

# STATE OF THE STATE ADDRESS

KEVIN STITT

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Mr. Speaker, Mr. President Pro Temp, Lt. Governor Matt Pinnell, members of my cabinet, Madam Chief Justice, members of the 57th Legislature, my best friend – the First Lady Sarah Stitt, my children, my parents, and my fellow Oklahomans...

It is a great honor to stand before you to today, and I thank my heavenly Father for allowing me to be in this position of service to Oklahoma.

Let me get right to the point. The state of our state is growing in strength, stability, and new opportunity for generations to come.

We are moving in the direction we all want to go: Top Ten in the Nation.

And we are getting there because of the hard work of Oklahoma's entrepreneurs, because of the dedication of teachers in the classroom, because of the generous givers and compassion coming from Oklahoma's non-profits, because of the community involvement of churches, and because of those in this room, and across our state agencies, who are making the tough, selfless decisions for the future of our great state.

I want to take a moment to highlight a few of those individuals, who are my special guests in the Chamber today:

First Lieutenant E.J. Johnson, Technical Sergeant Rebecca Imwalle, and Staff Sergeant Joy Mahan. These proud Guardsmen represent the hundreds of Oklahoma's finest called to duty during record flooding in the State this past May.

Under the leadership of Major General Michael Thompson, they walked levies, filled sandbags, performed rescues, and conducted countless other tasks day after day.

Engineers in the Oklahoma National Guard also partnered with ODOT to

build a temporary road that provided evacuees in Braggs a way out of their flooded community.

In addition to their duties within the State, the Oklahoma National Guard is also fulfilling their federal mission. More than 400 Oklahoma Guardsmen are currently fighting overseas on behalf of our state and nation at this very moment. I ask that every Oklahoman keep these brave men and women in your thoughts and prayers.

Also in the Chamber with us today is Dr. Tomas Diaz de la Rubia, the University of Oklahoma's new head of research. I am committed to partnering with our state institutions in recruiting the best talent in the nation to Oklahoma. We will compete, and we will win.

This past year, the University of Oklahoma not only won its 13th Big 12 Football Championship, it also won the talent of one of the best researchers in the nation.

Dr. Tomas is an internationally renowned researcher who is bringing his impressive background at Purdue University, and with companies, such as Deloitte, to play a key role in identifying innovative opportunities that will elevate OU's research reputation to Top Ten in the country. Thank you for choosing the best state in the nation to move to and make an impact.

Today, we also recognize an Oklahoma son from Tuttle - CEO of Paycom, Chad Richison. Chad founded his company, Paycom, right here in Oklahoma City in 1998, and through his vision and leadership, Paycom now serves as one of the largest employers in our great state.

Just this past month, Chad hit an incredible milestone when Paycom was added to the S&P 500 list.

Thank you, Chad, for reminding us that the American dream is still alive, and Oklahoma is the best place in the nation to accomplish it.

To all my guests, thank you for being here today.

We all know that Oklahoma's economy, and quite frankly our state budget, is built on the backs of the hardworking men and women in the oil and natural gas industry.

When I delivered this address last year, 60 percent more drilling rigs were

operating in Oklahoma than exists today.

Our first budget together was blessed by a thriving industry. Now, we must look at the realities of a changing and evolving market that is becoming more efficient and less influenced by international volatility.

As a result, our State's general revenue fund is estimated to be down almost one percent versus fiscal year 2020, and our total spending authority is very close to the same amount.

But we have nothing to fear. We will remain vigilant in recognizing our needs, planning for our future, and shedding waste where operations are outdated or redundant.

In fact, the greatest challenge before us today is not Oklahoma's economy. There are two reasons why:

First: The fiscal discipline displayed by many of you in this room last year has allowed the State to garner its largest savings account in Oklahoma's history at \$1 billion.

As a result, Moody's Investor Service changed Oklahoma's outlook from "stable" to "positive" in October. Their decision reflects an expectation that Oklahoma will maintain "strong fiscal management" and "a commitment to increasing reserves."

Let's follow through on that commitment.

Senator Joe Newhouse has filed legislation that would give Oklahomans a voice this year on increasing the Constitutional cap on our State's Rainy Day fund to 30%. Let's get it to a vote of the people!

And while we wait on this vote, I am also asking for elected leaders to join me, again, in setting aside \$100 million in additional funds as part of the Fiscal Year 2021 budget.

Thanks to our strong pension plans, low bond debt and progress in savings, Oklahoma is ranked as the fifth most solvent state in America. Let's take this to #1.

By saving in the good times, we are demonstrating our commitment to protect the taxpayer, the job creator, and the citizen who depends on core services.

Second: Oklahoma's economy is more diverse than ever before.

When the City of El Reno faced the closure of a major facility, Oklahoma's Department of Commerce quickly went into action.

We deployed two career fairs, and more than 350 Oklahomans were offered employment with companies in aerospace, finance, manufacturing, healthcare and more.

This was possible because Oklahoma's economy remains on good footing.

Our unemployment rate remains below the national average. Oklahoma's household income has risen by nearly 4% in 2019.

And sixty companies moved to our state or made significant expansions in Oklahoma this past year, with more than \$2.9 billion in new capital investments announced.

One of our strongest industries this year was tourism, led by the vision of our own Lt. Governor Matt Pinnell – Imagine That!

In 2019, Oklahoma's tourism website achieved a #1 ranking in web traffic. We beat states like California and Colorado.

And tourism will continue to grow. This year, we are welcoming the largest movie production in state history with Killers of the Flower Moon.

You gave us the tools last year to bolster our recruiting efforts, and the Lt. Governor was an exceptional partner in landing this deal for Oklahoma. Once again, beating states like Texas and New Mexico.

The film production's presence is expected to inject tens of millions into our economy.

Thousands of Oklahomans will be hired as local talent and through contracts for lodging, transportation, hardware, food and more.

Oklahomans, our economy is competitive. And in this administration, we will keep it that way!

The greatest challenge before us today is government bureaucracy.

In my first year of public service and as the chief executive, I have found government too big and too broken.

The state of Oklahoma spends roughly \$20 billion annually. The Legislature has a strong handle on the 40% managed through the appropriations process.

Then, we – working together – provide oversight of the 60% that goes directly to state agencies from apportionments, fines, fees, and federal funding.

Last year, we delivered the greatest transparency to the State's budget by publishing Oklahoma's checkbook online.

With the new system, we are providing user-friendly access to recent spending data.

In partnership with my office and Oklahoma Treasurer Randy McDaniel, we took Oklahoma's 47th ranking to 7th place in online budget transparency.

And we will continue to fine tune how citizen interact with it in order to compete for first place in transparency.

Most importantly, the Legislature delivered the strongest accountability in state history when you sent to my desk legislation to reform five of our state's largest agencies.

This action strengthened our budgeting oversight.

Time and time again, state agencies would ask you for more money as the solution.

But I'm here to tell you it's not all about funding. It's about focus. It's about leadership.

Your reforms have allowed me to go recruit the best talent, to break down silos between agencies, and to deliver the Legislature with budgets that are results-oriented.

When good policy meets the right leadership, anything is possible!

Just look at what transpired in 2019 between two key agencies.

When I came into office, I was told that a change in our prison system wasn't possible without an immediate injection of \$1 billion dollars.

I was told the Pardon and Parole Board could not take on an increase in casework without more employees and more funding.

I was told that it would be logistically impossible to accomplish a large commutation docket to give low-level, non-violent offenders a second chance.

What did we do? You passed better policy, and we changed leadership in both agencies.

As a result:

Pardon and Parole Board consolidated its investigators with Department of Corrections.

This streamlined the case work all while increasing it by 118% over 2018. They did this without a single dollar more.

The Department of Corrections launched its first-ever re-entry fairs across 28 facilities for individuals that were part of the HB 1269 commutation docket.

The idea originated from the First Lady, and it will become a permanent practice at the agency moving forward.

The number of Oklahomans in our state prisons declined by 7.6% from 2018. As a result, the number of those incarcerated is the lowest level since 2009. This is reducing the strain on our prison facilities and giving us the opportunity to reimagine the future of housing inmates.

And in conjunction, the Department of Corrections withdrew its year after year request for more than \$1 billion in additional funding and submitted a FY'21 request that addresses the critical needs of tomorrow.

It is now time to complete this successful consolidation effort.

I am calling for the Legislature to protect the Constitutional mandate for Pardon and Parole Board appointments yet pass legislation that absorbs the remainder of the operations with Corrections.

Collaboration is already taking place, thanks to the leadership of Director

Scott Crow and Director Steve Bickley. It is time we make this official in law to prevent future bureaucracy from creeping back in.

When government is working and is unified under one vision, we can change the lives of Oklahomans for the better.

Here in the Chamber with us today is Tara. Tara is a mother of four children who was serving a 10-year sentence due to a relapse with a drug addiction.

Prior to her release, Tara met Chris Linder from Center for Employment Opportunities at the transition fair.

When she was commuted under the HB 1269 docket, Tara was immediately connected to sober housing at Exodus, began working a temporary job for CEO, and within a month of release was hired for a full-time position by a local Tulsa company where she is finding stability and opportunity again.

Tara, we believe in you. The State and our community partners want to help you keep a tight hold of the hope and future you and your family deserve.

Friends, agency consolidation must not stop there.

Sec. Tim Gatz has done an exceptional job leading both the Oklahoma Department of Transportation and the Oklahoma Turnpike Authority.

Sec. Gatz is beginning the process of combining all back office and common functions into one shared service entity for both agencies.

We will maintain separate general management for unique functions, while streamlining operations that are duplicative in nature so we can deliver the highest quality of transportation possible.

We will operate with one, unifying vision for infrastructure as we continue to move towards Top Ten status. Thank you, Sec. Gatz, for your leadership.

When Oklahoma is in crisis, it is most often our Office of Emergency Management (OEM) that is at the center of restoring us back to normal.

OEM has the ability to call upon whatever resource it needs to help Oklahoma's communities prevent, respond, or recover from a major crisis.

Homeland Security is a key part of that effort, proving valuable coordination

to support our first responders.

By merging these two agencies, we will bolster response capabilities, streamline coordination, and leverage existing resources for stronger prevention programs.

As we prepare to recognize the 25th anniversary of the Oklahoma City bombing in April, we must continue to set the standard for our nation in how to respond to and manage crisis when tested by tragedy.

Oklahomans deserve it and this merger will help us achieve that goal. Thank you to OEM Director Mark Gower and Homeland Security Director Kim Carter who are committed to working with the Legislature to get this done right.

Some will cry that consolidation is disruptive. Let me be clear – it will be for political insiders and those that find comfort in big bureaucracy.

But it is what we need to do to improve decision-making, deliver better accountability, and target dollars directly towards helping our citizens instead of paying for administrative bloat.

Oklahoma has the 20th highest land mass among states, the 28th largest population, and yet, we have the 9th most state agencies out of all 50 states. This is unacceptable.

There is no value to having more agencies than other states; it has not solved our Bottom Ten rankings in critical categories.

As we reduce bureaucracy, we must also provide necessary relief and enhanced opportunities for our dedicated public employees.

President Pro Tem Greg Treat and Representative Mike Osburn have already filed legislation to begin the conversation again on civil service reform.

It is time we get this done in 2020!

The state's current civil service program is broken.

High quality employees are forced into a system that doesn't maximize their professional growth and potential.



Agency leaders have their hands tied in who they can hire and promote due to outdated restrictions.

Today, I am calling for reform that requires all new hires in state government, moving forward, to be unclassified.

I am requesting language that allows agency directors discretion to offer bonuses, within the confines of their budgets, for employees to receive a promotion out of their restricted classified positions.

Through this attrition model, I am casting a vision for the majority of the State's work force to be unclassified in the next five years.

As part of civil service reform, I am calling for a 3-person panel in the Human Capital Management Department to maintain whistle blower protections and to provide due process to state employees who have serious grievances, whether these employees are classified or not.

Let's make the state's largest employer a place where we can hire the best; where we reward good performers; and where we are building a training ground for an exceptional workforce that can transition beyond public service if they so choose.

With a long-term focus on agency reform, we will lay a new, stronger foundation for the State of Oklahoma. Any policy that the Legislature sends to my desk to further this effort will be signed. This is how we will actually get the tax-dollar directly back to the citizen - through better services.

One of the most significant areas where we need reform is health care.

I just returned from Washington, D.C., where I stood with the Trump administration to announce that the State of Oklahoma will be pursuing new flexibilities through the Healthy Adult Opportunity.

With these new flexibilities, Oklahoma will begin the process in the coming weeks to rollout SoonerCare 2.0.

Under this reformed Medicaid program, we will seek to close the gap of those uninsured in Oklahoma.

We will deliver much-needed accountability in the Medicaid system to focus on rewarding health outcomes and stronger performance in care.

With HAO flexibility, we will deliver personal responsibility to new enrollees under SoonerCare 2.0.

We will seek to establish moderate premiums and work requirements.

We will encourage able-bodied adults to transition towards a path of maintaining private insurance and pursuing educational or employment opportunities that advances their full personal potential.

With HAO flexibility, we will seek to establish programs that enhance accessibility of health care in rural Oklahoma.

And we will seek to expand targeted treatment for opioid addiction and substance abuse.

But I can't do this without you.

Oklahoma is currently positioned to be the first in the nation to be granted the Trump administration's waiver to achieve unprecedented flexibility and accountability in delivering Medicaid to adults.

No one who is currently eligible will lose coverage; actually, more than 180,000 Oklahomans would gain coverage under SoonerCare 2.0.

State Auditor Cindy Byrd is in the middle of auditing our Medicaid rolls, a request I filed last year. Her auditors expect to be done this spring, which will allow us to address abuse in the system and ensure that the reformed SoonerCare 2.0 will truly help those who need it the most.

But Washington needs to see support from the Oklahoma State Legislature to feel confident that this plan is on solid financial standing.

Today, I call on the House and the Senate to send to my desk legislation to give certainty that the Oklahoma Health Care Authority can use the full 4% of the SHOPP assessment to fund SoonerCare 2.0, while protecting reimbursements.

We must also reform TSET. Let's protect the current corpus yet reallocate future funds towards improving the delivery of rural healthcare.

Help me keep Oklahoma #1 in competing for this new opportunity through the

Trump administration.

Any other effort to enact a clean expansion of Medicaid, to include putting it in the State's Constitution, will create significant restrictions.

With straight Medicaid Expansion, Oklahoma will be left with the same ineffective and unaccountable program that has failed to bring us out of Bottom Ten rankings.

The time is now to innovate, to focus on outcomes, and to make Oklahoma a national leader in the delivery of healthcare.

To make this sustainable, we must also move forward on significant reforms in the operations of our state health and human services agencies.

Did you know that Oklahoma has 10 different state agencies passing money through the Medicaid program in Oklahoma?

And 18 state entities that license health care facilities and providers?

You cannot convince me that operating that many bureaucracies is an efficient way of doing business. And it has to change.

This is why I am calling for the Legislature to begin the process of creating one central health care agency.

Let's partner together to fully integrate, by the year 2022, the functions of the State Department of Health, the Oklahoma Health Care Authority (OHCA), the Department of Mental Health, and others, as well as all of the state's licensing boards that deal with health.

In addition, Oklahoma can no longer afford to be so far behind other states with regards to using and protecting health data.

Within the next couple months, we will select a vendor to establish a statewide Health Information Exchange (HIE).

This effort has been a long-time in the making and with the right leadership in place, more progress has been made in 10 months than in the last 10 years. Thank you OHCA Director Kevin Corbett and Secretary Jerome Loughridge.

A functional HIE will protect Oklahomans' health records while ensuring

these records are portable and accessible at all times, and I appreciate Senator Greg McCortney's legislation that will enhance and protect the hard work underway in our agencies.

And this is just the beginning of health reform in Oklahoma.

Many of you in the Legislature are spearheading legislation that will help to create a better healthcare system across the board, to include legislation that will create pricing transparency for medical bills, and Representative Marcus McEntire's legislation to put an end to surprise billing practices.

Thank you. Let's continue to work together and push the envelope on improving health care delivery and outcomes for all 4 million Oklahomans.

In this administration, we will continue to focus on becoming Top Ten in education.

It is why the Legislature put more funding into the funding formula this school year, bringing the total taxpayer investment in common education to the largest in state history.

We will protect it. But we must also reform it by taking a hard look at our state's funding formula.

We should allow voters to unlock more local dollars. With reform, we must also address any mechanisms that are preventing tax dollars from getting directly to today's classroom.

The path to Oklahoma's future prosperity will be achieved by promoting the profession of teaching and focusing on students' advancements and opportunities.

This is why the Legislature rallied last year to give our teachers a second year of much-deserved pay raises. I am glad to report that not only did districts give pay raises of at least \$1,220 last year, but some went beyond, like Owasso Public Schools, where now a first-year teacher can expect a beginning compensation of \$42,000.

It is why this Legislature continues to build a competitive and solvent Teacher Retirement System, by investing more than \$300 million annually above the \$750 million that taxpayers support through employee and employer contributions.

Our dedication will continue so that teachers know that when they retire, their pensions will be funded.

But more state revenue is not the answer alone.

We must also continue to recruit the best teachers and confront our teacher shortage. I support legislation that would direct the State Board of Education to issue a teaching certificate to anyone who holds a valid out-of-state teaching certification, with no other requirements except a criminal history record check.

This year, we must get across the finish line proven solutions to enhance learning opportunities for students.

Now is the time to raise the cap on the Oklahoma Equal Opportunity Education Scholarship to \$30 million, to allow Oklahomans to be rewarded for investing their funds directly to our students and schools

In the Chamber, as my special guests, are Ms. Alegra Williams and her sixth- and eighth-grade sons, Chaves and Sincere.

Ms. Williams' sons were struggling in school, making all C's and D's until she had the opportunity to enroll them in Crossover Preparatory Academy, a private all-boys school in north Tulsa.

Crossover prep was started as a key initiative to restore their community through education for young men. Crossover Prep is a tuition-free school because they believe that a child's access to a quality education shouldn't be dependent on their parent's ability to afford it.

In the boys' first semester at Crossover, Chaves jumped three reading grade levels, and Sincere jumped two-and-a-half reading levels.

Chaves and Sincere, will you stand? And will everyone join me and their mom in applauding their hard work this year?

Chaves and Sincere were able to get the help they needed because of the Oklahoma Equal Opportunity Education Scholarship Act.

Increasing the tax credit cap will provide additional incentives for donors, resulting in more public-school grants and private-school scholarships.

Thank you to Senator Dave Rader and Representative Jon Echols for leading the charge.

Let's work together to make sure all students at all schools have access to an innovative, enriching curriculum, regardless of ZIP code.

Because we believe in all students and helping them succeed, I am also launching a program this year called Jobs for America's Graduates (JAG).

JAG is a state-based national non-profit organization dedicated to preventing dropouts among young people who have serious barriers to graduation and employment.

In more than three decades of operation, JAG has delivered consistent, compelling results – helping more than one million young people stay in school through graduation, pursue postsecondary education and secure quality entry-level jobs leading to career advancement opportunities.

While we are on the topic of education, let me take a brief moment to address one critical matter.

In 2019, 1.3% of the common education funding came from the State's exclusivity fees on Class III games on tribal casinos. These dollars, which are first deposited to the Oklahoma Education Reform Revolving Fund, equal roughly \$130 million compared to public education's total funding of \$9.7 billion, as sourced by the 2019 School District Revenue Report.

The Model Gaming Compacts have been a success, greater than anyone predicted.

Unfortunately, we have an expired Model Gaming Compact, a compact in which notable tribes have previously called "dated" and "unsuitable" for current and future business.

After 5 offers from the State for all stakeholders to come together to modernize the Model Gaming Compact, three tribes instead sued the State on New Year's Eve.

While we wait for the federal court's decision, I am calling for the Legislature to join me in protecting public education. I am asking for legislation that will allow the remaining cash balance from 2019 and funds from the Revenue

Stabilization Fund to be leveraged, if needed, to compensate for any temporary pause in Class III gaming fees.

As Governor, I remain supportive of the sovereignty of the State of Oklahoma and our right – and your duty as the Legislature – to oversee all industries operating in the State.

I also remain confident the State and Oklahoma's tribes can hammer out a compromise that is a win-win for all four million Oklahomans, and we can accomplish this without putting public education in the crosshairs.

As I said last year, and it bears repeating, we need more taxpayers, not more taxes.

Everything we do has a dotted line back to growing our economy.

It is why my budget calls for the funding of the Closing Fund by another \$3 million, as well as a \$200 million financing plan with a majority prioritized towards rural roads and high-volume interchanges.

Oklahoma has moved from 49th to 13th in bridge conditions within 15 years, and while we work towards Top Ten in this critical category, we are going to start moving the needle on our ranking of super-two roads and pavement quality.

Oklahoma is the crossroads of America, and our roads are key to attracting future job creators whether it is to Altus, Enid, Broken Bow or in the heart of Tulsa.

Today, I am also filing an executive order to address Oklahoma's excessive red tape.

Oklahoma's administrative code is double the size of the state of Kansas and 20 percent more than Missouri and New Mexico.

My executive order will call for the first-ever comprehensive review of the State's administrative code and will instruct agencies to remove two regulations for every new one created.

The intent is to reduce red tape by 25% in the next three years, providing relief to Oklahoma's job creators and farmers and ranchers while also strengthening our recruitment efforts to diversify and grow Oklahoma's economy.

We must also continue our progress on occupational licensing reform.

Speaker Charles McCall and Senator Adam Pugh made it a priority last year to reduce barriers to work for military families.

And Senator Julie Daniels and Rep. Zach Taylor passed meaningful second-chance legislation to expand occupational licensing opportunity for those who have previously encountered the justice system.

This year, let's get universal licensing recognition across the finish line too. We can continue to make progress on economic prosperity when we remove unnecessary and antiquated barriers to entry.

Ladies and Gentlemen, Oklahoma is competing. Oklahoma is winning. Oklahoma is undergoing the Turnaround that voters demanded.

It may not be comfortable at times. It demands hard decisions and boldness. It requires long-term planning and commitment to one vision.

But we are making inroads that will last for generations... that will make us stronger... more prosperous... Top Ten.

There is no place I would rather be than Oklahoma.

There is no better team than the ones elected in this room.

There is no better time in our State's history than now. Let's do this together.