

ADDRESS
of
JOHN N. DALTON
GOVERNOR
TO THE
GENERAL ASSEMBLY
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Address to the General Assembly

Mr. Speaker, Mr. President, my former colleagues and fellow Virginians.

Our Constitution provides that the governor shall communicate to the General Assembly at every regular session, the condition of the Commonwealth.

In general, Virginia's economy remains strong and versatile, but there are developments that warrant your attention.

Most of them reflect the continuing tendency for Virginia's economic and social profile to resemble that of the nation, and Virginia herself to reflect some of the nation's problems.

At the national level, the goods-producing segment of the economy---mining, manufacturing and construction---has not been expanding at anywhere near the rate of the recent past.

Virginia's rate of economic growth has also slowed, with fewer new jobs from plant expansions, but our industrial development efforts have brought in new plants with a substantial increase in new jobs over a year ago.

The United States Census Bureau estimated Virginia's population as of July 1 last year at 5,148,000, up 53,000 from a year earlier. Since 1970, our population has increased by 10.7 percent, compared to the national average of 7.3 percent.

While our unemployment rates continue to be among the lowest in the nation, the character of our labor force is changing.

The migration of surplus farm labor from rural counties to urban centers has virtually ended. Women now make up 41 percent of the employed, and 70 percent of all jobs are now in the service segment of the economy, including government.

A stabilized work force and continued inflation have also had their effect on the harmonious labor-management relations we have long enjoyed.

Since so much of Virginia's economic resurgence in recent years has come from industrial development, we would all do well to keep in mind the need to maintain our favorable business climate.

Last year, some 19 percent of all new manufacturing jobs were with foreign-based firms, which justifies beyond question our efforts to attract foreign investment in Virginia manufacturing and assembly plants.

Altogether, some 31,000 Virginians are directly employed in manufacturing, mining and agriculture for import/export trade, all of them dependent on our port facilities at Hampton Roads and elsewhere.

Across Virginia, 28 percent of all personal income comes from federal installations and federal payrolls and transfer payments. While most of us would welcome the balancing of the federal budget, attempts in that direction may well test our adherence to principle here in the state.

Our travel industry has passed the \$2 billion a year mark, and nine out of every ten visitors still come by automobile.

After a slow start, agriculture enjoyed an excellent growing season, and improved prices should push the 1978 total farm sales figure over the one billion dollar mark.

Incidentally, the average market value of farm land last year stood at \$732 an acre, up from \$286 dollars in 1970.

Somewhat less reassuring is the fact that the number of state and local government employees in Virginia per 10,000 population is now about five percent above the national average.

In summary, 1978 was a good year for our economy, but it was also a year in which our economy reacted more like the nation's, and our state reflected some of the nation's problems.

THE BUDGET

Our fiscal picture is both a reflection of the strength in our economy and the problems it faces. I have sought the assistance of those who understand the complexities of these matters in reviewing our present situation. Let me brief you on the condition of our fiscal resources for the current biennium.

Each of you has been provided a copy of my revised 1978-80 revenue projections. These were initially prepared by our own professional economists, largely utilizing data from nationally recognized firms engaged in economic projections. A team of economists from our various state institutions and from private enterprise, in turn, reviewed them. The final revision was the result of extensive discussions I had with Virginia leaders from the private sector. It shows an increase of \$22.3 million over the biennial estimates stated in the 1978 Appropriation Act. It should be noted that this is less than one-half of 1 percent of our two year revenue projections.

Before addressing my spending proposals, I should point out that I have recommended that you place this projected revenue increase for the current biennium in a conditional appropriation to be used either to meet the needs of the Virginia Supplemental Retirement System or to offset any unexpected shortfall in revenues in 1979-80. This would set these excess funds aside and would allow us to absorb a portion of the yet undetermined increases which will be required in the 1980-82 budget by the Retirement System, provided the revenue is collected as projected.

As you address the amendments to the budget which I shall offer, I would hope you recognize that the short session was never intended to be a budget session. I have taken this into account by offering only a limited number of amendments. They either provide needed additional support for the ongoing program decisions you approved in 1978, have a cost beneficial result, or provide additional support for our localities.

You will find in H.B. 1250 and its supplement the details of my recommendations. It is not my intention to go into the specifics of all the recommendations here, but to highlight the more important ones for you.

In making my recommended spending proposals I have limited myself to the unobligated General Fund balances as of June 30, 1978, plus \$9.6 million of Federal reimbursements attributable to the last fiscal year, but received in this one.

Our June 30, 1978 balance was \$39.7 million. This sum was reduced by \$2.1 million to supplement the operation of the free textbook purchase-rental program in our public schools, as provided in the current Appropriation Act. The remaining balance of \$37.6 million, when combined with the \$9.6 million delayed Federal reimbursements makes \$47.2 million available for appropriation at this time.

From this total I am recommending that you apportion \$24.2 million in unappropriated balances between \$12.2 million for capital outlays and \$12 million for a number of pressing housekeeping needs in the operating budgets of our agencies.

There are two items reflecting our continuing need to move into state-owned office space and consolidate agencies for greater efficiency.

The Tower Office building taking shape just east of the Capitol Square has been designed with open floors to be divided with movable modular furniture in order to make it more flexible and adaptable to the needs of various agencies.

This will require an additional \$1 million for the modular furniture.

To complete the renovation of the Federal Reserve Building on Ninth Street opposite the Square will require at least another \$2 million above what you appropriated.

For our colleges, I have included a number of priority capital outlay items.

Among them are planning funds for a number of renovations at both Norfolk State and Virginia State, consistent with the spirit of our agreement with federal authorities and the clear indications of the courts. These are long overdue, and they should be addressed on their merits.

Planning funds for the Pharmacy School at the Medical College of Virginia are essential to retain accreditation. I request your approval of the \$500,000 needed.

There are a number of capital outlay appropriations which cannot be completed without a supplement to existing appropriations because of the increasing costs of inflation. Among those are \$800,000 for the Academic Building for Music and Arts at Virginia Commonwealth University, \$400,000 for the library addition at James Madison University, \$407,500 for the headquarters building of the Commission for the Visually Handicapped, \$500,000 for the multi-purpose auditorium at VMI and \$400,000 for the State Police headquarters building in Wytheville.

Of the five medium security units planned, we have completed the purchase of the land and begun construction in Brunswick County. Negotiations for sites in Nottoway, Buckingham and Augusta are now underway. It will take another \$1.6 million to complete site acquisitions in Buckingham and Augusta Counties, which is included in a total of \$4 million for capital projects in corrections.

The Virginia Port Authority also faces needed maintenance and repair and upgrading of container facilities at several locations to meet the growing competition from other East Coast ports, as an attraction for foreign investment in Virginia.

Holding to \$12 million for our agencies' operating needs will require additional flexibility in transferring savings from one function to another and separate authority to transfer positions and funds. This is not only true within an agency or function, but between agencies or even secretarial areas.

Language to accomplish this has been suggested as amendments to the Budget Bill.

A significant portion of this \$12 million request, or approximately \$3 million, results from a new system of billing agencies for state computer services, which more accurately reflects actual use of computers by the agencies. It is not an increase in total computer costs, but a shift in funding among General Fund and non-General Fund agencies.

The compelling need to eliminate the backlog in our Consolidated Lab has been addressed and we request your approval for \$494,000 to continue the improvement program.

The increased fees from our courts system requires an appropriation of \$940,000 which goes back as commissions to the clerks of court.

The request for \$512,000 to increase our affirmative action programs for higher education is essential to the implementation of our HEW agreement. A companion request for an eminent scholars program at Norfolk State and Virginia State amounts to \$60,000.

The increase in postal rates has created shortages for agencies with major mailing lists, and changes by the Congress in the Social Security Act have adversely affected several budgets.

Within the funds appropriated for compensation supplements (Item 33) provision has been made to improve the competitive position of our college and university faculty salary averages to a maximum of 7 percent instead of 4.8 percent in 1979-80.

Finally, the last budget item I offer for your consideration concerns our localities.

At this session, you will have before you various ways of sending more money back to those localities for specific purposes. I suggest for your consideration a two-step approach for sharing state revenues with them.

The first step would be to implement legislation passed in 1974, which provided that ABC profits and wine taxes be remitted to localities quarterly instead of in the year after they are accrued.

You originally deferred this action in the face of an impending budget deficit, and you have continued to postpone the effective date. I recommend that payments begin in October of this year. This would provide localities with a one-time windfall of three-fourths of a year's profits, amounting to approximately \$16.2 million.

At your next session, I anticipate there will be greater revenue available because of savings from limited budget requests for 1980-82 from our state agencies, and accumulated savings from various executive actions.

Between now and then, I also hope that various proposals currently under consideration can be perfected to bring about a more equitable distribution of State funds to localities for mandated programs.

CORRECTIONS

In the budget summary I just offered you, I mentioned funds for construction of correctional facilities. I wanted to be sure you were aware of the dimensions of this problem.

In July of 1975, there were 6,170 convicted lawbreakers under state sentence, either in the state corrections system or backed up in local jails.

By January 1 of this year, there were 9,400, an increase of more than one-half in just three and a half years.

Department of Corrections projections, which so far have been accurate to within three tenths of one percent, show that by July of 1982, the total will be 11,150, and by July of 1985, it will be 12,865.

If you multiply those additional figures by \$40,000 to almost \$60,000 per bed, which is what our current construction is costing, you have some idea of what we face down the road.

Our local jails are already taking care of about 12 percent of our state load, and they are not only faced with crowding, but with major expense to comply with court-ordered desegregation in some cases.

Much as we would all like to hold down the cost of government, we simply cannot ignore this obvious and critical need.

KEPONE

With the Kepone contamination of the James River, Virginia provided a classic example of the danger from insufficient safeguards around the chemicals on which a modern industrialized nation depends.

Unfortunately, I cannot offer you any new hope that a means will be found to rid the river of this chemical in the foreseeable future. But I can tell you that positive steps are being taken.

The chemical itself, as well as some contaminated materials, stored in drums near the Hopewell site, has been removed permanently from Virginia.

We are currently pushing further research with various agencies on the actual effects of Kepone on humans.

Our hope is that further research will show that the impact is not as severe as had been thought, and that restrictions on Virginia's seafood industry can be safely eased.

H.E.W.

The nation's continued concern with civil rights has brought us into confrontation with federal authorities with respect to equal opportunities in higher education. We have narrowed the issue.

However, a number of commitments on our part await action by this body, including other race scholarships, financing of the Eminent Scholars Program at predominantly black colleges, increased funding of summer term programs for outstanding minority students, and the replacement or upgrading of inadequate facilities in certain instances.

The amendments to the budget bill to which I referred earlier will give you the figures for the coming year.

These commitments pledged Virginia's good faith to settle a question that has threatened the financial security of all our institutions of higher learning for more than ten years.

WATER

Another national problem has come to Virginia as a result of her becoming an urban state.

Today, nearly 60 percent of our people live in the urban corridor that stretches from the suburbs of the nation's capital south to Richmond and east to the cities of Hampton Roads.

One result of that migration is that while major rivers flow across Virginia to the Chesapeake Bay, and sister rivers flow north up the Shenandoah Valley to feed the Potomac, our homes and businesses at either end of the urban corridor are faced with potential shortages of drinkable water.

In water matters, Virginia has held to the English Common Law, with its rigid doctrine of riparian rights.

Although there are already several instances of interbasin transfer, there is no fixed or predictable policy with respect to this alternative.

At your last session, you continued a water study commission. I ask your assistance in seeking a report at an early date, so that at your next session, you will be prepared to solve the pressing problems presented by our present water statutes.

HELP FOR LOCALITIES

At session after session you have wrestled with another vexing problem of an urban Virginia, annexation.

While you have not agreed on a solution, you have focused the problem on its essence, which is money.

But annexation is really another aspect of how the state should finance the mandates it imposes on its counties and cities in the name of the general public welfare.

Differences of opinion on this question have resulted in an annual parade of local officials to Richmond in search of more state money to supplement the property tax, which has become the focal point of our people's resentment against heavier tax burdens of any kind.

I have tried to strike at the roots of state spending by holding down the number of employees and by letting our state agencies know that I expect a spartan approach to their budgets.

Several of you have indicated your intention to clamp lids of various shapes and sizes on top of state spending.

I would respectfully suggest that we both keep in mind that short of a general tax increase, for which I sense no great enthusiasm in this body or among the people throughout the Commonwealth, the best way we can relieve the pressure on our localities is by sharing more state revenues with them.

Limiting state spending from the top will impact directly on our ability to help our localities.

The thrust of this administration has been to contain and control the size and cost of State government. You will have before you a number of proposals to restrict State spending by Constitution or by statute.

You must be aware by now that I don't oppose the ultimate goal, but I question the means. I personally believe that effective control can be achieved within Virginia's existing legislative framework.

It is apparent from Virginia's track record that we have not abused the taxing and spending authority entrusted to her elected leaders. However, if in your wisdom such a proposal is approved, I emphasize there should be no guarantees to special interests or other segments of government.

You may also be tempted to assist localities by allowing them to apply local option gasoline or sales taxes. I would oppose such a move. Once that door is opened, other localities would undoubtedly demand the same treatment, which in the end would amount to a general tax increase.

I would recommend that at this session you approach one of your more costly mandates by freezing the pupil-teacher ratio in your standards of quality for public schools at the 1978-79 school year level.

To continue reducing the ratio will multiply an already heavy financial burden on local governments, aggregating an additional \$20.9 million per year by the time final ratios are met in 1982.

The Local Government Advisory Council has already asked unanimously that this be done, and the Local Fiscal Impact Study Commission has also been looking at this problem.

Over these past twelve months, I have been reminded again of how much time so many of you are required to spend in Richmond by the meetings of the various study commissions you have collectively created.

During my own legislative days, it seemed to me the number of these was already threatening the concept of the citizen-legislator, who spent most of his official time among his constituents. Since then, even more study groups have been forthcoming.

I hope you will keep in mind the cost as well as the time consumed with the ever-increasing number of subjects being studied through the resolution process.

I have already directed an executive review of the 200 or so boards and commissions to which the governor makes appointments. I hope to have some recommendations for you at your next session.

CLEAN AIR

I have tried to refrain from offering you a laundry list of needed legislation, but there are some urgent matters calling for your attention.

I have already alerted your appropriate committee chairmen of the 1977 amendments to the Federal Clean Air Act, which could virtually eliminate industrial development and limit the use of motor vehicles for most of Virginia's urban corridor and beyond.

In essence, the regulations forbid any addition of hydrocarbons and some other chemicals to the air in areas not in compliance with Federal clean air standards, and reduction of these pollutants to Federal levels by 1982.

I have already notified the Environmental Protection Agency that there is no way these areas can be brought into compliance with general air quality standards by 1982, and have asked for an extension until 1987.

Federal law and regulations further mandate State legislation requiring annual inspection in certain areas of all motor vehicles for exhaust emissions, and correction of any excesses over allowed limits, by June of 1979. The areas affected include northern Virginia, most of the Richmond metropolitan area, and the cities of Tidewater. New census figures may also bring in the Roanoke area.

I believe that if you will pass a resolution which will be before you indicating we are continuing to study alternative methods for conducting these inspections and will be acting upon enabling legislation and funding for the program in our next session, this will show Virginia's firm commitment to the program.

HIGHWAYS AND TRANSPORTATION

I would ask your concurrence in a new approach to the bottleneck in Virginia's and the nation's solution to energy problems, presented by the roads and bridges from the coal mines up the hollows in Southwest Virginia to the railroads down in the valleys.

Highway funds for maintenance of coal roads already far exceed any other segment of Virginia, and many of the bridges on those roads are overloaded when one of the coal hauling trucks crosses empty.

We are recommending that \$3.5 million be used in each of the next two years for bridges on the coal haul road system to rehabilitate those bridges to meet adequate load standards. As a companion measure, we are suggesting limiting the size of coal truck bodies to be in a position to better enforce legal weight limits. This should materially help reduce deterioration on the roads in this area which will have long term benefits on the maintenance funds throughout the Commonwealth.

In other transportation matters, I would recommend your approval of 9-C revenue bonds to finance the proposed Dulles Airport Access Road, parallel to the federally-restricted highway.

I also recommend repeal of Virginia's 1914 statute requiring a caboose on all freight trains. No adjoining state still has this requirement.

I would remind you of the bill carried over from your last session converting the Division of Aeronautics in the State Corporation Commission into a Department of Aviation reporting to the Secretary of Transportation.

This is needed to provide uniform, overall transportation planning within the executive branch.

I would suggest you consider that since 1972, the state has advanced or committed more than \$200 million to Metro Rail, in state funds or federal funds which state action has made available.

I feel we should assist in this area in the future as we have in the past. The political subdivisions affected also have the option of applying to Metro Rail any additional revenues such as ABC profits, which we pass along to localities from the state.

ENERGY

The OPEC countries have again reminded us of the critical importance of energy to our economy and to every household. Initially, this may well affect the rates at which our contracts with electric utilities will be renewed.

Our State Energy Office staff has undertaken a program to assist homeowners in conserving energy, our state building code has again been revised to emphasize energy savings, and our state buildings have been surveyed for possible new conservation measures.

I would hope you would concur in our request to survey all public buildings for the same purpose. As an incentive, new federal legislation makes available reimbursements for several conservation measures.

Energy is such an important part of all our lives that I have asked a Cabinet task force to draft a set of goals and objectives and to recommend the most efficient structure and capability of the state's energy staff.

STATE GOVERNMENT

In the interest of more effective administration and visibility, I further recommend that you statutorily recognize the executive orders creating the Equal Employment Opportunity Committee and a separate Division of Volunteerism.

This will not mean additional personnel or greatly expanded budgets. It will emphasize our determination to pursue the aims of these agencies.

In two other administrative matters, I have taken certain administrative steps to correct some of the current concerns within the Division of Purchases and Supply.

I have also met with the board and staff of the Virginia Supplemental Retirement System, and taken action to correct some of the problems that have come to light.

In that connection, I recommend that you amend the statute covering the System to require annual audits, and to expand the board from seven to nine members, stipulating that they include individuals with a firm financial and management background.

Finally in this general area, I would recommend that you extend to all boards and commissions appointed by the governor the limitation of two full terms, or eight years, whichever is longer.

I have also met with the staff of the Virginia Employment Commission, which has recommended two additional steps to return the trust fund to its former state of legal solvency by 1982. This will require legislation which I recommend to you.

The Boards of Visitors of the College of William and Mary and the Virginia Institute of Marine Science have agreed to merge VIMS into the college, as recommended by the State Council of Higher Education, in the interests of efficiency and accountability.

I suggest you affirm this by legislation.

GENERAL LAWS

I am certain you will be addressing yourselves to the results of your 1977 legislation legalizing bingo games. I will not try to spell out details for you, but I know you share my concern that the proceeds go to the charitable purposes you intended, and not into the pockets of the promoters.

Perhaps even more controversial is the policy question presented by some of our churches defying state laws governing child care centers. The statutes indicate that your first concern and mine should be the welfare of our children.

At your last session, you carried over legislation on this subject, which I presume you will act on at this session. If not, I feel that I must initiate litigation when you leave.

The United States Supreme Court has ruled that five jurors in a misdemeanor trial are too few. I recommend that you pass legislation to statutorily correct this matter.

ADMINISTRATION OBJECTIVES

It seems to me a recital of where we have been over the past year should include some idea of where we may now be headed.

A top priority of this administration is to try to control the growth of state government expenditures, and particularly, the level of state government employment.

In other words, I hope to give our people better government, not more government.

I have already told all our state agencies that my policies will include the following:

That there will be no general tax increase.

That increasing of job opportunities should be in the private sector.

That the state will provide only those services necessary for the public's well-being which cannot be provided by the private sector.

That increased work loads are to be offset by increased productivity, and currently authorized positions used to staff new programs wherever possible.

I have already directed state-wide program review to eliminate ineffective, obsolete and low-demand program services, and the reduction in personnel in agencies where work loads are stable or decreasing.

I also think the time has come for some concrete steps to better finance the priorities and the performance mandates dictated by the state for her localities.

At the executive level, I have directed a review of existing cooperative services and their financing, including those that result from Federal requirements.

I have cautioned our state agencies to establish only rules and regulations that are absolutely essential for the sound administration of state programs, and to see that funds due localities are disbursed promptly.

I think we all recognize that there are major areas still which the state must address, the housing of a flood of new lawbreakers, the education of the handicapped, water for Tidewater and Northern Virginia, the retirement system for state employees, to name a few.

But state government is already so big and growing so fast that we need to know why, and to find ways to slow it down.

This will be a major objective for this administration, in which I trust you will cooperate.

At this point, I am even more aware than you are that this has been a long recital. Had I covered all the needs of the Commonwealth which you might address, it would have been even longer.

