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LESSONS OF OUR HISTORY: OKLAHOMA'S PAST ACCOMPLISHMENTS TEACH US HOW TO BUILD A BETTER BUDGET AND A BETTER FUTURE

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Oklahoma is a young state. In the 110 years since statehood — only about four generations of people — we've gone through good years and bad, through oil booms and busts, through the Dust Bowl and the long recovery. Many came here with nothing but hope for a better future, and they built the modern communities we live in today.

Our parents and grandparents accomplished all this because they knew that a thriving community doesn't happen by itself. It takes all of us chipping in to pay for things like schools with good teachers, modern infrastructure, quality health care, and first responders looking out for our safety. That's what public revenue and the state budget is for. That's why our state budget is not just a financial document, but also a moral document. The budget is our shared investment to make a better future for ourselves, our children, and our grandchildren.



Today we seem to have forgotten some important lessons from that history. Growing tax breaks and loopholes have undercut public investments and undermined our prosperity. After inflation, Oklahoma's appropriated state budget fell 14.7 percent between 2007 and 2017 — a loss of nearly \$1.2 billion that has left the state unable to pay teachers a competitive salary, maintain important public health and safety programs, or do many other things that Oklahoma citizens expect and businesses and workers depend on.

Oklahoma's teachers, social workers, state troopers, and other state workers have made heroic efforts to fulfill their missions with shrinking financial resources. State agencies and the private contractors they work with are still fulfilling thousands of important tasks every day — providing a safe learning environment for the nearly 700,000 students in Oklahoma public schools, caring for seniors, veterans, and those with disabilities or mental illness, ensuring that streets and homes are safe, lawbreakers are punished, roads and bridges are maintained, economic ground rules are enforced, natural resources are protected, and those most in need are taken care of.

We're doing all of that as best we can with the resources we've invested, but we can do so much better. It's time for a new commitment by Oklahomans to ensure we have the things that serve as the foundations for a strong economy for the next hundred years.

Good things happen when we invest in ourselves. This report looks back at some of Oklahoma's important but perhaps lesser known successes arising from our public investments. It then looks at the situation today, including how we're building on those successes in some ways and falling behind in others. Finally, this report looks forward to solutions for reinvigorating public revenues and the important goals that this could achieve.

WHAT WE'VE ACCOMPLISHED AS A STATE

In a time when our political debates tend toward increasingly extreme rhetoric, it's easy to get the impression that government has always been dominated by infighting and dysfunction. Disillusionment with our ability to solve problems through government is one factor contributing to Oklahoma's low levels of voting and civic participation.¹ However, many times in our history we have come together to solve big problems as a state. This section of the report examines some of those accomplishments and the lessons they have for our current challenges.

An end to Dust Bowls

Images of the Dust Bowl are embedded in our collective memory. We think of the Grapes of Wrath's Joad family fleeing Oklahoma with their whole lives piled into a truck. We think of the grim perseverance written on faces staring out of Dorothea Lange photos. We think of Woody Guthrie's sweethearts huddled in the dark and preachers taking up a last collection as they say "so long, it's been good to know yuh" to everything they've known.

Thanks to these great artists and writers, individual stories of hardship, despair, and occasionally redemption have made a lasting impact on our understanding of that time and of our state. What's been less well remembered is the collective response that made sure an event like the Dust Bowl never happened again.

We learned from the mistakes that led to the Dust Bowl.

The decade-long drought that hit Oklahoma in the 1930s was made dramatically worse by agricultural practices in wetter years that tilled up too much land and eliminated too much of the vegetation that had been keeping the soil in place. When the wet years ended, massive dust storms left a region of the country including parts of Oklahoma, Texas, Kansas, and Colorado almost unlivable.²

In 1933, Congress responded by creating a new federal agency, the Soil Conservation Service (today known as the Natural Resources Conservation Service).³ This agency offered financial incentives for farmers to create more permanent pastures and forests and shared technical advice about agriculture practices that reduce erosion, like terracing, crop rotation, and no-till farming. Thanks to these efforts, soil blowing had fallen 65 percent by 1938.⁴



"Fleeing a dust storm" in Cimarron County, OK. Photo by Arthur Rothstein, April 1936. (Library of Congress)

1 David Blatt, December 2014, "Repairing Oklahoma's Broken Democracy," Oklahoma Policy Institute, <http://okpolicy.org/brokendemocracy/>

2 Timothy Egan, 2006, "The Worst Hard Time," Mariner Books

3 Dee Ann Littlefield, July 2008, "Drought Still Has Death Grip on Oklahoma Panhandle." Natural Resources Conservation Service, https://www.nrcs.usda.gov/wps/portal/nrcs/detail/ok/newsroom/?cid=nrcs142p2_000723

4 The Nature Conservancy, "U.S. Farm Bill Conservation Programs Have Roots in Dirty Thirties." <https://www.nature.org/ourinitiatives/regions/northamerica/when-the-dust-settled.xml>

Within the state, the Oklahoma Cooperative Extension Service based out of Oklahoma State University was vital to this effort. Their work has continued in the decades since to help farmers continually improve agriculture and business practices. They provided support for financial management that saved many Oklahoma farms during a crash in commodity prices in the 1980s. More recently, these agencies have helped Oklahomans in towns and cities to learn about home gardening, nutrition, and environmental safety.⁵ State officials have worked alongside private non-profits, like the Oklahoma Association of Conservation Districts, and individual landowners to spread responsible land and water management practices far and wide.

The efforts by state and federally-funded agencies paid off. In 2008, the U.S. Department of Agriculture reported that drought conditions in the Oklahoma Panhandle had become even dryer than during the worst years of the 1930s Dust Bowl.⁶ However, residents did not see a return of the devastating dust storms of that time because of the conservation methods put in place by our collective investment in Oklahoma.

LESSONS FOR TODAY

State government programs have played an important, constructive role in spreading the best practices needed to preserve our common resources of clean air and water and fertile land. These efforts first appeared in response to a historic disaster, but in the decades since the Dust Bowl they have continued to support our agricultural economy, protect our environment, and make sure a disaster of that magnitude never happens again.

This example shows how the role of government to provide education and technical assistance can be effective well beyond K-12 and higher education classrooms. Our economy works better and our quality of life improves when we invest in shared knowledge. Collaboration with non-profits and private landowners were important as well — but it took all three sectors working together to undo the damage that unrestrained private development had caused.

Expanding health care for children and families

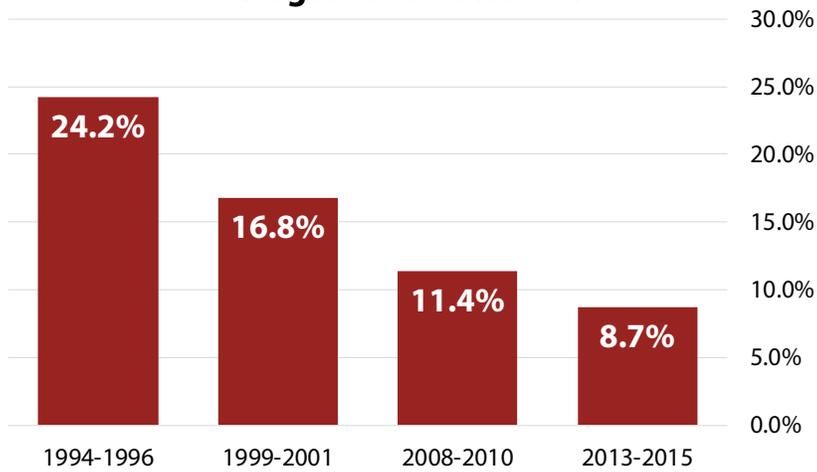
For a long time, Oklahoma has had a relatively high poverty rate and a relatively high uninsured rate compared to other states. These statistics are especially bad for our state's children. In 2015, more than one in every five Oklahoma children (22.2 percent) lived in poverty, compared to just 15.5 percent of working-age adults and 8.4 percent of seniors.⁷ Our continuing poor rankings as a state might make it easy to conclude that poverty is an intractable problem. However, that conclusion leaves out important ways that we've made real progress in improving the lives of the least well-off — especially our children.

5 Fred Causley, "Cooperative Extension Services," The Encyclopedia of Oklahoma History and Culture, <http://www.okhistory.org/publications/enc/entry.php?entry=CO053>

6 Dee Ann Littlefield, July 2008, "Drought Still Has Death Grip on Oklahoma Panhandle." Natural Resources Conservation Service, https://www.nrcs.usda.gov/wps/portal/nrcs/detail/ok/newsroom/?cid=nrcs142p2_000723

7 Oklahoma Policy Institute, November 16, 2016, "2015 Oklahoma Poverty Profile," <http://okpolicy.org/2015-oklahoma-poverty-profile/>

Oklahoma's Child Uninsured Rate, 3-year Averages for Selected Years



Data Source: U.S. Census

In the mid 1990s, nearly one in four Oklahoma children (24.2 percent) were uninsured.⁸ By the end of that decade, our child uninsured rate had fallen to 16.8 percent and in 2013-2015 it was just 8.7 percent.⁹ That progress translates to about 145,000 Oklahoma children gaining insurance. Oklahoma's gains in public insurance coverage of children were the greatest in the U.S.¹⁰

How did we do it? It's a story that combines forward-looking state legislators who leveraged federal funds to expand coverage and state agencies that collaborated to implement nationally-recognized

outreach and efficiency improvements, making sure those funds brought the greatest possible benefit to children. The story begins with SB 639, authored by Senator Angela Monson and Representative Billy Mitchell in Oklahoma's 1997 legislative session. The bill made low-income children and pregnant women eligible for health insurance through the state's Medicaid program, SoonerCare. The bill was approved by a Democratic-controlled House and Senate and signed by Republican Governor Frank Keating.

At the same time, the federal government made temporarily available 90 percent federal matching funds to improve outreach and administration of Medicaid programs. A Republican Congress and Democratic President Bill Clinton also created the SCHIP program that gave states a higher federal matching rate to cover children in low-income families.¹¹ Now those children that Oklahoma had chosen to cover under SB 639 would cost the state less.

Oklahoma state agencies jumped at this opportunity to make health care easier to access for thousands of low-income mothers and children. The Oklahoma Health Care Authority (OHCA), which administers SoonerCare, launched a collaboration with the other state agencies that work on health, low-income assistance, and child issues to find out what was stopping eligible families from enrolling in coverage. They reduced the application for coverage from 17 pages to 2 and streamlined the process in other ways

⁸ David Blatt, May 2002, "Cuts in Medicaid Eligibility Levels Would be Devastating To Thousands of Working Low-Income Families," Community Action Project of Tulsa County, <http://okpolicy.org/wp-content/uploads/OKMACuts.pdf>

⁹ The Henry J. Kaiser Family Foundation, "Health Insurance Coverage of Children 0-18," State Health Facts, <http://kff.org/other/state-indicator/children-0-18/>

¹⁰ Margo Rosenbach et al, January 2001, "Implementation of the State Children's Health Insurance Program: Momentum Is Increasing After a Modest Start," Mathematica Policy Research, Inc, https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Reports/downloads/rosenbach_2001_5.pdf

¹¹ J.M. Lambrew, February 2007, "The State Children's Health Insurance Program: Past, Present, and Future," The Commonwealth Fund, <http://www.commonwealthfund.org/publications/fund-reports/2007/feb/the-state-childrens-health-insurance-program--past--present--and-future>

to reduce wait times.¹² With the Oklahoma Department of Human Services, they placed outreach workers across the state to get the word out about benefits available to Oklahoma families.¹³

Ever since, OHCA has maintained a strong focus on insuring children, and our progress in reducing child uninsured rates continues to be among the best in the nation.¹⁴ By this decade, our child uninsured rate of 10 percent had fallen well below our overall state uninsured rate of 16 percent — even while Oklahoma children continue to have higher poverty rates than the state as a whole. We’ve made sure that being born into poverty in Oklahoma does not mean being denied essential health care.

“We’ve made sure that being born into poverty in Oklahoma does not mean being denied essential health care.”

We can expect even greater benefits in the future from this commitment to our children’s health, since research has found the children eligible for Medicaid for more of their childhood become less likely to drop out of high school and more likely to obtain a college bachelor’s degree.¹⁵ Indeed, by the current decade Oklahoma’s student dropout rate (2.3 percent) had fallen to less than half of what it was in the 1997-1998 school year (5.5 percent).¹⁶ While it’s hard to pinpoint all of the causes behind more kids staying in school, we know that having the health care they need from an early age is one part of this story.

Nationally and in Oklahoma, expansions of public health coverage to more children has given them much better access to primary and preventive care and fewer unmet health needs. On these measures, kids receiving public coverage are faring just as well as privately insured kids.¹⁷ And in Oklahoma, we accomplished all this with a SoonerCare program that has lower administrative costs and lower per patient costs than private insurance.¹⁸

LESSONS FOR TODAY

Issues of poverty and health can be very frustrating to advocates. Improvements in these big societal issues usually happen on a longer timescale than a political process that barely looks further than the next election. Over the decades, Oklahoma has made profound improvements in the health, education, and overall quality of life of our poorest children. When we fully leverage the funding available to the state and commit to a clear target, we can make big improvements in the lives of Oklahoma families.

12 Oklahoma Health Care Authority, September 2005, “A History in Brief...”, http://www.okhca.org/publications/pdf/PR_brief05.pdf

13 Ibid

14 Carly Putnam, November 2015, “Child uninsured rate is a health care bright spot for Oklahoma,” Oklahoma Policy Institute, <http://okpolicy.org/child-uninsured-rate-is-a-health-care-bright-spot-for-oklahoma/>

15 Matt Broaddus, July 2015, “Medicaid at 50: Covering Children Has Long-Term Educational Benefits,” Center on Budget and Policy Priorities, <http://www.cbpp.org/blog/medicaid-at-50-covering-children-has-long-term-educational-benefits>

16 Oklahoma State Department of Education, July 22, 2015, “Student Dropout Report,” <http://sde.ok.gov/sde/student-dropout-report>

17 Julia Paradise, July 2014, “The Impact of the Children’s Health Insurance Program (CHIP): What Does the Research Tell Us?,” The Henry J. Kaiser Family Foundation, <http://kff.org/report-section/the-impact-of-the-childrens-health-insurance-program-chip-issue-brief/>

18 David Blatt, March 2013, “Medicaid Proves Its Worth in Oklahoma,” Oklahoma Policy Institute, <http://okpolicy.org/medicaid-proves-its-worth-in-oklahoma/>

Another frustrating phenomenon for anti-poverty advocates in Oklahoma is our continuing low ranking in so many metrics of health and economic well-being compared to other states. It's true that other parts of the country are doing better on many of these issues, but that doesn't erase the real progress we have made. The impact of 145,000 newly insured children is felt in every doctor's visit, every condition that was treated before it turned into a lifelong malady, every child's life saved, and every family that was kept out of financial ruin due to medical bills. We certainly have more room to improve, but our collective efforts as a state are making a big difference in real people's lives.

Coming together to improve our schools

Education is Oklahoma's biggest job. That's true not only because education makes up the largest slice of the state budget that legislators appropriate every year, or because about 150,000 Oklahomans are employed in the educational services sector — more than any other public or private sector in our state.¹⁹ Education is our biggest job because how we educate our state's children will more than any other factor define our future workforce, economy, and society.

Because education is such a large, important part of what our state does, it also tends to attract the most political attention and debate. Topics like school funding, teacher pay, administrative consolidation, testing, and curriculum make regular appearances on the legislative agenda and in political campaigns. Because we've debated these issues so fiercely and for so long, it can feel like we are always rehashing the same problems and not making any progress.

However, recent history shows Oklahomans can come together to address the concerns of all sides with a grand bargain for improving our schools. The historic House Bill 1017 which became law on April 25, 1990, is a model for cutting across partisan divisions to advance powerful reforms.

The state of Oklahoma's economy and public schools leading up to HB 1017 have some parallels to today. Both state revenues and the economy as a whole had been ravaged by the oil bust of the 1980s. Several years of funding shortfalls had pushed class sizes as high as 40 students in some schools, and average teacher salaries had fallen to second worst in the nation.²⁰ Parents, educators, the business community, and many in the general public were frustrated with the state of public schools, and lawmakers were feeling pressure from these constituents.

In this context that sounds so much like today, Republican Governor Henry Bellmon called a special legislative session, to be convened on August 14, 1989, to address the emergency in education funding. He presented a plan for major tax reforms to increase funding for schools, and he also called for changes in the school funding formula to even out disparities between very rich districts and very poor districts.²¹

The specifics of Governor Bellmon's proposal did not get much support from the Legislature. However,

19 Gene Perry, August 2015, "Interactive: What the jobs are in Oklahoma," Oklahoma Policy Institute, <http://okpolicy.org/interactive-what-the-jobs-are-in-oklahoma/>

20 Ben Felder, March 2016, "A generation after education reform, Oklahoma is facing familiar issues," The Oklahoman, <http://newsok.com/article/5487704>

21 Steve Lewis, 2017, Untitled, http://okpolicy.org/wp-content/uploads/HB_1017_History.pdf

legislative leaders did take up the Governor's call to do something to address education funding. Any education revenue bill would have to originate in the House, so House Speaker Steve Lewis put together a plan for tax increases paired with education reforms, in consultation with education experts and economists. While the special session did not result in a bill, they did create a task force to further develop the plan that had started to come together.²²



Governor Henry Bellmon signs HB 1017 at Marshall Elementary School in Tulsa

HB 1017 finally made it to the House floor in November 1990. The Legislature was controlled by a large Democratic majority at the time, but numerous amendments by both Democrats and Republicans were adopted into the bill, and it narrowly passed out of the Legislature with votes from both parties. The bill initially did not have the two-thirds majority for an emergency clause that would have allowed it to go into effect in the coming school year.²³

That's when Oklahoma teachers responded with a walkout that shut down 145 school districts across the state and a rally that brought 20,000 people to the Capitol. The emergency clause finally passed after a deal to allow low-income Oklahomans to file for a refund of HB 1017's sales tax increase won over five Democratic votes. Reflecting on this experience, former House Speaker Steve Lewis wrote, "It's fair to say we would not have done what we did without pressure and perseverance from educators, business, professional and civic leaders, parents, students, and many, many citizens throughout the state. We were comfortable with the way things were, until we weren't."²⁴

In the years immediately after HB 1017, Oklahoma students scored at or above the U.S. average on national assessments of reading and math, though we've fallen behind the nation in more recent years. Class sizes came down, teacher pay went up, and a significant number of school districts consolidated with help from a new voluntary school consolidation assistance fund.²⁵

The year after HB 1017 was approved, an initiative petition to repeal it was defeated, with 54 percent of Oklahoma voters expressing clear support for the tax increases and reforms.²⁶ However, today much of this landmark law has been rolled back. Oklahoma's top income tax rate has been cut well below what it was just after HB 1017. Amid revenue shortfalls since those tax increases were undone, Oklahoma lawmakers have suspended HB 1017's mandates to keep class sizes low, update textbooks, and maintain

22 Ibid

23 Ibid

24 Ibid

25 Kathleen McKean, PhD, March 2013, "Educational Reform in Oklahoma: A Review of Major Legislation and Educational Performance since 1980," Oklahoma Policy Institute, <http://okpolicy.org/educational-reform-in-oklahoma-since-1980/>

26 Oklahoma Policy Institute, "House Bill 1017, What's That?," <http://okpolicy.org/house-bill-1017/>

library resources.²⁷ The consolidation assistance fund and some of the other HB 1017 reforms remain in effect today, but in many ways Oklahoma has brought back the problems that HB 1017 attempted to solve.

LESSONS FOR TODAY

The passage of HB 1017 was a rare political consensus building exercise that brought together a Republican Governor, a Democratic-controlled Legislature, professional educators, business leaders, and education reformers. Aligning all of these forces required both direct leadership — as when Governor Bellmon called a special session to force lawmakers to focus on this issue — and transparent, consensus-building processes — as when leaders in the House and Senate allowed debate and numerous amendments to the final bill, including many amendments by members of the opposite party. It also required strong external pressure on lawmakers by a broad range of citizens.

When all of these factors come together, major legislative progress can be achieved. But another lesson of the aftermath of HB 1017 is that political progress requires vigilance, because the forces against any major change rarely disappear after a defeat. While the initial reaction against HB 1017 did not win at the ballot, anti-tax forces came back in 1992 with State Question 640, which made it extremely difficult to pass any new tax increase in Oklahoma by requiring revenue-raising bills to receive three-quarters support in both chambers. Then beginning in the mid-2000s, lawmakers began phasing in tax cuts that undid the new revenues HB 1017 was bringing in to fund education. When economic boom times wore off, the full cost of those tax cuts became apparent, but the current political climate and SQ 640 have prevented Oklahoma from undoing that damage.

“Recent history shows Oklahomans can come together to address the concerns of all sides with a grand bargain for improving our schools.”

Together these lessons show that the question of education funding and reforms versus tax cutting has been the defining issue of Oklahoma politics for decades. It’s an issue with powerful, organized, and mobilized groups on both sides, so it is unlikely to go away anytime soon. Oklahoma voters have tended to shift from one side to another depending on how questions about this issue are framed, so the larger electorate is very much up for grabs. After more than a decade of the anti-tax side ascendant, the time may be ripe for Oklahoma to shift back towards a collective commitment to education.

²⁷ Gene Perry, October 2014, “Oklahoma continues to lead U.S. for deepest cuts to education,” Oklahoma Policy Institute, <http://okpolicy.org/oklahoma-continues-lead-u-s-deepest-cuts-education/>

OUR CHALLENGE FOR TODAY

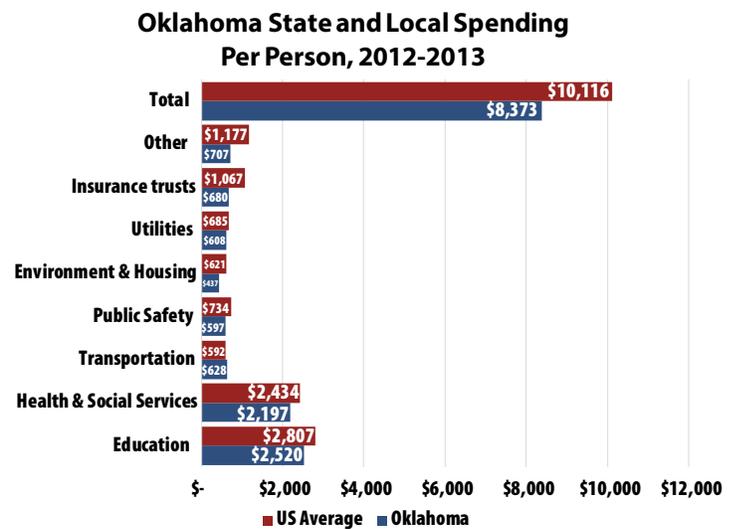
These examples from our history shows that Oklahomans can come together to solve big problems through state government. From humble origins at statehood, together we built the institutions and policies that form the essential foundations of our modern economy.

The achievements of our past are remarkable, but the work is not finished. Especially in recent years of economic turmoil and state budget shortfalls, those foundations have begun to crack. This section of the report examines the big picture of Oklahoma’s budget trends over the past decade and the specific impact of these trends on our communities.

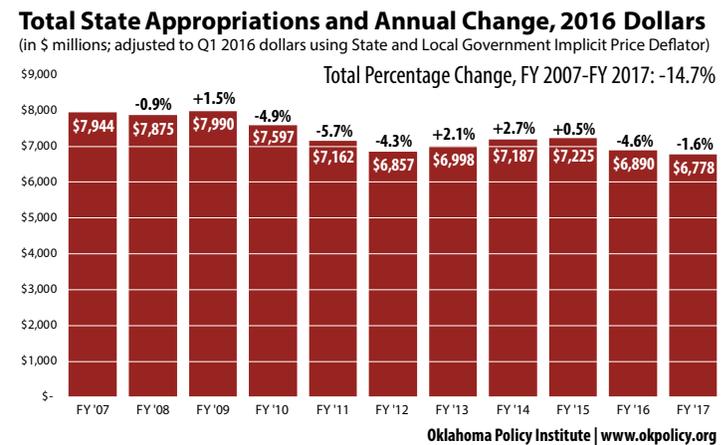
Oklahoma taxes and spending on a downward trend

Modern-day Oklahoma is a low-tax state. In 2013, Oklahomans paid 24 percent less in state and local taxes per person than the national average. While the state has relatively high sales taxes (15th highest in the nation), we have a low individual income tax (35th) and very low property taxes (49th).²⁸ Since the 1990s, the share of Oklahomans’ personal income going to state and local taxes has been on a consistent downward trend, and today it is near a 30-year low.²⁹

Declining taxes have coincided with declining spending. Combined annual state and local government spending in Oklahoma is 17.2 percent below the national average, and we spend much less than the national average for all government services except transportation.³⁰ The largest cuts to state services have happened since 2009, when the Great Recession reached Oklahoma. Adjusted for inflation, state appropriations fell an average of 5 percent annually in fiscal years 2010 through 2012. Spending then increased by an average of 1 percent annually in fiscal years 2013 through 2015, but the increase wasn’t nearly enough to recover to pre-recession levels before Oklahoma began cutting again in FY 2016 and FY 2017. Over the



Data Source: U.S. Census



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28 Paul Shinn, et al, 2016, “Online Budget Guide,” Oklahoma Policy Institute, <http://okpolicy.org/resources/online-budget-guide/>

29 Gene Perry, April 2014, “5 things you should know about Oklahoma taxes,” <http://okpolicy.org/5-things-know-oklahoma-taxes/>

30 Paul Shinn, et al, 2016, “Online Budget Guide,” Oklahoma Policy Institute, <http://okpolicy.org/resources/online-budget-guide/>

full decade from fiscal year 2007 to 2017, Oklahoma’s state appropriations dropped by nearly 15 percent after inflation — a decline of about \$1.16 billion.³¹

This year Oklahoma confronts yet another large budget shortfall. State officials have certified \$748 million less revenue available for FY 2018 compared to FY 2017’s initial appropriation. Without new revenues, Oklahoma will not be able to avoid deep cuts to state agencies, over half of which have now been cut by 20 percent or more since FY 2009.³²

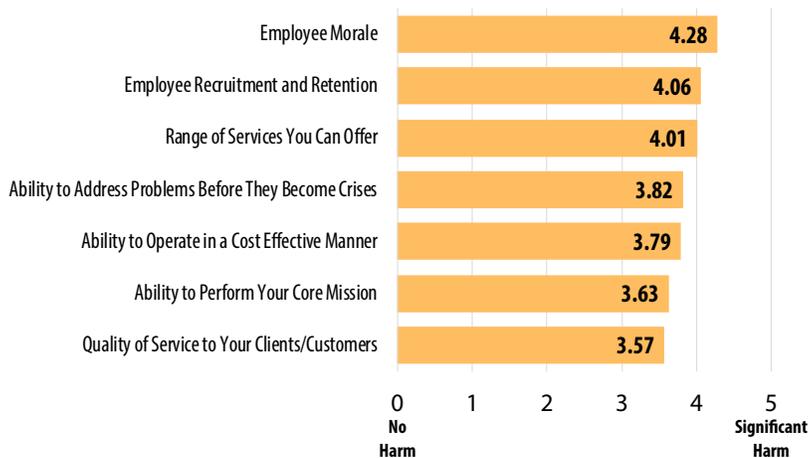
What cuts have meant for Oklahoma communities

To evaluate how these cuts are affecting Oklahoma communities, we distributed a survey in October 2016 to leaders of state agencies, school districts, non-profits, health care providers, and others working directly to provide state-funded services to Oklahomans. The survey collected 385 responses from a variety of sectors, including education, social services, health care, public safety, economic development, and the arts. Organizations that responded ranged in size from fewer than 10 to more than 500 employees. While not a scientific sample, the responses provide insight about the impact of state budget cuts from a broad range of perspectives.

Among all responses, “employee morale” and “employee recruitment and retention” were ranked as the factors most harmed by state budget cuts (respectively scoring 4.28 and 4.06 out of 5 for how much harm budget cuts had done in these areas). These were followed by harm to the “range of services you can offer” (4.01), “ability to address problems before they become crises” (3.82), “ability to operate in a cost-effective manner” (3.79), “ability to perform your core mission” (3.63), and “quality of service to your clients/customers” (3.57).

These results suggest that state workers and contractors have borne the worst brunt of state budget cuts. When making difficult decisions about what to cut, state agencies have tried to avoid direct cuts to client services — but that means instead making cuts to amenities and resources of their workforce. Of course, harming retention and morale of the workforce is still likely to have negative effects on the quality of services Oklahomans receive, and no area, including fulfilling an agency’s core mission and providing quality services to clients, scored below 3 out of 5 for how much it had been harmed by budget cuts.

"For each of the following, how much harm have state budget cuts had on your organization?"



31 Oklahoma Policy Institute, June 2016, “FY 2017 Budget Highlights”, <http://okpolicy.org/fy-2017-budget-highlights/>

32 Oklahoma Policy Institute, March 2017, “Budget Trends and Outlook — March 2017”, <http://okpolicy.org/budget-trends-outlook-march-2017/>

Respondents also shared specific examples of how budget cuts were affecting their organization. Themes emerging from these comments include an overstretched staff with low morale; inability to afford new equipment or perform needed maintenance of buildings and equipment; and wage stagnation and employee benefit cuts contributing to high attrition among staff and an inability to recruit qualified staff to fill open positions.

Next this report examines how cuts are affecting some major areas of state services and the communities that depend on them.

HEALTH CARE CUTS ARE THREATENING ENTIRE COMMUNITIES

Health and social services are accepted as a core focus of government. Oklahomans expect state government to improve access to physical and mental health care, combat disease outbreaks, and protect those with disabilities, seniors, veterans, children, and others who cannot meet their basic needs without help.³³

Oklahoma has made progress on some measures of health and well-being in our recent past — such as our success in reducing the uninsured rate among children discussed earlier in this report. However, our overall health ranks near the bottom of the country. It wasn't always this way. When the United Health Foundation began ranking states' health in 1990, we placed a respectable 32nd.³⁴ But in the most recent report, we've fallen all the way to 46th.³⁵ While many factors contribute to poor health outcomes in Oklahoma, including poverty rates and lifestyle choices, for the lack of resources being put towards public health hasn't helped.

“The hospital in our community is hurting; they own the nursing home and it has affected them as well. Overall, it is killing the community as cuts come, jobs have to be eliminated...”

The Oklahoma Health Care Authority (OHCA) operates Oklahoma's Medicaid program, which pays for the care of hundreds of thousands of Oklahomans throughout the state. As state funding has not kept up with need, OHCA has been forced to cut the rates paid to doctors, hospitals, nursing homes, and others in its network of health care providers. A representative from OHCA wrote: “In FY 2009, OHCA paid 100% of the Medicare rate. Due to budget restrictions, the rates were reduced in FY 2010, FY 2015 and FY 2016. Currently, OHCA pays 86.57% of the Medicare fee schedule. Providers have also been impacted by the reduction or elimination of crossover payments and co-insurance.”

Survey Respondents in the health care sector emphasized how these cuts are creating a domino effect of increasing needs and draining local resources even as services are shrinking. One respondent who directs a rural community health center wrote, “We are in an underserved area. Many of our patients are uninsured, others have Medicaid only. Cuts impact those individuals. In addition, the hospital in our community is hurting; they own the nursing home and it has affected them as well. Overall, it is killing

33 Paul Shinn, et al, 2016, “Online Budget Guide,” Oklahoma Policy Institute, <http://okpolicy.org/resources/online-budget-guide/>

34 Carly Putnam, February 2015, “Oklahoma's health ranking: same song, another verse,” Oklahoma Policy Institute, <http://okpolicy.org/oklahoma-health-ranking-song-another-verse/>

35 United Health Foundation, 2016, “America's Health Rankings,” <http://www.americashealthrankings.org/explore/2016-annual-report/state/OK>

the community as cuts come, jobs have to be eliminated, thus there is less taxes for the county. Thus, the county is struggling to survive as well.”

Since 2011, at least nine rural hospitals have filed for bankruptcy in Oklahoma — in some places this means that emergency responders now travel three hours for a single call. Roberta Jeffrey, CEO at Holdenville General Hospital, told *The Oklahoman* that they have already burned through cash reserves to remain in operation and if they close, the next closest care for residents would be an hour away. “And a lot of times, time means lives,” she said.³⁶

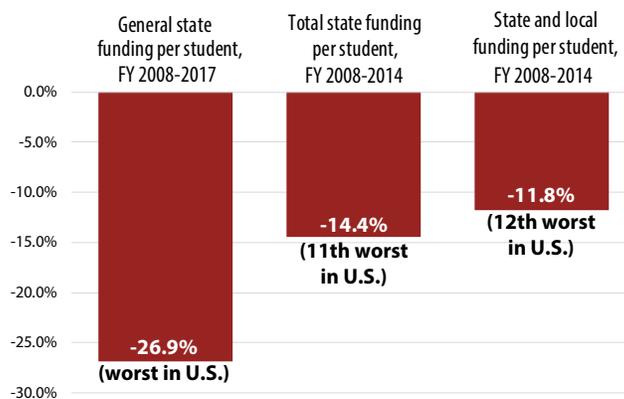
Even in areas where more local resources may be available, providers have struggled to cover for state cuts. The director of an urban behavioral health care provider wrote, “We have had a significant increase in our clients, but have only received cuts in our service dollars. We are now spending \$21,000 per month more than we are reimbursed for to help pay for medications. We have had to put in a plan to triage the care our clients receive in the event the state cuts mental health services further this year.”

SCHOOLS ARE CUTTING CORNERS BIG AND SMALL, WITH BAD IMPLICATIONS FOR OUR ECONOMIC FUTURE

Article 13 of Oklahoma’s Constitution declares: “The Legislature shall establish and maintain a system of free public schools wherein all the children of the State may be educated.” It’s a commitment we have made since statehood, and education is broadly acknowledged by citizens and the business community as key for economic growth and job creation. In multiple surveys, businesses in Oklahoma and nationally rank the presence of a skilled workforce as more important than state and local tax rates when considering where to create new jobs; and with few exceptions, the states with the most college graduates are where average families earn the highest wages.³⁷

Unfortunately, our state’s funding of education hasn’t matched its importance to our economy. Oklahoma’s per pupil funding of the state aid formula for public schools is down 26.9 percent after inflation since FY 2008. These are the deepest cuts to general school funding in the nation. On a percentage basis, we’ve cut nearly twice as much as the next worst state, Alabama.³⁸ The state aid formula is not the only source of revenue for schools. However, Oklahoma is also among the worst states for cuts to total state funding (down 14.4 percent, 11th worst in the U.S.) and combined state and local funding (down 11.8 percent, 12th worst in the U.S.).³⁹

Percent change in per pupil spending in Oklahoma, inflation adjusted



Data Source: Center on Budget and Policy Priorities analysis

³⁶ Brianna Bailey, March 2017, “Prognosis is grim for rural hospitals in Oklahoma,” *The Oklahoman*, <http://www.oklahoman.com/prognosis-is-grim-for-rural-hospitals-in-oklahoma/article/5542032>

³⁷ Oklahoma Policy Institute, April 2014, “Fact Sheet: Investing In Education Is Key For Growth And Job Creation,” <http://okpolicy.org/fact-sheet-investing-education-key-growth-job-creation/>

³⁸ Gene Perry, October 2016, “However you count it, Oklahoma’s per pupil education funding is way down,” Oklahoma Policy Institute, <http://okpolicy.org/however-count-oklahomas-per-pupil-education-funding-way/>

³⁹ Ibid

These cuts have happened in a state where education funding was already relatively low compared to other states. As a result, Oklahoma has now fallen to lowest in the nation for teacher pay and near the lowest for overall per pupil spending by schools.⁴⁰

Despite limited funding, Oklahoma's education system has accomplished a lot. Our schools serve all children regardless of background and are more equally funded than in many states. We have a nationally-praised universal preschool program with high standards for teachers. We also have one of the most affordable higher education systems in the country and a Career Tech system that works closely with businesses and communities big and small to meet workforce needs across the state.⁴¹

Unfortunately, a funding crunch is putting large stresses on this system. The largest number of responses to the survey came from those working in K-12 education, and these educators reported numerous problems created or made worse by budget cuts. These include: textbooks that have not been updated in seven years; fewer teachers; larger class sizes; fewer course offerings; delayed maintenance on school buses and buildings; eliminated AP courses, drama, music, and sports programs; reduced professional development; teachers

paying for their classes' school supplies out of already meager paycheck; high anxiety and attrition among staff; and very low staff morale.

Several respondents emphasized that schools are losing any programs beyond the basic curriculum that had helped students explore who they are and what they want to do with their lives. A small town school superintendent wrote, "[Our] biggest loss is AP Classes. We can no longer afford to hire part-time retired teachers to teach, which allowed us the ability to offer AP Classes to our more accelerated students that are preparing for College. Trying to add Calculus and Trigonometry classes is a challenge when we can barely get Algebra I and II and Geometry covered. ... Expanding our STEM/Robotics/Aeronautics activities is another victim. ... In a nutshell, the things that kids can become interested in and explore deeper that can possibly lead to career choices are dying on the vine."

Another superintendent wrote, "Overall, although we are working to maintain the quality of instruction in the classroom, besides Child Nutrition services, all other student support services have been cut. These cuts have altered the educational environment for students, shifting an Oklahoma child's school experience from a holistic experience to a very narrow focus on core academics. This is not a formula for economic growth and quality of life."

Districts and individual schools are cutting corners wherever they can. An assistant principal at a suburban elementary school wrote that they had gone so far to cut costs that, "Teachers have been required to take

40 Lorne Fultonberg, May 2016, "We will be losing in the race to the bottom,' Oklahoma poised to take last place in teacher salaries", KFOR, <http://kfor.com/2016/05/31/we-will-be-losing-in-the-race-to-the-bottom-oklahoma-poised-to-take-last-place-in-teacher-salaries/>; U.S. Census Bureau, June 2016, "Public Elementary–Secondary Education Finance Data," <https://www.census.gov/govs/school/>

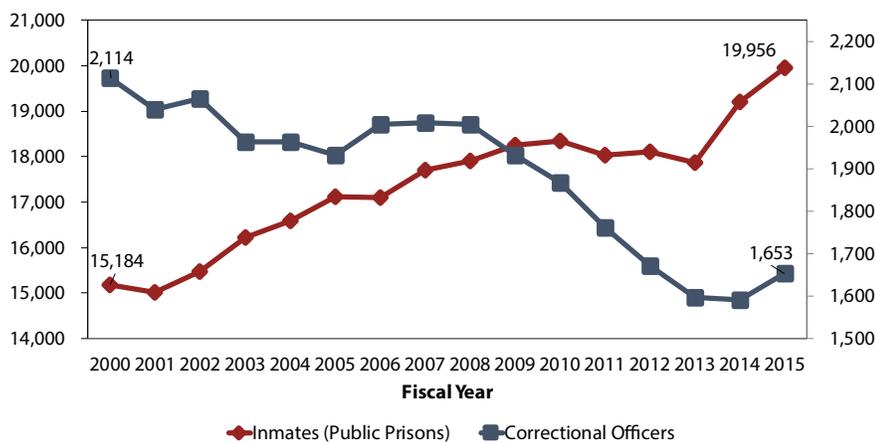
41 Paul Shinn, et al, 2016, "Online Budget Guide," Oklahoma Policy Institute, <http://okpolicy.org/resources/online-budget-guide/>

all non-essential electrical items home. They are not allowed to have microwaves, dorm refrigerators, etc. They are also not allowed to have classroom pets that require electricity (fish tanks, warming rocks, etc).” At this same school, the district has limited the use of substitute teachers. Instead they combine classes when a teacher is out. The assistant principal wrote, “This results in an educational disruption for two classes instead of one.”

PUBLIC SAFETY CUTS WILL COST OKLAHOMA MUCH MORE ON THE BACK END

Oklahoma has made some progress on public safety recently. One of the best examples is Tulsa County’s Family Drug Court, recognized as one of the best in the nation.⁴² The state’s violent crime rate dropped 21 percent between 2006 and 2014, though it still exceeds the nation as a whole.⁴³

Oklahoma State Prisons Have 4,772 More Inmates and 461 Fewer Correctional Officers Since 2000



Data Source: Oklahoma Department of Corrections. All numbers as of 6/30 each year.

The core public safety services are also very popular. A 2014 poll by Global Strategy Group found just 14 percent of Oklahoma voters favored cutting funding for public safety to get a tax cut, compared to 84 percent who disagreed; this was the strongest support out of any of the core services of public safety, higher education, common education, and health.⁴⁴

Nevertheless, public safety has not been spared the budget cuts of recent years. Between FY 2009 and FY 2017, overall funding to public safety

agencies fell 8.3 percent, a total loss of about \$668 million. Some individual agencies fared even worse — the Indigent Defense System was cut by 10.6 percent; the District Attorneys Council by 19.5 percent; the Oklahoma Supreme Court by 20.3 percent; and the Bureau of Narcotics and Dangerous Drugs was cut 58.4 percent.⁴⁵

In the Oklahoma Department of Corrections, Oklahoma’s inmate population grew by over 31 percent between 2000 and 2015 while the correctional officer workforce declined by 22 percent.⁴⁶ With a starting salary for corrections officers of around \$26,500 – just above the poverty level for a family of four — even

⁴² Carly Putnam, January 2015, “Oklahoma has already created a great model for criminal justice reform,” Oklahoma Policy Institute, <http://okpolicy.org/oklahoma-already-created-great-model-criminal-justice-reform/>

⁴³ Ryan Gentzler, September 2016, “The surprisingly weak link between incarceration and crime,” Oklahoma Policy Institute, <http://okpolicy.org/surprisingly-weak-link-incarceration-crime/>

⁴⁴ Gene Perry, March 2014, “Poll: Support for tax cuts has dropped significantly,” Oklahoma Policy Institute, <http://okpolicy.org/poll-support-tax-cuts-dropped-significantly/>

⁴⁵ Oklahoma Policy Institute, June 2016, “FY 2017 Budget Highlights,” http://okpolicy.org/wp-content/uploads/2017_Budget_Highlights.pdf

⁴⁶ Ryan Gentzler, May 2016, “The effects of budget cuts on Oklahoma prisons are hidden but dangerous,” Oklahoma Policy Institute, <http://okpolicy.org/effects-budget-cuts-oklahoma-prisons-hidden-dangerous/>

funded open positions often go unfilled and staff turnover is about 35 percent per year.⁴⁷ The tragic result is that we are unable to maintain order and safety in Oklahoma prisons, where the homicide rate is more than three times the national average and a growing number of inmates in need of mental health care go untreated.⁴⁸

Cuts are being felt outside prisons, too. In our survey, one Oklahoma District Attorney reported that she had to lay off her office's only investigator, and excessive caseloads are causing burnout and high turnover. She wrote, "you should not hand a murder case over to an attorney with a couple of years' experience, yet that is the situation we all find ourselves in."

Another DA wrote, "I replaced two attorneys with combined experience of around 50 years with two attorneys with combined experience of 4 years. ... I have held off on updating our vehicle fleet for two years (I have concerns about the safety of my investigators driving police cars with nearly 200,000 miles). ... With all this being done, I still worry every day about whether we can make it through the fiscal year without going into the red."

While state prosecutors struggle with staffing issues and caseloads, cuts to the Indigent Defense System may be even worse. Based on maximum recommended caseload standards, Oklahoma public defenders have gone from doing the work of 1.21 attorneys in 2007 to doing the work of 2.07 attorneys in 2015. Besides the harm to defendants who must rely on severely overburdened attorneys to defend their case, the state is at risk of facing a legal crisis and being forced to release defendants accused of serious crimes if we cannot fulfill our constitutional duty to ensure the right to an attorney.⁴⁹

Other cuts to public safety have eliminated gang and delinquency prevention programs, shut down community shelters and group homes for at-risk youth, and even cut treatment and prevention programs shown to be more effective and less expensive than incarceration. By underinvesting at the front end, Oklahoma is creating much larger costs in prisons and doing serious damage to people's lives that could have been avoided.

47 Ibid

48 Ibid

49 Ryan Gentzler, May 2016, "Cuts to Indigent Defense System have left our justice system deeply unbalanced," Oklahoma Policy Institute, <http://okpolicy.org/cuts-indigent-defense-system-left-justice-system-deeply-unbalanced/>

OKLAHOMA CAN INVEST IN OUR COMMUNITIES WITH SMART POLICY CHOICES



We have the resources to invest in our communities if we make smart policy choices to find the revenue.

The good news is that Oklahoma does have the resources to reinvest in our communities, but we need to make responsible policy choices to do so.

Perhaps because Oklahoma has relatively high poverty rates as a state, or perhaps because the state's reputation has been influenced by *The Grapes of Wrath's* portrayal of Oklahomans as impoverished refugees, we tend to think of ourselves as a poor state that can't afford to make big public investments that could propel us forward.

That reputation is outdated. The 2016 rankings of per capita income by state put Oklahoma almost right in the middle of the nation at 28th.⁵⁰ Our per

capita income was 92 percent of the national average and ranked between Florida and Oregon — two states not known for being among the poorest in the nation. We have significantly higher per capita incomes than our neighbors in New Mexico and Arkansas.

So why haven't we found the resources to invest in our communities? How do our poorer neighbors manage to provide higher teacher salaries and have better access to health care?

The problem is that for years we've prioritized tax cuts benefiting a small number of people instead of investing in communities in ways that benefit all Oklahomans. Cuts to the top income tax rate have taken more than \$1 billion annually out of schools, health care, public safety, and other services. Middle-income families are hurt by the loss of teachers, long waiting lists for services, and other cuts, but they aren't seeing much benefit from the tax cuts. Only 10 percent of the tax savings went to the bottom 60 percent of earners — including all middle-income families and those who earn less.⁵¹

We've also allowed the tax code to become riddled with tax breaks and loopholes for special interests. Many of these tax breaks have been allowed to grow on auto-pilot through things like automatic tax cut triggers and off-the-top transfers. Between 2010 and 2014, tax breaks for big businesses in the state more than doubled at the same time as we were cutting services across state government.⁵² These tactics make it look like the money needed for our communities just isn't there, but that's a mirage.

50 U.S. Bureau of Economic Analysis, March 2017, "State Personal Income, 2016," <https://www.bea.gov/newsreleases/regional/spi/2017/spi0317.htm>

51 David Blatt, January 2016, "The Cost of Tax Cuts in Oklahoma," Oklahoma Policy Institute, <http://okpolicy.org/the-cost-of-tax-cuts-in-oklahoma/>

52 Warren Vieth, November 2014, "State Business Tax Breaks More Than Double, to \$760 Million," Oklahoma Watch, <http://oklahomawatch.org/2014/11/13/state-business-tax-breaks-more-than-double/>

We have solutions

The reality is that Oklahoma has sensible solutions to bring those revenues back to our communities. We can clean up the tax code and eliminate carve-outs for special interests. We can make a budget this year that makes no more cuts to schools, public safety, and other foundations of our communities.

Although lawmakers face a \$748 million hole going into next year's budget, we have options to fill that hole and find even more revenues to invest in long-neglected community needs. Our options include:



- End the capital gains tax break that allows wealthy owners of Oklahoma stocks and real estate to pay no income tax on their earnings [REVENUE: \$105M];
- Stop out-of-state tax shelters by adopting combined corporate reporting [REVENUE: ~ \$20M – \$100M];
- End unnecessary sales tax exemptions for luxury purchases and purchases taxed in most other states [REVENUE: \$112M - \$290M];
- Modernize a gas tax that has not been adjusted for inflation in three decades [REVENUE: \$135M - \$220M];
- Increase the cigarette tax to fund important health services [REVENUE: \$180M - \$260M];
- End an expensive, unnecessary tax break for oil and gas production by restoring the historical 7 percent gross production tax rate [REVENUE: \$470M]; and
- Restore 6 and 7 percent tax rates on very high incomes [REVENUE: \$200M].

Together, these options total as much as \$1.6 billion in new revenue, and they are not the only options that could be considered.⁵³

⁵³ To learn more about these options, see: Oklahoma Policy Institute, February 9, 2017, “2017 Policy Priority: Revenue options for a better budget,” <http://okpolicy.org/2017-policy-priority-revenue-options-better-budget/>. Oklahoma House Democrats have proposed a budget plan that includes \$1.4 billion in revenue options, available at <http://okdemocrats.org/release-house-democrats-propose-a-recurring-revenue-plan/>. Governor Mary Fallin has proposed a budget that includes \$1.5 billion in new recurring revenue, available at <https://www.ok.gov/OSF/documents/bud18.pdf>. A “Save Our State” coalition of non-profit, grassroots, and professional organizations, including OK Policy, has released a budget blueprint that includes \$1.5 billion in new recurring revenue over the next three years, available at <http://saveourstateok.org/>.

THE LESSONS OF OUR HISTORY

We have seen clear examples in Oklahoma of how we can come together to develop public policy solutions to politically difficult problems. It requires those with power to show leadership by putting forward bold ideas and then taking the time to allow input and build consensus around them. It requires an active citizenry to keep pressure on lawmakers to see it through. And it requires the willingness to put Oklahomans first by taking advantage of all the resources available to invest in our communities — in federal, state, or local government and in the private sector.

When we do these things, we can overcome challenges even bigger than the budget crunch we face today. We have the resources and ideas to fix this. We can be a state that isn't just trying to catch up with other states but takes the lead on having great schools, healthy citizens, good jobs, and strong communities.

Which path will we take: the path toward thriving communities across our state or the path toward declining quality of life? The lessons of our history tell us that we can choose the better path. Will we make that choice, or will we leave our children with less opportunities and less hope than we inherited from the generations before us?



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