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Governor Mary Fallin's 2013 State of the State Address

OKLAHOMA CITY – Governor Mary Fallin today delivered the annual State of the State address. Below are the governor's remarks, as prepared for delivery.

2013 State of the State (As Prepared for Delivery)

Lieutenant Governor Lamb, statewide elected officials, Speaker Shannon, President Pro Tem Bingman, members of the court, Honorable Senators and Representatives, cabinet members, tribal leaders, distinguished guests, and citizens of Oklahoma:

For the third consecutive year as governor I have the distinct privilege of delivering a welcome and powerful message: the state of our state is strong and getting stronger every day.

There are many reasons for that strength, and for Oklahoma's continued success. First among these are our people.

Oklahoma is strong when we build strong families. I am grateful for my family, and my husband, Oklahoma's First Gentleman Wade Christensen. We're also joined here today by two of our six wonderful children, Christina and Adam.

Oklahoma is strong because of our work ethic, our small business owners, and our innovators in fields as diverse as oil and gas production, farming and ranching, bioscience and medicine, and aerospace and aviation.

Strong because of our hardworking public servants: our state troopers and corrections officers, firemen, and social workers ... our veterans and our active duty military.

And, of course, Oklahoma is strong because of our shared history and culture – a pioneer culture, and a history that stretches back even further than statehood, beginning with the Native Americans who originally settled the Oklahoma territory.

Today we are joined by various tribal leaders. I appreciate your presence here today, as well as your partnership as we work together – both state and tribal governments – to honor our shared heritage and to create a better future for all Oklahomans.

My thanks also go out to all our Oklahoma legislators for their dedication to public service and to good policy.

This year I look forward to again working with Pro Tem Brian Bingman and Minority Leader Sean Burrage, their colleagues in the Senate, as well as our Representatives lead by Speaker T.W. Shannon and Minority Leader Scott Inman.

Speaker Shannon is a capable and innovative lawmaker and consensus builder, playing a historic role as our first African-American, Chickasaw Speaker of the House. Speaker Shannon, my congratulations go out to you for breaking that new ground.

It has been an honor to work with all our legislators over the last two years. I've asked you to work with me to pursue reforms that produce more and better jobs, create a stronger economy, and produce a more efficient, effective and smaller government.

You have delivered, and the results have been extraordinary.

Since January 2011, we've created over 62,400 new net jobs, giving us the fourth highest growth rate in the United States. Unemployment in Oklahoma has been reduced by 30 percent, from 7 percent in 2010 to an enviable 5.1 percent today, one of the lowest unemployment rates in the nation. Our median household income rose in 2011 by \$4,000 – placing Oklahoma at No. 1 in the country.

We have also restored fiscal stability to state government. In January 2011, we had \$2.03 in our Rainy Day Fund. Today, we are approaching a record high of over \$600 million. We achieved these results by prioritizing our spending, promoting pro-business policies and lowering taxes.

These are the kind of successes that we should be proud of. And they happened because we worked together with a common goal.

Oklahoma's state government has helped our economy to flourish – setting the stage for the job creation and family income growth that has now finally restored the state's economy to 2008, pre-recession job levels.

A large part of our success can be attributed to Oklahoma keeping a laser like focus on reform efforts that remove barriers to economic growth – barriers like frivolous lawsuits, a problem which we tackled through landmark legal reforms. Now malpractice lawsuits are at a 10-year low.

Barriers to growth also include excessive workers compensation costs. For decades, out-of-control workers' compensation costs have been a burden on those doing business in Oklahoma. While recent reforms have effectively worked to reduce the total costs of claims, more needs to be done. I am committed to working with the House and Senate to pursue additional reforms that lower costs for businesses while treating injured workers fairly.

Just as our legislators have remained committed to removing barriers to growth in the last two sessions, they've been equally committed to delivering effective tools for economic growth and job creation. My thanks go out to our lawmakers for creating and funding the Quick Action Closing Fund.

We've also worked to provide our children with the tools they need to succeed in today's competitive global economy – through landmark education reform and performance accountability measures.

Together we have also improved our transportation infrastructure by supporting the Oklahoma Department of Transportation's eight-year plan as well as the initiative to repair all of our structurally deficient highway bridges. Because of that support, we are quickly seeing impressive results: structurally deficient highway bridges have been reduced by 20 percent since January of 2011.

All of these are great accomplishments and important breakthroughs for Oklahoma. With a low unemployment rate and a healthy savings account, the question today is, now what? I have a simple answer to that question: our job is to keep the pedal to the metal, accelerate the state's growth, and continue to build a stronger and better Oklahoma.

Oklahomans have worked hard and made sacrifices to get where we are today. We sure don't want to go backwards. And what would take us backwards? Just look at Washington.

Partisan gridlock and political posturing take us backwards. Trampling the Constitution and jeopardizing our freedoms, like our right to keep and bear arms, takes us backwards. Tax increases and reckless spending also take us backwards.

Those are the Washington ways that weigh this country down – that propel us towards fiscal cliffs, recessions and depressions, and give us more of the same.

But the Oklahoma Way is different – we know the best place for taxpayer dollars is in the pockets and bank accounts of Oklahoma families, not funding bigger government or more bureaucracy.

Former G.E. CEO Jack Welch once said, "government is the support for the engine of the economy, it is not the engine itself."

To support our engine for growth, the private sector, I have asked the Oklahoma Department of Commerce to develop a state plan to help take our economy to the next level. I want to focus our state on industries that have the greatest potential for wealth generation and job growth. Data shows that aerospace and defense, energy, agriculture and biosciences, information and financial services, and transportation and distribution offer the greatest potential to raise our income levels and create better jobs.

There's an old saying, "if you don't know where you're going, any road will get you there." We do know where we are going, and Oklahoma now has a roadmap that serves as a unified long-term economic development strategy.

Department of Commerce has made this plan available at www.okcommerce.gov. It is designed to be a policy guide to answer questions like: which tax credits are most effective at creating jobs? Which industries should we focus our efforts on as we work to modernize, update or reduce regulation? Most importantly, how can we best attract the jobs of the future?

The answer, as our study shows, is by strengthening our workforce. One way to do that is by emphasizing STEM – or science, technology, engineering, and mathematics – in all levels of public education. STEM jobs are now growing at a rate that is three times faster than non-STEM jobs, making an emphasis on these technical skills more important than ever.

It is critical to raise Oklahoma's academic performance and develop a highly skilled workforce, and that means improving our schools.

In the last two years we've taken enormous steps to improve education outcomes, support quality teachers and increase accountability by: implementing exit exams, to ensure that a high school diploma means that a student is, as Superintendent Janet Barresi says, College, Career or Citizen Ready; developing an A-F grading system for public schools, so parents, students, teachers and administrators can effectively and easily measure the quality of the education they are receiving; and ensuring that every third grader can read at grade appropriate level before they advance to the fourth grade – guaranteeing they have the reading skills to tackle higher level learning material, rather than falling further and further behind.

All children deserve a world-class education regardless of their zip code. We believe great schools make great students, which make great communities and a stronger state.

On the college and career tech level, Oklahoma is a national model for the program called Complete College America. The goal of that program is to increase the number of college degrees and career tech certificates awarded by 70 percent to keep pace with a job market that demands more skilled labor. Under the leadership of Chancellor Glenn Johnson we're well on our way. Last year we were able to award almost 2,000 more certificates and degrees than the previous year, beating our goal for Year One of implementation.

Studies show that 80 percent of jobs in the future will require more than a high school degree. Furthermore, there is a direct correlation between the state's per capita income and the education levels of our citizens. Our reforms and our degree and certificate completion initiatives will ensure we have the skill sets needed to attract and retain good jobs.

All of these education and workforce development initiatives are major, groundbreaking steps forward for the state of Oklahoma.

I want to thank lawmakers in both parties for your support of education reform and higher academic standards. It is important, in this year and in years moving ahead, that we continue our commitment to the success of these reforms. We cannot afford to water down education standards.

We must also make good on our financial commitments, which is why my budget proposes a \$13.5 million increase to education to fund recently enacted reforms, as well as an \$8.5 million supplemental funding request to pay for teachers' health benefits. And just as I believe that good schools will help to lay the foundation for long term economic growth and job creation -- so too does the right tax climate.

I'm asking again for you to work with me to reduce the tax burden on working Oklahomans. Lower taxes mean stronger economic growth and more job creation. Let's let individuals and families keep more money in their pockets to spend on the things they need.

I am asking you to lower the top income tax bracket – which kicks in after the first \$8,700 of income made by every Oklahoman -- from 5.25 percent to 5.0 percent.

This proposal gives us the flexibility we need to ensure that we are reducing taxes responsibly, without starving government. This is not the last tax cut we will see from my administration. I am serious about lowering taxes, and I will work to get us a lower income tax rate that makes us more competitive with our neighbors to the north and to the south – both of which have lower taxes than Oklahoma.

Reasonably and cautiously reducing taxes, fixing barriers to job growth and innovation, and improving our schools will lay the groundwork for sustained prosperity in Oklahoma. Laying the foundation for job growth and a stronger economy is a big part of how I define success for my administration and for this Legislature.

Taxpayers also deserve a responsible, efficient and effective state government. In the last two years, we've made significant steps in that direction.

First, we took action by reducing the unfunded liability of our state pensions from \$16 billion to \$10 billion. Unfortunately, since those reforms, our unfunded liability is once again creeping up, and has returned to \$11 billion. Our pensions represent the real debt problem this state faces; and it is a problem that we must resolve.

Responsible government means taking this problem head on and delivering a sustainable, modern pension system for today's workforce. Our legislators have many good ideas when it comes to pension reform. Treasurer Ken Miller has also been working on ways to restore fiscal solvency to our pension systems. We must make a point of working together to pursue long-term, fiscally sound steps to ensure that we can keep the promises we have made to our state employees and fix the structural imbalance in state pensions.

Responsible government goes hand-in-hand with responsible budgeting; which is why the budget I'm proposing today uses no one-time reserves, no revenue tricks and no gimmicks.

Responsible government is a government that plans ahead and plans for the worst. Office of Emergency Management Director Albert Ashwood is leading a diverse coalition to review and rewrite our Drought Management Plan, to help our farmers and ranchers, our towns and municipalities, in the event of another hot and dry summer.

Responsible government should pursue eliminating government waste. Significant waste reduction can be pursued through energy efficiency. Two years ago I introduced the state's first comprehensive energy plan – a plan to both support the production of Oklahoma energy while also laying the groundwork for energy efficiency initiatives in state government.

As part of that plan, we passed legislation requiring a 20 percent reduction in energy use among state agencies by 2020. I'm proud to report that we are on track to meet that goal, and to achieve a savings of over \$300 million over the next eight years.

We're also working to convert the state's automobile fleets from traditional gasoline powered vehicles to compressed natural gas vehicles (CNG). Using CNG cars and trucks will save taxpayers

millions of dollars in fuel costs, support energy jobs, grow our state's revenue, and solidify Oklahoma's position as the national leader in CNG fueling stations per capita.

Oklahoma is leading a coalition of 22 states to combine our purchasing power to drive down the price of CNG cars and trucks by thousands of dollars. The cost savings with CNG are real and they are significant. CNG vehicles can save up to \$20,000 in fuel costs over their life cycle. Recently, Secretary of Energy Michael Ming took a road trip from Tulsa to Wagoner and then to Oklahoma City. He drove 228 miles for \$5.32 of fuel in a dedicated CNG powered Honda Civic, one of the models currently being added to our state automobile fleet. Imagine how great the total amount of savings would be if all of the state-owned cars and trucks in that fleet – over 11,000 total – were CNG powered.

Oklahoma's energy plan is reducing fuel and energy costs in government fleets and facilities, thus reducing the tab for taxpayers while delivering a more responsible government. But there are more efficiencies and savings to be realized by some good old fashion bureaucracy busting.

Oklahoma has hundreds of advisory boards, commissions and agencies, created by law over several decades. Many are outdated or duplicative. They need to be reduced. Ronald Reagan once said, "No government ever voluntarily reduces itself in size. Government programs, once launched, never disappear." I am sure President Reagan is looking down on us and smiling to see that, at least in this one instance, we are trying to prove him wrong!

Secretary of Health and Human Services Terry Cline has thoughtfully identified 40 advisory boards that can be consolidated, for a total savings of more than \$350,000. These consolidations can take place without an interruption or a decline in services. This commitment to smaller, smarter and more responsible government should be a model for other agencies to replicate.

Agencies can also benefit from upgrades and consolidation of Information Technology resources. Two years ago, I asked you to work with me and our state's Chief Information Officer Alex Petit to consolidate and improve IT. As I said in my State of the State address then, state government can't continue to operate like an 8-track player in an iPod world. As of now, we have consolidated and improved the IT resources of 50 agencies for a savings of \$84 million.

This year, we'll be adding another 30 agencies to our list. We expect the potential savings to approach \$239 million over seven years. Not only will these improvements save money, they will make our state government more efficient, more modern and more responsive to the needs of our customers: Oklahoma taxpayers.

Moving forward, I've asked Secretary Pettit to help me get more money into the classroom by developing a new, voluntary program for schools known as "Open Range." This new program will be available to help schools begin their own IT consolidation efforts, improve their technology and free up more dollars in the process.

Responsible government means making better use of our physical assets as well as our digital ones. I've worked with agencies to develop a catalogue of state buildings and assets. Our report shows that Oklahoma owns almost 7,000 buildings and leases another thousand. Many of these properties are underutilized or unproductive. Speaker Shannon, I am looking forward to working with you on your efforts to maximize our assets, sell those that are underperforming and redirect those resources to other important state needs.

One of those state needs – an asset that we must maintain – is the State Capitol. The Capitol is a symbol of our state, a place of business and a living museum dedicated to preserving Oklahoma history, literature and art work. It is not right for visitors to be greeted at this building by construction cones, crumbling facades and a faulty sewer system.

That is why I am proposing \$10 million be allocated this year to immediately begin addressing repair needs and to chart a course towards a total renovation.

Responsible government also means transparent and accountable government. Measuring the performance of state government is critical. That's why we are launching a new Web site, <http://www.ok.gov/okstatestat/>, to share data on state outcomes and provide the public greater access to information.

Responsible government means ethical government. It's time to revamp, improve and modernize the Ethics Commission with the help of its new executive director, Lee Slater. I have allocated additional money in my budget to accomplish these goals.

Finally, a responsible government is a compassionate government that offers adequate protection for children. Oklahoma has a moral obligation to care for children who have been abused or neglected and now find themselves in state custody.

For years, care for these children has been inadequate. Last year we developed the DHS Pinnacle Plan – a multiyear blueprint to deliver better services and a safer environment for young Oklahomans. That plan is working. Last month the Department of Human Services, under the great leadership of new Director Ed Lake, announced that it is beginning to meet its goals. DHS has now hired 100 new child welfare workers and is placing all children under the age of 2 with safe and loving foster families. DHS is making progress in recruiting foster families, but they still need help. My thanks go out to those men and women who have become foster parents, and I encourage more families to step forward to help Oklahoma's children. To support the forward progress at DHS and ensure our children have the care they need, I have included a funding increase of \$50 million for the agency in my executive budget.

I've talked today about job creation and what we can do as lawmakers to support growth in a vibrant private sector and a strong economy. I've also talked about responsible and smaller government.

What I'd like to talk about next is literally a life and death problem, and that is the continued poor health of Oklahoma and its families. Oklahoma has made some progress in this area, and we've moved from 49th in the country to 43rd in health outcomes. But we have a long way to go.

Seventy percent of illnesses facing our citizens are preventable and related to issues like smoking, substance abuse, obesity and illnesses like Type 2 Diabetes and heart disease. Those illnesses are not only tragic; they are placing an unnecessary strain on our family budgets, state budget and our economy.

Our current national health care system is in fact a "sick care" system that is actually contributing to our problems. Rather than encouraging healthy living and wellness, it waits to provide expensive treatment to people who are already sick, driving up health care costs. While we will always hope for cures to illness, it would be far better to deliver a system that encourages people to live healthier lifestyles.

President Obama's solution is to dramatically expand this flawed sick care system. He wants to place another 200,000 Oklahomans and over 20 million Americans on government entitlement programs.

As you know, the state of Oklahoma has rejected the president's plan for several reasons: First, it is unaffordable for the state. According to a report from the Kaiser Commission on Medicaid and the Uninsured, the proposed expansion of Medicaid would result in a \$689 million increase in state Medicaid costs between 2013 and 2022. Expanding Medicaid as proposed by the president would mean that a huge sum of money would be diverted from other priorities, like education and public safety, as well as existing health care programs.

Those costs are in addition to the 60,000 or more Medicaid eligible Oklahomans we expect to enroll in the next few years to avoid the taxes and fines imposed by the Affordable Care Act. Simply to meet the costs of those additional enrollees, and to cover the rising costs of medical treatment and fixed expenses, I have proposed a \$40 million increase in funding for the Health Care Authority. The additional expansion proposed by the president would cost another \$40 million a year, an expense that would cause significant financial hardship.

In addition to being unaffordable for the state of Oklahoma, President Obama's plan is unaffordable for the country at a time when we are already experiencing a long-term spending crisis. The same Kaiser Commission report shows Medicaid expansion would cost the federal government \$800 billion nationally. This comes at a time when it is universally acknowledged that Washington must make large cuts in government spending.

Finally, the president's Medicaid expansion offers no real reform to a flawed and inefficient system. Medical costs are rising at an unsustainable rate and taking larger chunks of both state and federal budgets.

Health care funding should be tied to more flexible policies that significantly improve health outcomes while containing costs. Now, Oklahomans are compassionate people and we understand that there are individuals and families who need help. Moving forward, my administration will continue to develop an 'Oklahoma Plan' that focuses on improving the health of our citizens, lowering the frequency of preventable illnesses like diabetes and heart disease, and improving access to quality and affordable health care.

Any plan to improve the health of Oklahomans must address the state's number one killer: tobacco. The use of tobacco products costs Oklahomans more than \$2 billion in health care costs and lost workforce productivity annually. Almost 6,000 Oklahomans die each year due to smoking-related illnesses. That includes both of my parents. My father died from a smoking related illness when he was younger than I am today.

This year I am supporting a proposal to restore local control to cities and towns regarding tobacco use in public places. The implications for health can be enormous.

The city of Pueblo, Colorado serves as a great example. When their citizens were given local control and allowed to implement a tobacco ban in local taverns and restaurants, they saw a dramatic reduction in smoking and smoking related illnesses. In fact, the city's heart attack rate dropped over 30 percent.

The families living in cities and towns across Oklahoma deserve that same opportunity. If communities want to take action to improve the health of their citizens, they should be able to do it.

The state will also continue to improve healthy living through initiatives like Certified Healthy Schools, Communities and Businesses programs which offer rewards for adopting health conscious policies and practices. There are currently over 1,400 certified healthy businesses in the state. I am challenging all of our businesses and every state agency to become a Certified Healthy Business in 2013.

Improving our infant mortality rates will also remain a top priority, as is reflected in my budget. We must provide better care for children in the womb and at birth.

We will continue to work towards more affordable and accessible health care and health insurance options. To that end, the state has engaged national health care experts to work alongside our Health Care Authority and Health Department to determine how Oklahoma can best develop our own solutions to meet the health needs of our citizens.

At the end of the day, however, the best way to improve our health is to get fit. A year ago today I announced plans to close the Capitol smoking room and create a Capitol Fitness Center. That center is now open for tours and I invite all of you to come see it. This is an opportunity for lawmakers and Capitol employees to lead by example.

Of course, when we talk about health, we need to remember mental health as well. The recent tragedy of Sandy Hook was an unwelcome reminder of what can happen when mental health needs go ignored.

This year I am proposing a \$16 million increase for the Department of Mental Health and Substance Abuse Services for a variety of programs, such as the Systems of Care Initiative to assist the children and families of children with emotional disturbances. By getting to these children and their families at an early age, we can help them to live healthy and happy lives, rather than pursue a path that can lead to self-destructive behavior, crime, or worse.

Funding in my budget will also further expand our crisis center program, allowing us to create an additional facility – in addition to the two we authorized last year – for those who need immediate help for psychiatric emergencies.

For the first time ever, I'm also proposing we allocate state dollars for suicide prevention. Oklahoma has one of the higher rates of suicide in the nation, and it is especially prevalent among our military veterans. New resources will help to reduce these tragedies.

And finally, we need to get serious about addressing prescription drug abuse. While we have spent years successfully combating and reducing meth labs and the use of methamphetamines in Oklahoma, studies show that prescription drug abuse actually poses a greater danger to our citizens.

Currently, 81 percent of drug-related deaths in Oklahoma are caused by prescription drugs. One survey shows that nearly 8 percent of Oklahomans are abusing prescription painkillers. That's twice the national average, and it is unacceptable.

With us today are several individuals who have known firsthand the kind of tragedy caused by prescription drug abuse and are now fighting to raise awareness of the issue.

In 2011, OU Linebacker Austin Box tragically died as the result of prescription drug abuse. I appreciate his family members, Craig, Gail and Whitney Box for joining us today. To the Box family, we thank you for your courage, and we pray for continued healing for you and your family.

We know that your stories are not anomalies. They are painfully common.

As a state, it is time to offer the resources that prevent drug abuse from occurring in the first place. We must work to prevent the kind of tragedy that struck Austin, and to make sure life-changing treatments are available to those who are struggling with addiction issues. To that end, I have allocated new funding to help Commissioner Terri White as she works to strengthen prescription drug abuse prevention and treatment initiatives.

All of this is part of the Oklahoma Plan to help our citizens get healthier and happier – and to improve an already great quality of life here in the Sooner State.

As Oklahomans, we have so much to be proud of. We have already accomplished so much together.

In recent years, we've improved Oklahoma's economy. We've closed budget gaps without raising taxes. In fact, we've closed those gaps while cutting taxes. Those tax cuts and other pro growth policies have lead to job creation and, in turn, healthy revenue growth.

We now have a healthy savings account approaching \$600 million. We've eliminated tens of millions of dollars in government waste and consolidated or eliminated agencies, boards and commissions we no longer need.

But, I know we can do more. I have outlined my vision for getting us there, and my hope is it will be a vision that you will share and work together to make a reality.

Working together, for the betterment of all of our citizens, I know we can create an even more prosperous and successful Oklahoma ... and the state of this state will be even stronger for years to come.

Thank you and God bless Oklahoma!

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