

**ADDRESS OF
GOVERNOR MARK R. WARNER**

**The State of the
Commonwealth Address 2002**



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Office of the Governor

The State of the Commonwealth

Mark R. Warner
Governor

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Address to the Joint Assembly**

January 14, 2002

Mr. Speaker, Mr. Lieutenant Governor, Mr. President pro tem, members of the General Assembly, Mr. Attorney General, Justices of the Supreme Court, honored guests, ladies and gentlemen.

It is an honor to join you tonight. Before I begin, I ask that you indulge me in a moment of personal reflection.

The past months have been an exhilarating journey for my family and me.

No one has been a bigger part of that journey and done more to bring me to this point than Virginia's new First Lady, my wife, Lisa Collis. Please welcome her.

From the beginning of our journey, I committed to putting Virginia first. I have tried to do exactly that, and I appreciate the response, particularly during the transition, that so many of you have given me. I pledged to have the most inclusive and bipartisan administration that this Commonwealth has ever seen. Our team already includes a number of your former colleagues - from both houses and from both sides of the aisle. I ask the members of my Cabinet to rise and be recognized.

Together with you, we can build one Virginia - a Virginia where all regions share in our prosperity. We can build the one future I spoke of on Saturday - a future where we once again put Virginia first.

Tonight I stand before you to assess the state of our Commonwealth.

I would like to tell you tonight that the state of our economy is strong - but the unemployed textile worker in Southside and the unemployed mother in Norfolk know that it is not.

I would like to tell you that our Commonwealth's finances are sound - but everyone in this chamber knows that they are not.

I would like to tell you that our communities are safe and free from threats - but the memory of September 11 reminds us we must always be vigilant.

I would like to tell you that our schools adequately prepare all of our children for the 21st century workplace - but too many students still leave school without the job skills they need.

And yet despite these challenges, the resolve of our people has never been stronger - and our capacity to come together in the face of adversity has never been greater.

Virginians know what it means to live through tough times - and to come through them stronger.

All they ask from us are three things: courage to do the right thing - a willingness to share in the sacrifices we ask of them - and plain old straight talk.

So tonight, I start with some straight talk about the budget. No issue we will face in this session is more important to our future.

As every member sitting in this chamber knows, the hallmark of Virginia's government has been clear priorities, conservative spending practices, low taxes, and careful stewardship.

This tradition is not only enshrined in our Constitution - it reflects the core values of the hardworking Virginians who sent us here.

Unfortunately, the budget of this government is badly out of balance. We have a fundamental gap between the commitments state government has made and the revenue available to pay for them.

In the current fiscal year - which ends on June 30th - we face a \$1.2 billion budget shortfall. For the next two fiscal years, there will be an additional shortfall of \$2 billion - bringing the total shortfall to at least \$3.2 billion.

And it gets worse. The current proposed budget will leave us with an additional \$1 billion shortfall for fiscal years 2005-2006 even with the expected economic recovery.

When you add all that together, we could be left with a potential revenue shortfall approaching \$5 billion over the next four and a half years.

We did not get to this point overnight. The seeds of our current problem were sown long before the current recession.

During the 1990s, our nation enjoyed rapidly expanding economic growth. This growth came from the hard work and increased productivity of our people.

Virginia shared in this success. As the economy soared in the mid- and late- 1990s, Virginia enjoyed accelerating revenue growth. For three straight years, revenue grew by more than 10 percent. This made it possible for the state to make substantial new spending commitments and enact laws that reduce revenues now and in the future.

Taken individually, many of these spending commitments and revenue reductions were things that all of us would readily support. Taken together, they were only

affordable if Virginia's economy continued to soar at extraordinary levels for years to come.

But extraordinary economic times don't last forever. Business people know this. Working men and women know this. Families know this.

By early 2001, Virginia's economic growth began to wane. Businesses made sharp adjustments in their spending plans, and families started to be more cautious.

But state government didn't heed the warning signs. In the current fiscal year, state spending continued - without major adjustments - as if revenue would continue to grow as originally projected.

In fact, state government waited until November 15th - a little more than two months ago - to begin to make necessary corrections. This response was plainly too slow.

So this session, we will all have to take the steps that are now overdue. We will have to do what any business in a similar bind would do: tighten our belts and become more efficient. And just like any business or family that has to tighten their belt, this will involve some pain in the short term, but we will all come out stronger by taking these steps.

So let us join together to solve this problem.

To ensure the Commonwealth's financial integrity, I will insist on:

- Honesty and openness in our budget process;
- Conservative forecasting of available revenues;
- No new spending commitments whose costs balloon in out years;
- No further actions - such as new tax breaks or reductions - that reduce revenue without accompanying and lasting spending cuts; and
- No new spending commitments that take effect beyond the next biennium.

In addition, for the current fiscal year, we are prepared to draw on the Rainy Day Fund, which was established for just such a situation. We will utilize the proposed Medicaid Intergovernmental Transfer, provided that the funds are used for health care. We will utilize budget savings that come from eliminating dormant account liabilities at the Virginia Retirement System. And I reluctantly agree to use the Literary Fund to help support state aid for public education. All of these actions were proposed in the introduced budget.

But these actions alone will not fully close the gap.

For that reason, we will increase the budget cuts recommended by Governor Gilmore to 3 percent for the remainder of fiscal year 2002; to 7 percent for fiscal year 2003; and to 8 percent for fiscal year 2004.

We will limit new hiring to essential personnel. And we will closely examine all new spending recommended in the introduced budget to see whether it is justified in light of our current fiscal problems.

On January 22nd, we will submit additional specific budget savings that address both our short-term and our long-term budget problem.

We all know that part of the solution must be to develop a long-term financial plan for the Commonwealth. The current system of budgeting only for a two-year period leads us to zig and zag from biennium to biennium and from administration to administration. We lack a clear view of where we are headed. No business would prosper for long if it operated that way.

Most businesses use multi-year financial planning to plot a course for the future, and it's time to bring that common-sense approach to state government. I have proposed legislation to require a six-year financial plan as a standard part of every Governor's budget submissions.

I want to thank Senator Chichester and Delegate Callahan for agreeing to sponsor this legislation.

Another part of our long-term solution is to re-examine the way that state government does business. For decades, the changing world economy has forced businesses to re-tool and re-organize in order to be more efficient and effective.

In the coming days, I will initiate a top-to-bottom review of state government. This review will consider the consolidation of state agencies. It will examine the very functions of state government - because there may be some things state government is doing that we can no longer afford. It will seek out new opportunities to integrate new management techniques into state government. Finally, it will identify ways that increased utilization of technology can allow us to serve our citizens more effectively.

I do not intend this to be another study that ends up on the shelf gathering dust. I will expect a report back by Labor Day and insist that it include specific action items.

I respect the tremendous experience and knowledge that is in the General Assembly. And I appreciate the public and private acknowledgement that many of you have given me in agreeing on the scope of our budget problems.

Now - I look forward to your specific suggestions about how we solve this budget problem. There is plenty of heavy lifting to do.

We will only succeed if we do it together.

Commerce & Trade

There are, of course, other challenges facing the Commonwealth. Let me turn to our other priorities now.

First, Virginia is open for business, and I will be the Commonwealth's chief economic development officer. I will work not only to attract new businesses to Virginia, but also to strengthen Virginia's existing businesses.

Despite the prosperity of the last decade, too many parts of Virginia are being left behind economically, especially our cities and our rural areas. To begin addressing the needs of our cities, I have instructed my deputy chief of staff to work with appropriate agencies and local governments to develop Virginia's first comprehensive urban policy.

To address the needs of rural Virginia, I have set an aggressive goal of doubling Virginia's agricultural receipts over the next decade and bringing more knowledge-based jobs to rural Virginia. We should also work together to promote tourism, particularly in rural Virginia.

As we work to bring long-term economic revitalization to the parts of Virginia being left behind, we have to face the reality that the short term may bring more bad economic news to communities that can hardly bear any more.

The fact is that the economic disasters we have seen in recent years -- such as the layoffs in Martinsville and Henry County, in Rocky Mount, at National Airport, or just last week in Halifax, Clarksville, and Atkins - are just as serious as natural disasters. And I believe we have to be better prepared to respond when an economic disaster hits.

To that end, I issued an executive order on Saturday that created the Virginia Economic Crisis Strike Force. This panel will provide prompt assistance in coordinating unemployment benefits, emergency health care benefits, and job training programs when communities are plunged into economic crisis.

The first wave of the strike force will be on the ground in Southside Virginia by February 1st.

And to help working families weather the shock of job loss, I ask you to approve legislation to extend the unemployment benefit increase that Governor Gilmore proposed in the wake of the September 11 attacks. I want to say a special word of appreciation to Senator Charles Hawkins and Delegate Ward Armstrong for agreeing to patron legislation to help meet the needs of workers in transition.

Education

For communities to be successful in the 21st century, they must have a highly skilled workforce. We must improve education from pre-school to graduate school.

We start with accountability. I support the Standards of Learning but there are clearly ways we can improve them so they will promote real learning.

Our schoolteachers are at the heart of public education. Despite our budgetary challenges, I believe that we must continue to provide financial rewards to teachers who obtain national certification. Studies show that children achieve higher scores when nationally certified teachers teach their classes, yet Virginia failed to uphold its

commitment to these teachers just this year. I ask you to honor the commitment made to teachers who obtain national certification.

We will also strengthen cooperation between the private sector and our public schools, especially in vocational and technical education. It's time for Virginia to start valuing plumbers and electricians just as much as we value doctors and lawyers.

That is why I will issue an executive order to establish the Virginia Career Education Foundation. This public-private foundation will leverage private investment to expand career and technical training in our public schools. It will provide a forum for strengthening business involvement in preparing our young people for the demands of a changing workforce.

Now I understand the capital needs of our college and universities - needs that are more significant in light of the anticipated enrollment growth of the coming years. But before I will support any specific bond proposal, we must weigh the cost of its annual debt service in the context of our overall financial plans.

I have also directed the Secretary of Education to work with me in convening a Higher Education Summit. Our goal will be to make Virginia's colleges and universities leaders in the arts, the sciences, and in technology. The summit will do three things: find ways to make Virginia's colleges and universities more entrepreneurial; to identify ways to reduce bureaucratic oversight; and to strengthen our research capabilities. By the end of the decade, our goal is to have at least 15 additional Virginia research programs ranked in the top five nationally.

I have become very concerned over the past few years, as I have watched our college and university governing boards become increasingly affected by partisan politics. That's not good for our schools, it's not good for our students, and it's a disservice to taxpayers. Therefore, we will establish a panel to recommend to me the most highly qualified individuals for appointment to university boards.

It's time to take partisan politics out of higher education.

Public Safety

Economic prosperity is only possible if our citizens are safe and secure.

Virginians have always stepped up to the challenge both at home and abroad. Tonight, 367 members of the Virginia Army National Guard are deployed in Bosnia, preserving the cause of freedom. We salute them and their families for the sacrifices they are making on our behalf.

For those of us who remain at home, let us remember that more than anything else, protecting our communities from the threat of terrorism is not a Democratic or Republican issue. That is why, when I needed someone to coordinate our preparedness efforts, in our local communities, and in the halls of Congress, I turned to former Lt. Governor John Hager to be my Assistant for Commonwealth Preparedness. He will work closely with the first responders - the police, firefighters and the emergency services personnel -- who must be at the heart of our preparedness efforts.

I am sure this body will agree I got the right person for the job.

Another key part of our preparedness strategy is cooperation and coordination with the many military facilities in our Commonwealth. To that end, I ask you to pass legislation to re-institute the Virginia Military Advisory Council. Now more than ever, this panel should be a critical part of our public safety plans, and I urge you to approve this needed legislation that Senator Stolle has agreed to patron.

On another law enforcement front, we need to make sure that racial profiling does not occur in Virginia. Racial profiling hurts the effectiveness of police departments, which cannot effectively enforce the law without the full confidence of the citizens they serve. I urge you to support legislation I have submitted on this issue that Delegate Ken Melvin has agreed to carry. It will focus on model training programs and not impose undue burdens on law enforcement.

Finally, I look forward to restructuring Virginia's parole board so it will be effective and more cost efficient. My policy will be clear: those who endanger society must be kept behind bars where they belong.

Transportation

Transportation remains one of our most vexing challenges. Restoring accountability must be job one on our transportation agenda:

As you know, during the transition I ordered a national search to find the person most-qualified to serve as Commissioner of Transportation. I am especially grateful to the Transportation committee chairs, Senator Williams and Delegate Rollison, as well as to Senator Houck and Delegate Stump for their willingness to work with me to make this search a success.

With new management, we must make VDOT's six year plan a reality, and not just a wish list.

It is time to deliver our transportation projects on time and on budget.

Transportation problems must have more than an asphalt-only solution. Going forward, we need a greater emphasis on mass transit, high-speed rail, and intelligent transportation systems. And to truly move into the 21st century, we need to include conduits for fiber optic communication when we build new roads - so that all areas of Virginia can have the infrastructure they need.

As for funding our critical transportation needs, we will actively seek all available federal funds and promote the use of public-private initiatives.

In addition, I believe firmly in the people's right to decide. If you send me a bill that allows the people in any region of our state to decide whether to devote more resources to addressing their local transportation issues, I will sign it.

Health & Human Resources

Just like our transportation agencies, our health and human resource agencies need a management turnaround - and a real commitment to help citizens access resources more easily.

Even though we are facing difficult economic times, Virginia's safety net will be preserved.

Our goal will be to help all Virginians live with as much dignity and independence as possible.

To make these changes, we'll need fresh thinking not just about what we do - but about how we do it. Nowhere do we need such fresh thinking more than in the way we care for children. We will expand the enrollment of Virginia's children in the state children's health insurance program. Other states like North Carolina and Indiana have enrolled virtually every eligible child. We should do no less here in Virginia. The Joint Legislative Audit and Review Commission found we have forfeited at least \$56 million in federal funds because of our failure to sign up these kids. That is morally wrong, and it is fiscally wrong.

We can do better, but we will need to partner with local agencies and private organizations for help. We have a great example in the Virginia Health Care Foundation. So far, they have enrolled more than 6,500 children, and they're signing up more children every day.

As Governor, I'll call on the Foundation and other experienced private organizations to help extend coverage to more children.

We also need to do more to empower Virginians with disabilities. That starts with finally making the Department for Rights of Virginians with Disabilities truly independent. I urge you to pass the legislation that Delegate Phil Hamilton has introduced and I look forward to signing it.

Natural Resources

Protecting Virginia's rich natural heritage is critical to preserving our quality of life.

That starts with leadership. Virginia has a long tradition of conservation, historic preservation, and outdoor recreation - traditions that I want to continue.

I will work to make Virginia a full and active partner in the Chesapeake Bay Program. The Bay is Virginia's greatest natural resource, and we must do a better job in protecting it.

We will also conserve more of our precious open spaces. Mr. Speaker, I appreciate your leadership on preservation of open space, and I look forward to working with you on this important priority.

Environmental stewardship also means ensuring that Virginians have access to safe, reliable drinking water - the most basic need for all our families.

My friends, they will want to know what we have done to prepare them for the new world in which they live. A world we cannot know - but only imagine. A place where competition is constant and ideas abound. Where creativity is the coin of the realm - compassion the order of the day - and prosperity within reach of all our people.

That is the Virginia that we seek. That is the future that we can secure. That is the Commonwealth they will inherit. That is the legacy we will leave. One Virginia. One future.

Thank you and God bless the Commonwealth of Virginia.