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Policy Suggestion

Independent, principled state policy fostering limited and responsible government, free enterprise, and a robust civil society.

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Leveraging State-Owned Assets to Fund Pensions and Meet Other Long-Term Funding Challenges - Summary*

- The State of Oklahoma owns a vast array of property and other valuable assets.
- This property would be better used in the private sector, is not taxed, and costs state money.
- Assets can be leveraged to shore up underfunded public employee pensions and address other long-term funding challenges.

Public Employee Pensions are Still Underfunded

- Total Unfunded Liabilities (Debt): **$7.9 billion**.
- Teachers' Retirement System (TRS), is below the 80 percent threshold indicative of good financial health - **$6.5 billion unfunded liabilities**.
- Firefighters Pension (OFPRS) has lowest funded ratio (70.8 percent) with **$1.1 billion unfunded liabilities**.

Oklahoma Can Sell or Lease State-Owned Assets and Use the Proceeds to Pay Down Pension Debts and Meet Other Long-Term Funding Challenges.

- Other states have had success with this approach.
- Avoids punishing taxpayers and retirees through tax increases, budget cuts, and benefit cuts.
- Oklahoma owns enough valuable assets to bring each of its pension systems to full fiscal health.

Guidelines for Developing a Successful Monetization Process

- Process must begin with a comprehensive assessment of what the state owns.
- Final decision-making should be done outside the agency controlling the asset and accountable statewide (Legislature fits description).
- Evaluation process should be led by a relatively small, centralized team (LOFT is ideal).
- Process should be transparent and maximize competition to ward off cronyism.
- Dedicated use for funds should be established on the front end, before monetization decisions are made (i.e., a Pension Solvency Fund).

Lessons From a Previous Oklahoma Attempt

- 2011 law requires the OMES to compile annual report detailing underutilized state property.
- Focused only on un- and under-used properties, so it excludes many valuable assets.
- Does not produce information conducive to high-level prioritization and decision-making.
- Most importantly, agency controlling the property still makes the call on whether to keep or sell property – result has been few assets sold (only $3.1 million gained).

Candidates for Monetization – Up to $5.68 Billion for Pensions, Education, and Infrastructure

- **Tobacco Settlement Endowment Trust (TSET)**
  Up to $1.2 billion.
- **Grand River Dam Authority (GRDA)**
  $500 million to $1 billion.
- **Mid-America Industrial Park**
  Approximately $200 million.
- **Underutilized Property Already Identified by the State**
  Up to $130 million.
- **Oklahoma Turnpike Authority Toll Roads (Lease)**
  Likely more than $1 billion.
- **Lands Held by the Commissioners of the Land Office**
  Over $2 billion, restricted to Education.
- **State-Owned Rail Lines**
  Approximately $150 million.

Conclusion

Oklahoma can significantly strengthen pension systems and make progress in meeting other long-term funding challenges if it properly leverages the valuable assets it already owns.

Doing so will require establishing the right process and political courage, but current policymakers have a leg up because they can learn from past efforts in Oklahoma and other states.

Transitioning assets from government to private ownership will generate economic activity, boost tax revenues, and shed maintenance costs.

A true win-win for the state.

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