FY 2017

Budget Hearings

Senate Appropriations Subcommittee

on Education

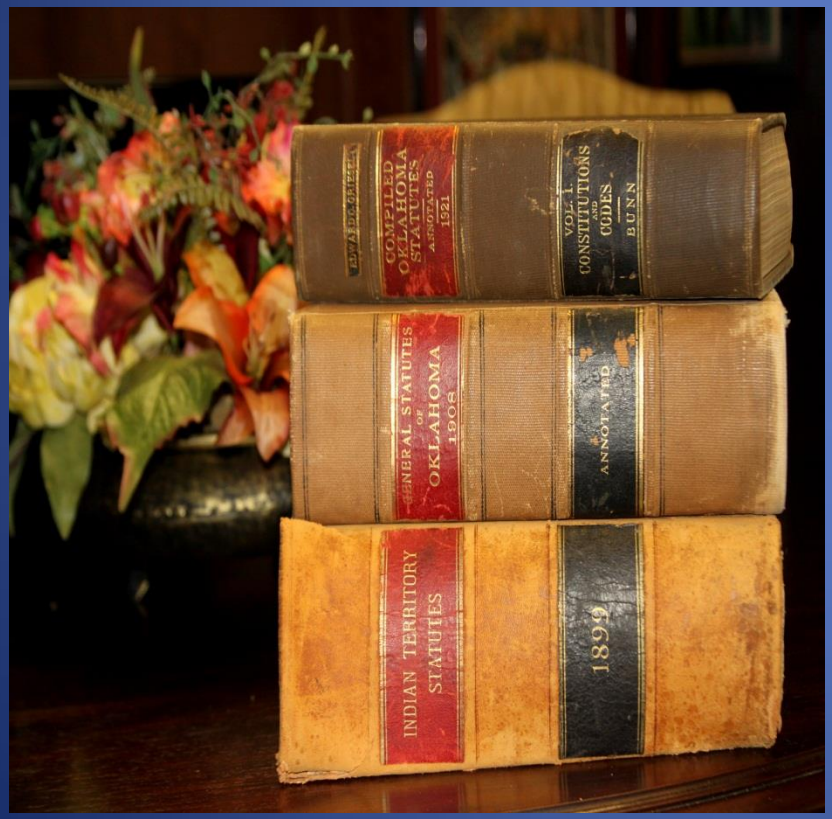
“Managing Assets to Support Education”

December 8, 2015 Senate Hearing

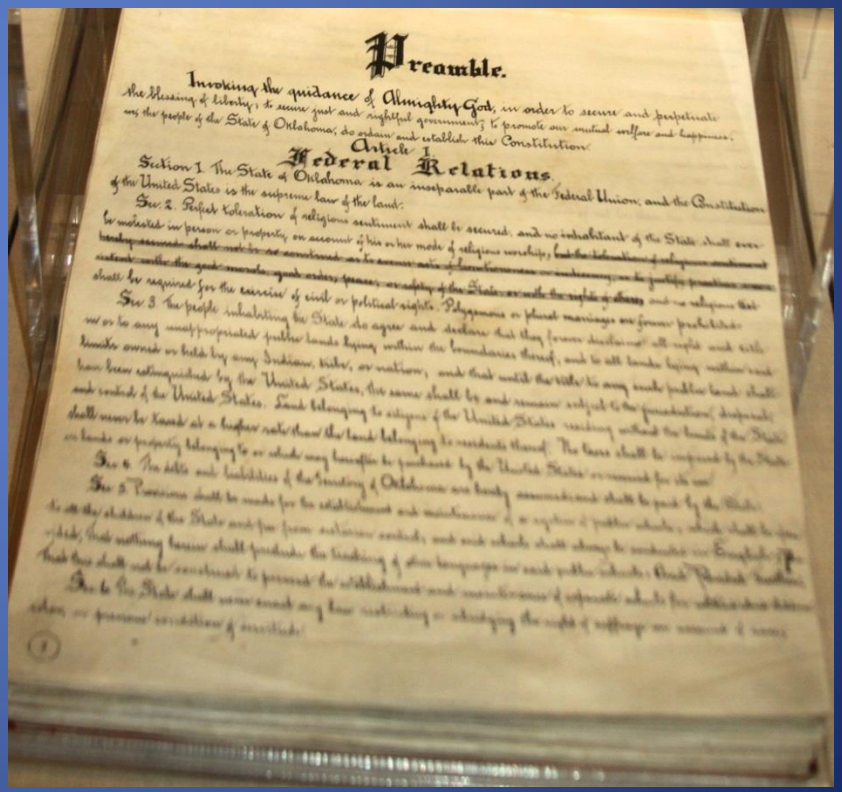
- Part 1…FY 2017 Spending Request
- Part 2…FY 2016 Achievements
- Part 3…FY 2016 and FY 2017 Plans

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

Oklahoma Enabling Act



Oklahoma Constitution



Preamble.

Invoking the guidance of Almighty God, in order to secure and perpetuate the blessings of liberty; to secure just and rightful government; to promote our mutual welfare and happiness; we the people of the State of Oklahoma, do ordain and establish this Constitution.

Article I

Federal Relations.

Section 1. The State of Oklahoma is an inseparable part of the Federal Union; and the Constitution of the United States is the supreme law of the land.

Sec. 2. Perfect toleration of religious sentiment shall be secured, and no inhabitant of the State shall ever be molested in person or property, on account of his or her mode of religious worship; but the toleration of religious sentiment shall not be construed to excuse acts of licentiousness or justify practices inconsistent with the good morals, good order, peace or safety of the State, or with the rights of others, nor to justify practices inconsistent with the good morals, good order, peace or safety of the State, or with the rights of others, nor shall be required for the exercise of civil or political rights. Polygamous or plural marriages are forever prohibited.

Sec. 3. The people inhabiting the State do agree and declare that they forever disclaim all right and title to the unappropriated public lands lying within the boundaries thereof, and to all lands lying within said limits owned or held by any Indian, tribe, or nation; and that until the title thereto shall have been extinguished by the United States, the same shall be and remain subject to the jurisdiction, disposal and control of the United States. Lands belonging to citizens of the United States residing without the limits of the State shall never be taxed at a higher rate than the lands belonging to residents thereof. No taxes shall be imposed by the State on lands or property belonging to or which may hereafter be purchased by the United States or reserved for its use.

Sec. 4. The debts and liabilities of the Territory of Oklahoma are hereby assumed and shall be paid by the State.

Sec. 5. Provision shall be made for the establishment and maintenance of a system of public schools, which shall be open to all the children of the State and free from sectarian control, and such schools shall always be conducted in English. Provided, that nothing herein shall prohibit the teaching of other languages in said public schools. Provided further, that the Legislature shall make such provisions as will enable any child to learn the English language in the primary grades.

Sec. 6. The State shall never enact any law restricting or abridging the right of suffrage on account of race, color, or previous condition of servitude.

Part 1…FY 2017 Spending Authority

- Pursuant to restraint urged by the Governor, the Secretary of OMES, and the Appropriations Chairs of the House and Senate, our spending request is the same as last year: $8,538,600.
- The Commissioners of the Land Office is a Constitutional Trust and Agency of the State of Oklahoma
- The money we spend annually is from income earned from managing land, minerals and investments of the trust

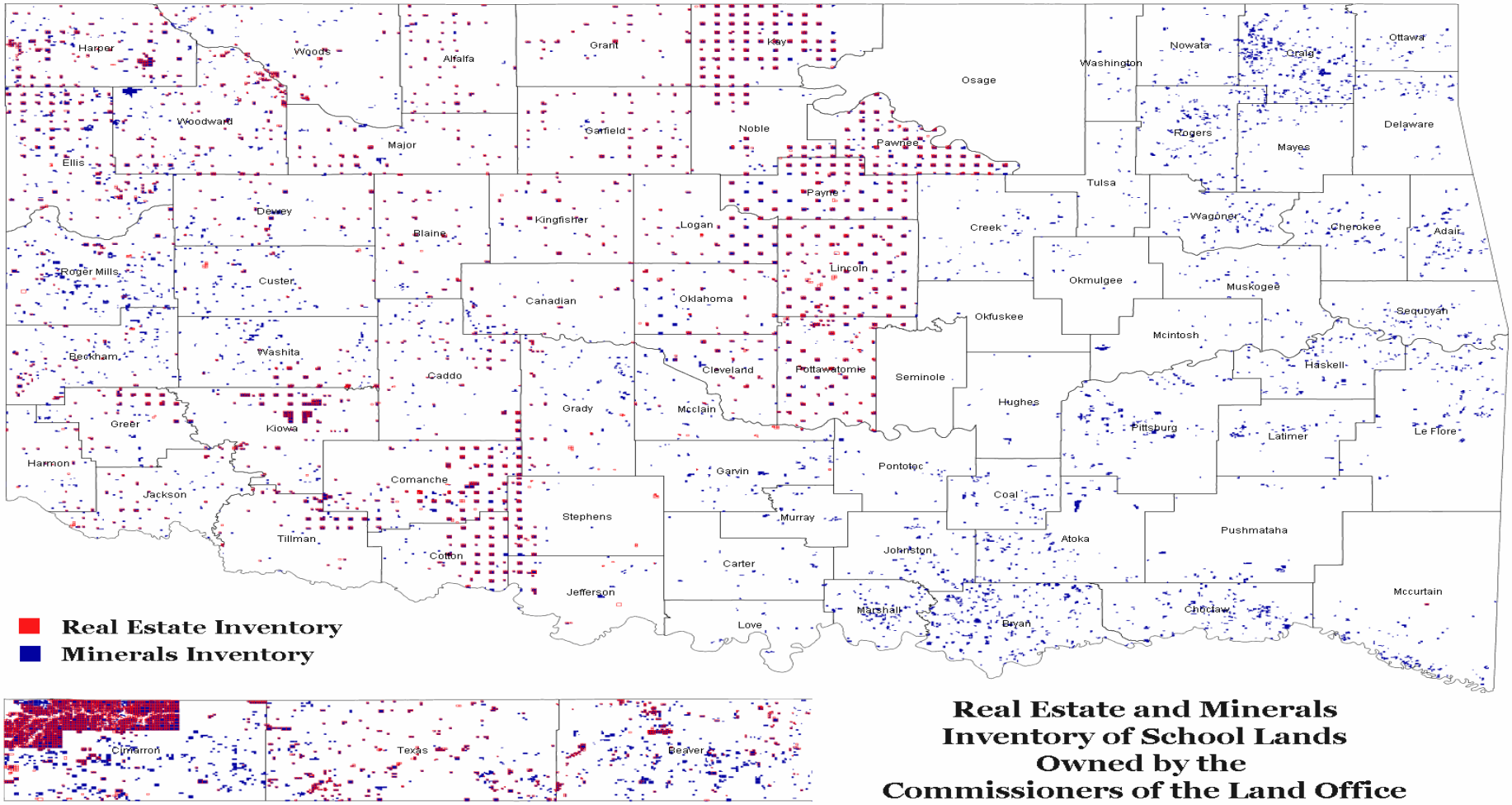
Spending Request

- We are a not a General Revenue dependent agency, but state law requires that the Oklahoma Legislature approve our budget spending authority annually
- State Statute (64 O.S. Section 1009) provides that CLO may spend up to 6% of income earned to operate the agency.
- This year's request is 3% of our FY 2015 income.
- The balance goes to improve the assets and to fund the schools and universities.

Who Are the Commissioners of the Agency?

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

Real Estate and Minerals Inventory



Real Estate and Minerals Inventory of School Lands Owned by the Commissioners of the Land Office

Part 2…FY 2015 Achievements

- 2nd Highest Distributions in Agency History to Common Schools (K-12) : $ 97.5 Million
- 2nd highest total annual distribution for all beneficiaries: $ 128.96 Million
- 2nd highest overall CLO income total in state history ($306 Million)

Part 2…FY 2015 Achievements

- Completed land exchanges which led to new jobs and economic revenue
- Designed and implemented new GIS application providing greater public access to CLO land and mineral information
- Completed conservation and water improvements on CLO land in excess of $500,000

Part 2…FY 2015 Achievements

Operating Environment

- Low Interest Rates
- Lower Cattle and Crop Prices
- Less Mineral Leasing
- Less Mineral Extraction
- Lower Oil and Natural Gas Pricing

Response

- Portfolio Diversification
- Growth of Trust Assets
- Five Year Averaging
- Exploit Commercial Value of Assets

5 Year Distribution History

Year	Common Schools	Higher Education	Total
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
FY 2014	$ 93,626,721	$ 32,756,058	$126,382,779
FY 2015	$ 97,500,001	$ 31,464,149	$128,964,150

10 Year CLO Distributions to Public Education

YEAR	COMMON SCHOOLS	HIGHER EDUCATION	TOTAL
FY 2006	$ 39,020,189	$14,572,327	$ 53,592,516
FY 2007	$ 44,266,172	$16,427,114	$ 60,693,286
FY 2008	$ 53,282,727	$20,210,299	$ 73,493,024
FY 2009	$ 60,341,452	$22,313,150	$ 82,654,602
FY 2010	$ 83,212,998	$31,160,557	$114,373,555
Total 5 year	**$280,123,538**	**$104,683,447**	**$384,806,983**
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	$35,753,058	$128,753,406
FY 2014	$ 93,626,721	$32,756,058	$126,382,779
FY 2015	$ 97,500,001	$31,464,149	$128,964,150
Total 5 year	**$479,431,227**	**$169,447,328**	**$648,878,904**

Five year Distributions Fiscal Years 2011-2015

- K-12 distributions have been $199,300,000 greater in FY 2011-2015 than any other five year period (71% increase)
- Higher Education beneficiaries have received $64,700,000 more in FY 2011-2015 than any other five year period (62% increase)

Five Year Permanent Funds Growth

- The CLO Permanent Trust funds have grown by $600 Million (36% in the 5 year period)

Results for first quarter of FY 2016

- $1.2 Million increase for common education for the first quarter of FY 2016
- Reasons:
  - Diversification of Investment Portfolio
  - Growth in value of Permanent Assets
  - Commercial Properties
  - Property Exchanges

Part 3…Plans for the Remainder of FY 2016

- Continued Diversification of portfolio
- Higher uses for properties
- Medical Examiner Building
- 5 Year Rolling Average monies are available if needed
- Distributed of carryforward of $1.3 Million in July 2016
- CLO office rent will be distributed

Part 3…Plans for the Remainder of FY 2016

- Efforts to contain costs
- All capital expenditures will be evaluated in light of how they will help the CLO distribute additional dollars to our beneficiaries
- Distribution of FY 2016 carryforward…estimate $100,000

Distribution Goals for FY 2016 and FY 2017

- Distribution Goals for K-12 in FY 2016 is $99 Million
- Distribution Goals for K-12 in FY 2017 is $101 Million

Investments to Protect our Assets

- Oklahoma Supreme Court Decisions
  - Present and Future Beneficiaries
- Conservation and Water Development
  - Investing to protect and enhance the value of the natural resources
- “Every child in Oklahoma has a GROWING trust fund”

Goals for Fallin Years

- Continue to grow the professionalism, standards and efficiency of the Agency
- Distribute $1 Billion to beneficiaries in the 8 year time frame
- Increase the value of the invested trust fund from $1.6 Billion in 2011 to $2.7 Billion by 2019
- Use the commercial lands of the CLO to generate at least 3,000 jobs in Oklahoma and $10 Million increase in annual distributions to beneficiaries