

Key Objectives:

- Assess OMES' role in managing and coordinating the use of agency office space.
- Examine the current process for agencies to obtain office space.
- Evaluate how agencies utilize and maintain office space.
- Examine ownership and leasing options for State agencies, comparing cost structures and cost-effectiveness.

Executive Summary

The State of Oklahoma owns nearly 98 million square feet of building space, with 12 percent dedicated as office space for State agencies. The Office of Management and Enterprise Services (OMES) is responsible for managing agency office space, with duties ranging from constructing, maintaining, or improving the buildings to approving whether an agency can lease space from the private sector.

Until 2011, the State did not have a complete inventory of its capital assets. The Legislature began requiring OMES to provide an annual reporting of properties and identify underutilized properties that could be sold, with the proceeds being reinvested in State-owned properties.

With this evaluation, the Legislative Office of Fiscal Transparency (LOFT) sought to examine OMES' management role, assess how agencies use office space, and compare the cost effectiveness of ownership and leasing options.

LOFT's evaluation focused on the 7.4 million square feet of office space occupied by State agencies located in Oklahoma City and Tulsa: 3.2 million square feet directly owned by State agencies, 2.2 million square feet owned by OMES, and 2.0 million square feet of space leased by State agencies from private owners.

This evaluation resulted in three key findings:

Finding 1: OMES is Not Exercising Its Full Statutory Authority in Managing State Property and Relies on Flawed Data for Decision Making and Planning

Oklahoma Statute clearly establishes the Office of Management and Enterprise Services as the entity responsible for managing and overseeing State real property.

74 O.S. § 63 E.

"The Office of Management and Enterprise Services shall have the custody and control of all state property, and all other property managed or used by the state..."

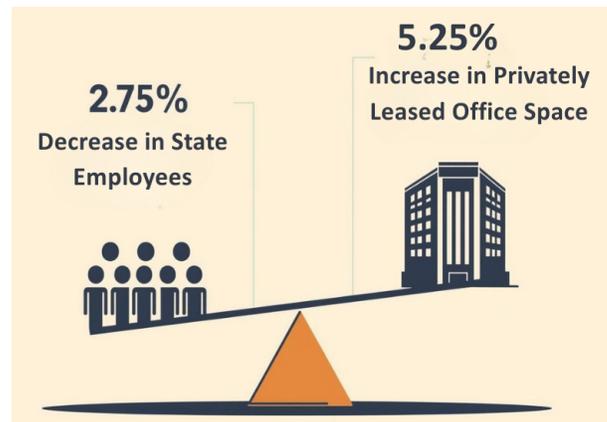
74 O.S. § 94 A.

"Except as otherwise provided by law, the Office of Management and Enterprise Services shall have full and complete authority to designate quarters for every department of state government, and to determine what space shall be allotted."

Additionally, statute establishes a clear preference for State-owned buildings over private leases, with title 74 directing OMES to prioritize agencies' use of State-owned space over leasing, purchasing, or constructing new property. However, **despite the number of State employees declining by 2.75 percent over the past seven years, the amount of office space leased from the private sector increased by 5.25 percent.**

While statute describes OMES as State government's landlord, OMES exercises this role only over the 23 office buildings it directly owns and manages. For example, OMES assigns the space within these buildings to multiple agencies, whereas it does not consider placing other agencies inside of buildings directly owned by another agency. In cases where privately leased office space was reduced, LOFT found these efforts were led by the tenant agencies and not OMES.

Statute also directs OMES to keep "an accurate account" of all property and to "maintain a comprehensive inventory of state-owned real property and its use." In response to these directives, OMES annually produces the Real Property Report. However, OMES does not verify the data provided by agencies. Instead, OMES defers its responsibility for ensuring accuracy to the agencies that report the data. LOFT easily found numerous errors within the data, such as unmappable addresses, entries for which the building was listed as having zero square feet, blank entries, and entries that reported no cost for the building. Last, other entries were found to have zero employees assigned to the building. **Because OMES does not verify the data within the Real Property Report, it has limited value in terms of informing decisions about the State's properties.**



There are also a handful of agencies that do not pay rent to OMES for using space within OMES-owned buildings; OMES refers to these spaces as "appropriated space," although LOFT could find no written guidance or legislative direction for the designation of such spaces.

Finding 2: State Office Space is Not Being Utilized Efficiently, or in Accordance with the State's Own Policies

The State of Oklahoma pays for every square foot of office space it uses, whether the building is owned by OMES, an agency, or a private lessor. LOFT found that inefficient use of space results in two levels of waste: vacant space (space unassigned for agency use by OMES) and unused space (space given to an agency but unused by employees).

To determine how efficiently office space is used, LOFT sought to use a space allocation standard based on OMES' rules. However, OMES' administrative rules – and OMES' application of them – does not provide a consistent standard from which to determine optimal capacity of office space. **While OMES' rules state that space, "shall ordinarily not exceed the product of 150 square feet," per person, that is rarely, if ever, the standard by which they allocate space.** According to OMES' rules, "This standard is not an entitlement per individual employee. It is a standard allocation to the agency as a whole." However, LOFT's review of space allocation documents found instances where the amount of space allocated to an agency for "special" purposes were equal to or exceeded the total amount of space allocated for employee workspaces, even though the spaces described were not unusual to an office space. The additional allocations for "special spaces" effectively renders the per person space allocation standard meaningless.

Additionally, LOFT identified instances where an agency overrode the square footage allocation calculated by OMES' allocation forms to request a space larger than what was justified on the form. In some cases, the total amount of space requested exceeded the total of the per-employee allocation plus the special space square footage.

To determine capacity, LOFT instead adapted standards from a 2023 Government Accountability Office study of federal property, using a standard allocation of 216 square feet per employee. Using this figure, LOFT measured the number of employees duty-stationed to a building compared to the building's total capacity to determine the reported utilization of a building. Then, LOFT used an average daily attendance, based on badge swipe data where available, to determine a building's actual utilization. LOFT's interest in attendance is relevant to determining how a space is used; LOFT did not examine agencies' remote or hybrid work policies. The amount of space an agency requires to conduct its work is based, in part, on the extent to which employees use the building.

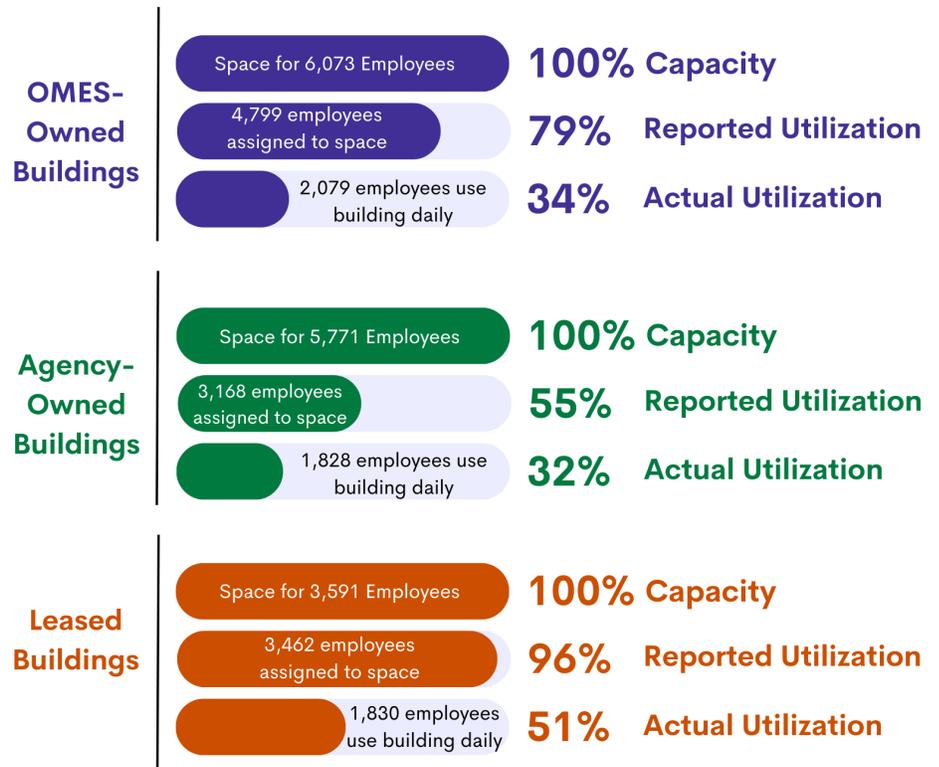
LOFT examined three categories of buildings in the Oklahoma City and Tulsa metros: those owned and managed by OMES, those owned by State agencies, and leased space in buildings not owned by the State. From this, LOFT observed a clear pattern: buildings are capable of housing more employees than are currently assigned to the space, and for those workers who are assigned, about half report to the office on a daily basis.

LOFT’s observations during site visits confirmed the conclusions from the badge swipe data; LOFT routinely observed less than half of all desks being used at any given time.

One of the greatest missed opportunities to maximize use of State-owned buildings is with the Jim Thorpe Building, which is currently under renovation. Prior to the comprehensive renovations, the nearly 160,000 square foot building had capacity for 735 employees. Yet, just 442 were assigned to the building. Post-renovation, 10,000 square feet of space will be used as event space instead of office space. Subtracting this as available office space, the building should be able to accommodate 685 offices. However, planned use is for just 458. If every employee assigned to the space were to use the building on a daily basis, the building would be used at just 67 percent capacity.

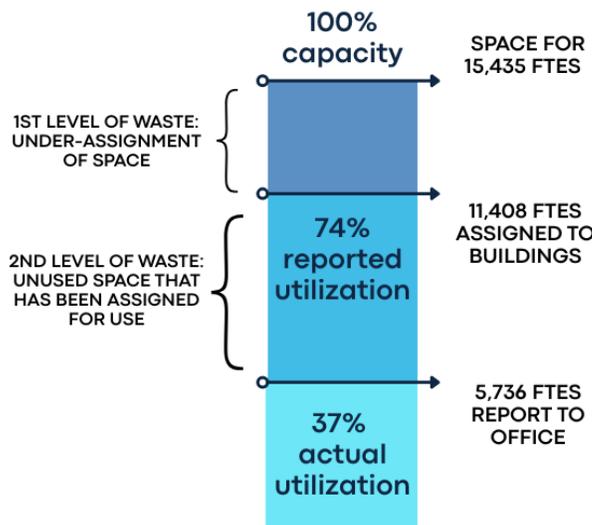
In the 64 buildings that LOFT was able to evaluate, there is an estimated 2.1 million square feet of wasted space that, if used efficiently, could generate significant savings for the State in avoided rent, maintenance, utilities, insurance, and other office space costs.

Space Efficiency Comparison



LOFT applied a benchmark of 216 square feet per employee to calculate capacity

64 Buildings Evaluated includes 14 owned by OMES, 18 owned by agencies, and 32 leased by agencies



100% CAPACITY

The 64 buildings have a combined 3.5 million sq. ft. of space. Assuming that these spaces could be aligned with the GAO-adapted standards of 216 square feet per employee, at full capacity the buildings could house 15,435 employees.

74% REPORTED UTILIZATION

If every employee assigned to the building spaces were to report to the office on the same day, the building space would be used at 74% of its full capacity.

37% ACTUAL UTILIZATION

Based on attendance data, approximately half of the employees assigned to the buildings report to work each day, resulting in two-thirds of the space not being utilized.

In response to an executive order requiring State employees to return to the office by February 1, 2025, some agencies have requested more office space. If OMES were to assess the capacity of space in State-owned buildings and leverage employee data from OMES’ Human Capital Division (such as the number of remote employees or primary duty station), those needs could likely be met within property already owned by the State.

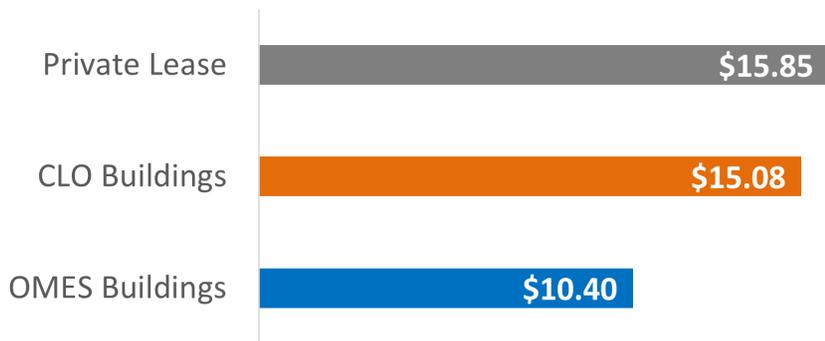
Finding 3: Maximizing State Owned Property Can Save Tens of Millions in Private Lease Costs

Statute clearly expresses a State goal of prioritizing use of State-owned buildings over private leases, yet the amount of leased space has increased by 5.25 percent over the past seven years despite a declining State workforce. Meanwhile, the State has experienced a 1.6 percent decrease in space owned by the State.

The State pays a premium for using space that is not owned by the State; agencies that rent from the private sector spend approximately 52 percent more than agencies that rent from OMES.

LOFT estimates the State potentially spends close to \$35 million annually on rent. Lease costs vary depending on what is included or excluded from the lease, such as janitorial and utility costs. Additionally, some agencies incorrectly code expenses for storage costs and other indirect costs under the category for rent.

Average Rent Per Square Foot



In 2020, OMES received a commissioned report from a real estate research and consulting firm, which also found that OMES was not enforcing the State’s real estate policies. The Oklahoma Legislature established in statute a clear vision for the State’s management of real property: a centralized authority in OMES to exert custody and control over all State property, except for the specific exemptions; prioritization of State-owned property over private leases; and a comprehensive and accurate record of the State’s real property inventory. Counter to statutory intent, Oklahoma currently permits a decentralized model where agencies have significant discretion in selecting and acquiring space type and determining allocation. Meanwhile, growth in private lease space is outpacing the amount of space in State-owned buildings and the agency managing real property accepts a foundation of flawed data from which to execute decisions.

Agency utilization of space and the management thereof is primarily a matter of executive branch leadership. The head of the executive branch is responsible for empowering its overseeing agency to lead from the front and exert its full statutory authority over the other executive branch agencies for space utilization.

Other states – as well as the federal government – have launched efforts to better utilize government-owned office space. It’s been said that you can’t manage what you can’t measure. If OMES were to exert its statutorily-given “custody and control” over all State office buildings, it could evaluate critical metrics of efficiency, occupancy, and utilization. LOFT’s analysis demonstrates the value of assessing individual building occupancy and efficiency metrics to reveal whether an agency is maximizing efficiency or allowing wasted or excess space. OMES could likewise collect agency badge swipe data and make space management decisions based on the efficiency analysis. The results of these efforts should be used to fulfill the State goal of maximizing State-owned space and reducing private lease costs.

Summary of Policy Considerations and Agency Recommendations

The Legislature may consider the following policy changes:

- Prior to authorizing the sale of any property on the “five percent Underutilized Property Report,” require that OMES assess whether the property can be used to reduce private lease square footage before being sold and provide a copy of the assessment to the Long-Range Capital Planning Commission (LRCPC).
- Require any agency that fails to reach 60 percent actual utilization for three consecutive years to undergo an automatic space review by OMES to reevaluate the agency’s space.

The Office of Management and Enterprise Services should:

- Exert the full scope of its statutory authority to oversee all use of real property.
- Require coordination between its Real Estate and Leasing Services and Human Capital Management division to confirm the accuracy of agencies’ duty station assignments for employees.
- Verify the quality and accuracy of the data submitted by agencies before publishing the Real Property Asset Report.
- Use actual space utilization analysis to submit a list to the Long-Range Capital Planning Commission of private leases that could be eliminated through relocation of personnel to State-owned building.
- Amend administrative rules to redefine “special space” as areas that are not ordinarily included in an office.
- Amend administrative rules to establish a uniform and consistent space allocation standard.
- Format the Real Property Report tool (Column H of the Real Property Asset Report) to include expanded property type categories that differentiate between customer-facing spaces, circulation space, spaces for utility and maintenance, restrooms, break rooms, kitchens, conference rooms, exercise areas, quiet rooms, podcast rooms, true office space and other special use rooms.
- Maximize actual utilization in State owned buildings to achieve a minimum 60 percent building capacity on a daily basis.
- Require all State agencies to submit regular intervals of badge swipe data to OMES to assist in assessing actual building utilization.
- Develop a rent strategy that accounts for natural economic fluctuations in the cost of managing State facilities.
- Allocate space based on the percentage of time an employee spends in the office, not status as part-time or full-time employee.
- Conduct unannounced site visits/space reviews to both confirm data and assess utilization.
- Require Human Capital Management to have Workday capture the percentage of time an employee reports in-office; examples include hybrid or fully remote.
- Upon executing any new lease or lease renewal for office space in the private sector, record within the property management database the cost of any value-added benefit included within the rental rate, such as utilities, furnishings, parking, space modifications, and maintenance.