



# **OCPA's Freedom Agenda for 2010**

**Policy Priorities in the  
Era of Limited Revenue**

In a wide-ranging speech to members of the State Chamber last month, former Oklahoma Governor Frank Keating articulated a vision for government management in tough times. He reviewed achievements from two terms as chief executive, including passage of the 2001 Right-to-Work referendum, the early stages of lawsuit reform and "welfare to work," the push for greater rigor in educational standards, and efforts to encourage marriage initiatives through churches and synagogues.

In his eight years (1995-2003), Keating faced a determined majority of Democrats in both legislative chambers. He exercised the veto (including line items) some 302 times and was never overridden, saving the state hundreds of millions of dollars. Interestingly, a budget crunch emerged at the end of his tenure, just as is happening now as the end of Brad Henry's two terms approaches. With minority Republicans promising to back his vetoes, Keating negotiated with Democrat leaders a mix of policy reforms and dips into the Constitutional Reserve Fund (better known as the Rainy Day Fund).

Still, as he noted in his Chamber speech, Keating never enjoyed the luxury of a conservative Republican majority such as that which now controls the Legislature. Looking ahead, he encouraged the Republican majority in the Legislature to get back to fundamentals: focusing on the role of government, restraining the tax burden, protecting state prerogatives against federal encroachments, restoring education rigor, and other themes. (He was too polite to note that Oklahoma was recently revealed, in a *New York Times* story, as one of only three states where standards in both math and reading actually eroded rather than advanced over the last few years.)

In the end, Keating encouraged legislators to remember that "the public sector consumes wealth, while the private sector creates wealth." He called for a careful review of "what government does, and whether those things can be done better in the private sector." He argued it is time to enhance, not erode, the role of states as laboratories for experimentation in democratic decision-making, explicitly encouraging a fight or two over the meaning of the Tenth Amendment and its protections for state governments. "We may need to litigate to defend the state of Oklahoma," Keating said.

Additionally, the former governor was generous in his remarks concerning the Oklahoma Council of Public Affairs, saying he had read scores of OCPA

studies and essays in the weeks before his speech in order to get "back up to speed" on the state of play in Oklahoma's budget, finance, policies, and governance. Further, he said he would likely return home within a couple of years.

### **Beyond Keating: Where We Are, and Where We're Going**

While his recent speech was not a call for strict budgetary conservatism, Keating's remarks were a welcome contrast to those calling to bleed dry the state Rainy Day Fund in order to preserve government spending. Keep in mind that the backdrop for the former governor's speech includes an upcoming vote of the people on SQ 744, an initiative spearheaded by the state's most powerful labor union which would result in hundreds of millions of dollars in increased spending on public education, mandating unprecedented cuts in every other arm of the state government.

As the 2010 legislative session approaches, OCPA

herewith submits an eclectic mix of comparatively moderate (in impact) but philosophically conservative policy ideas for these times. Now that Republicans manage both houses at the Capitol, important steps forward have already been taken, and the stage is set for the greatest era of forward progress in Oklahoma history.

Yes, these are tough times. Legislators face a range of tough choices as they work

with the governor to craft spending and other priorities for 2010 and beyond. Frankly, there are signs of due diligence in the series of oversight hearings at the Capitol throughout December. But the "follow through" contains pitfalls both in spending and policy areas.

Legislators must ask themselves if it's an accident that America's newest Right-to-Work state is the state whose capital city has the lowest unemployment rate of any large city in America. Oklahoma is one of the few states with money in the bank, at least for now: The Rainy Day Fund has a positive balance, but it is being eyed covetously by the current governor, most of his House and Senate allies in the Democratic Party, and some Republicans.

In thinking through the coming months at the state Capitol, remember that series of vetoes from Governor Henry which led some Republicans to dub him "Governor No." The governor's veto power kept lawsuit reform from advancing in a timely manner. Ultimately, to his credit, this past legislative session

- **Health Care Freedom**
- **Privatization**
- **Government Right-Sizing**
- **Tax Cuts**
- **Debt Reduction**
- **Work Comp Reform**
- **More School Choices**
- **Transparency**

he signed a package of legal reforms that may, given time, bear fruit.

The next proactive tough choice? The state's hyper-litigious workers' compensation system needs reform. The entire system should be shifted toward an administrative structure to enforce settled law, rather than the litigious lottery of the present system. Citizens heading to the ballot box next fall should back the legislative proposal to require Senate confirmation of gubernatorial nominees to the workers' comp court. Sale of the hybrid public-private CompSource, with receipts flowing to taxpayers, would spark new competition and edge government out of an area best left to the private sector. These recommendations present especially tough choices for Democrats, but also make some Republicans squirm.

As for the "800-pound gorilla"—the worst tax revenue picture in modern Oklahoma history—consider this. What if Gov. Mitch Daniels of Indiana is right in saying that state governments' revenues will be lower for the next three to four years than they were in 2007-08? OCPA's analysts believe Daniels is right, and David Blatt of the left-wing Oklahoma Policy Institute said much the same thing several weeks ago when he projected tight or declining revenues for the next few years.

After 10 months of lower-than-projected state government revenues, resulting in some belt tightening at most state agencies, many liberals and Democrats want to bleed out much of the state's reserve revenues, and spend the rest of federal stimulus. They want to find a way to halt and even reverse the slow-motion shift toward lower income taxes, phased in over recent years.

The call for greater spending is made in the name of compassion for the less fortunate and for government employees. The call to slow the pace of tax reductions is made in the name of restoring government revenues on the backs of the state's leading income producers. Yet, misplaced compassion yielding sustained or even greater spending is the worst possible near-term response to the budget crunch. There is nothing compassionate about acting now in such a way as to guarantee even tougher choices next year and the year after.

If Daniels is right about state revenues, and so far it appears he is, he's also right about the direction state policy must take in the near term. Government must change the ways it operates, find ways to get smaller and smarter, and transfer every possible function to

the private sector. This means now is the time to shrink government and expand individual opportunity. Oklahoma is well-positioned to provide policy models explicitly in contrast to the Big Government tsunami unfolding in Washington, D.C.

If not now, when? If not us, who? Advocates of a massive Rainy Day Fund raid (50 percent or more of the balance) would leave a horrific budget hole for Oklahoma's next governor (quite possibly a Republican). More in the public interest and better policy all around is to adjust the spending side now, ramping back up judiciously after revenues actually recover. In the meantime, government needs to be "right-sized" to assure that revenues and expenditures actually match up.

It's clear that the national "recovery" now under way is different from any recovery in modern economic history. Even as economic activity increases, so

far this is essentially a "jobless" recovery. Oklahoma, with one of the lowest jobless percentages in the country, is nonetheless enduring its highest unemployment rates in nearly three decades.

Moreover, there is a

looming tax monster in the form of unfunded debt, including a teachers retirement fund projected to go "cash negative" (with outlays exceeding real-time income) within 10 short years. The path of wisdom, as opposed to convenience, is to address the hidden debt in the teachers' retirement system and other government pension systems.

As for health care and insurance, the area where a fundamental reordering of the American experiment could soon be enacted, Oklahoma should advance a new standard, one based on individual liberty, consumer choice, and medical lawsuit reform, rather than on government mandates.

State income, franchise, corporate, and sales taxes—cut them all. Continue the march to reduce personal income taxes, next year if not this year, and to make the system more rational. (A modest proposal to benefit workers at lower incomes and up into the middle class: raise to \$200,000 or more the income level one must reach before taking the hit of the maximum state income levy.) Make Oklahoma's system friendlier to entrepreneurs without sacrificing the state's comparatively lower property tax levies or putting our lower cost of living at risk.

Grow the economy by cutting the size of government. Let growth in the private sector provide the means for the government to identify priorities, re-

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freedom model in opposition to  
the Obama-Reid-Pelosi model.**

placing the merely desirable with the actually essential. It was and is irrational for Oklahoma's state and local governments to have grown by 8,600 jobs, as Bureau of Labor Statistics data recently revealed, at a time the private sector was shrinking by 36,000 jobs. How about a hiring freeze with teeth in it, even as the revenue stream ultimately recovers, until government employment reaches sustainable levels?

Stop government competition with the private sector. Sell some school lands and other government-held assets, and always use proceeds to ameliorate permanent debt. (Speaking of the school lands commission, the searing scandal of a single employee able to embezzle more than \$1 million is proof positive that spending and budget controls in many agencies are far from adequate.) Consolidate agency functions and reduce the number of state workers. Move aggressively forward on corrections programs to encourage faith communities to become more involved in the lives of those incarcerated, a "best practices" means to reduce recidivism.

The decision of Superintendent of Public Instruction Sandy Garrett not to seek reelection means change is inevitable in Oklahoma education. Let's move to the front of the pack with sweeping merit-pay proposals, beyond the lines already being discussed in Tulsa. Reduce unfunded mandates imposed on school districts; bring back to life the proposal killed last year to model districts after charter schools with more flexibility in management. Go "back to the future" with rigorous standards enacted only a decade ago but steadily eroded since then.

Support school choice now, to include more charter schools (an area of rare agreement between urban conservatives and the Obama administration), as well as tax-credit funding for programs of choice aimed at special-needs children. If "public education isn't working for way too many kids," as Tulsa mayor Kathy Taylor recently said, then find something that works: provide tax credits for donors to K-12 scholarship organizations which provide tuition assistance for those kids to attend private schools. And if early childhood education is such a good idea, then assure that beneficiaries include parents who choose to teach their own children at home or send them to private schools.

At the local level, perhaps with an assist from the legislature, citizens should press for the transparency and openness in reporting of expenditures that is lacking in far too many school districts. Districts of all sizes have already proven that transparency and responsible disclosure of information to taxpayers is within reach: Vici, Guthrie, Sperry, and Holdenville are four whose efforts have been lauded by Oklahomans for Responsible Government and others.

## **A Freedom Model, Not a Feudal Model**

As for the current federal administration, the people in charge want to make government bigger and more intrusive, and taxes more burdensome on income earners.

Right now, at least, the federalist system allows Oklahoma to make opposite choices.

The future belongs to the bold. It was bold of Harry Truman to counter Soviet aggression with the Berlin Airlift after World War II. It was bold of John F. Kennedy to declare himself a citizen of Berlin. It was bold of Ronald Reagan to demand that a "reformist" communist dictator "tear down this wall"—and the wall came tumbling down, advancing the cause of human liberty and dignity.

Now is the time for Oklahoma to provide a freedom model in opposition to the feudal model being advanced at the national level.

In the 1950s William F. Buckley, Jr. memorably declared it was the mission of conservatives to stand athwart history, yelling "Stop!" It was the right theme for that era, but some things have changed.

That was then, and this is now. The mission of the current generation of Americans is to cry out: "Forward to Freedom!" ☺

## **Give Tax Breaks to Buy Health Insurance, OCPA Author Urges Lawmakers**

Tom Daxon, author of a 2008 OCPA study on health care reform, spoke December 3 at an interim study at the state capitol on the feasibility of individual health-insurance tax relief.

The study was requested by state Rep. Jason Nelson (R-Oklahoma City). Rep. Nelson said he plans to introduce legislation in 2010 to create tax credits for individuals to give them greater power and options in purchasing health insurance.

"The federal government is taking the wrong approach to health care," Rep. Nelson said. "What we need is a more free-market system. Giving individuals tax relief on health-insurance purchases will lower the cost they pay for insurance and give them a wider range of options rather than just insurance through their employer or through a government entity."

Mr. Daxon, author of OCPA's "Oklahoma Comprehensive Health Independence Plan," urged lawmakers to support a tax-credit plan. Regardless of what happens with ObamaCare, Daxon said, employers are going to be under increased pressure that will likely result in higher deductibles and lower quality of health-care coverage. Giving individuals more power to buy their insurance outside of what their employer offers is good policy, he said.