

ADDRESS OF

**L. DOUGLAS WILDER
GOVERNOR**

**TO THE GENERAL ASSEMBLY OF VIRGINIA
WEDNESDAY, JANUARY 8, 1992**



SENATE DOCUMENT NO. 1

**COMMONWEALTH OF VIRGINIA
RICHMOND
1992**

EXCERPTS OF
THE VIRGINIA STATE OF THE COMMONWEALTH ADDRESS
BY
GOVERNOR L. DOUGLAS WILDER
ON
JANUARY 8, 1992

Good evening. Mr. Speaker, Mr. Lieutenant Governor, Attorney General Terry, Members of the Cabinet, the Judiciary and the Joint Assembly.

My fellow Virginians, at no time in recent history have Americans viewed the future with such uncertainty. This is a time which challenges each and every one of us. We face economic stagnation. Virginians have lost jobs.

In every family, it is a time of cutting back or having to do without. Where America has built its foundation on, each generation, each parent laying a foothold for others to follow in better course, we instead are witness to an economic and spiritual malady.

Our challenge is to recognize this era of adjustment and -- with the strength and wisdom of our heritage -- set a new course for the future. It is a time for us, the citizens elected to represent all citizens, to put aside all but that which serves our neighbors.

Over the past 12 months, I have worked with members of the revenue committees to end the Era of Excess and begin the Era of Responsibility. As you well recall, I have taken some unpopular stands. As leaders we must continue to make the difficult choices.

I direct your attention, momentarily, to one of the most inspiring examples of leadership; I speak to the fortitude and perseverance of the new leaders of the emerging states of the former Soviet Union.

And how fitting it is that the form of government they chose borrowed not only Virginian ideals of democracy and pluralism, but also the very name of our government -- a Commonwealth.

Words of many Virginians have not fallen on deaf ears around the globe. The power of our forefathers' words put a special responsibility on us, those who represent Virginia's interests. We must be responsive to our people, while leading them toward excellence.

We in government like to call ourselves public servants, but our citizens sometimes see the roles reversed, with we -- as the ones who take and take, and give little back in return.

Some politicians react by offering simple "feel good" solutions to our problems, others try to ignore the reality of our times. In the end, however, we are accountable to our people, and if we do not serve them, we will become irrelevant, and then we will be gone.

Let us remember, however, that while politics is not a polite employer, our citizens want not vengeance, but vigilance. They want a government that can adapt to a changing world and can offer common sense and innovative solutions.

We all learned an important chapter of that book from our friend and mentor, the former speaker of the House of Delegates.

I owe no small debt of gratitude to A.L. Philpott for the honor of standing where I am today. He would want us to be courageous and to proceed with vigor and hope, and we shall.

Although this recession has brought great pain, it has also provided us with answers. This recession has demonstrated to us what the 1990s have in store.

If we act wisely and bravely, the Commonwealth can once again soar. If we merely react, and delude ourselves into thinking the 1980s will return once we get past this temporary lull, then we could become just another booming state -- gone bust.

What have we learned from this recession? Two lessons come most rapidly to mind. First, never expect good times to last forever, and Second, never base the strength of your economy on the actions of the Federal Government.

Virginia's government today and in the future will have to anticipate change and adapt to it.

We can no longer expect monies for defense contracts to spur the opening of dozens of new corporate offices by companies hoping to get a piece of the Federal contracting pie. Our state will continue to be an attractive site for businesses, but we must redouble our efforts to make it so.

As we work this year to deal with current problems and anticipate new ones, let us avoid meaningless partisan bickering and focus on the serious effort at hand.

I will listen to and consider any serious proposals regarding the budget, and will also be offering a number of programs to cushion the blow of those most deeply hurt by the recession and to rebuild our Commonwealth's economy. I will return to those specific programs shortly.

But first, I would like to outline my broad aspirations for our Commonwealth and the steps we need to take if Virginia is to be solidly positioned to seek out and provide opportunity in the 21st Century.

A Governor's term in our Commonwealth is short, and perhaps that has fostered a short-term approach to the problems at hand. Today more than ever, such a short-term approach could have disastrous consequences for Virginia.

We must force ourselves to see our way through the current problems and chart a course towards the opportunities that lie ahead. A competitive Virginia in the 21st Century requires world-class education today -- not merely adequate education, but excellence.

Today we see around us the results of not being ready for the bad times. As we solve our current problems, let us resolve to never let them happen again.

Above all, to compete in the 21st Century, Virginia must invest in our people by spending state resources not just on helping people get by, but on initiatives that will help them prosper.

What I mean by investing in people is not just funding programs, but in setting examples that will enrich Virginians' futures. We elected officials should be examples of pride to our constituents; we should be the best of Virginia. To gain that esteem, and to return to our citizens new confidence, we must be bold, prudent and efficient.

I recognize that there are a number of Virginians whose only opinions about my tenure are based on news reports that speak of my being outside the Commonwealth. So perhaps this is a good time to boast a bit where before I have been too modest.

My administration has worked hard to prepare our Commonwealth for the future, and I say to you again today that Virginia is my top priority. I understand the concerns of those who question my role in national politics, but I stand firm before you tonight on the pledge I have taken -- to serve the people of this Commonwealth. I invite you to study my tenure and look at what we have achieved.

When I took the oath of office nearly two years ago to this day, I made a commitment to tirelessly fight for Virginia's future.

I have not lost sight of that vision nor has the fire of my commitment lessened. Even in times of retrenchment, we have made solid improvements to Virginia's foundation, a foundation that will provide us firm footing when our economy begins to grow again.

I can express this optimism about the State of the Commonwealth because:

We have been fiscally prudent, and have not increased the tax burden of our citizens;

We have cut the size of government while still efficiently providing essential services, and have initiated programs to unleash the ingenuity and entrepreneurial spirit of employees;

We have integrated our economic development programs and established incentive programs, enhancing Virginia's long-term economic competitiveness;

We have proposed an innovative package of initiatives that will provide health care coverage to more than 50,000 youths who, though woefully in need of assistance, normally would be without such care. By the year 2000, over 200,000 young people will have basic health care coverage under this program;

We have restored the full measure of the educational standards of quality.

We have a capital outlay program that will provide a short-term jump-start of the construction industry and the overall Virginia economy, and more importantly, for the long-term, will provide the vital improvements to our Commonwealth's infrastructure; and

We have a legislative package that supports retooling our government for the 21st Century, a plan that will institute and instill the principles and values of the private sector into state government.

We succeeded in winning enactment of federal highway legislation which effectively doubles Virginia's share of federal highway and mass transit funds.

I would like to give special thanks to Senator John Warner and Congressmen Norman Sisisky, L.F. Payne, and Frank Wolf, who fought for us in Congress to make sure Virginia got its fair share of federal highway funds. Secretary of Transportation John Milliken also deserves my thanks, as well as Dian Copelin from the Liaison Office, and my special assistant for transportation Gary Brooks.

And thanks to Secretary of Health and Human Resources Howard Cullum, we were able to preserve \$32 million in Medicaid funds for the Commonwealth by collaborating with other states in opposing new regulations proposed by the federal government.

He has handled budget reductions in his department expertly, but with the compassion of which we speak regularly.

This spirit of innovation is spreading in our government. Last year we worked with the General Assembly to create a boot camp program, which provides non-violent, young, first time offenders with an alternative to prison.

Early results of the program have been quite positive, and the Commonwealth is saving \$20,000 per person, per year on those who successfully complete boot camp and stay out of prison.

This administration has also developed an innovative program to provide direct state assistance -- technical, personnel and financial -- to individual localities with unusually high violent and drug related crime rates. Having already started in Richmond, it will soon expand to other localities to develop effective anti-crime plans designed especially for a locality.

Also, our administration has reformed the state government procurement process, opening up the process for small firms, as well to women- and minority-owned businesses. These new policies encourage and strengthen the participation of these businesses in the state procurement process.

Secretary of Administration Ruby Martin is to be commended for the Early Retirement Program, which allowed 3,500 state employees to retire from service, saving \$37 million in FY 92, as well as in the long term, due to strict replacement policies.

A special note of gratitude must go to Virginia's state employees. In spite of receiving no pay increase, our employees gave a record amount to the United Way this past year. Furthermore, they gave over 1000 blankets to needy Virginians through their holiday blanket drive. These people deserve both our respect and our applause -- they represent America at its best.

Ours it is not a government of faceless bureaucrats, but of vital, innovative citizens working for a common good. They are an enormous part of what we have achieved this past year in Virginia.

As we look to the future, this kind of tireless innovation will be more important than ever. Although we face a time of limits, it is only a limitation of resources, not of creativity and talent.

One of the most difficult budget realities this year was not to include pay raises for state employees. Three years without a raise, under normal circumstances, is too long. But these are not normal times. GM is about to lay off 74,000 employees, and IBM will have laid off a total of 40,000 over two years by the end of 1992. And Newport News Shipbuilding just announced today that they will lay-off 1,000 salaried employees over the next few months.

Approximately 94,000 of the 95,000 employees working for the state at the start of 1990 will still be employed in 1992. Many persons in the private sector and other states can't say that.

But that is small comfort to someone whose pay remains steady while health care costs go through the roof. For that reason, the second largest commitment in this budget is for increases in the cost of health care insurance for state employees.

One state employee who helped convince me of the need for this commitment is Jim Sargent, who works for the Department of Transportation in Christiansburg. Mr. Sargent, representing himself and 23 other state employees, wrote me a very heart-felt letter that I'd like to read from tonight.

He wrote "For the past several years our insurance premiums have steadily risen in percentage. In the past, we had a cost of living raise or pay raise to help offset the insurance increases. We have had our current pay raises frozen 18 to 24 months. Certainly, if our wages can be frozen, can't the cost of our insurance be frozen? The bulk of state employees and the state pay for this service, can't some control be maintained?"

[Mr. Sargent, his wife Peggy and son Robby are with us here tonight -- could you please stand?]

I got my advisors to check into Mr. Sargent's complaints, and they found that a state employee whose annual salary is \$19,000 would see his or her deductions climb from 11 percent of annual salary to 16 percent -- or an additional \$73 per month, if nothing were done. Our state employees deserve a fair shake, and we must insulate them from these insurance premium increases. We will do so.

Furthermore, I have proposed that Virginia's Health Care providers share in the financing of Medicaid to eliminate the remaining \$68 million budget gap. This proposal is already being implemented in some form in 30 other states.

It merely asks Virginia's health care providers, whose profits over the next two years will surpass three-quarters of a billion dollars, to reduce their future expenditures by one-half of one percent. This is a reasonable request when state agencies are being asked to manage their operations with cuts of up to 25 percent during this Administration.

I will not allow Virginia's elderly and disabled to be cut off from these vital benefits, and I reject the calls from the provider community that we simply raise taxes of all Virginians to pay for expanding Medicaid.

Taken together, proposed federal mandates and program commitments account for 93 percent of all proposed new spending.

Since the total of all mandates, commitments, and initiatives exceeds projected revenues and transfers by \$557 million, cuts were required. I have recommended the following to eliminate this gap between revenues and spending.

Selective cuts in current services are recommended for savings of \$385 million -- which is more than two-thirds of the gap. With these cuts, discretionary spending on the part of many agencies will be reduced 25 percent from the peak funding level in fiscal 1990. The budget cuts result in a reduction of 3878 positions currently vacant due to the early retirement program, and through selective layoffs.

Although some 2000 positions are recommended for three new prisons, mental health facilities, colleges and universities, and environmental agencies, there is still a net reduction of 2690 positions from the level that was authorized when I took office. We have reduced growth in government.

Mindful of the fact that some of our localities have fared worse than the state during the recession, I have tried to avoid cutting state programs to them. But the reality is that state aid to localities accounts for almost one-half of the entire general fund budget, and it is not possible to restore funding for public schools and avoid cuts elsewhere.

The remaining \$192 million of the budget gap are eliminated in the following two ways:

First, I have recommended legislation to defer a number of tax policy changes that are scheduled to take effect on July 1. These include measures involving withholding allowances, the accelerated cost recovery system, the self employment tax credit, and a credit for those who invest in low income housing. These items total \$124 million.

Second, as I mentioned previously, we will look to health providers to make available \$68 million as their share.

I would also like to add that if, somehow, additional funds were to become available for appropriation, that money should be used, one, to fund salary increases for state employees, faculty and public school teachers, two, to address funding and program disparities in public education; or, three, to extend health care to the one million Virginians who have no health insurance.

These programs are all higher priorities than the programs I suggest to cut. Any additional revenues should not free us from making the cuts I have proposed.

Our budget includes money to fully-fund all federally-mandated programs -- not only Medicaid, AFDC, foster care, and prison construction -- totalling almost \$500 million.

The budget also contains a one-hundred percent follow-through on the commitments I made last year while balancing the 1990-91 budget. And it also provides for establishment of programs essential to ensuring Virginia's stable economic growth into the 21st Century.

In addition to our package of child health care initiatives, we are proposing funds for a pilot program called Opportunity Knocks. The recession has hurt all levels of society, but young adults have been hit disproportionately hard.

Many of these young adults need job skills and work experience. Current training programs focus heavily on the Aid to Dependent Children recipient. However, unemployed young adult males, who are often the fathers of those dependent children, stand little chance for a good job without adequate training.

These young men will get their experience working on environmental and community rehabilitation projects in our cities, and in our rural areas. They will do projects we can see, projects our people can use and enjoy, and projects that protect and maintain our environment to ensure future generations will live in a clean Virginia.

A key component of the Decade of Youth and Families that I ushered in two years ago is to restructure how we deliver and finance services to troubled youth. There are many troubled youngsters -- in every region of the Commonwealth -- who because of serious emotional or behavioral problems might never lead normal and productive lives, thereby costing families and taxpayers great expense.

My administration has been working over the past 18 months to develop a proposal to empower families and communities to better care for their youth. Now is the time to act on this plan.

I will provide legislation to restructure our currently disjointed system of funding and services for "troubled youths." Initial funding to develop cost-effective community and early intervention services is included in the budget.

I have said all along that education is my highest priority. There is no more important government service than the education of our young people. Clearly what we need to do is to provide sufficient revenues to fully fund the Standards of Quality.

Besides the \$15 million I reinstated last November, my new budget provides an increase of \$182 million over the next biennium to make up for reductions that were made in the current year. Further, another \$175 million over the biennium is included to provide the growing costs of fully funding the SOQ -- more students, more teachers, and more equipment.

This is a total of \$350 million in additional funding for local public schools in the next biennium. This is today's beacon for tomorrow. This was necessary to ensure the quality of education in the Commonwealth for our young people.

On another education note, excellence and equity -- the disparity issue -- I will be releasing a plan tomorrow to outline how we can improve educational opportunities to all Virginians. This plan will outline how we can improve our system over the next six years to ensure that our children are competitive with children in other industrialized nations.

The plan addresses all the key components necessary to assure that all Virginia students have access to a world class education, regardless of their economic status or geographic location. Included are initiatives to further implement the World Class education program, to provide additional funds for equipment and at-risk students, and to revise the composite index funding formula.

The budget shortfall has created a situation that also forces us to look at funding for higher education in a fundamentally different way. Higher education is too important for us to not promote growth and change. So much so that we feel it is necessary to allow college and universities the flexibility to raise tuition to meet those needs to the extent possible.

We will put in place more financial aid to keep the doors open to disadvantaged and other students who do not usually pursue further education. Financial aid will increase at a rate nearly twice that of tuition and fees, a higher percentage of undergraduate needs will be met, and for the first time, part-time students will be eligible for financial assistance.

This same philosophy extends to our Housing Partnership Fund. Last year, I restated my support for this fund at the Housing Conference . . . stating that it was a matter of money, not commitment. Today I am proposing that we fully support the Virginia Housing Partnership Fund for low- and moderate-income families, the elderly, the handicapped and the homeless.

Besides helping our Commonwealth's Youth and Families, this fund will promote economic growth through new construction and renovation of existing properties.

This budget will also continue the Center on Rural Development and the establishment of an increased focus on urban economic development through a Center on Urban Development.

I am also proposing we spend \$600,000 during each of the next two years to enable the City of Buena Vista to complete construction of a flood wall. This money will allow the people of Buena Vista to overcome their fear of impending disaster, and get on with their lives.

Furthermore, to demonstrate and deliver on our commitment to environmental protection, I am proposing the creation of a new Department of Environmental Quality by combining the staffs from the existing Departments of Air Pollution Control and Waste Management, the State Water Control Board, and the Council on the Environment. The regulatory boards will be retained and all previous powers continued.

This reorganization will acknowledge that pollution knows no boundaries. Since pollution can, and often is, shifted between air, waste and water, the environmental agency's organizational structure would be in a better situation to set policies, issue permits and take action with perspective across all media.

This agency will also consider the total environmental perspective when issuing and enforcing permits. It will also allow for comprehensive planning to meet new environmental needs.

But reducing pollution is not the only environmental challenge we face. We must also enhance our efforts to preserve our state's priceless natural beauty and valuable resources . . . to protect the natural ecological diversity and the growing list of endangered species in Virginia.

I want to make sure that more Virginians have the opportunity to enjoy our state's abundant natural beauty -- so I will be asking you to support a measure to acquire more parklands for people and to beautify our existing parks.

Although Virginia's population has grown substantially in the last two decades, our parklands have not. I will also ask you to establish a special non-reverting fund, to be called the Conservation and Recreation Fund, which allows us to acquire and protect important parklands and valuable wildlife in the Commonwealth.

Even with new initiatives, we were able to balance the budget. And we didn't do this by employing some of the budgetary tricks of other states: by rolling the June 30th payroll into next fiscal year, by temporarily and periodically shutting down state government, by using bond proceeds to reimburse the general fund, or by continued transfer of nongeneral funds.

Rather, it was balanced on principles, principles that correct the structural budgetary problems, ensure permanent change in what government does and how it does it, ensures Virginia remains as one of only five states with a Triple-A bond rating, and maintains Virginia's Top Five ranking as one of the best financially-managed state governments.

Last year at this time, I did not endorse a proposal to issue general obligation bonds. I felt that our highest priority was to regain the confidence of taxpayers that Virginia's financial affairs were under control.

Next week, I will be sending to each of you a six-year plan for addressing the Commonwealth's capital outlay needs. I will be requesting the chairs of the House Appropriations and Senate Finance Committees to introduce legislation calling for general obligation bonds for priority projects in higher education, human resources, and natural resources, to be considered by the voters in the November elections.

The general obligation bond bills propose the issuance of approximately \$200 million in bonds each year over the next three years. This proposal is recommended only after I have worked extensively with our team of analysts to vouch for the Commonwealth's capacity to issue bonds without jeopardizing its AAA rating.

The study was carried out by the Debt Advisory Capacity Committee.

Now what is it about today's situation that makes this a good time to call on our citizens for support of general obligation bonds?

First, they can take comfort in knowing that the projects they are voting on are part of a comprehensive six-year plan for addressing the Commonwealth's priority needs;

Second, they know that Virginia is one of only two states to have eliminated a significant revenue shortfall without raising taxes. What they probably don't know, however, is that Virginia was one of only six states in which tax legislation enacted between fiscal 1989 and 1991 reduced state taxes;

Third, they can cast their votes knowing that approval of the bond issue will help rebuild the economy by putting essential infrastructure in place; and

Fourth, they can be assured that competition in the construction industry will allow us to save millions of dollars if the voters approve the projects in November.

A prudent general obligation bond package, coupled with a public education campaign that has the support of the private sector, are crucial to the success of this endeavor in November.

But to keep Virginia competitive, we must do more than just fit a new engine into the old chassis, we must adopt revised models of government.

In the past two years, we integrated international activities with industrial development, and eliminated layers of bureaucracy and unnecessary administrative costs. We took those funds and placed them into direct constituent services through the reorganized Department of Education.

We are now examining the Dillon Rule to address the changing state and local economies and relationships. We have fostered and, in some instances mandated, greater integration of services through consolidations and coordination.

This budget reflects the need for government to be more like business and improve its productivity and quality of service. We are instituting total quality management programs and others that treat our taxpayers like consumers.

We are invoking productivity enhancing and cost-saving technologies such as electronic monitoring of parolees, computer links to courts, and computer-assisted eligibility determination. We are well underway in creating Government 2000 for Virginia.

In conclusion, I want to address those hurt by this recession, by saying that I do understand your pain, your frustration, and your anger.

I am committed to directing my every resource to forge an alliance among all leaders -- public and private -- to ask every citizen to join me in these most challenging of times.

This is a time of sacrifice, a time for each of us to give more than we have. For some to forego that which they had intended to achieve. We are called upon now to exhibit America's greatest strength.

As a young boy I remember hearing Franklin D. Roosevelt on the radio, and although I was a little too young to understand what a depression was, I knew times were hard and that our President told us to keep faith and be of stout heart.

He didn't tell us he had the answer to everything, he told us not to be afraid of the future, and that government was on our side.

Few people have that kind of faith in government today, and sadly, there are few leaders like Roosevelt. I don't know when this economic slowdown will end, and quite frankly, unless our national priorities are straightened soon, I am not optimistic about our near future.

But I am optimistic about Virginia. I am filled with a special pride and enormous responsibility when I think how the people of the Commonwealth have entrusted me with the position of Governor. I know that we are a people that will lead the way for America, and therefore the world, into the 21st Century.

And we don't need a big package of programs to get us there either. Rather, we need to be reminded of the strength and wisdom of our heritage and to embrace values of hard work, common sense, and motivation that got us where we are today.

I will not let our people down, and I ask each of you to join me. Surely we shall not fail.

Now, having considered what I have determined to be the State of the Commonwealth, I would ask you to allow me a moment to address an issue which indirectly affects the Commonwealth.

I have called on the citizens of Virginia to give unselfishly. I have said that this is a time for some of us to forego that which they had intended to achieve.

I have spoken around this nation on the need for healing.

I am reminded of one who sought to heal, and as a physician was wisely admonished, "physician, heal thyself."

That admonition has rung in my ears, as if these words were spoken directly to me.

How hypocritical it would be of me to seek to lead in times like these without giving my all.

Balancing the rigors of running a state government and conducting a national campaign have not been easy. I decided to run because a job had to be done, and a message spoken.

I thought it was not impossible to juggle two jobs at once. The responsibility of holding two jobs is shared by many Americans -- working mothers of America have been doing it every day for years.

Well, today I have more respect for working mothers than ever. I now understand how frustrating it can be to have people at work say you care too much about your family, and to have members of your family say you don't spend enough time at home.

The truth may be that you are doing both just fine, but its human nature for some to say you're not doing enough.

Long before I announced for President, I said that if it became too difficult for me to govern the Commonwealth and conduct a Presidential campaign, I would terminate one endeavor.

I was left with a choice, either to devote all my energies to delivering that message or to guiding Virginia through these difficult times.

I have chosen the latter, as my pledge and responsibilities demand.

Therefore, I stand before you to state that I am hereby withdrawing from the Presidential race.

Ladies and gentlemen, I relish with great anticipation working with you during these challenging and exciting two years.

Thank you and God bless you.