

State of the State
Governor David Hall
January 12, 1971

LIEUTENANT GOVERNOR NIGH,
PRESIDENT PRO TEMPORE SMITH,
SPEAKER PRIVETT,
MEMBERS OF THE SENATE AND
THE HOUSE OF REPRESENTATIVES,
MY FELLOW OKLAHOMANS:

Together, today, we take the first step in an exciting journey. The dreams, the hopes, the visions and the problems of Oklahoma now take their places. We now begin to reshape the future of Oklahoma. And it has never been more promising nor more challenging.

The commitments I made in the past campaign now become a bold program which I place without fear, before a bold legislature.

The campaign promises – and now this program – were born out of the needs of Oklahoma. People at the crossroads, towns and cities of our State told us these are the things they want and need. This supplementary budget is how it can be done.

The people of Oklahoma have done an outstanding job of electing their legislators. You are the representatives of the people and you have an administration dedicated to helping you make Oklahoma a better and more prosperous place for the people to live.

I stand humbly before this joint session of the Oklahoma Legislature. But I am proud for we are now opening the greatest era of cooperation between the legislative and executive branches this State has ever known.

I want your help. I need your help. I ask for your help.

I am pleased to have the pledge of personal cooperation from the men you have selected as your leaders. There is a mutual respect between us as men. It will be reflected in unparalleled harmony throughout the coordinate branches of government. This unity of purpose will permit Oklahoma to now achieve commitments which heretofore, have been evasive dreams of the future.

I pledge to each of you representatives of the people my complete cooperation. We will work together. We, together, will build Oklahoma.

You have before you the annual budget prepared in accordance with the Constitution and laws of this State. This budget is based upon the available revenues certified to me by the State Equalization Board for the ensuing fiscal year.

I also have prepared a supplement to this budget recommending additional sources of revenue to achieve a program of excellence for all the people of Oklahoma.

Financial Crisis

A severe financial crisis exists today in Oklahoma. We approach the new fiscal year July 1 without the funds legally expendable to support State Government at its existing level – and no money to meet rising costs and improve necessary programs. There will be no windfalls or giant surpluses to fall back on this year.

To the contrary, current projections of funds available for appropriation are that we will have in fiscal year 1972 four to six million dollars less operational funds than were certified last month by the State Equalization Board. In addition, it is estimated that in fiscal year 1973, if the average growth remains the same, we will have fourteen to sixteen million dollars less. This means that unless substantial changes are made, the available funds for operation of government have peaked and we face a declining revenue source in the months and years to come. The State Budget Officer advises me that shortages in the cash flow of the General Revenue Fund will be critical before the end of 1971. Drastic curtailments will be necessary unless you act immediately to provide new sources of revenue. It is my responsibility to provide the leadership to reverse this disastrous trend. It is also my duty to present this problem to you and to recommend solutions.

The crisis in State financing in Oklahoma can be resolved. We face the need for expanded State services with most of our people already overburdened by taxes.

It is time we faced these hard decisions in our budget. Oklahoma cannot stand still. Schools and colleges cannot stagnate in the pool of indifferences.

In the search for revenue to meet the needs of our growing State, our expanding population and economy, I have steadfastly promised and proposed that no general tax increase be levied upon our people. I restate that commitment and affirm it before you today.

Oklahoma's broadly based tax system requires review. It requires action to bring about an equitable balance in our tax load. We are long overdue for tax relief. This Session will provide some of that relief.

Revenue and Taxation Proposals

I promised and I now propose that the burden of sales tax upon food and drugs be removed. This action must clearly define the area of relief because drug and grocery stores sell a vast range of products. In order to relieve the small grocery merchant from the complex and costly accounting between food and non-food items, to protect the cities

who vitally need the present tax base, to provide the needed services to the aged, the crippled, the sick, the blind and the infirm and to avoid problems in the administration of our present sales tax laws, I propose the following measures:

First, an outright exemption of all prescription drugs for human needs.

Second, a direct income tax credit – and a cash refund for non-income taxpayers – equivalent to the sales tax paid on human consumable food for off-premises use.

Tax relief means lifting an unfair burden – tax relief means closing loopholes – tax relief means stopping an unfair preference given to a privileged few.

I now propose that those Oklahoma taxpayers with high incomes, some in excess of \$200,000 a year, who paid no income tax to this State last year because of various exemptions and deductions, be taxed a fair and equitable amount on such income.

Oklahoma has simply not kept pace! Since 1947 there have been no substantial changes in our income tax laws. Meanwhile, Congress enacted major tax reforms in 1948, 1954, 1966 and 1969. Our present income tax collections are 7.1 per cent of the Federal income tax collected in Oklahoma. The national average amount in 33 states that levy an income tax is 16.1 per cent.

Numerous tax studies have resulted in a recommendation that we simplify our State income tax by basing it upon the net taxable income as determined under Federal law. I propose this change effective for the current calendar year. We can no longer justify a dual system and the mounting administrative costs.

The enactment of the simplified tax bill as I propose will eliminate the existing exemption of corporate dividends. This loophole in our tax structure has enabled a few taxpayers to escape tax upon a large part of their income in the past. We can no longer justify this unfair tax shelter.

Other adjustments resulting from the Federal tax base would include elimination of the deduction for Federal tax paid. Our personal exemptions would be matched to the Federal exemptions.

This would result in an additional net revenue of \$43,500,000 and the net cost to the Oklahoma taxpayers would be much less. Approximately 20 to 52 per cent of this increase would be borne by the Federal government because it is deductible for Federal income tax purposes, but the most important feature of this plan is that it would give tax relief to thousands of low-income families in Oklahoma. My proposal will remove all income tax from the 200,000 low-income families who paid a State income tax of \$20 or less. This tax relief will help these families to provide the necessities of life for their children. *Under this plan, a family of four with an income of less than \$5,000 per year would not pay any Oklahoma income tax.*

Our tax structure in Oklahoma has always included a tax upon the mining and production of certain minerals and oil and gas. This mineral wealth cannot be replaced and is being depleted at a rapid rate. Those who extract mineral wealth must bear a fair share of taxation. I have carefully reviewed present gross production taxes and am making certain recommendations.

First, Oklahoma has imposed no gross production tax upon coal and certain other minerals, although we have granted a depletion allowance for these minerals. Oklahoma's valuable coal reserves are among the greatest in the nation.

The extraction of this mineral will multiply as the commerce of the mighty Arkansas River System increases. I propose a three per cent gross production tax.

As students of revenue and taxation, members of this Legislature have frequently considered a revision of our State tax on natural gas. My research reveals that 60 per cent of the total production of this resource is transported by pipeline to consumers in other states. I propose a gross production tax of three cents per thousand cubic feet of natural gas produced and sold, in lieu of other taxes on natural gas. This will produce from consumers outside the State of Oklahoma an estimated \$24,000,000 a year in new revenues. For the average Oklahoma family, it will cost little more than a penny or two a day. This increase in revenue would total \$39,000,000. To meet our financial crisis, it is imperative that this natural gas tax becomes effective as soon as possible.

Fair Tax Reform

Other areas of taxation in which inequities may exist require your attention. These include ad valorem taxation, various fields of commerce and industry, the insurance industry and other areas. It is my commitment that whatever reforms we propose will be fair, equitable and in the best interest of the citizens of the State of Oklahoma.

We must discharge our responsibility to provide a balanced tax structure under which every citizen assumes his fair share of the cost of government. No one should pay more than his fair share. It is my firm belief that a judicious revision of our tax code will reduce the oppressive burden upon many of our citizens and also assure that those who have in the past escaped their obligation will pay their fair share.

Revenue Sharing

Every state has seen its costs of government soar. I pledge to work closely with the Governors of other states in considering Congressional enactment of a Federal revenue sharing plan that will give our State a greater percentage of the Federal tax dollar that is taken from our citizens. It is important that this State improve its ranking as to its

own tax effort and in order to realize a fair apportionment of revenue sharing. My proposals will greatly improve Oklahoma's position.

Education

The Number One priority for Oklahoma now becomes education. Last year we ranked 45th in our per pupil expenditure for public schools – we are now the bottom for higher education. I recommend increased financing for education to provide long-range solutions for the betterment of this State. I now propose that we take the first steps in striving toward the national per pupil expenditure average. In addition to the increase of \$3,750,569 for public school education proposed in this budget, I propose an increase of \$40,000,000 under the supplement to this budget.

For higher education I propose an increase of \$20,000,000. For vocational and technical education I propose an increase of \$1,000,000 from new revenue to be added to the \$646,250 provided in the regular budget for two new schools.

These increases will help provide many improved services, including:

- Reduced teacher-pupil ratio.
- Kindergarten for every child.
- Special education for all children who need it.
- Improved guidance counseling.
- A brake on the spiraling increase in college tuition.
- An improvement of graduate programs.
- A drug education program.
- Improved free textbook program.
- A means of attracting new industries through greater research capability.
- The teaching of a basic law course in high school.

In addition, I am asking our colleges and universities to include students in the rule-making activity of the administration and I am asking that once these rules are made that the governing boards strictly enforce these rules. I am asking that our colleges and universities place the elected head of the student government as a non-voting representative on the governing Board of Regents.

Roads and Highways

Another area that demands our attention is the condition of our secondary roads. I propose that this administration undertake the elimination of death traps in our State highway system and that we initiate a long-range secondary road program that will support our primary road program.

I am directing the Highway Commission to carefully examine the roads in our 77 counties, identify the death traps and high accident areas, and immediately furnish such information to me with an estimate of the cost of making these roads safe.

I am directing the Highway Commission to conduct a study of needs and priorities for a great secondary road program.

The challenge to the Legislature is to help us develop a method of financing these costs consistent with our acknowledgement that Oklahoma is opposed to a general tax increase and it is committed to provide tax relief to our over burdened citizens.

Tax Exemption For new Industry

In an effort to provide long-range help to our economy, we will pursue every means possible to bolster Oklahoma businesses who are experiencing financial difficulties. We will vigorously pursue new industries for our State. However, our present laws permit governmental agencies to provide plant and facilities for new industries to avoid the ad valorem tax laws of this State. I propose that any ad valorem tax exemption for the benefit of new industry be limited to not more than ten years. This will still be competitive with surrounding states, but will reduce the tax burden on the home communities of the new industry.

Labor

In the field of labor I recommend four legislative measures to provide more equitable and fair practices for Oklahoma's work force:

1. Increased unemployment compensation.
2. Improved death benefits provided under workmen's compensation laws.
3. A negotiations bill for public employees coupled with a specific no-strike clause.
4. Include all State employees under unemployment compensation.

District Attorney System

It is my firm belief that the functions of local government should be handled at the local level and the functions of the State government should be handled by the State. Therefore, I propose that the cost of the present district attorney system be borne entirely by the State of Oklahoma and that the counties be relieved of this responsibility. I propose that the State provide as a supplement to this budget \$2,000,000 to finance the district attorneys' functions for the coming fiscal year.

Narcotics Enforcement

Narcotics abuse is the number one law enforcement problem in Oklahoma. I have recommended more funds to increase the number of full-time narcotic investigation agents to help deal with this serious problem. I also initiated yesterday a no-parole policy for adult drug peddlers in addition to my drug education proposal.

Together we must seek the answer to what is causing this increasing problem while we work for an expanded rehabilitation program.

Environment Protection

It is our responsibility, and that of the entire public, to take every means necessary to prevent the spoiling and fouling of our land, air and water.

I recommend that the anti-pollution enforcement powers be concentrated in one control agency, with the exception of those functions now performed by the Corporation Commission. I recommend that the existing Pollution Control Board be designated as the agency and that it be strengthened with injunctive enforcement powers and a full-time staff and director.

As a general business management policy, I believe it is more economical to utilize an existing agency rather than create more bureaucracy. It is important to have a single source to obtain the necessary information for compliance with Oklahoma's program to protect our environment.

State Employment

In order to guarantee efficient public services at an adequate level and an effective use of our tax dollars, it will be necessary for us to make certain that the State economizes in every way possible. It will require innovative and creative managerial practices. I am asking each agency head to carefully review the productivity of his work force and the economy of his management practices.

Agricultural Industries

We must direct a renewed emphasis on the State's agriculture and related industries. Traditionally, this has been Oklahoma's greatest industry and presently accounts directly and indirectly for more than 50 per cent of the State's gross income. We must make certain that this industry does not suffer from a lack of attention from the Governor and the Legislature. I am placing an agriculture advisor on the Governor's staff to keep me apprised of development and needs in the area at all times.

Specifically at this time, I recommend that you provide for the creation of a blood disease diagnostic cent at Oklahoma State University to serve the State's livestock needs. Further, I recommend that appropriate action be taken to require that all foreign beef marketed in our State be labeled as imported beef. I plan to join with the Governors of the other beef producing states and work for Federal legislation in this area.

Dynamite Sale Restriction

In other areas of public safety, we recommend that you enact legislation providing for sensible restrictions on the sale of dynamite and high explosives.

Water

We need to review and implement our long-range planning for a total water program for the entire State with particular emphasis upon a development program for Western Oklahoma. Water is critical to the development of all of Oklahoma.

Minority Assistance

We must see that racial and ethnic minorities in Oklahoma are provided the assistance necessary to help overcome the inequities of many conditions present today. We must institute programs to develop these minorities economically – as this is the surest way to realize equal opportunity. We must establish programs to seek more middle income and upper middle income jobs for minorities.

Office of Inter-Agency Coordination

I am abolishing the Office of Inter-Agency Coordination, as I believe our present law enforcement agencies are sufficient.

Medical Services

We call upon the physicians and allied professions to structure a more comprehensive program for voluntary medical assistance on a regular basis. I recognize the voluntary service that many professionals are already rendering and find it commendable. However, we need a more structured program to provide voluntary medical assistance to those in Oklahoma who presently cannot have it. We also believe that the Legislature should expand its incentive program to attract more physicians and medically related professions to rural areas. Many rural areas presently have no medical assistance available nearby.

I recommend that funds be provided to pay for the cost of prescribed drugs used by the blind, the totally and permanently disabled and elderly persons receiving welfare who have catastrophic and chronic illnesses. Experience has shown that the funds presently provided for these individuals are not sufficient for this unique need. We should provide for purchase on a vendor basis of these drugs and should obtain Federal matching funds available for this program. This program should be subject to State office control.

Legislative Reapportionment and Congressional Redistricting

I am optimistic that the Legislature can and will be able to meet its obligation to reapportion. I will offer my advice and counsel.

I am also confident that the Legislature can and will meet its obligation of Congressional Redistricting. I will offer my advice and counsel.

I look forward with optimism and enthusiasm to a close association with our Congressional delegation in the vital area of cooperation between State and Federal government.

Oklahoma is particularly fortunate that its native son, The Honorable Carl Albert, is to be the Speaker of the United States House of Representatives of the 92nd Congress. We are fortunate that this outstanding statesman is a dedicated public servant for our State. He is expert and powerful in the affairs of government and sensitive to the needs of all of Oklahoma.

This message and the proposed budget set forth some of the goals I will seek to accomplish during my term as Governor. Needless to say, I will make other proposals to you during the legislative term. In addition, I encourage each of you to help me develop new approaches to better serve the people of this great State.

I anticipate a new tone of governmental cooperation for the benefit of the entire State and expect that we will maximize our efforts to serve our State by joining together in legislative-executive cooperation. I solicit the advice and counsel of the various committees of each body of the Legislature. My office and my home are open to you and I ask that you counsel and work with me any time my assistance can be of value to you.

I have made no commitment or promise that I do not feel we can keep! Together we will etch a new era in Oklahoma government and Oklahoma history.

God bless you as we serve our State and people.

SUPPLEMENT TO THE BUDGET

Estimated Additional Revenue Proposed:

Income Tax Revision	\$43,500,000.00
(Net after credit and/or refund for sales tax paid on food)	
Natural Gas Tax Revision	39,000,000.00
(After freeze of existing dedications)	
Tax on Coal	180,000.00
	82,680,000.00
Less Reserve for Surplus Deficiency	6,000,000.00
	\$76,680,000.00
ADDITIONAL REVENUE	<u>\$76,680,000.00</u>

Allocation of Additional Revenue as Realized:

52.2% Common Schools	\$40,000,000.00
26.1% Higher Education	20,000,000.00
1.3% Vocational and Technical Education	1,000,000.00
2.6% District Attorney System	2,000,000.00
17.8% Essential Governmental Services*	13,680,000.00
ADDITIONAL APPROPRIATIONS	<u>\$76,680,000.00</u>

*Includes Roads and Highways, Public Safety, Public Health and Mental Health.

About Digitizing the Governors' State of the State Addresses

Section 9, Article 6 of the Constitution of Oklahoma provides as follows:

“At every session of the Legislature, and immediately upon its organization, the Governor shall communicate by message, delivered to joint session of the two houses, upon the condition of the State; and shall recommend such matters to the Legislature as he shall judge expedient.”

From statehood in 1907 to present, the state of the state addresses of Oklahoma's Governors have been recorded in pamphlets, booklets, and Senate Journals. One could not foresee the toll that time would take on the earliest of these documents. When these items first arrived at the Oklahoma State Archives, the leather bindings had dried considerably, cracking the spines significantly. Due to the acidity in the paper, many pages have darkened with age. Some of the more brittle pamphlets crumble at the slightest touch.

Thus when we decided to digitize these materials, we faced two challenges: the safety of the original documents and ease of viewing/reading for patrons. Our primary objective was that the unique and historic qualities of the documents should be reflected in the website. However, older fonts would not digitize clearly when scanned and even using a flatbed scanner could cause the bindings to worsen. An image of each page would increase download time considerably and any hand-written remarks or crooked pages could be lost. We decided to retype each document with every period, comma, and misspelled word to maintain the integrity of the document while placing some unique images of the documents online. Patrons can download the addresses quicker and view them clearer as well as save, print, and zoom with the Adobe Acrobat Reader. We have learned much from our efforts and we hope that our patrons are better served in their research on the state of the state addresses of Oklahoma's Governors.