

ADDRESS OF

**GERALD L. BALILES
GOVERNOR**

**TO THE GENERAL ASSEMBLY OF VIRGINIA
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**THE HONORABLE GERALD L. BALILES
GOVERNOR OF THE COMMONWEALTH OF VIRGINIA**

The 1990 State of the Commonwealth Address

The Virginia State Capitol

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

I come before you today for the final time as Governor to report on the State of the Commonwealth -- at a time when stunning change is sweeping the world.

Across Eastern Europe, the post-war dictatorships have fallen -- and nation after nation has entered the post-Communist era.

We are living at one of those rare points when history takes a fundamental turn.

Like you, I have marveled at these events so long in coming -- at the fall of the Berlin Wall and the rise of freedom across half a continent -- and more.

It is, in every way, a declaration that the human spirit can triumph over adversity.

And, it is both a warning and an inspiration.

It is a warning because it affirms the character of our era -- an era when the constant, but accelerating pace of events can often overwhelm our capacity to absorb and comprehend the meaning of it all.

And thus, as never before, we must be prepared to adjust to the unanticipated and to take advantage of opportunities.

And, yes, these events in Eastern Europe inspire us, too. For to witness such determination and courage, against the constant threat of violence, is to be humbled by the less daring challenges that face Virginia. It puts matters in perspective.

To see such resolve is to understand that now is no time for Virginia to withdraw from the front lines of its own struggle with the future.

Ladies and gentlemen, the changes we face in Virginia are far less dramatic. Change has been constant, the culmination of a process, not the sudden eruption of events.

After all, the work of freedom is seldom as dramatic as the winning of freedom.

Yet, we are inevitably part of all the change we see. For example, economically, socially and culturally, we will be affected by the new markets, the new ideas, the new art and the new voices of Eastern Europe.

The changes there and everywhere, at home and abroad, have imposed upon Virginia new demands and unprecedented challenges.

We have been required to redefine our course, to refresh our sense of daring and innovation.

In an era when political expediency too often overwhelms policy making, when slogans too often replace substance, and leadership too often means only following the polls, in Virginia we met change head-on and sought to fulfill the simple, fundamental standard to which Governors and legislators should be held: We did our job.

When we saw problems, we tried to solve them.

When we saw a new economy coming, we invested to prepare for it.

When we saw human needs, we tried to meet them.

When we saw hard choices, with unpopular alternatives, we did not evade them.

And, in the course of our efforts, we've had our share of success and progress.

So, as I come to you to report on the State of the Commonwealth, I come also to thank you, the members of this General Assembly, because time and again you have displayed the courage to govern -- not merely the wish to hold office, but the will to use it for larger purposes.

Take transportation. Because you cast the tough votes in 1986, for years to come in Hampton Roads or Fairfax or Southwest Virginia, new roads will be dedicated, economic development will be inspired and local communities will grow.

Look at trade. Sometime in the early years after the turn of the century, young Virginia business executives will sit in foreign board rooms, negotiate fluently in a foreign language, and win contracts that mean jobs and higher incomes for this state -- and part of the reason will be the decision made here, in this Capitol building, in these four years, to make Virginia first in the teaching of languages as diverse as Spanish, Russian and Japanese.

Consider the environment -- for when those business executives come home from Tokyo or Brussels to take a weekend with their families, they will find a cleaner, healthier, more productive Chesapeake Bay in which to boat or swim or fish -- in part because of the decisions made, in this Capitol, during these four years, to clean up and crack down on pollution.

All this -- and so much more -- would have been impossible without the good sense and support of our people.

They proved that if you are honest about public needs, and responsible about spending public money, they will do their part. They will give their consent.

Virginians are not afraid of progress. On the contrary, they seek it.

And, the clearest proof of that occurred in November -- when Virginians reached out and gave new life to Mr. Jefferson's vision of a society led not on the basis of privilege but talent. For next in the long line of succession that began with Governor Patrick Henry will be Governor L. Douglas Wilder.

Doug, you stayed the hard course and won the prize -- and I think I speak for all of us when I say that all Virginia has high expectations for the promise of your leadership.

But before I relinquish the reins of power to my friend and colleague, I must fulfill my final responsibility and present the 1990-92 state budget.

First, let me state my belief that we have built a foundation for the New Dominion -- a foundation that will be in place long after we're gone.

Indeed, as we enter the 1990's, we know that the life of this Commonwealth has already been altered in many fundamental ways.

Virginia is more populous, more urban, more diverse than ever before.

Some regions have all the growth they can handle; others will take all the growth they can get.

And, more than perhaps many realize our daily lives are touched by the international economy.

The impact of increased foreign trade and investment has been profound: For six consecutive years, business at the Ports of Virginia has increased; today it is at the highest point in our history.

Two dozen new shipping lines have come to call in the last four years -- and this year alone, 10,000 port-related jobs have been added.

At the same time, Virginians have found markets in every corner of the globe: Exports now account for 25 percent of Virginia's economic growth.

And our communities have attracted foreign capital at unprecedented levels: In the last four years, we have seen some \$700 million of overseas investments arrive in new and productive business enterprise. More will soon arrive, some before springtime.

Yes, it is a different Virginia, in a different world. And we have not resisted the tides of change; we have worked to master them.

A Virginian's advice two centuries ago was to avoid entangling foreign alliances. It was sage counsel at the time. But not anymore.

For Virginia, the imperative of a new century is to secure our prosperity in the common economy of the world.

We have to see to it that the rapid pace of change includes progress for all our people. That's not always easy. A free society develops unevenly.

And, in Virginia the growing division between the expanding urban areas and stagnant rural communities will remain a difficult challenge for this and future legislatures, a continuing challenge that must be met as a matter of simple justice.

Still, in general, our prospects continue to be excellent -- above all else because we have forged a new Virginia consensus on economic and social issues.

That consensus is founded on the proposition that it's better to act to shape the future than to be shaped by it.

Our consensus is not grounded in narrow ideology; it reflects the practical, pragmatic spirit of this Commonwealth at its best.

The test of our success is whether things work -- whether programs produce results.

Our purpose -- our consensus -- is to free the creative energy of our people, to give every enterprise the opportunity to succeed, to aid and abet prosperity in our generation.

And that demands a public sector of action, not reaction -- of vision, and not hindsight.

Preserving the Virginia consensus of the 1980's will be basic to meeting the opportunities and adversities of the 1990's.

It will be a serious challenge.

For not only are we competing with markets, workers and communities throughout the world, we also must contend with a federal government that has run out of money but not aspirations.

Like it or not, today much of our state budget is being written not in this Capitol, but in other legislative chambers a hundred miles or so north.

Add federal mandatory spending to a slowing national economy, along with the increasing needs of a growing state, and you begin to understand why Virginia's new budget has been denied a measure of flexibility.

In that setting, I have prepared the Executive Budget for the 1990-92 biennium.

The budget preserves the progress we've made and makes the hard choices that will permit us to continue moving forward. It lays the foundation for even greater achievement, but within the constraints imposed by economic reality.

You will recall, of course, that when it became necessary in December to revise downward general fund estimates for the current fiscal year, we made commensurate reductions in state spending -- and balanced the budget -- but we did not cut vital services in education, human resources, and public safety.

The budget I present to you today will achieve the same objectives in the next biennium.

First and foremost, the budget I submit is balanced.

It does not require the deferral of tax relief recently enacted by this General Assembly.

It does not require the imposition of new taxes.

It does not employ the use of 9B Full Faith and Credit bonds of the Commonwealth, although that option, last used in 1978, could be an alternative source of funds for this Assembly and the next governor.

Rather, the budget lives within the \$1.4 billion of additional general funds -- or a 11 percent increase -- that will be available for appropriation.

As I indicated to the money committees and to the leadership of this body in December, the cumulative impact of a slower economy, and expenditure requirements involving federal mandates, prisons, tax relief, and aid to localities could have exceeded 1990-92 revenues by as much as \$900 million. We have managed our resources and closed that gap.

The problem is not ours alone. Up and down the East Coast the story is the same. From Maine to Florida, governors and legislatures are dealing with the revenue effects of an economic slowdown.

This means, of course, that in the next biennium we will not have the same capacity to invest in Virginia's human and capital resources that we had in the recent past.

We have enough to do enough -- and to do more.

But, that means, in my estimation, that financial planning for the next two years should be as conservative as this year -- recognizing that the revenue picture is expected to improve as the 1990-92 biennium progresses.

Consequently, I recommend that you take the following actions with respect to the 1990-92 budget.

First, I recommend that the next budget continue to live within the general fund revenues available, but that as a fundamental priority it should not reduce current support for:

- elementary and secondary education;**
- aid to localities;**
- mental health and mental retardation facilities;**

- health care for the poor;
- state prison or state police operations; or
- programs involving aid to individuals.

Second, in order to achieve these goals, I recommend that the following actions be taken to hold 1990-92 spending within available resources:

- That savings be effected within the budgets of selected state agencies in amounts of one to five percent.
- That there be enacted a two-year delay in providing new revenues to localities from the state recordation tax and a deferral of withholding changes.
- That salary increases for public school teachers, state employees and college faculty remain market-competitive, but be somewhat less compared to the recent past.
- And, that funding of such capital needs as housing, waste water, local jail, prison construction, and building maintenance needs be derived in the next biennium from lottery revenues, all in keeping with our earlier decision to use lottery revenues only for capital projects.

Ladies and gentlemen, I am convinced that these actions, if approved, will maintain Virginia's most important financial commitments, but will not add to the burden of taxpayers as the national economy moves out of the current economic slump.

As we did two years ago, a special budget summary has been prepared which describes the state of the Commonwealth, outlines the challenges facing Virginia and lays out the rationale of this budget. I urge you to read it.

You will find, in the course of your review, that this budget expresses Virginia's confidence and strength as it nears a new century.

For as we enter the last decade of the 1990s, well in sight of a new century, we can say that Virginia is more accessible and prosperous, better educated and protected, economically more dynamic and marketable than it has ever been before.

In one short decade, Virginia has become one of the top ten state economies in the United States. Where once we followed, now we lead.

At this time in our history, I believe that we possess such an abundance of natural resources and human talent, that the decision to flourish and grow is largely within our own power.

The key lies in one word: resolve.

Will we decide for the moment or for the decade?

Will we see beyond the next election to the next generation?

There may be some who say to wait or pause, who will be fearful of doing too much. But the real danger is doing too little.

I know that caution and prudence are two of the most common words in the Virginia lexicon. I know, because I've used them.

But caution and prudence must never become code words for equivocation and inaction.

The economy will rise and fall, as it always has. And, we, in turn, must always adjust. That's what we're doing now.

But, do not lose sight of a larger truth, that for every change there will be an opportunity, that for every unforeseen event a possibility will emerge.

We must demand the most of ourselves.

We must, every day, test the length of our reach.

That is the challenge of change -- and posterity will be the judge of our actions.

And now, it is time to say farewell. The First Lady and I will soon make the long and arduous journey back across the James River.

And, we do so with full hearts -- and with gratitude to our staff and the Cabinet -- to the people who work in state government, for what they contribute to our Commonwealth every day -- and, to you, for your dedication, partnership and friendship.

It was fourteen years ago when I first sat in this chamber, out there in what some delegates call the Coffin Corner. And, much of what I know about government and human nature, I learned here. My colleagues were my best teachers -- and many of you are among my best friends.

But I do not think that you will mind when I tell you that, most of all, I am grateful to the people of Virginia.

To them, I say: You have entrusted me with the highest office of the Commonwealth and your support has sustained me.

I hope I have done a good job; I know I have tried.

The dawn of a new century will soon break over the landscape of Virginia. Tomorrow is rich with possibilities. And I leave this office trusting that Virginia will continue to strive, to turn a brave and hopeful face to the future and to fulfill in our time Mr. Jefferson's hope that we will continue to be found "in the full tide of successful experiment."

