

**State of the State
Governor George Nigh
January 6, 1981**

By Constitutional requirement, I am here today to present a balanced budget to members of the Oklahoma Legislature in joint session.

By choice, I am here today to visit with you as equally concerned, equally dedicated, and equally enthusiastic public servants of the people of Oklahoma.

You have before you my recommended budget. It now becomes the property of the respective houses of the legislature. Just as I expect you to attempt to change it if you feel you have a better idea, you should expect me to resist change if I feel my suggestion is best.

Governor Bernard, President Pro Tempore York, Speaker Draper, Ladies and Gentlemen of the joint session, and my fellow Oklahomans – The State of State of Oklahoma is excellent.

The State of State says there are more of us – the 1980 census shows our population at an all-time high.

- We have more people at work than ever before. (1,265,360) and we continue 94.5% fully employed.
- Our people are earning more – the only State in the nation last year where our per capita income outstripped inflation.
- Our labor force is more productive, with the third smallest work stoppage figure of all industrial states.
- Our business climate is health – Our gross state product will reach 35.9 billion dollars this year.
- The State of the State says our energy industry is superb. Producing oil or gas in 72 of our 77 counties, we rank third in gas production, fifth in oil, sixth in refinery operations. Drilling reached an all-time high last year and with an average of 401 rigs and will set more records next year.
- Tourism has reached an all-time high, with income up 300 million to a total of \$2.5 billion.

We're gaining national attention as a destination point for tourists, conventions, and film production.

Weather, high interest rates and federal policies have made necessary a new commitment by our State to one of our most basic industries – agriculture. In this regard, I particularly appreciate the leadership of Lt. Governor Spencer Bernard in his successful efforts to find new markets for our agricultural products.

There are many other economic indicators in these and other areas, that project is a bright future for this state if we continue to maintain the healthy, stable, better-managed state government that is our common goal.

The wisdom of a strong-diversified economy is shown dramatically by major improvements we have been able to make in the past two years in many areas long overdue. While I certainly cannot list them all, there are several great steps forward. There is more road construction going on in the counties, the cities, and on the state highway system than ever. We are implementing a master plan for a major highway network that will connect all areas of our state.

Our efforts in all three areas of education have been more than noteworthy. Public schools continue to be, and rightfully so, our prime area of emphasis in education with improvements in salaries for teachers and support personnel, but with expansion of major program areas. The past two sessions have seen our appropriations to higher education rank us with the fourth largest percentage increases in the nation, and our Vo-Tech system is second to none.

In corrections, we have reached the point where we can see the light at the end of the tunnel in our six and one-half year old prison lawsuit. Federal Judge Luther Bohanon recognized our work and the good faith effort as testified to by the leadership of the legislature as well as my office.

We have taken the first crucial and substantial steps in our efforts to develop a comprehensive statewide community health system.

This continued strong economic condition makes possible another great opportunity for us.

Since 1978, I have recommended that we look at the State's economic picture annually, and reassess our ability to provide tax relief. In the past two legislative sessions, we have agreed on tax reduction measures which have already or will return a total of \$90 million to Oklahoma's taxpayers.

When I last spoke to the Legislature information showed Oklahoma's 1978 per capita tax rate to be the 44th lowest in the entire nation – and, for calendar year 1980, the same information source indicated we have dropped to 46th in the nation.

Today, I share yet another report which utilizes the "Representative Tax Capacity Approach," which more accurately reflects the burden of the individual taxpayer within a state. By using this method of calculation, the tax burdens of only one State in the Union are lower than those in Oklahoma. However, I sympathize with the philosophy that if you are paying a tax it's too high and I agree with the philosophy that as governor reaps the benefits of our prosperity, so should our taxpayers.

We can do more.

In 1972 only 16 states levied a sales tax on prescription drugs. In 1980 only 6 states levied a sales tax on prescription drugs. By next year there should only be 5 states who levy a sales tax on prescription drugs. I recommend that you pass as your earliest piece of legislation, the bill that gets Oklahoma out of the business of making a profit on illness.

By the same logic, state government should not make a profit on death. If you share with me the concern of preserving the family farm, the family business, the right to leave to the person of your choice the fruits of your labor, then you should join me in the elimination of the gift and what is commonly called the inheritance tax.

To insure no danger to the funding of programs within the Department of Human Services by the elimination of the sales tax on prescription drugs, I suggest the re-earmarking to Human Services of the three and one-half percent of the sales tax that now goes to the general fund.

To insure that the federal government does not benefit from our elimination of the state estate tax, I suggest the bill be written to contain a “pick up” or “gap tax” to retain revenue which would otherwise go to the federal government.

These two tax reductions would become a part of an overall tax reduction program that we have had the past two sessions.

What a unique position – our revenues grow at a rate to allow tax cuts to our people and still far outstrip our constitutional formulas for predicting revenue. We collected over \$200 million dollars in excess of our appropriations last year – and, although the constitution forbids our inclusion of these projections in our official budget proposal, we know we will have another large amount of dollars available after we satisfy the current year’s appropriations.

Because we are in this unique situation, I am this year suggesting a unique approach to these funds. In the almost one and on-half billion dollar budget, I have included the proposed expenditure of 96 million dollars from this “surplus” money to be added to the \$30 million Capital Improvement Fund, for a \$126 million expenditure on Capital improvement and other “one-time” projects.

The accumulation of these funds in excess of the current year’s appropriation will begin next spring. The expenditures we are recommending, therefore, won’t be possible until very late in the legislative session. Should the funds be in excess of \$135 million, I recommend that consideration be given to additional capital expenditures.

Many of our physical facilities have been long neglected and are in dire need of renovation, repair and outright replacement. This concept is best illustrated at Central State Hospital, in Norman. The physical plant here has grown in bits and pieces over the years – and is now antiquated – terribly inefficient. Figures available to us indicate total renovation needs there exceed \$19 million – I propose to build from the ground up, over a three year period, a totally new 1980 mental health hospital for \$24 million.

Now is an appropriate time to show our commitment to the basic industry upon which Oklahoma was built and continues to realize as basic to our very way of life, agriculture. By appropriating \$7 million, we can construct here, in the Capitol Complex, an agriculture building that will house most of the agriculture-related agencies to provide a one stop facility and at the same time make available additional space now needed by such agencies as the Corporation Commission and the Legislature.

My budget contains funds to respond to many similar situations around the State.

The total overhaul of the State Personnel System was begun by the last Legislature. There will be further proposals for your consideration this year, to help effect the necessary changes to bring about a true state personnel system charged not only with classification and compensation, but with recruiting, training and retaining qualified state employees.

Let me make it clear, I want to protect the Merit System. Let me make it equally clear, I want a true personnel system. One of your efforts which responded to our needs in this area was the funding of a comprehensive job classification and compensation study for all employees of the merit system. This effort, called the Hay Study, has involved scores of employees and administrators and provides the basis upon which we can establish reasonable salaries for our employees. With an estimated turnover of 40% last year, you can readily agree that Oklahoma state government is in effect the world's largest training ground for private industry.

To properly respond to the results of this study will require much more detailed implementing work – and, it will require funding at an unprecedented level. For that reason, I have set aside \$40 million in general revenue in a “pay adjustment reserve.” As you are well aware, general revenue funds are only approximately 40 per cent of the State payroll – the balance consists of dedicated funds, federal funds, and other revenue sources. Because of this traditional funding pattern, the \$40 million already set aside will provide a total employee pay package of approximately \$100 million. It is my recommendation that this \$100 million be used entirely for State employee salaries, and supporting expenses.

The closer government is to the people, the better I like it. We continue to recognize grave economic problems facing both city and county governments. While there is an obvious limit to what the State can or should do, it is equally obvious that we can share our economic growth with our counterparts at the local level in programs that are easily defined as state obligations. In another sense of fair play to the taxpayers at whatever level, it doesn't seem right to lower state taxes, forcing taxes to be raised at the local level.

I therefore recommend that with an appropriation of \$14 million to condense our five-year rural bridge program into a three-year program.

To assure a permanent base for county, city and town roads, bridges and street programs, when we have completed these current programs, I support legislation recommended by the special legislative Road Committee and authored by Representative

Hopkins and Senator Stipe providing that the Motor Vehicle Excise Tax now going to General Revenue Fund be earmarked for transportation in these areas. This program will provide a major, new and stable thrust in three governmental areas of transportation – city, county, and State.

I would like on behalf of you and all of those of us at the State Capitol to officially express to the widows and the family of two great, fine gentlemen; the former Senator from the Panhandle, Texas County, Senator Leon Field; and that great Oklahoman who loved Oklahoma as probably no one else did, Hank Wade, who served for years as the Chief Guide here at the Capitol.

I personally learned from each of them --Leon Field is the first person who ever taught me graphically that the Panhandle was connected to the entire State of Oklahoma. He had a way of teaching you that. You learned it quick when you talked to Senator Field.

Hank Wade was an inspiration to those of us who are very proud of Oklahoma. After he would take tours of out of state visitors around the Capitol, our office would receive letters of commendation, specially pointing out their appreciation to Hank Wade.

So in a serious vein, I would like to join you in the expression to their families our appreciation for their public service.

History is being made today in two different ways. One of them I'm a little more excited about than the other. First of all, I'm very honored to have the privilege of being the first Governor to be elected twice. The other historical fact is that this is the first time in the history of the State of Oklahoma that we have a failure of revenues.

One, I'm excited about. The other, I'm concerned about. Like the old fellow said who was being ridden out of town on a rail after being tarred and feathered, "If it weren't for the honor of the thing, I'd just soon walk."

Twenty years ago Senator Kerr passed away on New Year's day. As the Lt. Governor, I was serving at the time and Howard Edmondson then, as you recall, resigned. Then the Lt. Governor, who was me, became Governor. Twenty years ago.

I never will forget it. One of the first things I had to do after Edmondson had resigned and I became Governor was to appoint a new United States Senator. I'll never forget how surprised Howard was when I said, "Well, how about you?" I always said he got the best end of the deal because he finished out the unexpired term of the Senator which was for two years, and I filled out the unexpired term of the Governor which was for -- well, it wasn't for very long. It was very brief. It was for nine days. I had the ten-day virus and missed my whole administration.

I had the opportunity twenty years ago as Governor of Oklahoma to address some of you, some who preceded you in this legislature and Joint Session in which we talked about in 1963, the great opportunities that were ours in Oklahoma.

A lot has changed since those twenty years have past; in my life, in your life and in the State of Oklahoma. Today I come to you in an unusual situation as Governor because we have moved forward the State of the State by one week so that we could get to you the message and the budget as quickly as possible and you could get about the work.

But four years ago when I had been elected as Governor and stood here for the first time, I used the quotation that Oklahoma was literally the envy of the nation. While times look a little tough now, and while there is a setback, and while we're not growing at the great rate we had hoped at this time, I want to say again today, lest we forget, that as tough as things are, compared to the other states and compared to the Nation as a whole, we still are in that enviable position. The rest of the country, the rest of the nation, the other states, literally do envy the situation in which we find ourselves.

That's not to say that we don't have problems. That's not to say people are unemployed. That's not to say we have unmet needs. But we should never forget from where we came. We should never forget the progress that we've made; the steps forward that have been taken.

So as we talk about the situation that we have, I hope that we can recall that we have made great strides. The glass can be half-full, or it can be half-empty, depending on the philosophy.

There are three philosophies about the current financial situation of the State of Oklahoma. One is panic. Running around hollering, "Fire, fire, fire." Two, it's a hoax. There really isn't any shortfall. This kind of reminds me of the gasoline lines. There really wasn't a shortage at the gasoline lines. The same attitude in some people's minds. The third one -- and the one that I think is more realistic -- is that it is not as good as we had hoped. It has leveled off. There is a reduction, but there is no time to panic. We have to make sure that we understand that we are at a resting place; that we are taking a breather; that we can reevaluate; that we can adjust; that we can judge.

Our goals are not forgotten. They may be delayed, but not forgotten. To the new members who are now with us for the first time in the legislature, let me say that this is a different situation than perhaps the job for which you campaigned. We've had four years of fantastic growth. We've solved virtually every problem with growth revenues, while at the same time we were reducing taxes. We had an enviable, ideal situation. We could increase services and reduce taxes at the same time.

To those of you who have returned to the legislature, may I congratulate you not only upon your re-election in most cases, but upon the performance that you have given here collectively under the leadership of such people as Senator York and Representative Draper. I want to thank State agencies and other State officials such as Lt. Governor Bernard because collectively this state has made great progress and great gains.

When we compare ourselves and when we talk about the situation and the conditions that we have today, let us remember that there are two ways and in two areas in which you must compare to be fair. One, you must compare yourself to others.

Oklahoma must compare itself to the other States, the other regions, the Big Eight, the regional average, the national average, the south, the southwest. Those are logical comparisons. But we still must compare ourselves to our former selves.

The only self-improvement book I ever took as a course told me that if you really want to improve, you should not concentrate so much upon others, but concentrate upon your former self. So; the past four years we have been concentrating upon our former self in Oklahoma.

While, yes, we take pride that we've reached the regional average and exceeded it in teachers' salaries -we take pride in the fact that in the faculty salaries four years ago we were seven and eight at the bottom of the Big Eight at the comprehensive universities, OU and OSU. Today we are at the top, one and two.

So if we compare ourself to other small states, we also should compare ourself to our former self. Oklahoma has come a long way. Let's not forget it. Let's never forget the great progress, the great steps forward that we've made.

While there are problems, we have made progress. Sometimes we don't see it, but it behooves me today as we talk about the shortfalls to remind you and the public and the groups and the individuals that we have tried and we have succeeded and we must for a while rest upon some of those laurels while not setting aside our goal permanently. We are taking a breather.

In the area of corrections; that is on everybody's mind. Everybody realizes the problem. You can imagine how surprised I was --yes, surprised I was that two years ago at a National Governor's Conference as I've told most of you before, that when the Federal Administrator of Corrections was asked by another Governor from another state, "All of us as Governors have problems in corrections. Every state in this country has a problem in corrections. "They asked the Reagan Administrator, "To which state would you tell us to look as an example if we wanted to improve," and he said without hesitation, "Look to Oklahoma."

I find that difficult to believe, but he said look to Oklahoma and what he said was, as I cornered him later, I said, "That made me proud, but would you explain it because I'm under a court order; I've got problems; we've got budgetary problems; we've got problems with celling and space. "He said, "Because your attempt to solve your problem is the example."

I hope that you know of the progress that we've made that every single correctional facility in the State of Oklahoma is fully accredited today as compared to four years ago. We are the only state in the Union where every single correctional facility is fully accredited by the Accreditation Association. So we can look to Oklahoma, yet we still have our problems.

We realize that we had a great growth opportunity, so we've done a lot of things. We've put a lot of money in capital. The new agriculture building that is emerging to the north side of the Capitol is an example of our commitment to indicate to agriculture and

all the agricultural related agencies of the basics of the economy of the State of Oklahoma.

The mental health program that is literally second to none in this country --that we have a mental health catchment area in every single geographical area of the State where people can be treated at home, in their residences, in their home area.

In the veterans program where we have now embarked on the program of not only upgrading every single existing veteran's facility in the State of Oklahoma, but adding that one final facility for northeastern Oklahoma; that section of the state does not have a veteran's facility run by the State.

The handicapped programs. The great progress we've made in the area of those with special needs these past four years. We're the only state in the nation that has an Office of Handicapped Concerns. We've been recognized nationally by handicapped groups and by veteran's associations time after time.

We've improved virtually every single park, every single lodge, every single historical society. We have one of the finest health science centers in the nation emerging just a few blocks south of here.

We've upgraded the highway patrol facilities. We have saved, literally saved, the railroads. Look to Oklahoma, seventeen other states said when they tried to solve their railroad problem.

We embarked on a great county bridge program. We've built new airports and extended runways. We built new armories. We've improved the facilities in human services. We have a vo-tech system second to none in capital in this country. In higher education we've grown by a remarkable rate in capital improvements as well as services. In the great new research centers going up at OU and OSU. In the field of health. Yes, capital improvements and yes, programs.

Programs in the past four years where we have literally, for the first time since Howard Edmondson and the Merit System, re-evaluated our personnel system and lifted our state employees as they should be, on a more equal par with employees of the private sector. It was long and it was tedious, but we have made giant strides.

In the teachers' salaries, we reached the regional average in the first couple of years and continue to make progress; and in the support personnel.

We fully funded the District Attorney system; we've improved the courts; we've added judges; increased the numbers of the people involved in public safety. We've added at-home care for the elderly; half-way houses for the adult mentally retarded.

In the meantime, we took a look at county government and reform. We took a look for the first time in many years at the management of state government. We have raised the educational standards of our teachers. Once again, they're saying, "Look to Oklahoma --one of the finest standards of educational professionalism in this country."

We have been working on bringing DHS into full compliance like all other state agencies. In the meantime we've been working on the economy; trying to diversify; trying to strengthen it; trying to involve the people. And we have more involvement of women, minorities, elderly and younger people in all facets of government than ever before.

Yes, we're at an all-time high. I know you're going to say, "Well, that's a rosy picture. The Governor only wants to talk about the past." I just want to set the stage. There will be people who will say, "Oh, we can't cut back; oh, we can't tighten our belts; oh, we can't do with less." Folks we have leveled off at a high, we have not leveled off at a rock bottom. Last year was an all-time high.

In my last year's State of the State message to you I said, "Oklahoma is not an island. We are not immune or isolated from the problems our nation and most every other state is in. We would be foolish to commit our budget to spending patterns which assume our economic growth will continue forever."

So we set money aside. We put money in capital improvement, one-time expenditures. We knew, everyone knew --but folks it was quicker and deeper than anyone had projected. We knew that the boom wouldn't last forever. But I want you to know that it is at a high and I do not want gloom or panic. I want reassurance. I want a feeling of togetherness; that we can do it.

This is the first time in the history of the state, the first time in the history of the state that we have had a failure of revenues. One thing lost in the shuffle though is that many times people don't understand. We're not just talking necessarily about a reduction in funds, we're talking about not reaching the anticipated growth.

So please understand that many times when we're talking about programs and funding, we are virtually still even at the amount of dollars. We just did not grow at the rate. So to add new programs, to do new capital, then you must look to your sources as you look at this budget.

So today I have presented to you a budget. It really is not a twelve-month budget as you would expect. It's more nearly an eighteen month budget and maybe every a twenty-four month budget because as we look at the fiscal year of '84, we must also look to the current fiscal year of '83. One way to provide money for continuity of government and to preserve the future next year is to reduce expenditures already approved by the previous session of the Legislature.

I'm asking, and told the agency heads to be prepared for cut. I'm asking that one omnibus bill be introduced that would reduce every appropriation across the board to the various agencies that we have in state government for the current year.

You can remember the energy crisis. One of the ways that they told us we could produce energy was to conserve energy. For every gallon of gas that you conserved you had produced another gallon.

What I am saying is that we can produce funds for a more sound year of '84 by conserving funds in the current year of '83. The budget that I am submitting to you is based upon the principle that we will reduce the current fiscal year appropriations by approximately three-percent across the board to all state agencies. Keep in mind that it's based upon three percent.

If the down fall or the shortfall or the downturn, or whatever you have, goes beyond that, my recommendation would be that it would be increased proportionally from three-percent to four-percent to five-percent, whatever, if that occurs. But based upon the information that I had when we went to the printer, it was based upon a three-percent across the board reduction. Everyone knows facts change as time progresses. So keep that in mind, it's based upon three-percent.

So as you look then at the '84 budget, we have projected that three- percent reduction over into the '84 budget. Actually what you would have, ladies and gentlemen, was a "maintain" budget or two years at the same approximate level. That by reducing '83. (the certain percentage) and then maintaining '84 at the same percentage, you would have a "maintain" budget for this twenty-four-month period.

We have not reached our revenue so we'll take a breather. We haven't reached our budget so we must tighten our belts. We can have no new unfunded programs so we'll rest awhile. We can have no salary increases under this budget so we'll try our best to maintain. We're not reaching our anticipated expectations so we can delay.

A rising tide raises all ships. The past four years all ship, all agencies and programs of state government have risen. The tide has not gone out. We are not at low tide. We remain not at our high tide, but at a tide that is not low tide. We must maintain as much as possible. The reason I use the word "maintain", is that the program and the projects that we have put into effect these past four years are programs that we basically worked on collectively; .therefore, there are programs that have had a lot of looking to.

This '84 budget has a philosophy. That really is what I want to express in this part of my remarks. The philosophy is to maintain with as few exceptions as possible, in other words, no new programs but obviously a few exceptions. No drastic cuts in services, but maintain. Contain the number of full-time employees by attrition. No tax increase and no tax decrease. Using funds from all possible sources. It's important that I stress this. I know that there is disagreement with this. so let me say it from the front. Funds from all possible sources are put into this budget to even maintain at a three-percent reduction. That's my favorite bill, the \$25 million dollar water bill. That's the \$37 million dollar bond program. That's the \$63 million dollar preservation trust and that's dipping into the pension reserve fund for one time. All sources possible.

If you change from any of that (based upon this budget which of course I know it's subject to change) then not dipping or not using any of those sources means that you must reduce then the amount of cash available for the maintained programs that I've recommended to you.

The way we arrived at this budget and this philosophy was that we took the '83 cut of three-percent, we then reduced the program of each agency by approximately three percent. 3.25, for the next year; that we had taken out all one-time appropriations that we could judge did not need to be reappropriated, then we reduced it by three percent; then we added in the obvious exceptions, like corrections and hardly any other exception.

I want you to know that this is based upon the fact that we must continue in a sound way so that our people would have certainty. One of the things that this budget is also based upon is appropriating money into the reserve fund so that next year we don't have this problem. I would rather have less money with a certainty than more money and now know.

So it takes to get money into reserve funds three ways: the carryover from the reduction of this year; appropriation to the general reserve fund; up the withholding from ten-percent back to eleven and-a-half-percent so that next years programs can continue to be funded based upon the information at this time.

There are three thoughts that I would leave with you. Preserve the progress that we've made. Preserve the progress. Continue the commitments. Continue the commitments. Fulfill the veterans' center. Fulfill the mental health program, et cetera. Continue the commitments. Share the sacrifices. Share fairly the sacrifices.

Preserve the progress; continue the commitment; and share the sacrifice. To do that, we must give agency heads flexibility as much as possible in the management.

Ladies and Gentlemen, I'd much rather be talking about the great growth than about the "maintain". But we each asked for this office, and we each share the responsibility of meeting the problems. In cooperation with your leadership and you individually, I'm looking forward, knowing that we can't always agree, knowing that each house will not always agree with each other or the legislative with the executive or individuals with each other. But I submit to you, let's disagree agreeably. Let's work together for the solution. Let's make everyone aware there are no sacred cows. There are no pet projects. There are no pork barrel plums. That we're looking at maintaining programs. We've got a job to do. Let's do it.

Thank you.

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.