primarily made up of personnel and personnel related costs for 9 FTE including the Secretary, Assistant Secretary, an executive secretary, and office staff to support the reception, mailroom and record retention operations. Two temporary personnel have been contracted for the agency's current record retention project. Office supplies, rent, copier costs, etc. are allocated and budgeted to the individual divisions.

15. Have you undertaken or contemplated the elimination of any programs and, if so, what do you perceive to be the impacts of such eliminations?

The agency has a unique and specific duty set out in the Oklahoma Enabling Act and the Oklahoma Constitution to manage public lands for the benefit of education. The CLO Operations program and all agency divisions are core functions of managing the land, minerals and supporting the trust and cannot be considered for elimination if the agency mission is to be carried out.

16. Please add any other information you believe to be essential for the Legislature to know concerning your agency's budget structure, performance, inputs and outcomes.

Annual FY-2012 Highlights:

- Record Distributions to Beneficiaries of \$140.6 Million
- Record Distributions to Common Schools totaling \$102 Million
- Record Collections of royalty under payments
- Fall 2011 lease auction results saw the highest ever lease totals increasing 21.5% over the last time comparable properties
- Fall 2011 lease auction results saw the highest ever lease totals increasing 21.5% over the last time comparable properties were leased in 2006.
- Legislatively created revolving funds to help protect, properly steward, make improvements and develop water resources on CLO land.
- Completion of Phase I of major IT project and update of agency database