

ADDRESS OF

**GERALD L. BALILES
GOVERNOR**

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THE HONORABLE GERALD L. BALILES
GOVERNOR OF THE COMMONWEALTH OF VIRGINIA

The 1988 State of the Commonwealth Address

The Virginia State Capitol

Introduction

Mr. Speaker, Mr. President, members of the Virginia General Assembly, distinguished guests, ladies and gentlemen.

To honored friends, now returned to office, welcome back.

To new colleagues, just elected, you join the oldest deliberative body in the Western Hemisphere. Congratulations.

I have appeared before joint sessions of this Assembly on three prior occasions, including the 1986 Special Session. Each time, I have emphasized the need for state government to meet the aspirations of Virginia's people by preparing for the future.

In so doing, I have said that we could establish ourselves as a generation of action ... a generation, Democrats, Republicans and Independents alike, challenged to put aside partisanship for the sake of consensus and effective results.

You have done so.

And, it has made a profound difference.

As we begin 1988, we can proudly say that the state of the Commonwealth has never been better.

Within our social and economic system, jobs are fundamental: Jobs bring income and dignity to individuals, homes and stability for families, growth and harmony to communities, and progress for Virginia.

Virginia's economy creates jobs.

Only last week, it was reported that Virginia's unemployment rate has reached its lowest level in almost 14 years -- 3.6 percent. It was 5.2 percent two years ago.

Non-farm employment in Virginia has never been higher. Payrolls carry the names of nearly 2.7 million Virginians -- that means 61,000 more individuals with jobs in the last year alone.

Remarkably, in 1987 Virginia's businesses made capital investments of more than \$627 million, a \$362 million increase over 1986.

As important, our jobs are now paying more: We began this decade with a per capita income below the national average, ranked 26th.

Today, we rank 11th and we're racing well ahead of the national pace.

Question: Why are we doing so well?

In part, because we are growing.

Seventy years ago, Virginia was home to two million people.

Thirty years ago, Virginians numbered less than four million.

Today, we are nearly six million strong -- and we are growing faster than ever -- both in people and the complexity of our enterprise.

If Virginia were a nation, there would be only 17 other countries in the world with larger gross national products. Austria, Norway, Turkey, Korea, Venezuela -- Virginia produces more than each.

Now, the next and more critical question: If prosperity accompanies growth, what generates growth?

Well, it's been said that America was accidentally discovered by a sailor who was looking for something else, who never understood what it was he found, and who was followed for a half century by others looking for a way around it.

So, chance plays its role.

Indeed, chance gave Virginia the finest natural harbor in America, rivers to expand upon, fertile fields to cultivate, and a location that now lies within a day's reach of 60 percent of the nation's population.

But, as they say, one who waits upon chance for success may wait forever -- and that we clearly cannot afford to do.

When I took office in 1986, I stood with many of you along the north wall of this historic Capitol -- and, in my Inaugural Address, I set forth my objectives.

I said that we should shape history, and prepare Virginia to deal with an era when a century will end and a new international economy will be joined.

Guided by abiding values and a commitment to fiscal responsibility, the Commonwealth should lead through excellence if the potential of our citizens and our physical resources is to be fully realized.

It has been an eventful two years.

In January, 1986 we agreed that education would be a cornerstone of this Administration: We fully funded the Standards of Quality, requiring over one-half billion dollars in additional funds to local school divisions.

We created the Commission on Excellence in Education to provide a blueprint for moving public education in Virginia to the top rank nationally.

We agreed, early on, that transportation efficiency was critical to the promotion of economic growth.

The 1986 Special Session secured a program to provide nearly \$12 billion over the next twelve and one-half years for critically needed construction projects for highways, ports, airports, and for mass transit.

As a result, by this fall we will have more than doubled the number of road projects under construction compared to 1985. We'll be laying pavement on 747 projects worth more than one billion dollars.

And, we'll do even better than that over the next two years.

Indeed, in confronting the transportation challenge, Virginia has taken a national lead. Since the 1986 Special Session, 28 states have considered bills to raise fuel taxes, and as of July, 26 states were considering comprehensive transportation improvement programs like Virginia's.

In 1986, we began a series of comprehensive economic development initiatives, began to focus more clearly on natural resource management, and confirmed our commitment to deal with our ever-increasing prison inmate population.

Then, in 1987, we committed our resources -- during the "Year of Trade" -- to take better advantage of Virginia's exceptional physical assets and the infrastructure improvements we had initiated.

In 1987, we also made significant progress to protect the Chesapeake Bay; to fund additional prison beds; and, to help provide housing for the homeless, the disabled, and the elderly.

At the same time, we did not neglect our responsibilities to the taxpayers of Virginia.

We created the Commission on Efficiency in Government and charged it with finding ways to make state government more responsive to our citizens and more efficient in spending public funds.

We also became the first state in 1987 to issue a comprehensive response to federal tax reform. More than \$640 million will be returned to Virginia taxpayers over the next three years.

As I have said before, we can hold the cost of government down without holding Virginians down ... but never forgetting a fundamental truth: that the productive genius of our system inaugurates in the minds of individual Virginians.

So long as government serves as an ally, and not a burden, we will unleash the full capacity, the rich potential, and the boundless promise, of the people and the land of Virginia.

Investments for a New Century

Some called 1986 Virginia's "Year of Transportation."

I called 1987 Virginia's "Year of Trade."

Those efforts enable this effort. The proposals for the next two years, which I will submit for your consideration, extend from and build upon our actions of the last two years.

Taken as a whole, it is my goal to meet change with innovation, but preserve fiscal integrity with a well-tried and proven technique: investment.

Ladies and gentlemen, the \$22.5 billion budget that I propose to you for the 1988-90 biennium is balanced.

It requires no new taxes.

But, it most assuredly does invest in our people.

The budget sets forth important new initiatives in education, economic development, human resources and natural resources.

This budget also sets priorities and makes choices -- difficult choices.

I'll repeat what I've said before: We cannot do it all.

We cannot fulfill every worthy need, we cannot replace every dismantled federal program, we cannot embrace every good idea.

The government that seeks to do so raises many expectations, but fulfills few.

Indeed, in the course of preparing the 1988-90 biennial budget, I rejected more than two billion dollars in agency requests.

And, yet, I have endeavored to recognize the opportunities we possess in Virginia for making investments that will make a difference.

Let me make two closely related points, so you may better understand my perspective as I prepared the budget.

Point number one. Call it the structural imperative.

Our intellectual infrastructure depends upon education.

Our physical infrastructure hangs on transportation and trade.

Allow either to weaken -- by failing to invest in our human or physical potential -- then the integrity of the entire structure, our Commonwealth, will be compromised.

Unfortunately, Virginia is not a stationary target -- far from it.

Therefore, point two. Call it the demographic imperative.

Our growing society is also a changing society.

Accordingly, we must calculate and anticipate, measure and analyze, the current and likely impact of change upon our Commonwealth.

I admit to you that it can be a sobering exercise.

For instance, you will find that an aging population -- which both America and this Commonwealth face -- carries with it immense implications for the care of the elderly.

One of the proposed budget's largest new items -- nearly \$146 million -- goes to fund the increased cost of medical care for the elderly and the indigent -- and that's just to hold our ground against present demands.

So, an aging population, an urbanizing landscape, a changing workforce, an international economy, and a mobile society -- these are the realities of change.

Together, they shape the reality facing Virginia.

John Kennedy once said, "There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction."

I, therefore, propose to you a program of action -- a program based upon the hard, undeniable realities of Virginia's people and their economy.

Economic Development and International Trade

On the day I took office, I said that the New Dominion will lead in economic development, for it is the greatest and most powerful social program we can ever have.

I said it then -- and I believe it now.

This past year -- the "Year of Trade" -- was important not only for taking advantage of Virginia's transportation improvements, but also for promoting a new perspective on Virginia's products, ports, and attractiveness for investment.

Almost 35,000 manufacturing jobs in Virginia depend on exports.

I think we can do better.

Already, more than 350 foreign firms -- representing \$1.2 billion in capital investments and 27,000 jobs -- are doing business in the Commonwealth.

I think we can attract more.

Three trade missions were undertaken last year to carry Virginia's message to firms with investments to make and products to buy -- an investment that has already shown a return.

Still, Virginia must possess a clearly-directed trade strategy -- a strategy that targets our resources and gets results.

We will have one.

The report of the Virginia International Trade Commission, established early last year, will be delivered to you before the end of the month.

Some of the recommendations have been anticipated and acted upon within the budget proposal.

In several instances, we built upon our successes.

The special language academies we established to teach our children French, German, Spanish, Chinese, Japanese and Korean will, with your approval, grow in number by two, to teach the languages of Russian and classical Latin studies.

The alliance we established last year with the National Geographic Society to teach our children -- and our teachers -- about the world around us, will, with your endorsement, receive additional support.

And, we will complete the worthy efforts of the Virginia-Israel Commission, an undertaking which has already paid many dividends.

I also propose that Virginia's economic development effort be expanded:

- by providing \$5 million to establish the Virginia Economic Development Loan Fund;

- by investing in Virginia's Inland Port at Front Royal, to beat the competition and draw more shippers to the Ports of Virginia;

- by establishing a loan fund for a network of small business assistance centers around the state;

- by setting up a port authority office in Seoul, South Korea and supporting the U.S./Southeast Korea Trade Conference, now scheduled for Williamsburg in November;

- by adding \$3 million for tourism advertising; and

- by increasing support for Virginia's highly successful film office -- after all, any film office that can put me in the movies has to be worth supporting.

Rural Development and Agriculture

The old adage that the whole can be no stronger than the sum of its parts has particular application in Virginia. There are areas of the Commonwealth where employment and growth have stood still for too long.

But, I take the view that if there are serious challenges facing the Commonwealth's rural and agricultural sector --and there are -- there is also extraordinary potential.

It's up to us -- and I see it as an obligation -- to develop that potential.

Therefore, throughout the budget you will find proposals which, when taken together, represent a series of actions specifically designed to strengthen rural economies.

First and foremost, rural areas will significantly benefit from the additional per pupil support they receive under a plan to end disparities in public education funding.

For example, state funds for public education in Southwest Virginia will increase by \$49 million, an amount of about \$400 per pupil -- but more on that in a moment.

I also propose that we establish, with the help of the Virginia Supplemental Retirement System, a loan fund of up to \$60 million to help localities build industrial and commercial shell buildings. These buildings attract new business and industry.

While the localities will guarantee the construction loans, the Commonwealth will subsidize the interest payments to allow poorer communities to qualify.

Your joint study committee on Economic Development strongly recommends approval of this important program -- and so do I.

In addition, you will find recommendations in the budget proposals:

- to establish a \$10 million special grant program for economic development in Southwest Virginia;

- to institute a unique \$10 million "Communities for Opportunity" program to construct industrial parks in distressed rural areas; and,

- to undertake a series of actions to protect and enhance Virginia's \$3.2 billion forest industry.

On agriculture: Virginia has the good fortune to possess a diversity of crop, livestock and poultry producers. Together, they constitute a \$19 billion industry.

This administration's policy is straight-forward: to support the efforts of Virginia's farmers to make a profit. Accordingly, Virginia will spend \$13 million in 1988 alone to promote agricultural products and develop markets.

Clearly, however, change -- in consumer habits and the internationalization of the economy -- has overtaken the agricultural industry and we are compelled to do things differently, as stated so ably by our Agricultural Futures Study.

Confronted with that reality, I offer a series of proposals.

I propose increased support for marketing. We must learn how to sell.

I propose expansion of our strategic planning and research efforts at Virginia Tech. We must never stop looking for new ideas.

I propose that we develop plans for a farmer's market network. We need to make it easier to sell our crops.

And, I propose we fund the aquaculture research and marketing program developed by Virginia State University. The potential return on investment is impressive.

Economic development -- whether it's promoting new exports, stimulating new industry or encouraging new products -- will be determined by our willingness to innovate and invest.

But, to an unprecedented extent, economic development will depend upon our commitment to something else.

And that something else is education.

Education

The Conference Board, a national center for business research, recently surveyed 130 of America's top corporations. Yesterday it reported that more than two-thirds of the companies rank elementary and secondary education as their major concern -- up from 42 percent only two years ago.

This reflects an anxiety -- an anxiety based upon the conviction that the quality of education has severe economic implications.

Many industries are already experiencing shortages of adequately trained workers; others face the prospect in the near future.

The Conference Board says, "the availability of young people to fill entry level jobs is limited by a high drop-out rate and by too many schools graduating poorly prepared students."

Furthermore, the survey showed that many companies feel such problems as poverty, hopelessness, illiteracy, and crime might be mitigated if the schools adequately prepared young people for employment and self-sufficiency.

The strength of education and the strength of a society are indivisible.

Fortunately, Virginia has a proud heritage of higher education -- grown stronger in recent years by your support of competitive faculty salaries, a unique equipment funding source, and lower tuition costs for our community colleges.

Virginia's sustained commitment to higher education has cast a message to America -- and it's being heard in the board rooms of our largest corporations.

When Mobil Corporation, the second largest petroleum firm in the nation, last year announced the relocation of its headquarters to Virginia, it was reported that Mobil had taken measure of Virginia's colleges and universities -- and found them outstanding.

In one national publication after another, the verdict has been the same.

In short, Virginia higher education is on a roll -- and I think we ought to keep it moving.

My proposals include an additional \$218 million for the operation of our colleges and universities.

Moreover, I propose that we invest:

- to establish Commonwealth Centers for research and academic excellence; and,
- to expand access by funding a student work-study program.

I also propose that we increase the grants for attendance at Virginia's renowned private colleges.

And, to further the \$90 million Higher Education Equipment Trust Fund -- a program you created to keep us on the cutting edge -- I recommend an allocation of \$32 million.

I also propose that we boost our efforts on behalf of minority students by approximately two and a half million dollars. Nearly \$5 million, with your support, will support Virginia's Eminent Scholars Program.

With these investments, the message will resound again: that Virginia's colleges and universities will stand with the best in the nation.

Finally, on a related matter, I will send you a military tuition plan that recognizes the close relationship that Virginia shares with America's armed forces -- and the nearly \$14 billion that the military establishment pumps into Virginia's economy every year.

The plan will recommend that military dependents be granted in-state tuition rates for a two-year period. At the end of that period out-of-state tuition rates would be charged unless Virginia residency has been established.

To the military, to business, and to our citizens, Virginia's system of colleges and universities has become more than an asset. It is a magnet for economic development -- and we must keep it that way.

Elementary and Secondary Education

In 1986, I convened the Commission on Excellence in Education. Later that same year, the Commission concluded its work by identifying the obstacles between Virginia and a nationally-ranked system of educational excellence.

By actions already taken, and with your approval of the proposals I will submit, 31 of the Commission's 36 recommendations will be implemented.

Let me cite three of the most significant proposals:

Educational Disparities

The Commission on Excellence concluded that, "The gap is simply too great between our best schools and our worst."

I agree. Since implementing the Basic School Aid formula in 1974 to equalize funding per pupil, the disparities have grown worse, not better.

I submit that such disparities in funding and quality between local school divisions are inherently unfair and counter-productive.

There are many ways to address disparities. Technology is one -- and I will propose that we establish a state funding program, similar to the higher education equipment program, to install a satellite dish at every secondary school.

Electronic classrooms will enable rural, sometimes isolated schools to receive special and advanced courses, which they may not be able to afford themselves.

I also propose that we use the same funding approach to equip every middle school with microcomputers -- to ensure that every student begins learning the skills of the future.

Still, while technology can help, the crux of the issue, as you well know, is the allocation of money.

There has been a lot of discussion recently about the Basic School Aid formula; no one likes it, but there is no consensus on how to replace it.

Instead of changing it, I have what I believe is an equitable proposition.

I recommend that an additional \$554 million be appropriated for our public schools during the next biennium.

For the first time, biennial state funding for public schools will exceed \$4 billion -- investments to fully fund the Standards of Quality, to decrease disparities, to increase teacher salaries, to reduce class sizes for first graders, and to hold every locality harmless from funding losses during the biennium.

It is also my intention to broaden Virginia's responsibility for funding the Standards of Quality.

In this budget, I propose that the state share of the costs per pupil be increased by one percent each year, with the ultimate goal of increasing the state share of the Standards of Quality by an additional five percent.

Further, to better assist our less affluent school divisions we will, according to the relative wealth of the locality, increase state funding for the costs of special education, vocational education, remedial education and pupil transportation.

We should support fringe benefit costs the same way, but on a phased basis to avoid adversely affecting the level of state support for localities.

If we enact these recommendations, the effect will be dramatic.

The rural schools of Lee County in Southwest Virginia, to take one example, will see an increase in the annual per pupil amount of \$429 -- and the state share of that cost will increase from 79 percent to almost 84 percent.

School Construction Program

Localities used to wait as long as 18 months for school construction loans from the Literary Fund. Now, because you acted last year, the waiting period is one year.

More good news: Literary Fund revenues will exceed demand by more than \$30 million over the next two years.

As a result, the Board of Education now has the opportunity to increase loan limits for individual projects and raise the ceiling on total loans for localities.

I also urge you to consider assisting more school building projects -- and I will submit a plan, based upon interest rate subsidies, for doing so.

Literacy

The Commission on Excellence also said that "no system claiming excellence can have as a byproduct each year thousands of functionally illiterate dropouts."

Again, I agree.

And, so does someone else I know.

Indeed, under the leadership of the most relentless lobbyist I know, the First Lady of Virginia, Virginia's public/private literacy initiative has gained widespread attention throughout the Commonwealth.

Unique in approach, it is seen as a "testing ground" for coordinated efforts between government, business and industry -- in this case with a common mission to upgrade adult skills and strengthen the economic outlook for the Commonwealth.

The Virginia Literacy Foundation has raised one-third of its \$3 million goal from private sources.

Approximately \$4 million in federal support has been received.

I recommend that Virginia invest \$4.3 million as our contribution to this important and necessary effort.

I also recommend support for a program that will prepare students to pass their Literacy Passport test -- the new examination that determines whether they advance from middle school to high school.

And, I propose increased funding for regular school term classes and \$4.8 million in state funding for summer schools to assist students who need or want additional instructional time.

Teachers

The Commission on Excellence was unequivocal: "If Virginia is to have one of the nation's best school systems we must have teachers of the highest caliber."

Once again, I agree.

During the first two years of this administration, our goal was to reach the national median of teacher salaries.

And, we did so.

Now it is my hope that we can reach the national average in the new biennium, but certainly no later than the 1990-92 biennium.

Therefore, I am recommending appropriations for the state share of an annual eight percent salary increase for all instructional positions.

And to encourage localities to provide the local share of the necessary salary increases, I am recommending that the state share of the eight percent salary increase in the second year of the biennium be put into a Teacher Salary Incentive Fund.

Localities that provide the requested salary increases for the biennium would receive payments from the Fund.

I am further recommending that the state provide additional funds to localities for securing two long-sought goals: duty-free lunch periods for teachers and expanded health insurance coverage for teachers and other personnel required under the Standards of Quality.

The budgetary and legislative proposals I will submit to you will launch a number of other educational initiatives. But one, in particular, I would like to mention.

I believe it's time to do something about high school drop-outs -- and I have a plan for doing so.

In 1987, nearly one million young people in America, including about 17,000 Virginians, left the public schools without graduating. Most of them will be deficient in basic skills, marginally illiterate, and virtually unemployable.

That's a prescription for self-defeat: It is axiomatic that you cannot teach children if they are not in school.

I propose that we try harder to keep them in school.

I propose that we raise from 17 to 18 the age at which a student is allowed to drop-out of school. I will submit legislation requiring all students to obtain either a high school diploma or certification in a specific trade if they wish to leave school before the age of 18.

The intent is straight-forward: Drop-outs represent an egregious waste of human resources. We cannot afford it. So, we ought to try to stop it.

And, that brings me to the next subject at hand.

Human Resources

In the corners of our Commonwealth where poverty endures there are doctors, plumbers, lawyers, business leaders, engineers, mechanics, teachers and workers of all descriptions.

But, you have not met them -- because they only exist as potential. They are children and young adults caught in a world of illness and ill-fortune, a world not of their making.

These people -- our people -- are a living potential that our economy cannot afford to waste.

We cannot afford to delude ourselves with the myth that costs of poverty can be avoided, deferred, or ignored.

To be sure, economic growth has been our greatest ally in the fight against poverty. As Virginia's economy has been strengthened during this decade, there has been a substantial decrease in the number of Virginians on welfare.

And, yet, we are chastened by the fact that some 145,000 Virginians -- 2.5 percent of the population -- will receive some form of public assistance in 1988.

Of that amount, nearly 97,000 -- or two-thirds -- are children.

The underclass ... the poverty cycle ... the disadvantaged -- the phenomenon goes by many names.

But, it all amounts to the same thing: lost individual potential and a staggering drain upon Virginia.

I believe that no able citizen should be supported in idleness.

But, I also firmly believe that no willing worker should be left stranded.

Furthermore, with the federal government withdrawing from domestic programs, I believe Virginia has an historic opportunity.

We can affirmatively take action; but we can do it differently. We can do it better -- with greater accountability, effectiveness, and invention.

We can lead the way by example.

And, I propose that we do so with this understanding: that Virginia's families must be the first line of defense against dependency on government.

Since taking office, I have installed new leadership in seven out of Virginia's 15 human resources agencies.

And, I have issued a clear message for agencies to seize the initiative to strengthen families, to prevent costly long-term institutionalization, and encourage partnerships which result in jobs and financial self-sufficiency.

Therefore, I propose a series of key investments in human resources.

Child Care and Dependency Prevention

For the sake of our workforce and for the well-being of our children, it's time to break the cycle of welfare dependency.

Once again, the demographic imperative has worked its will.

Consider three striking patterns.

Pattern No. 1. As recently as 1970, a third of all American women worked away from home, but would stop during their childbearing years.

Now that has changed. Today, fully two-thirds of women under 65 are now in the work force. Of those with preschool children, half work; of those with school-age children, two-thirds work.

One Harvard scholar calls this dramatic shift the single most important trend that has ever taken place in the American labor market.

Many women work to build careers and fulfill ambitions.

But, many other women work to support their families.

Many do both.

Unfortunately, for those at the lower-income levels, the lack of safe, affordable day-care options creates an incentive to leave work and rely on public assistance.

Pattern No. 2. In 1987, 19,827 Virginia teenagers gave birth. Statistically, these mothers subsequently receive less education, have diminished job prospects, and are more likely than other groups to rely on public assistance.

Pattern No. 3. When children have children, the results can be tragic for both. Unless expectant mothers receive adequate prenatal care -- which poor mothers too often do not -- a low-birth-weight baby frequently results.

Low birth-weight babies are 40 times more likely to die during their first month of life. And, those babies which do not die often become dependent on hospital life-support systems and long-term institutionalization -- again, at staggering cost.

Three patterns -- all swirling within and driving the cycle of dependency.

Ensuring a minimum level of education, as I have proposed, will slow the cycle.

But, I also propose that we try to prevent Virginians from entering the cycle.

To help prevent teenage pregnancies, I propose that we provide additional public health clinicians and nurses for family planning clinics.

To help prevent infant mortality, I propose a \$16 million extension of Medicaid coverage to children up to age one and to pregnant women whose incomes are below the federal poverty level.

To help prevent economic dependency, I propose that we provide \$10 million in additional child day-care assistance to low-income families.

And, while I am on the subject of day-care, you should know that I am acting today to allocate an additional \$1 million for the day-care assistance program. This will allow localities to fund the program for the remainder of this fiscal year.

The budget initiatives are important. Together they are capable of strengthening both our society and our economy.

Within the budget, you will find additional proposals designed to give Virginians the dignity and self-sufficiency that only economic independence can provide.

Furthermore, I have also acted -- and will propose further actions -- to toughen the enforcement of child support payments.

There's about \$220 million owed to Virginia's children -- and we're going to work to collect it.

Of course, as we seek to strengthen our vulnerable young citizens, we must also address the compelling needs of the elderly.

Long-Term Care

There are few of us without some direct experience with the challenges of long-term care.

And, it's not surprising: The number of elderly Virginians has steadily grown. In fact, in the twenty years between 1980 and the year 2000, the number of Virginians over the age of 85 will grow by 71 percent.

As you know, state funding of long-term health care is largely provided by the Medicaid program, a program that last year alone cost Virginia \$701 million.

And, while the elderly represent only 19 percent of the Medicaid recipients, they account for 42 percent of the expenditures.

Long-term health and hospital costs will be even higher in the next biennium, demanding that we step up our efforts to find less-expensive and cost-sharing alternatives. I will propose legislation to begin to deal with these problems.

Mental Health

It's time to put the dollars where the people are.

Allow me to explain.

During the past two decades, virtually the entire American mental health care system was reformed through a process called deinstitutionalization.

The process was motivated by humanitarian considerations, to end the warehousing of patients.

And, it was driven by economic reasons, to slow the cost of mental health care.

However, as Virginia moved thousands of patients out of the institutions and into the communities, sufficient funds for their support did not follow.

As a result, while Virginia's institutional spending for the mentally ill ranks 10th in the nation, our community care spending ranks 39th. Virginia ranks 48th in support for the community care of the mentally retarded.

And, that, to say the least, is not good enough.

Community care serves the patient better and costs less for the state -- that is, so long as community care has sufficient support.

Therefore, I propose that we invest an additional \$65 million to allow new initiatives by our Community Service Boards. I also recommend that an additional \$15 million be provided to the Community Service Boards to support and strengthen local operations.

This additional \$80 million dollars will increase our community support to more than \$248 million -- a 60 percent increase over the current biennium.

I also propose more than \$8 million for the strengthening of institutional programs.

I recognize, of course, that these are significant new expenditures, but there are sound economic reasons for these investments.

There is also this: It happens to be the right thing to do.

Housing

The issue of housing has received considerable attention.

I think we should give it some more.

Housing is an issue of availability and affordability.

It is also an issue of adequacy: In far too many cases, homes lack adequate insulation, water and sewer lines, plumbing and heating.

To meet a portion of the need, last year the Virginia Housing Development Authority designated \$45 million from the Virginia Housing Fund to assist low income and disabled Virginians.

That has helped; but the need is great.

Therefore, I propose an additional \$45 million to address the housing needs for those in greatest distress: the homeless, the disabled, those who require emergency repairs.

Natural Resources

Ladies and gentlemen, in the search for consensus on public issues, few subjects command more support than resource preservation.

The general view has taken hold that you cannot have economic strength without resource protection.

I share that view.

So, doing nothing to protect our resources is not an option.

The question is rather what to do and how?

Already, this Assembly has taken some necessary and important steps.

In past two years alone, you have given natural resources a seat in the Governor's Cabinet, created the Department of Waste Management, banned the use of TBT, eliminated the use of phosphate detergents, established an underground storage tank clean-up fund, and improved sewage treatment facilities.

Now, I ask you to seize upon an opportunity -- an opportunity to secure lasting progress in the restoration of, perhaps, our most valuable natural resource: the Chesapeake Bay.

On December 15, I joined the Governors of Maryland and Pennsylvania, the Mayor of the District of Columbia and the Administrator of the U.S. Environmental Protection Agency to sign the 1987 Chesapeake Bay Agreement.

The original Bay Agreement, signed by Governor Robb in 1983, was an historic statement of purpose and resolve.

The new agreement builds upon our progress; it is a concrete declaration of objectives and specific deadlines.

The agreement is a recognition:

- that 12.7 million people live in the Bay's watershed;
- that thousands of farmers work adjacent to the Bay and thousands of fishermen work on the Bay;
- that industrial and port activity on the Bay has grown apace; and
- that between people, farming, fishing, industry and boats, the Bay must have help to survive.

The essence of the agreement is that we must do things differently, lest we lose the Chesapeake Bay as a living, economic resource.

Accordingly, I will submit to you legislation to establish the "Chesapeake Bay Preservation Act."

If enacted, the legislation will focus on water quality -- but with the understanding, as Delegate Tayloe Murphy puts it, that the "way you treat the land determines the way you treat the water."

A "Chesapeake Bay Local Assistance Board" will oversee a department of the same name to ensure:

- that localities have adequate financial and technical assistance;
 - that localities enact water quality protection measures;
- and,
- that localities protect certain lands to be called "Chesapeake Bay Preservation Areas."

For the restoration of the Bay, I will also submit to you legislation for the protection of certain non-tidal wetlands, to improve research and monitoring of toxic pollutants and to expand Best Management Practices for sediment control.

Altogether, I propose the expenditure of \$53.1 million to improve water quality, enhance outdoor recreation and protect fish and game resources in the Bay watershed that embrace such a large and important area of our Commonwealth.

In addition to Virginia's Bay initiatives, I will also submit proposals to broaden our general commitment to preserving Virginia's natural heritage:

- by strengthening the Department of Waste Management's ability to investigate solid and hazardous wastes;
- by improving the support of Virginia's popular state park system; and
- by supporting the preservation of Virginia's historic resources.

What we do for the preservation of our resources we do for ourselves, for our economy, and for our future.

Public Safety

Virginia's commitment to fighting crime continues unabated. Only ten states have a lower crime rate than Virginia, but only 15 states put more people in jail.

We have what is called a "propensity to incarcerate."

In fact, in only the last nine years:

- we have made the use of a firearm in the commission of a felony a separate offense;

- we have established the "three-time loser" law, which limits discretionary parole;

- we have restricted parole eligibility for repeat felons and repeat drug dealers; and,

- we have provided jail penalties for drunk drivers.

And, as a result, between 1980 and 1987, the proportion of young men aged 15 to 34 serving time grew 51 percent.

That means that almost one out of every 20 Virginia males in this age group is now either behind bars or under correctional supervision.

In addition, our "case clearance rate" exceeds the national average.

And, "do-it-yourself-parole" has been virtually eliminated -- the escape rate for fiscal year 1987 was the lowest on record.

I, too, believe we must be tough on crime -- indeed, the budget I have prepared contains additional funding to further strengthen law enforcement, including additional state troopers, better communications and computer equipment, and the new Automated Fingerprint Information System.

But we mustn't kid ourselves about the cost. Virginia spends well over \$1 billion for criminal justice each biennium -- and it's rising.

A good portion of this money goes to the Department of Corrections to deal with the expanding inmate population.

Of course, last year you authorized me to sell the Penitentiary. I did -- for five million dollars. The contract has been signed and the money will be in the bank next biennium.

And, with the completion of the two new prisons which you authorized, we will close the State Penitentiary by July, 1990 -- on schedule.

In this connection, I have closely reviewed and concur with the Senate Finance Committee's recommendations that the new Greenville facility be expanded by 500 cells.

But, 2,200 additional cells alone will not suffice.

We must develop new alternatives to incarceration for non-violent inmates.

By 1990 we could easily face an inmate population exceeding 14,000 prisoners. Fourteen years ago we only held a total of 5,300.

Remember it costs \$75,000 to build a prison cell and \$20,000 per year to keep one inmate under lock and key.

Are there less expensive alternatives for some of these inmates?

I believe there are.

Consequently, I propose a 30 percent expansion of our Community Diversion Program by 1990.

Further, I propose an enhancement of our Literacy Incentive Program. I hope that we can improve the minimum reading skills of all inmates in this program from the sixth to at least the eighth grade level by 1990.

Since more than 60 percent of our prison inmates are high school drop-outs, I also propose that we plan to develop an expanded education program for prisoners.

Those who achieve the equivalency of a high school diploma, or go on to earn an Associate of Arts degree, could be eligible for a reduction of their time left in prison.

If you concur, I will recommend the necessary legislation and funding for this program in 1989.

And, then there is this: An individual with the ability to get a job is an individual less likely to rob, steal or burglarize. To keep ex-prisoners from coming back, we should improve our training programs to give them real skills for the real workplace.

Therefore, I propose the creation of a legislative task force to examine Virginia's prison industries program. We must find out what potential exists for more effective partnerships with the private sector.

General Government

Before I turn to four areas of general government -- the lottery, efficiency, affirmative action, and state employees -- let me mention one thing.

For a long time I have wanted to make the budget easier to understand. So, earlier this year, I asked the Department of Planning and Budget to develop an illustrated summary.

It's finished and I think you will find it very useful.

Entitled "Virginia: Leading the Way," there will be a copy on your desks when you return to your offices.

If you have any questions, do not hesitate to call. Paul Timmreck's number is 786-5375.

The Lottery

I have a proposal for the use of the lottery revenues, which will flow to the state treasury in the new biennium.

Because the lottery will generate a substantial, but uneven flow of revenue, I do not believe lottery revenues should be included as part of the state's next operating budget.

I recommend, instead, that they be collected, deposited, and then dedicated to the unmet capital construction needs of the Commonwealth.

This approach has two major advantages.

First, it will give us money to support essential capital outlay projects in higher education, mental health, parks, and agriculture.

Second, by dedicating lottery proceeds to these capital investments, we avoid resting the state's next operating budget on a fluctuating revenue source.

I propose, therefore, that we begin to appropriate in the next legislative session lottery proceeds to fund high priority state capital projects.

I propose, also, that we provide planning money this year for these projects so that they will be in a position to begin construction in the new biennium.

Affirmative Action

This budget includes two new programs which hold great promise to increase minority and female employment in state management level positions -- an issue with which we are all concerned.

The first program will establish a minority management internship program; the second will create a minority/female talent bank to identify outstanding candidates who wish to be considered for key positions in state government.

If these programs prove to be effective, I intend to propose their expansion in 1989.

Efficiency

Delegate Bill Axelle has done a exemplary job as chairman of the Commission on Efficiency.

The Commission's recommendations, which I commend to you, will significantly streamline state government operations.

Your support for these measure, I believe, will well complement your prior efforts to relieve Virginia's taxpayers through tax reform.

State Employees

So that we may effectively enforce the laws, build new roads, teach our students, care for the disabled and meet other responsibilities, the budget proposal increases state employment a little more than one per cent per year.

State government has a job to do -- and we need sufficient people to handle it.

As important, state government must continue to attract the best.

Therefore, I also propose an average pay increase for state employees of five percent.

This will continue our commitment to paying these extremely valuable men and women what the market commands.

Individual Issues

A number of issues -- as is always the case -- will animate and enliven your deliberations. Allow me to cite a few and tell you where I stand.

Campaign Finance and Spending Reform -- I believe the time has come for a fundamental examination of Virginia's campaign finance and spending laws. There are no easy solutions to the problems of campaign spending and disclosure, but runaway election costs and a lack of public confidence in the sources of campaign finance are eroding the foundation of our citizen legislature.

I will report on Monday to the Privileges and Elections Committees my suggestions for your consideration.

The Speed Limit -- For fourteen years the speed limit on interstate highways has been 55 miles per hour. Prior to 1974 the speed limit was 65 miles per hour and, for a time, 70 miles per hour.

Last year Congress permitted the states to revert to a 65 miles per hour speed limit for rural portions of the interstate system.

So far, 38 states have chosen to do so. The question is, should we?

Public sentiment clearly favors 65 miles per hour, and I believe this Assembly reflects that feeling.

Furthermore, it should also be noted that these roads were designed to safely handle traffic moving at 65 miles per hour.

So if you pass this bill, I will sign it -- so long as you retain the 55 miles per hour speed limit for trucks.

And, to ensure that 65 means 65, I will issue orders to the state police that the new speed limits should be strictly enforced.

Drug-related Crime -- During this session, the Attorney General will ask you to help take the profit out of drug trafficking, and put it where it belongs: into anti-drug law enforcement efforts.

It will take a Constitutional amendment, but I'm for it.

Conflict of Interest -- Last year the Conflict of Interest legislation was clarified and strengthened by this body. It is a good law.

The Act provides guidance for the conduct of state and local officials, both elected and appointed; there are standards for ethical behavior, rules for voting, for contracting and disclosing.

While I've heard no complaints about the law's requirements regarding conflict avoidance, I am aware of concerns about practical difficulties in interpreting and completing the disclosure forms by citizens who volunteer their time to serve on advisory boards and commissions.

I support disclosure.

But, I also support common sense.

Perhaps the forms can be simplified. But we must remember that public perception is an important part of public trust in government.

Gun Control -- Under current Virginia law, those convicted of Class 1, 2 and 3 felonies lose their right to carry a firearm -- as well they should, for the violent crimes of murder, rape, and robbery.

But hundreds of serious crimes -- including most major drug trafficking felonies -- do not fall into those categories.

Accordingly, I will ask you to enact legislation that will deny the ownership or possession of a firearm to all convicted felons.

Family Life Education -- It's important. It ought to be taught in all Virginia schools.

I recommend that Virginia's program have three components:

First, each school division must participate by either using the Board of Education's curriculum or one it develops using the Board of Education's guidelines.

Second, any family must have the right to choose whether its children will attend family life classes.

Third, the state should fully fund this program in the new biennium.

I compliment the Board of Education on its efforts in this area and urge your adoption of these recommendations.

Sentence reform -- Virginia's capital murder statute forces juries to choose between the absoluteness of the death penalty and a life sentence which can result in parole in as little as a dozen years.

The Lieutenant Governor asks you to give juries another choice -- life imprisonment without possibility of parole.

I concur.

Conclusion

Ladies and gentlemen, a recently published description of the first flight by the Wright Brothers says, "We pushed back the doors and looked out over the dunes. It was clearly hopeless to wait for the wind to soften. The time had come."

The wind that blows across Virginia will not soften. We cannot wait. The time has come.

I recognize that some will resist the entreaties to action that I have made today. That is human nature. After all, the parachute was invented one hundred years before the airplane.

I only ask you to look back upon the last two years -- for in that brief span of time we have, by working together, accomplished a great deal for Virginia.

So, I conclude these remarks by asking you to again take the broad perspective. Examine what I propose in the context of the changing world around us.

You know that the President just approved a \$9 billion tax increase for the current fiscal year, while simultaneously reducing federal support for state programs.

The President's next budget reportedly calls for \$14 billion in new tax increases. No one wants to guess the likely new reductions in domestic programs.

And, yet, here, at the state level, we find individuals who may believe that we can reduce tax revenues and increase state spending at the same time.

But, in a growing, changing state, we cannot have it both ways.

Choices have to be made. It is not an easy job. But you know that -- as have those who have occupied these chambers before you.

Indeed, this year we will observe the 200th anniversary of the first legislative meeting in Mr. Jefferson's renowned Capitol building.

During the intervening two centuries, this building has been a place for controversies, debates, polemics, arguments, quarrels, fights, tiffs, feuds, disputes, squabbles, spats, and altercations.

In short, it has been a place for democracy -- with all the achievements and disappointments that invest democracy with life.

For this anniversary year, let us once again mark this place with achievement.

Thank you very much.

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