

ADDRESS
of
MILLS E. GODWIN, JR.

GOVERNOR

TO THE

GENERAL ASSEMBLY

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Thirty years ago, less three days, I first came to the General Assembly as a delegate, and after three regular sessions moved to the State Senate until becoming Lieutenant Governor in January, 1962.

Now, after three decades and two terms as Governor, and with your distinguished Speaker as the sole remaining member of that period, I come to offer to you and the people of Virginia my final message as Governor of this Commonwealth.

May I first express my eternal gratitude to the people of Virginia and to many of you who have allowed me to serve in this capacity longer than any other person since our Constitution was adopted. I am conscious of the honor of being the first to be elected twice by our people.

On next Saturday, I will bring to a close the investment of most of my mature years in the service of Virginia. The years as Chief Executive have been eventful and historic. Governors, like old soldiers, just fade away, but it is my fervent hope that the friendships I have made in this body will always remain.

I realize that even as I speak, you are preparing to welcome the next Governor of Virginia and to consider the recommendations he will submit. I am certain that John Dalton, an able and experienced man, will be guided, not by partisan politics, but by what is best for Virginia, and I know that in the end, this will also be your guide.

In the same light, I would suggest to you some of the lessons we can learn from just the past few years.

From the vantage point of my final message eight years ago, we could look back on an incoming wave of public affluence and expectations that carried us to new heights; major new advances in our public schools and at our State-supported colleges and universities; a new community college system; the first general obligation bond issues in this century for higher education and for mental health; a revision of our State Constitution; an industrial development program that is one of the best in the nation and other advances long delayed.

Now, as we look back, we find that wave has receded, leaving behind during these last four years a real threat of a deficit in our budgets; the first threat of cold homes and stalled automobiles; the first major contamination of Virginia's waters; the first restrictions on the use of drinking water in many, many years, and a succession of ten major floods and seven minor ones.

I leave to history, and to your judgment and that of the people of Virginia, the quality of our response.

But in making that judgment, I would suggest that the real test of statesmanship is not how far we can ride an incoming tide, but how well we can keep the ship of state from running aground when that tide goes out.

This we have done and more. In spite of shortages of both fuel and revenue; in spite of Kepone, drought and flood, we have not sacrificed Virginia's momentum in public services. >

After years of neglect, our corrections system has been made a separate department and its direction turned around. Escapes have been reduced by three-fourths. The number of State prisoners held in local jails has been reduced to less than half of their peak number. Since July, 1975, almost 3,000 new beds have been added. Work release has been overhauled. Top management and security have been strengthened. The separation of young offenders from those hardened to a life of crime is well begun.

And all of this has been accomplished without the outbreak of major violence in our penal system that threatened as I took office in January, 1974.

My first executive order in this term was to require affirmative action in the hiring of minorities in State government. While we have not reached the ideal, we have since that time hired and advanced minority members at a faster rate than previously. The twenty-one per cent of minority members now in State service is well in excess of the percentage of minority members in Virginia's population.

Virginia became the first state in the nation to adopt formally the national air quality index recommended by the President's Council on Environmental Quality and has ranked among the top three states in the rate at which Federal water treatment construction funds have been put to work.

Although it is still much too high, the rate of increase in crime has been reduced, partly because of more stringent laws, including a viable death penalty statute.

Probation and parole have been strengthened with the addition of approximately one hundred more officers.

On the Governor's initiative, the major question of whether collective bargaining for public employees was supported by the Virginia law has been settled, and at the same time, clear lines of communication have been opened for hearing employee grievances and suggestions.

Over the past four years, State expenditures for public schools have increased by 27 per cent. Including local and Federal funds, expenditures per pupil increased from \$978 to \$1,322. Average salaries of classroom teachers increased from a little less than \$10,000 to more than \$12,000.

Enrollment in special education programs for the handicapped increased from 58,000 to 92,000, and their number of teachers from 2,700 to 3,700. Kindergartens were extended to all school divisions, and all except three reported programs initiated or planned for the especially talented or gifted.

The number of teachers continued to increase, and the ratio of students to classroom teachers continued to decline.

Perhaps most important of all, the State Board of Education and many local school divisions began to tackle in earnest the distressing number of students who cannot read or write or figure adequately.

The Board suggested strongly to each school division that it require tests of its own choosing that each high school senior would have to pass before earning a diploma.

I am delighted to report that student test scores generally have improved steadily over these past four years, although they are still too low. The figures also indicate that the inflation of grades has not been as widespread in Virginia as it has elsewhere, and that this practice, too, is declining in frequency. We should see that it continues to decline.

In higher education, access to the college classroom has increased dramatically, with enrollment in public colleges 32.5 per cent higher, raising Virginia's rank to the national average in the per cent of her college-age population actually in college.

Our community college system has been extended through and beyond its original concept, with 23 colleges embracing 34 campuses, offering 175 programs and conferring 6,000 degrees. New opportunities have been opened for upgrading skills or pursuing academic interests for part-time, older adults, who now comprise 60 per cent of the system's enrollment. A total of 138,000 students are now in the system, a 66 per cent increase in four years.

The College Scholarship Assistance Program and the Tuition Assistance Grant and Loan Program have increased from 1,750 students and \$574,000 to 18,000 students and \$6,400,000.

You will recall that in 1974, in order to avoid diminishing the level of State services, you agreed to my suggestion that \$73 million, almost the entire capital outlay budget, be transferred to the operating budgets of our State agencies and localities.

In spite of that, \$23.7 million was provided for construction at our State colleges and universities, in addition to the \$86 million provided in one of the five bond issues on which we and the people of Virginia recently agreed.

Last June, I was again called upon to respond on behalf of the Commonwealth to a directive from the Department of Health, Education and Welfare. This time the requirements included a series of numerical goals for increasing the number of black students at white colleges and white students at black colleges, similar goals for faculty members, administration and staff, equalization of the percentages of black and white high school graduates going to any college, and equalization of retention rates for students of the two races already in college.

In addition, we were to promise that predominantly black institutions would have priority in the location of any new programs.

A part of my response was that Virginia had made substantial progress under the 1974 plan which that agency had approved, including an increase of black enrollment in predominantly white institutions of 50 per cent from 1974 to 1976 alone.

I believe that any impartial observer would conclude from the mass of statistics included in our response that Virginia had indeed lived up in accomplishment to her commitment to full equality among the races in access to higher education.

At the same time, I made it clear that Virginia during my administration would not submit to quotas by whatever name they might be called.

Subsequently, we were told that if we would just accept numerical goals in principle, no punitive action would be taken if we did not achieve them precisely, so long as we demonstrated good faith to the satisfaction of HEW.

I let it be known that I was not willing to let HEW sit in judgment of Virginia's good faith, to be in effect, both judge and prosecuting attorney.

The United States Department of Justice earlier tried to impose similar quotas on our State police force. When we refused, Washington attempted to cut off Federal funds, but a Federal judge enjoined it from doing so.

We have likewise declined to accept the ridiculous differential in wage rates proposed by the U. S. Department of Labor for work on the I-66 right-of-way and identical work a few feet away on that same right-of-way where the Metro trains may one day run.

Let me make clear the position of this administration on the question of the Metro rail system in Northern Virginia.

I have said consistently that I felt Metro rail might be a necessary part of unsnarling the traffic jams in and out of the nation's capital. I have said just as consistently that my objection was to the astronomical cost of the construction as originally planned, and further, to the equally astronomical annual operating deficits now and in the future.

Initially, mine was a voice in the wilderness. I have since been encouraged to see that Federal authorities, local officials, and even the management of Metro rail itself, have expressed some of the same concern.

In other indications of continued momentum, there has been achieved in this administration one of my personal lifelong goals. The tolls have finally been removed from most of the river crossings in Tidewater Virginia. Only the Elizabeth River, the Jamestown ferry and the

Chesapeake Bay Bridge-Tunnel tolls now remain.

In the area of mental illness, funds for community-based facilities have been increased from \$4 million to \$8.6 million, and for mentally retarded facilities from \$2.2 million to \$5.1 million.

This has helped to reduce the population in our traditional mental hospitals from 12,000 to 9,300.

Administrative costs of our Medicaid program continue to be one of the lowest in the nation at 3 per cent, and Virginia's innovative program of encouraging home care for the aged has reduced nursing home admissions by 23 per cent.

Stepped up auditing of welfare patient records has saved \$3.5 million annually and the new support enforcement programs a projected \$10 million.

Our round-the-clock child abuse reporting system has spoken to that growing problem.

Our work incentive program has placed 12,800 people in jobs and saved \$8 million in potential welfare costs. Rehabilitation efforts have put some 38,000 people back to work.

Industrial development efforts and encouragement of foreign investments have kept our unemployment rate one of the lowest in the nation in spite of a general economic recession, and our unemployment compensation trust fund remains in good condition in spite of one of the three lowest tax rates in the nation.

Our industrial development efforts at home and abroad have paid handsome dividends. In the ten years beginning in 1966, the figures show a total of \$5.5 billion invested in more than 1,000 new industrial plants and 1,000 plant expansions, producing 157,000 new jobs. These included 89 new or expanded plants and more than 12,300 jobs provided by foreign investors.

A State Energy Office has been created to give us advance warning of future shortages and to spearhead our conservation efforts, and the possibilities of offshore oil and mineral harvesting resulted in an independent State office to extend their future benefits and reduce their negative impact on the environment.

These are a few of the accomplishments of these past four years. In addition, there are opportunities to learn from our adversity.

We are all familiar with the dichotomy in the minds of our people. They feel that government is too big, too remote, too expensive. But if you ask them what government services they would curtail, they are reluctant to answer.

Our answer when we were threatened with deficits in our State budgets was to reduce expenditures by more than \$200 million over the last two biennia. In their turn, the response of our State agencies was to leave unfilled positions they had requested and you had authorized.

In spite of this, I have not heard any real complaint from our people that the delivery of services had been curtailed.

Our lesson from this is that if we are serious about grasping the nettle of self-perpetuating, self-generating government, the only way is to do more with less. And we can hope to do that only if we provide proper incentives for those who remain.

Nor can we rely on larger paychecks alone, much as these are to be desired in many cases. There must always be fair and workable machinery for the redress of grievances.

You and I have both spoken to this need, but there is more to be done.

One word of caution in your concern over the growth of government. Reorganization alone is not the answer. It does not guarantee the reduction of numbers of employees nor the size of budgets. It can, however, help to slow the rate of increase and produce greater efficiency and economy in government.

The work of the State Governmental Management Commission, headed by the distinguished Senator from Roanoke, Mr. Hopkins, has spent much time and made a valuable contribution to Virginia's governmental structure. Many of its recommendations have been enacted into law and some have been put into effect administratively and positive results are beginning to appear. Their further recommendations will be before you for consideration.

One final word on your stewardship of State government, the stealthy spread of Federal grants.

According to Federal figures, their total during the past fiscal year to State units of government alone amounted to \$976 million. Our own figures show nearly 14,000 employees carried on the State roster, but paid from Federal funds. Less precise is the number of others who are paid partially from Federal funds or who are on the State payroll as a result of Federal grants.

Because of the temptation they offer and their sheer number and constant proliferation, we find it extremely difficult to determine adequately the real need for many of them, or their influence on Virginia's initiative in determining her own priorities. These questions merit further study and evaluation.

Since before I first came to this body, we have wrestled with one perplexing result of the great migration from the farm to urban centers.

City after city has turned to annexation as the only viable answer to the pattern of citizens in need of public services moving in, and citizens with the means of paying for those services moving out.

Counties objected. Positions hardened. Enmities festered. Various suggestions for sharing the cost of this major social change failed to bear fruit.

At your last session, you tried first to find a way that the cities and counties might share that cost. Failing that, you turned to the State. Finally, you consigned the problem to some future General Assembly with a ten-year moratorium.

Reluctantly, I signed that bill with the understanding in writing that both counties and cities would support shortening that period in order to encourage you to find a workable solution.

We now face here in Virginia this major problem of our time, the fate of the core city. We have before us in the nation's political capital across the Potomac, and its cultural and financial capital across the Hudson, two glaring examples of what continued procrastination will mean. Already we can see its outlines here in our own capital city.

If you accomplish nothing more in this session, I urge you to find a fair, equitable and responsible solution.

THE BUDGET

The budget I will shortly present for your consideration, subject to the suggestions of the next Governor, projects an increase in General Fund revenues of 19.5 per cent, or approximately \$730 million. While this is a substantial sum, the percentage increase is less than in any of the last five biennia.

It includes a balance of \$66.4 million, taking into account the authority to borrow \$36 million from the highway and insurance funds and the necessity of funding deficit authorizations.

I would remind you that the great bulk of these reductions has been accomplished by leaving State positions unfilled, and not by curtailing the General Fund revenues that flow to our localities.

Some of this balance I have applied to the relief of hardships in the delivery of State services from our respective expenditure reductions.

The balance, plus a rebounding economy and the reduced pressure on the General Fund from the passage of the \$125 million bond issues, enables me to offer you a budget with continued momentum and without a tax increase.

At the same time, it leaves you with an unappropriated balance of only

\$2.2 million and with unmet requests from our State agencies amounting to \$470 million. Essential repairs and maintenance in the capital outlay portion amount to \$26.3 million, leaving only \$36.3 million for new construction in the capital outlay budget. Even with the \$125 million bond issues, this leaves a considerable backlog. High among these should be the Allied Health Building at the Medical College of Virginia.

While I believe the revenue projections on which the budget is based are reasonable, they are dependent on projections of what the nation's and Virginia's economy will do six months to two-and-a-half years from now. The necessity of cutting more than \$200 million from the last two biennial budgets leads me to suggest to you as strongly as I can that you resist the temptation to invade the contingency fund which I have included.

I have also assumed that you would continue the 1977 amendment affecting the payment schedule for income withholding and sales tax collections. If you did return to the original procedure, it would mean for sales taxes alone that we would have to repay our one-time windfall of \$26 million out of revenues we have already budgeted for the next biennium.

Finally, the budget does not include the revenues from the additional tax on beer of sixty-five one hundredths of a cent which you imposed in 1976 and 1977. This additional tax expires next June 30. If you continue the tax at the present level, it would mean an additional \$14.7 million for the General Fund over the 1978-1980 biennium.

One major new cost reflected in the budget is worthy of mention, the need for an additional \$89.5 million to keep our State retirement fund actuarially sound.

As of noon today, \$125 million from the five State bond issues will be in our hands and drawing interest. You will recall that many of the specific projects included in the bond issues had languished for years. By the time construction is completed, their original cost estimates may have been exceeded. I have suggested language in the budget bill to apply the interest earned on the bond money to these cost overruns where needed. Otherwise, contracts cannot be let in those instances where the bond issue estimates will not cover the contractor's bid.

I have allocated some of the \$4.6 million settlement from Allied Chemical for Kepone damage to research on public health considerations and to finding a means of eliminating this distressing problem. I have also suggested that a sum of \$500,000 be allocated to the Marine Resources Commission to assist in restoring the reputation of Virginia seafood in the marketplace.

I will send you shortly a special memorandum reviewing the Kepone question and setting forth its current status.

In your legislation approving the bond issue for the ports of Hampton Roads, you stipulated that the resulting construction would include facilities at Norfolk, Newport News and Portsmouth. However, the \$8 million in

bond money and the \$6.6 million from bank loans is still short of the combined cost estimates at all three locations. If you can insert another small item in the final capital outlay budget, all three interests will be satisfied, at least for the time being.

The budget I offer you includes a one step cost-of-living increase for State employees in the first year only. You will have an opportunity next year to review this matter, as you did in 1977. In the meantime, our employees would benefit substantially if we increase the State's contribution to the cost of Blue Cross and Blue Shield coverage for their families, which they now must pay out of their own pockets. I have included \$16.9 million in the budget to ensure that our employees need pay no more than \$30 a month for family coverage over the next biennium, under the present contract.

With respect to our Tuition Assistance Grant and Loan Program for college students, you have adopted a policy of phasing this into exclusively a grant program over a four-year period. The practical result is that this year's seniors would be eligible for loans only, while the other three classes will be eligible for grants.

I am therefore recommending that the conversion to a grant program be speeded up, so that all classes will be eligible for grants during the first year of the biennium. If we aim for a \$500 stipend, the cost for the biennium will be approximately \$11.4 million.

While we are on the subject of unanswered financial questions, there remains a determination of whether State funds should be used for abortion and under what conditions.

The State Board of Health has twice voted for State financing only when the life of the mother would be threatened by continuing the pregnancy to term. Conversely, the State Advisory Board on Medicaid has voted unanimously for a more liberal policy.

Under the Medicaid legislation, the Governor must indicate his approval or disapproval of the Board's decision. I have deliberately not done so.

This is a far-reaching question with a multitude of implications. Our people are seriously divided. Legislation is already in the offing. I feel the subject warrants full legislative consideration, free of any influence that might flow from a prior executive decision.

There is one other tax matter that I commend to your attention. In considering taxes in 1976 as a means of catching up on our backlog of capital outlays, you increased the tax on wine and spirits. However, you attached a proviso that it was the sense of the Assembly that these additional revenues be earmarked for the treatment of alcoholism after July 1, 1978.

While I would agree that among our unmet needs is an effort in this direction, and while I recognize the logic of a tax on alcohol itself as the

vehicle, the earmarking of special levies for rehabilitation is at odds with the sound tax policy. Other rehabilitation efforts are largely financed from the General Fund.

One other major item of financial concern is the yet undetermined millions that the courts may direct be spent from State sources for the education within Virginia of the mentally and physically disabled. The \$18.7 million in the budget for this purpose we must consider as a down payment only.

When you look at the budgets of the individual State agencies, you will see what appear to be substantial increases over the previous biennium. Before your indignation comes to a boil, let me point out a major change in the way the budget for 1978-80 has been structured.

In the last biennium, agency budgets included the salaries and wages of employees, but the cost of their fringe benefits were lumped together in a single General Fund item. This time those costs have been allocated to the budgets of the individual agencies.

The result is that the percentage increases as compared to the previous biennium will appear much larger than they really are.

EDUCATION

The budget includes a 16.6 per cent or \$231.7 million increase for public schools.

Looking back, I recall that I have six times presented similar increases to you. And yet the test results show that in some ways we have failed. Distressingly high numbers of our high school graduates cannot read, write or figure well enough to pursue any kind of satisfying career.

Some of your division superintendents have suggested that the State, rather than localities, require uniform testing of high school seniors before diplomas are awarded. I recommend it to you, together with the hope that our teachers, our school boards and our school administrators have as their highest priority a determination of why these fundamental tools of living are so lacking in our children.

The budget includes a net increase of 17.4 per cent in State support for higher education. Enrollments have doubled over the years of 1966 to 1976. Over the next five years they will increase by 27 per cent in all our State-supported colleges and universities, and by 43 per cent in our community colleges.

Virginia's personal income and population continue to increase almost half again as fast as the nation's, and there is a major migration of people past the normal college age into the college classroom, where the average age of the students is close to 27 years.

The number of faculty and staff at the institutions themselves is tied to these enrollment figures. The State Council of Higher Education has already made adjustments accordingly in the requests of the colleges and universities, and I have made further reductions.

When I first took office in January, 1966, Virginia stood third from the bottom among states in the percentage of her college-age population actually in college. I think you would share my satisfaction that we have now reached the national average in this respect.

CORRECTIONS

Over these four years, we have sought to overcome the neglect of generations in our corrections system. With new buildings and new management, we have made commendable progress. New emphasis is being given to our rehabilitation efforts and new programs and facilities provided in the budget will help.

The budget before you continues our plan to separate the young lawbreaker with a chance for full citizenship from those who have embarked irrevocably on a life of crime.

CRIME

But corrections is the end of the line of criminal justice. While I would hope Virginia statistics are better, the fact remains that in the southeastern states, only one serious crime in four results in an arrest; only one arrest in three results in a conviction; and far too few convictions result in prison sentences. And the studies tell us that half, or perhaps two-thirds, of all serious crimes are never reported at all, for fear of reprisal or in the resigned belief that nothing will be done.

Until we can change these dismal odds in favor of the potential criminal, no law-abiding citizen will be safe.

You have taken some corrective measures. You have rejected others. I trust that you will try again.

In that connection, my own experience as a law-enforcement agent and as chief law-enforcement officer of the Commonwealth longer than any other man, persuades me beyond doubt that it is not the threat of punishment that deters criminals, but the certainty of punishment.

HIGHWAYS

You are all aware of the impact of the energy crisis on our highway revenues during the first two years of this administration. Since that time, collections have recovered somewhat, and I am delighted to report that it was not necessary for the Highway Department to borrow the \$25 million

from the General Fund which we contemplated earlier.

In fact, a year ago we were able to set aside \$35 million from the highway fund in order to help balance the General Fund budget, should this be required.

However, this came about largely because environmental concerns have delayed approval by State and Federal agencies of projects for which money had already been allocated. Currently, \$113 million in highway funds in this category are lying idle.

The net result is that we have lost about two years in the ten-year construction schedule which you approved years ago and have affirmed since.

METRO RAIL

Still awaiting your decision is the degree of support from State funds for the Metro rail system in Northern Virginia. You have a recommendation from one of your own committees that you underwrite the bond commitment by the localities involved for the next 30 years at a cost of \$127 million. I have serious reservations about such a long-term commitment and the precedent that would be established thereby.

I would point out that since the late 1960's, the State has paid in cash or committed to Metro rail a total of \$138 million. This figure is six times the total in State funds flowing to all our other metropolitan transit authorities combined.

There is a \$10 million item in the 1976-78 budget which you made subject to a plan of capital financing the Governor would approve. That plan has not been forthcoming.

In fairness, I believe that \$10 million should be carried over into the next biennium, but we cannot wait forever for the financial plan on which it hinges. I suggest that you set a deadline of July 1, 1979 for delivery of that plan.

In addition, I recommend that you provide another \$3 million a year from highway funds during the next biennium, also tied to an acceptable financial plan.

In the long view, we should understand that Federal requirements for better gasoline mileage from automobiles will reduce our principal source of revenue even as Virginia's growth and need for highways continue.

Among the fruits of your last session are studies and recommendations with respect to various aspects of State government. Among these, I call your attention to the land use report and proposed policy in this regard produced after three years of study by an able commission chaired by Dr. Ronald Carrier. This general subject commands our attention almost daily.

We are in need of a policy which carries your endorsement.

Two studies address the long-standing question of whether the State should act as its own insurer. The first recommends this approach with respect to State-owned automobiles only. It suggests savings from costs based on the State's own experience rating, rather than those based on the experience of the public generally.

A study still in progress speaks to the larger question of the State insuring other properties.

Other studies give us further perspective on personnel management and reorganization of State government.

I am pleased to call to your attention a report submitted last month on volunteerism in Virginia's State government. Volunteers are making an enormous contribution in State government, but there are challenging possibilities as yet unexplored. The recommendations set out in the report merit your attention.

Out of concern for your endurance, I have shared with you only a few of the lessons that have been the price of my experience these past four years. But I would remind you of two others made clear to all of us on November eighth last.

The first we could see in the returns from precinct after precinct, that Virginia's future well-being took precedence over partisan politics in the voting booth.

Many times you and I have put partisanship behind us in Virginia's interest. Now the people themselves have commended that course to us in a voice we cannot ignore.

The second lesson is even more important. Beyond their conception of the candidates, beyond the issues that were debated or ignored, the people of Virginia expressed their inner feelings that the guiding principles of Virginia's government should not materially change, even as the momentum of her progress continues.

May I recall for you the wise words of a noted head master of a New England school more than half a century ago.

"Remember! Things in life will not always run smoothly. Sometimes we will be rising toward the heights - then all will seem to reverse itself and start downward. The great fact to remember is that the trend of civilization itself is forever upward; that a line drawn through the middle of the peaks and valleys of the centuries always has an upward trend."

So, we dare not now forget Virginia's glorious past, her strength born of adversity, her unyielding commitment to integrity and fiscal sanity, or her sense of fairness and justice to all of her people.

Her matchless beauty, her sterling character, her stately presence, her beguiling charm, her deep sense of history and the shape of things to come will soon be in your charge and that of my successor, and I have unbounded confidence in you and in him. From whatever perspective the future holds for me, I will be watching.

I would suggest that a man cannot easily cast off the habits of thirty years, or suddenly quench the glow of a life-long love affair with Virginia.

And now with some measure of relief, and in all honesty, with a tinge of regret, I take my official leave of you, believing my duty done, my charge fulfilled.

