

November 2012 • Volume 19 Number 11

Perspective



J. Rufus Fears

1945 – 2012

IN CASE YOU MISSED IT

Brandon Dutcher

Oklahoma's workers' compensation premiums are the sixth-highest in United States. <http://tinyurl.com/98vhwf5>

Oklahoma's largest newspaper asks: How can lawmakers justify not going to an administrative system for workers' comp? <http://okne.ws/MqIRvH>

Oklahoma labor commissioner Mark Costello says it's time for a "workers' comp" system, not a "lawyers' comp" system. <http://tinyurl.com/8s3cvle>

These work comp lawyers want you to contact them if you've suffered injuries. But hurry, they say—before Oklahoma moves to an administrative system! <http://ow.ly/cHGLu>

One Oklahoma City physician has "actually come to the conclusion that there is an inverse relationship between price and quality in health care." <http://tinyurl.com/943gcx9>

The state's largest newspaper says Dr. Coburn's strong advice to resist the Obamacare Medicaid expansion makes Gov. Fallin's decision easier. <http://okne.ws/XWVpwu>

The Wall Street Journal explains how "The Solyndra Memorial Tax Break" sticks it to taxpayers twice for the same failed investment. <http://on.wsj.com/Rvj2n8>

OCPA's economists explain how Oklahoma's government spending spree negatively affects Oklahomans' household income. <http://ow.ly/dh5hF>

OCPA research fellow Steve Anderson is scrutinizing school spending. <http://tinyurl.com/9vllr26>

We're drugging students into submission—and letting Medicaid pay for it. <http://tinyurl.com/9myycqe>

More than a million Oklahoma adults lack basic literacy skills. <http://ow.ly/dWI6H> Even though they've been to school. <http://ow.ly/dWI6I>

OU and OSU have policies in place that could ban or excessively regulate protected speech. <http://thefire.org/spotlight/states/OK.html>

Oklahoma's largest newspaper says it's time to "end automatic deductions for all public-sector unions." <http://shar.es/7Evrr>

OCPA distinguished fellow Andrew Spiropoulos says Obamacare will fail if states unite. <http://ow.ly/edEYA>

A full 31 percent of Americans without health insurance live in households making \$50,000 or more. <http://tinyurl.com/8dgyqlx>

State Rep. Jason Murphey says higher education has more debt on the books than the Oklahoma Turnpike Authority. <http://tinyurl.com/9n4p6d5>

An Oklahoma City minister says we're "in the midst of catastrophic global climate change. It threatens all life on the planet." <http://tinyurl.com/8eyyd79>

Oklahoma's public-sector-only school reforms (e.g. charter schools) are not sufficient. <http://www.ocpathink.org/articles/2001>

A liberal Oklahoma journalist loves our state's socialized-economic-development programs. <http://bit.ly/QICHoj> But not everyone shares his enthusiasm. <http://bit.ly/TeGLCa> and <http://bit.ly/IVCJqU>

Oklahoma's tax collectors are being "deprived" of \$200 million. <http://bit.ly/Ucf5bU> Hard-working Oklahomans, on the other hand, are not being deprived of that money. <http://ow.ly/dJMPH>

Perspective

November 2012 Vol. 19, No. 11
Brandon Dutcher Editor

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Nov. 26, 2012 • Oklahoma City

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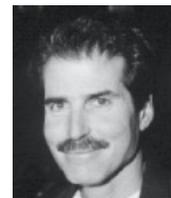
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The Sum of All Fears: "Victory!"

By Patrick B. McGuigan

A unique man, J. Rufus Fears, died last month. In addition to scholarly writings of erudition and insight, he was a classroom teacher without peer.

The campus newspaper at the University of Oklahoma—where undergraduates three times selected him teacher of the year—reported the memories of Billy Adams, a 2007 graduate, who recalled Fears' use of action and movement in bringing history to life:

"He would carry around a broomstick, and it would become a spear, pointer, or javelin, whatever he needed. He would use the broomstick and act out different parts of the battles. He would roam the lecture hall of 200-plus students. ... You were rife with attention."

Only once, two decades ago, did I see a full-length Fears lecture to OU students. It was a masterful rendering of the tides of history, with the rotund man pacing the stage and aisles while holding the full attention of hundreds.

One former student was Kyle Harper, who marveled at the man's "special charisma" as "a unique performer" in lectures. Stories abounded about the closing day of class when, as Fears concluded, a room full of collegians arose in rousing ovation—in a class where most did not earn A's, but where all learned.

After his death, a glowing tribute to Rufus Fears came from John Hood, president of the John Locke Foundation, a free-market think tank in North Carolina. Writing for National Review Online, he called Fears "one of the great missionaries of classical learning."

Nationally, Fears became best known for lectures

recorded and published by the Teaching Company—150 hours of recordings sweeping across the canon of Western literature and history.

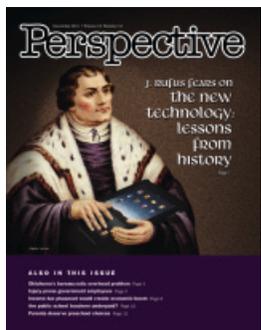
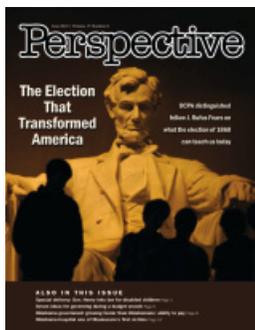
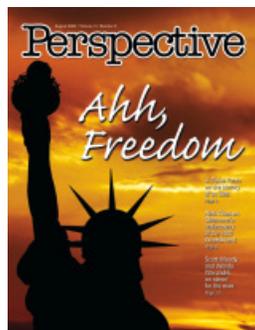
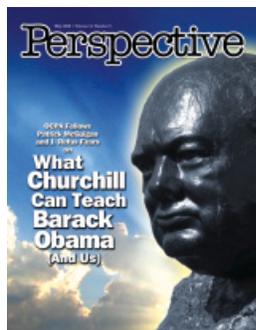
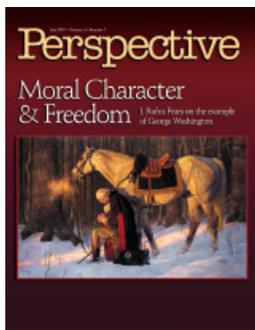
The sum of Fears' scholarly endeavors lay in his understanding, as one tribute put it, of "the fundamental importance of ideas as a source of political legitimacy." Fears rejected cynical explanations for the greatness of ancient Rome. He understood, as one observer put it last month, "ideology as a motive force in Roman politics." And, "he explored various conceptions of liberty from an historical perspective."

While his legendary impact flowed from the power of his classroom teaching, acolytes must never forget that his writings on Roman history garnered some of the highest honors for scholarly research—a Rome Prize, a Guggenheim Fellowship, a Humboldt Fellowship.

Fears' conclusions about liberty made him a conservative force in the academic world. Oklahoma City University law professor Andrew Spiropoulos—like Fears affiliated with OCPA, our state's largest "think tank" advocating free markets and limited government—was both a friend and an ardent admirer.

In a tribute for *The Journal Record*, Spiropoulos described a time they attended an academic event dominated by "political liberals. A session was moderated by a former leading political figure known for his biting wit. The conversation centered on the self-evident virtue of progressive politics.

"The few conservatives in the room, myself included, kept our heads down, hoping the cocktail



hour would soon arrive. Not Fears. After making it apparent he had no idea who the prominent politician even was, he proceeded to explain, with appropriate historical references, why the dominant opinion of the room was appallingly foolish. Where will we find another like him?"

We won't. He was a true conservative for all seasons, understanding and affirming the Madisonian design of the U.S. Constitution, including the prerogative of Congress to control purse strings—a power which, if exercised, can limit and decentralize taxation.

He wrote that a nation "cannot live with a tremendous debt for a long period of time. We seem unwilling to accept that economic law. However, there is still time. We still have the opportunity to put our financial house in order and to pay off our debt. But we must cut government spending, then cut it again, and then cut it some more. The road to fiscal responsibility runs directly through the House of Representatives."

His elegant solution to counter the greatest expansion of government power in my lifetime, dubbed Obamacare? *Don't fund it.* No wonder Paul Ryan says Fears' lectures are one of the things he listens to while driving around Wisconsin in his truck.

Last year, I was the only reporter present when Fears delivered the keynote address at a conference in Oklahoma City focused on education in the digital age, co-sponsored by the Friedman Foundation and OCPA.

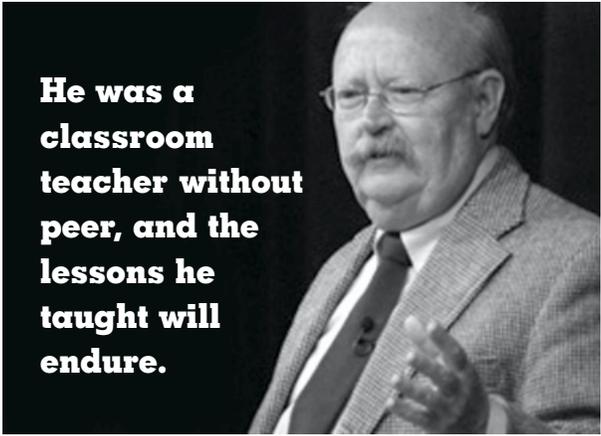
Brandon Dutcher captured the sometimes elfin Fears' spirit in his introduction of the venerable scholar, saying, "We are foolish if we think our microchips and bandwidth make us immune to the lessons of history, as I'm sure Dr. Fears will remind us. And unlike previous speakers, he won't be using a PowerPoint. Dr. Fears is a historian of freedom and,

like Lord Acton, he understands that power corrupts and PowerPoint corrupts absolutely."

Without the help of PowerPoint, the learned man said he was not worried by the advent of technology, *per se*, but by its potential misuse to undermine economic liberty. He worried, "not that children don't learn about the Constitution, but how they learn about the Constitution." He reflected, "When technology takes the lead, knowledge can be transformed."

Making the arcane accessible, he pointed to three key moments in history where technology impacted the advance of human knowledge.

The first was "the invention of writing in Mesopotamia" thousands of years ago. In the ancient city of Ur and in the delta of Egypt, writing emerged essentially as a means to record, and help collect, taxes. This yielded "entire armies of bureaucrats to record those taxes." Despite the retarding effect of taxation, commerce grew, along with cultural and lit-



erary touchstones.

Fears said, "Unfortunately, writing then essentially became a means of making despotism stronger. That is always the great danger of technology."

The second era of tech transformation came with "the invention of printing, and the printed page, in Europe." That fed conflict between religion as it then was understood and the ability of people directly to examine Scriptures for themselves. Seeds for transformation of higher learning lay in the works of Martin Luther, whose study of the Bible in printed Greek texts led him to challenge doctrines of the day.

The clash over the meaning of Scripture, grace, faith, and works led Luther to post his ninety-five theses on All Hallows' Eve—Halloween—October 31, 1517. From that came wider translations of the Bible into common languages, and the emergence of conscience and belief as the basis for political structures.

And from all that, Fears argued, came religious liberty, economic freedom, and other fundamentals in the American founding.

Thus was the stage set for the third great wave of technology touching human knowledge, transformational changes still impacting our lives in “television, computers, TV, information processing, and distribution.”

The open question is whether this last surge of knowledge driven by technology is “going to be a tool of freedom, or just a means of cheap communication that brings down the soul. It is up to us to decide if freedom will increase, or if this is a mechanism, a tool for despotism.”

There will never be another quite like him, but can we ever, truly, capture the sum of all (Rufus) Fears? At least this: Lessons he taught will endure. And, the noblest lesson is his life.

Fears studied, and understood, pivotal battles in human history.

He also knew well the debates among students of the Battle of Marathon in ancient Greece. One set of stories where the wheat and chaff of fact and legend blend concerns a certain Greek herald—a runner who brought news directly to people, in those days long before printing presses or modern telecommunication.

The great historian Herodotus recorded the historic run of Pheidippides as coming after the armies of Persia landed in Greece. The courier covered the distance from Athens to Sparta, bringing news that a massive horde of invaders would soon threaten all the city-states. Spartans and others rallied to their estranged brethren, to defend freedom.

Yet, there is another story. It is likely legend—but a lovely one, bequeathed to us from the writer Lucian. In his tale, the improbable win of 10,000 Greek soldiers over 20,000-60,000 Persians at Marathon led soldiers to beg for their best runner, Pheidippides, to speed toward Athens, to inform the people and city leaders they were safe.

Robert Browning later adapted Lucian, to say the courier “flung down his shield, ran like fire once more” the course from Marathon to Athens. At the limit of exertion, he stumbled, exhausted and dying, into the city

square. Browning says his last words were: “Rejoice, we conquer!” Lucian in the original version said Pheidippides uttered, “We are the winners.” A few sources have translated that final word as: “Victory!”

Dr. Fears kept his deepest religious beliefs to himself. Perhaps he was reticent to impress upon listeners his particular brand of Christianity. But a Christian he was, one who even now, I trust, reaps his just reward.

He would have been familiar with St. Paul’s second letter to Timothy, chapter 4, verse 7 (King James Version): “I have fought a good fight, I have finished my course, I have kept the faith.”

And let the people say: “Victory!” ✪

Patrick McGuigan (M.A. in history, Oklahoma State University) is editor of CapitolBeatOK.com.

He was committed to the cause of ordered liberty

Law professor Andrew C. Spiropoulos, like Fears an OCPA distinguished fellow, paid tribute to his colleague in an October 11 column (“Remembering the fearless Fears”) in *The Journal Record*. Here’s an excerpt:

“Too many contemporary academics believe they are above such crude notions as bequeathing to students an informed understanding of our nation’s principles and history, and heaven forbid, fostering patriotism. Politically engaged professors, instead, believe their role is not to advance our civilization, but to critique it, in hope that their students will be persuaded that our society is morally bankrupt and must be overthrown.

“Fears would have none of this. What made him special was his passionate commitment to the cause of ordered liberty. ... He rejected the cynicism and bilious complaints of his radicalized colleagues and dedicated his teaching and scholarship to the unapologetic defense of the free society. While Fears would modestly have told you that nothing he did to advance the fortunes of liberty could compare to the great people he studied, it takes considerable moral courage to stand fast against the often vicious disapproval of one’s colleagues and culture.”

Remembering

He Cared about the Lives of His Students

By Brian Hobbs

When renowned OU professor J. Rufus Fears passed away on Oct. 6, he left a tremendous heritage of teachings, lectures, writings, courses, and wise lessons in his wake.

The real legacy of Dr. Fears, like with any great teacher, can be found only in looking at his students. I would know, as I am one.

There was no teacher who had a more profound impact on my life than Professor Fears. Quite simply, I would not be anywhere today without his influence. I know I am not alone in that sentiment; thousands of students could say the very same.

Just after his passing, OU President David Boren said Fears was “one of the greatest teachers in the history of our state.” In my experience, he was the greatest.

What made Fears the greatest is both easy and difficult to explain. First, he had a way of making history come alive for students. As a professor of classics, it was his job to make students interested in names and events that would normally seem dusty or uninteresting. Professor Fears could re-enact an ancient Greek battle that would make you feel as if you were in the very moment he described.

Second, Professor Fears was the best orator, but used his skills wisely. Through his lectures, he could turn the most unpatriotic student among us into a minuteman, ready to take up arms in defense of his country. His speeches, some of which are viewable online, put on display the warmth and wisdom of this man. He always elevated the listener, bringing out our better angels.

Also, Professor Fears never taught mere facts and dates. “The Internet is full of information,” he would say. But the key is to weave together that information

into knowledge. Then we must take that last step and apply it, which is true wisdom.

Socrates and Jesus, according to Professor Fears, are the two greatest teachers in history and the two he most revered. Professor Fears was a believer and not afraid to talk about Jesus Christ, all while he walked in the tall cotton of academic circles and taught at a secular university.

I recall the look of joy on his face as he talked about competing in “sword drill” (what we now call “Bible drill”) growing up in a Baptist church in Georgia. I know his faith had a remarkable impact on his teaching and his family.

Some of his favorite books of the Bible were Exodus, Job, Proverbs, and the Gospel of Mark. Professor Fears was a staunch defender of the historicity of the New Testament. He frequently spoke in churches in Oklahoma and other parts of the country. In a radio interview with me earlier this year, we discussed George Washington’s prayer at Valley Forge, an event he believed to have taken place.

Finally, Professor Fears cared about the lives and direction of his students. Many would come to his office for advice, not merely academic but for life. It is with a deep sadness that I learned of the passing of Professor Fears, whom I consider my mentor.

Mankind is never at its best more than when it reflects the character and life of Christ. In giving his life to becoming a great teacher, Professor Fears became like the Great Teacher, our Lord. In doing so, he took on a noble calling that will bless throughout the ages. ☆

Brian Hobbs, formerly the director of marketing at OCPA, is editor of *The Baptist Messenger*. This article appeared in the October 18 edition and is reprinted here with permission.

A Great Teacher

You Were Compelled to Hang on His Every Word

By Julie Daniels

We heard of the passing of the inestimable Rufus Fears from our son in Los Angeles. Hunter called to share his sadness with us. There are far too few truly excellent teachers in this world, and he knew Professor Fears was first among them.

He remembered his one class with Dr. Fears as a highlight of his time at OU. At the close of the last lecture of the semester, the entire class spontaneously rose to give the professor a thundering ovation. Hunter observed that Dr. Fears, the showman scholar, took great care to develop his vocal intonation and timing so that, no matter how dry a student might find the subject matter of a particular lecture, he was compelled to hang on Dr. Fears's every word.

My husband Charlie and I were fortunate to experience the phenomenon that was Rufus Fears when he led a tour to Rome in 2005 to walk in the steps of Peter and Paul and contemplate the greatest legacy of the Roman Empire—Christianity. We were treated to a Fears lecture each morning and afternoon, along with quick-witted remarks as he walked us briskly around the city. I was so overwhelmed by his erudition and insight as we toured the ancient Roman port city of Ostia that I abandoned note-taking to simply savor the joy of having this intellectual giant and very good man as my teacher.

I remember especially an enchanted evening at the Circolo Della Caccia, a private club established in 1869 in palatial surroundings. We were the guests of Count Gelasio Gaetani D'Aragona Lovatelli, the head

of one of Italy's oldest families (over 1,000 years), which has produced two Popes. The Count, a dark-haired version of Richard Branson and Italy's first Master of Wine, had invited a number of friends along to entertain this group from ... Oklahoma.

They were beautiful, gracious people with whom we enjoyed fine Prosecco and aged Parmesan cheese

followed by delicious food served on large silver platters by liveried staff in a candlelit room adorned with 17th century frescoes. Following the meal, the Count delivered a most generous toast to us and to our country. His remarks tilted to the conservative, this patriarch of a family of the Black Nobility who defended the Church and the Pope from the Kingdom of Italy in the late 19th century. When he was finished, silence fell over the assembled guests. How should we respond?

Then we heard a chair scrape the floor as a rumpled Rufus rose and raised his glass. Two of the women at our table had gone back to chatting and were not immediately aware of his speaking. Then, they realized Rufus was addressing them in perfect Italian. I didn't know what he was saying so I watched our hosts to gauge their reaction. They were astounded, and very moved by his remarks. They applauded him warmly. Like thousands of others who have had the privilege of being in the presence of Rufus Fears, they were compelled to hang on his every word. ☆

Julie Daniels is a longtime OCPA member from Bartlesville.



Ever the showman scholar, Dr. Fears attacks Charlie Daniels in the ancient Roman port city of Ostia.

An Idea to Help Parents Afford College

By Brandon Dutcher

As *The Oklahoman* recently noted, tuition and fees in Oklahoma continue to skyrocket: “In-state tuition and fees at OU in 1980 were \$1,713 (adjusted for inflation). Today, they’re \$7,340. At OSU, tuition and fees jumped from an inflation-adjusted \$1,677 to \$7,441 today. That’s an increase of more than 300 percent, after inflation, at both schools.”

The good news is that change is coming to higher education. As Heritage Foundation scholars Lindsey Burke and Stuart M. Butler observe, “higher education appears to be on the verge of the same kind of massive transformation—or ‘disruptive innovation’—that has changed the news/newspaper industry so dramatically.”

As higher education continues to change, and as policymakers continue to seek to make it more affordable, they would do well to consider an innovative idea that comes to us from the arena of K-12 reform: Education Savings Accounts (ESAs).

A new report by Matthew Ladner, “The Way of the Future: Education Savings Accounts for Every American Family,” makes the case for this innovative delivery system, “which enables parents to withdraw their children from public schools and use state-funded savings accounts for other education expenses.” Dr. Ladner, who also authored an education-reform report published in 2010 by the Friedman Foundation, the Oklahoma Business and Education Coalition, and OCPA, points out that Arizona last year was the first state to create an ESA program:

“Through that program, the state of Arizona deposits 90 percent of the funds for a participating child into an account, which can cover multiple educational services through use-restricted debit cards. Parents can choose to use all of their funds on a single method—like private-school tuition—or they can employ a customized strategy using multiple methods (e.g., online programs and community college classes). Critically, parents can save some of the money for future higher education expenses through a 529 college savings program.”

As a parent who doesn’t choose the public-school option, I can tell you the idea of an Education Savings Account is very attractive. A rough back-of-the-envelope calculation reveals that my wife and I have saved our fellow taxpayers more than a quarter-million dollars (so far) by educating our children at home rather than sending them to the government’s traditional or charter schools. (Because some of our children are still young, this figure will continue to mount.) We couldn’t spend 90 percent of our children’s state education funds if we tried. Thus, our ESA would be pleasantly plump, allowing us to send our children to college with little or no debt.

One would think this idea would be attractive to higher education officials, too. After all, the various tax consumers (common education, higher education, Medicaid, etc.) are always eyeing each other warily like the proverbial starving men in a lifeboat. Certainly higher education resents common education for wasting so much money that otherwise could have been theirs. ESAs are a way for higher education to capture some of it.

Politicians should like the idea, too. As James Marshall Crotty points out in *Forbes*, “with ESAs, state governments are looking at a potential economic bonanza. Indeed, if ESA statutes were expanded to allow parents to invest more of their dedicated K-12 education funds into, say, mutual funds (as one can with HSAs), the potential for dramatic investment returns—and, thus, higher tax revenue—is far greater than if the funds sat parked in some low-paying savings account.

“Moreover, as parents better monitor and distribute their dedicated public education funds, they will have more money to pay for their children’s secondary and college education. Such additional revenue streams could also level the playing field in secondary and college admissions, as poor and middle class parents will be able to afford the private K-12 tutoring, coaching, and test prep services currently reserved for wealthier families.” ✪

It's Time to Stop Taxpayer Funding of the Indian Museum

By Jonathan Small

Findings in the recent performance audit of the Native American Cultural and Education Authority (NACEA) leave no doubt that it's time to put an end to taxpayer funding for the NACEA, and that lawmakers were right to reject another bond proposal.

The findings of the performance audit are discouraging, especially considering that taxpayers have committed more than \$112 million to the project to date. Findings include:

- The board chose the "Vision Plan," the most elaborate and expensive of the options provided by the project architects in 2004. Projects on such a grand scale require substantial funding, however, and at no time has the board's available funding closely approached its projected expenditures.
- Through our procedures, we found a number of inconsistencies and deficiencies that can be attributed to improper planning by both the NACEA board and the legislature. These inconsistencies and deficiencies have negatively impacted the AICCM [American Indian Cultural Center and Museum], as evidenced in the project budgeting, overall vision, management, oversight, funding strategy, fundraising strategy, and the conflicting interests of stakeholders.
- Though the agency was created in 1994, began receiving operational funding in 1996, and obtained its first infusion of bond financing in 1998, it appears a project budget was not created until April 2001. According to one project contractor, the April 2001 budget of \$169 million was not developed to reflect actual project costs, but solely to secure federal funding.
- Not only does the board maintain this vision for the project in the present, but it has opted for such an idea since the project's inception. In August 2004, the main project architects presented the Board with the following six construction project options and corresponding cost estimates:

Options	Total Estimated Budget
1. Minimal Plan	\$53.5 million
2. Minimal Plan, alternate #1	\$63.4 million
3. Minimal Plan, alternate #2	\$69.6 million
4. Preferred Plan	\$85.3 million
5. Preferred Plan, alternate #1	\$91.9 million
6. Vision Plan	\$136.1 million

Source: NACEA board meeting minutes, August 26, 2004

- A board and staff lacking relevant experience compensated for this lack of internal experience by hiring multiple consultants, including architecture firms, project managers, geotechnical consultants, attorneys, design developers, and institutional planning services. Multiple board members justified the use of consultants of excellent caliber by referring to their expertise in particular areas of museum development, again citing what should be required of a "world-class" facility. During the audit period, the board contracted with these consultants for more than \$18.7 million.

There's no need for Oklahomans to discuss Solyndra or the Chevy Volt as an example of government waste. Oklahoma taxpayers have a story that hits much closer to home—the NACEA. Given this project's track record, it is no wonder that private participation was minimal until recent pressure was exerted to leverage more taxpayer funds. No private citizen or private business could survive with this kind of track record.

Although lawmakers rejected more funds for the NACEA during the 2012 legislative session, some are concerned that the vote was influenced by the looming November election and that the lack of an impending election could result in politicians experiencing a "change of heart" in 2013. Taxpayers and citizens will have to remain vigilant.

It's not often that OCPA agrees with the liberal *Tulsa World*, but in this instance we do: "No more taxpayer funding for the Indian museum." 🌟

Jonathan Small, a Certified Public Accountant, is OCPA's fiscal policy director.

Oklahoma's Pension Problems Are Worse than You Think

Recent GASB changes are only small steps toward full disclosure of Oklahoma's looming pension crisis.

By J. Scott Moody and Wendy P. Warcholik

As we've pointed out numerous times in these pages, Oklahoma's pension crisis is far worse than the official estimates.

The official estimates are guided by the dictates of the Governmental Accounting Standards Board (GASB). Finally, after years of debate, GASB is taking the first timid steps toward better transparency, which will improve the integrity of Oklahoma's pension accounting system.

While there are many details to these changes, there are two in particular that will have the most impact on Oklahoma's pension systems.¹

The first change shifts the actuarial smoothing of investment returns in favor of current market valuation of assets. Currently, the Oklahoma Public Employees Retirement System (OPERS) uses a five-year smoothing of investment returns. While this provides a degree of stability in the pension calculations, smoothing is completely unrealistic since assets could never be sold on the market based on their five-year average price.

The second change begins to separate the investment return on assets and the discounted value of pension benefits owed. Currently, pension systems use the long-term investment return on assets, usually around 7 to 8 percent, as the discount rate on pension benefits owed. More specifically, OPERS uses a rate of 7.5 percent.²

However, using the same rate for the investment return and discount value wrongly confuses the vastly different risk profiles of assets and liabilities. On the asset side, pension systems are heavily invested in stocks, which yield a very high investment return at the cost of a having a high-risk profile—in other words, returns can vary dramatically from one year to another.

On the liability side, pension payouts are very predictable and, in most states, are guaranteed by the taxing authority of the state. As such, the risk profile is

very safe and more akin to a government bond. Economists such as Robert Novy-Marx (University of Rochester) and Joshua Rauh (Northwestern University) have persuasively argued that the discount rate should be dramatically lower, resembling the risk-free rate of a U.S. Treasury bill.

In fact, using a lower, more realistic discount rate, they found that Oklahoma's official \$13 billion unfunded pension liability (as of FY 2008) is actually somewhere in the range of \$23.6 billion to a whopping \$47 billion.³ More ominously, their calculations estimate that Oklahoma's pension system will run out of assets in 2020—only eight years from now (though this estimate was made prior to Oklahoma's recent pension reforms, which likely pushed that day of reckoning out a few more years).⁴

GASB does not go nearly as far as Novy-Marx and Rauh have suggested. The new rules will still allow pension plans to tie their investment returns rate to the discount rate as long as assets are projected to sufficiently cover benefit payments. For any years where benefits exceed assets, they will be treated as general obligation debt and discounted by the municipal bond rate, generally around 3 to 4 percent.

Alicia Munnell and her colleagues at the Center for Retirement Research at Boston College recently estimated the impact of the GASB rule changes on 126 pension systems.⁵ Table 1 shows the results for OPERS.

Despite the very modest changes in the GASB rules, OPERS, on a percentage basis, would see a sizable change in its funded ratio, which represents the percentage of assets to liabilities. A healthy funded ratio is considered to be above 80 percent, which, prior to the recent pension reforms, was never achieved. (Truth be told, as OCPA's pension expert Jonathan Small likes to point out, the safest and most prudent funding level for both pensioners and taxpayers is a funded ratio of at least 100 percent.)

In the end, these changes being made by GASB are only timid steps toward full disclosure of the looming pension crisis. Oklahoma's policymakers must not be lulled into complacency, believing that Oklahoma's recent pension reforms will bring the retirement systems back into solvency. They will not.

There is only one long-term solution to Oklahoma's pension crisis: ending the current defined-benefit pension system and enacting a defined-contribution plan similar to the 401(k) plans used in the private sector. This change would permanently lift the artificial veil, sanctioned by GASB, which policymakers have hidden behind for far too long. ⚡

Economists J. Scott Moody (M.A., George Mason University) and Wendy P. Warcholik (Ph.D., George Mason University) are OCPA research fellows.

Table 1
Funded Ratios for Oklahoma Public Employees Retirement System
 Fiscal Years 2006 to 2011

Fiscal Year	Public Employees Retirement System		
	Current Funded Ratio	New Funded Ratio	Percent Difference
2006	71.4%	—	—
2007	72.6%	—	—
2008	73.0%	—	—
2009	66.8%	—	—
2010	66.0%	60.0%	-9.1%
2011 (a)	80.7%	74.7%	-7.4%

(a) Assumes change in new funded ratio for 2011 is equivalent to estimated change in 2010. See endnote 5 for source.

Sources: Oklahoma Public Employees Retirement System; Center for Retirement Research at Boston College; Oklahoma Council of Public Affairs

Endnotes

¹ For the full details of the GASB changes, see: <http://gasb.org/cs/ContentServer?site=GASB&c=Page&pagename=GASB%2FPAGE%2FGASBSectionPage&cid=1176158721844>.

² For actuarial information on the Oklahoma Public Employees Retirement System, see: <http://www.opers.ok.gov/Websites/opers/images/pdfs/2011-OPERS%20Val%20FY%202011.pdf>.

³ Novy-Marx, Robert, and Rauh, Joshua D., "Public Pension Promises: How Big Are They and What Are They Worth?" July 10, 2009. http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1645454_code345896.pdf?abstractid=1352608&mirid=1.

⁴ Rauh, Joshua D., "Are State Public Pensions Sustainable? Why the Federal Government Should Worry about State Pension Plans," prepared for the Urban-Brookings Tax Policy Center/USC-Caltech Center for the Study of Law and Politics Conference, "Train Wreck: A Conference on America's Looming Fiscal Crisis," January 2010. <http://www.taxpolicycenter.org/events/upload/Rauh-ASPSS-USC-20091231.pdf>.

⁵ Munnell, Alicia H., Aubry, Jean-Pierre, Hurwitz, Josh, and Quinby, Laura, "How Would GASB Proposals Affect State and Local Pension Reporting?" Center for Retirement Research at Boston College, Working Paper 2012-17, September 2012. http://crr.bc.edu/wp-content/uploads/2011/11/slp_23.pdf.

Oklahoma still has a pension deficit disorder.

To see how much money you (as a private-sector Oklahoman) would need to save to replicate the generous, taxpayer-guaranteed income stream of Oklahoma's government employees, visit:

CalculateYourPublicPension.com/K 

A Federalist Look across America

By Matt A. Mayer

We conservatives like to talk about the importance of federalism in our constitutional system, but we rarely spend enough time looking at what is actually happening in other states to drive reforms.

It is our esteemed view that every governor and every state legislature should aim to be one that other governors and state legislatures look to for public policy solutions. Though it isn't the case yet, Oklahoma—given the vast number of conservatives in positions of power—has an opportunity to emerge as America's trendsetter.

On the biggest issues facing states, many of America's governors and legislatures are enacting bold reforms.

Kansas: Cutting Taxes to Spur Economic Growth

Gov. Sam Brownback and the Kansas legislature put in place tax reforms that many, including the Cato Institute, consider to be the "most impressive tax reforms of any state in recent years." These reforms reduced the number of tax brackets from three to two and lowered the top rate from 6.45 percent to 4.9 percent.

As Cato noted, the tax reforms also "increased the standard deduction, reduced the taxation of small business income, and repealed numerous special-interest tax breaks." The yearly tax savings from the reforms are estimated to be nearly \$800 million, and will allow Kansas businesses to keep more of their hard-earned money so they can grow their companies.

The Wall Street Journal lauded Gov. Brownback for using his political capital to advance "a reform agenda worth the effort."

In a globally competitive environment and an increasingly mobile world, lower taxes will make Kansas a place that businesses look to for future growth. Gov. Brownback's aggressive reforms will force other states to enact tax reforms as well, or risk losing future business growth.

Louisiana: Moving Education Reform to the Next Level

In Louisiana, Gov. Bobby Jindal and the legislature put in place the most innovative education reforms in America. The reforms blow open the doors of education funding, making roughly 400,000 Louisiana kids eligible for a voucher to a private or parochial school.

That number represents nearly half of Louisiana's K-12 student population.

In a move typically ignored, but critical to the charter school movement, Gov. Jindal's education reforms place tough accountability measures on charter schools. Often the conservative movement has been quick to point out

a failing public school but reluctant to publicize a failing charter school. Gov. Jindal believes that kids deserve a school that gets results, no matter who runs it.

Finally, Gov. Jindal's education reforms contain important changes to how teachers are evaluated and rewarded. Gone are the salary grid and teacher tenure requirements that only drive public school spending higher. In place of the grid is a "merit and accountability-based system" that will ensure that teachers in the classroom perform, get a chance to improve, or go find a job for which they're better suited.

On teacher tenure, instead of tenure after just three years, teachers will have to earn strong ratings in five out of six years in order to be granted tenure.

Louisiana's K-12 reforms will pay dividends as its kids get better educations and provide businesses with a more educated workforce upon which to grow.

Nevada: Tackling Bad Spending Habits to Get Government Right-Sized

When the global economy tanked, few states felt the impact more than Nevada. With the world's top gambling facilities, Nevada suffered enormous losses from a steep drop in tourism. In addition, the housing market in Nevada collapsed, resulting in large job losses and declines in home values.



In response to this economic crisis, Governor Brian Sandoval and the Nevada legislature cut state government spending by roughly 5 percent. The state spending cuts have resulted in a decrease in state government workers of 4 percent.

As government leaders at all levels face fiscal crises, maintaining the status quo on spending just won't cut it. It is time to reduce government spending at all levels and pare back the administrative state that is burdening businesses and citizens.

Rhode Island: Saying "Enough is Enough!" to Government Unions

Rhode Island Democrats, led by Treasurer Gina Raimondi, bucked the labor unions and passed government-pension reform legislation that adopted a hybrid pension system. The hybrid system provides government employees with a small defined-benefit annuity—one that won't require a taxpayer bailout—and a defined-contribution component that provides them the portability and inheritability of a 401(k) account.

The reforms also increased the retirement age of government workers from 62 years old to 67 years old. This change is similar to the retirement age used to determine eligibility for Social Security. The reform is estimated to save Rhode Island taxpayers roughly \$3 billion.

One of the key reasons why Treasurer Raimondi was able to reform the government pension system in Rhode Island is that she took the time to educate citizens across the state. She spent a considerable amount of time traveling around Rhode Island and meeting with citizens to explain the pension crisis. Treasurer Raimondi knew she had to make the case directly to citizens in order to defeat the labor unions, who would spend enormous amounts of money and apply pressure to their legislative allies. By doing the work she did, Treasurer Raimondi made it hard for legislators to oppose the changes.

Texas: Taking on the Higher Education Elite to Bring Down Costs

There is no more powerful entrenched interest outside of Big Labor than the higher education lobby.

While government spending has exceeded inflation in most states in most years, tuition increases in public colleges and universities have exploded since the nationalization of the student loan programs. For most middle- and lower-class families, the cost of college is becoming a bridge too far.

In Texas, third-term Governor Rick Perry has drawn a bright line in the sand. He has made a commitment to drive down the cost of tuition in Texas so that Texans can get a college degree for \$10,000. Not \$10,000 per year, mind you, \$10,000 per degree! Several colleges and universities are already answering Governor Perry's challenge, but the big public schools are unsurprisingly fighting back.

Governor Perry knows that for Texas to continue to be a place where businesses launch, move to, and grow, those businesses need access to an educated workforce. The path to that educated workforce goes through Texas's public colleges and universities. If access to those vital educational opportunities is limited due to high costs, Texas, its economy, its businesses, and its people lose. The \$10,000 college degree plan is key to unlocking the door to the future.

Oklahoma is behind the curve on the five reforms noted above. It's time for Oklahoma's political leaders to throw out the old playbook and aggressively push forward with these reforms. It is time to make Oklahoma the locus of innovative public policy.

Some politicians are content to "play it safe by adjusting the rudder slightly to the right and enjoying the ride" until term limits send them home, OCPA president Michael Carnuccio recently wrote. But that won't suffice, he says.

"We live in a day and age when we need leadership—the kind that is strong, bold, and transformational." ✪

OCPA research fellow Matt Mayer (J.D., The Ohio State University) is a former senior official at the U.S. Department of Homeland Security. Mayer also serves as a Visiting Fellow with The Heritage Foundation, where he heads the federalism project. Mayer's newest book is *Taxpayers Don't Stand a Chance: Why Battleground Ohio Loses No Matter Who Wins (and What to Do About It)*.



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Tel: 405.602.1667
Fax: 855.819.0085
ocpathink.org

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Q U O T E U N Q U O T E

[After learning of his death, many of Dr. Fears's students expressed their feelings for him on Twitter. Here's a small sampling.]

"J. Rufus Fears completely transformed my collegiate education. A true rarity in higher ed, and a wonderful man, father, and scholar. RIP"
Tatianna @tatiproc

"So saddened to hear the news that our beloved Dr. J. Rufus Fears has passed. I consider it a privilege to have learned from his teachings."
Tyler Finch @TheRealTFinch

Fears, your students will never forget you."
Kelley Jones @Kelley_Jones

"So terribly heartbroken at the passing of Dr. J. Rufus Fears — @UofOklahoma lost a brilliant educator and a truly lovely man."
Taylor Andersen @t_andersen

"RIP J. Rufus Fears. You were an amazing professor and man. Thank you for the thousands of lives you affected."
Clark Foy @ClarkFoy

"Dr. Fears' lectures are the only ones I've ever revisited post college. Taught in a way that made you want to live out his lectures."
Jason Kuhlman @JasonKuhlman

"Last night, heaven gave tenure to the most gifted professor and historian the world had to offer. Rest in peace, Professor Fears."
Dylan D. Erwin @dylnerwn

"So sad to hear of the loss of someone who touched everyone he taught. RIP Dr. Fears. Thank you for every lesson you taught me."
Stephanie Daugherty @QuillandInkProd

"Favorite teacher ever. So sad to hear he passed. Brought the experience of learning to life like no one else could."
Brett Hammons @SoonerinRI

"Dr. Fears > Caesar > Augustus > Scipio > Hannibal"
Sarah Pratt @saruhpratt

"I am so lucky to have learned so many life lessons from such an incredible man. Rest in peace Dr.

"RIP Dr Fears! The man that brought Ancient Rome to life for me. An irreplaceable professor and one of a kind man!"
Leah Mueller @LeahMueller