

**ADDRESS OF
GOVERNOR ROBERT F. MCDONNELL**

**The State of the Commonwealth
Address to the Joint Assembly
2012**



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State of the Commonwealth Address of Governor Robert F. McDonnell

Mr. Speaker, Mr. President.

Justices of the Supreme Court and Judges of the State Corporation Commission.

Ladies and Gentlemen of the General Assembly, my fellow Virginians.

My fellow Virginians.

Good evening.

It is both my duty and my privilege to join you on the set of Steven Spielberg's epic feature film "Lincoln", for the annual State of the Commonwealth Address.

And I hope it's alright with everyone that I invited your neighbors over. The First Lady, and four of the McDonnell children are here with us tonight.

This is always a very special night, when the leaders of all three branches of government are gathered in a building designed by Thomas Jefferson, from which, for centuries, ideas promoting liberty and opportunity have sprung.

I want to congratulate all of the newly elected members of the General Assembly and the new leaders of each caucus. Thank you for your service to Virginia and her people.

Over these past two years we have shown that while we hail from diverse regions, align with different political parties and subscribe to competing philosophies, we can still come together to make progress on the issues important to our eight million people.

That has always been, and must always remain, the Virginia Way because it works.

This session we must remember that while seating charts and committee assignments may have changed, the Virginia Way cannot.

To the members in the majority I say: Don't be arrogant. Don't overreach.

To the members in the minority: Don't be angry. Don't obstruct.

To all of us: let's be civil and productive.

We are blessed to live in a Commonwealth with an unemployment rate that is the lowest in the Southeast.

We are the best state in America for business.

We have the nation's best public university system.

We have weathered rough seas far better than most other states.

We owe this success to many factors.

We have kept taxes low, regulation and litigation to a minimum, and invested wisely for the future in economic development, education, transportation, and in our people.

But, perhaps more importantly, we have risen above the daily sniping of partisan politics to solve problems and get results.

Our representative democracy has stood the test of time as the most effective and fair form of government on the planet.

America was born on the banks of the James River.

From Virginia came four of the first five Presidents; eight in all.

The author of the Declaration of Independence.

The fathers of the Constitution.

Governor Patrick Henry attended the laying of the cornerstone of this building in 1785, and 205 years later this same Capitol welcomed L. Douglas Wilder, the nation's first African-American governor.

The early leaders who guided the young American Republic through its infancy and into the mature, global power we are today were from here.

Now, it is our duty to lead this Republic into a prosperous future.

Virginians are ready. Every day they show their exceptional character.

A few are here tonight.

On December 8th we were reminded of the daily peril faced by our public safety officers.

On that day Virginia Tech police officer Deriek Crouse was at work protecting students and faculty.

During a routine traffic stop on campus, he was shot and killed.

Deriek was an Iraq war veteran; a husband; a brother; a son; and a father of five.

Deriek was a hero.

Deriek's wife Tina is here with us tonight.

Tina, on behalf of a grateful Commonwealth, we pledge to you that Deriek's great sacrifice will never be forgotten.

At almost the exact same time of the Blacksburg tragedy, another military veteran turned law enforcement officer was facing a similar situation in Caroline County.

After detaining a suspect found along I-95, Senior Virginia State Trooper Michael Hamer had placed the individual in his vehicle, when, suddenly, the suspect grabbed for Trooper Hamer's weapon, forcing it to discharge into Trooper Hamer's upper leg.

Bleeding profusely, in the midst of a violent struggle, Trooper Hamer was able to reach for a second weapon that he kept nearby and subdue the suspect.

Trooper Hamer was rushed to Mary Washington University hospital where he underwent emergency surgery.

Tonight, Trooper Michael Hamer, along with his wife Natalie, is here with us in the gallery. Trooper Hamer we salute you for your bravery and commitment to the safety of the citizens of Virginia.

The heroism of Officer Crouse and Trooper Hamer is why I am supporting a review of, and necessary amendments to, the Line of Duty Act, so that all qualified first responders and their families receive key benefits in their time of need, not later.

That same spirit of service has also been displayed by Virginians on the field of battle.

Since September 11th, 2001, nearly 14,000 members of the Virginia National Guard have left their families and jobs to defend our freedom. Over 230 Virginians have given their lives in the Global War on Terror.

On December 18th, the last convoy of American soldiers left Iraq for Kuwait, ending our nearly 9 years in that nation.

Eight days before that I welcomed home to Sandston over 200 Virginia Army National Guard soldiers from the 2nd Assault Battalion, 224th Aviation Regiment, who had been serving in Iraq since April.

With us tonight are the battalion's executive officer, Major Carl Engstrom and a father and son who deployed together, First Sergeant Kelvin Franklin and his son, Private First Class Quinton Franklin.

Gentlemen, thank you for your deep commitment to freedom.

The brave men and women who volunteer for the Virginia National Guard are great patriots.

That's why I propose that we provide in-state tuition for all members of the Virginia National Guard, regardless of how long they've lived here.

We will continue to make this the most veteran-friendly state in America. You serve Virginia, we serve you.

We serve all Virginians well when we run a wise and frugal government, defend individual rights and the rule of law and care more about enacting good policy than making a good quote.

Simply put: our people want results, not rhetoric; they want solutions, not sound bites.

Over the past two years, that is how we have governed together.

Working across party lines last year we put the most new funding into transportation in a generation, and I want to thank Speaker Bill Howell for his leadership in this effort.

As a result, over \$4 billion in new funding was provided in our six-year plan to support highway and rail projects.

This funding has supported hundreds of projects across the state and the advertisement and award of nearly \$2 billion in new contracts in 2011.

It has also made possible public-private partnerships including the Midtown/Downtown Tunnel in Hampton Roads, the Coalfields Expressway, Route 58 between Hillsville and Stuart and the I-95 HOV/HOT Lanes Project in Northern Virginia.

We created a path to award 100,000 more degrees in the next 15 years in job creating disciplines. Thanks to leaders in this effort like Delegates Kirk Cox and Rosalyn Dance, and Senator Tommy Norment, Virginia colleges were able to admit 5,800 additional in-state students last fall.

We've created nearly \$100 million in new economic development incentives to promote job creation. Acentia, Bechtel, Amazon, Green Mountain Coffee Roasters and Albany Industries are all coming to Virginia. I want to thank Lieutenant Governor Bill Bolling, Senator Chuck Colgan and Delegate Terry Kilgore for their leadership in this effort. Over 56,000 more jobs have been created in Virginia since our first full month in office.

Overseas visitors spent a record-breaking \$321 million here in 2011, and I was on hand to open trade and agricultural offices in London, Shanghai, New Delhi and Mumbai to sell Virginia products around the world and create more good jobs here at home.

Our trade missions are getting results. Last month alone one ship left Chesapeake and delivered \$25 million worth of Virginia soybeans to China. Two weeks ago, another vessel began the same journey, with another 25 million worth of Virginia soybeans.

From Brunswick to Beijing. That's how we grow our economy in the global marketplace. I want to thank Delegate Steve Landes for his leadership in getting new funds to grow our agricultural exports and create more Virginia jobs.

Working together we eliminated \$6 billion in budget shortfalls not by raising taxes, but by reforming government and reducing spending.

We turned two massive budget shortfalls into nearly \$1 billion in surpluses.

These are collective, bipartisan accomplishments. Virginia is charting a fiscally responsible course to a brighter future.

But this is no time for victory laps.

Our global economy is still uncertain.

The actions of our federal government are still unpredictable.

The unemployment rate is still unacceptable.

This is not a status quo period in the life of Virginians and Americans, therefore this cannot be a status quo session.

Now, I can't ask you to fix every problem in the short time we have together this session....but I can ask you to fix some big ones.

We must do more now to spur private-sector job creation.

We must reform our pension system now, so that it will be there for the hundreds of thousands of Virginians depending on it.

We must make our K-12 education system more accountable and innovative now, so all our students get a world-class education.

We must complete higher education reform and reinvestment now, so that more Virginia students can access and afford college.

We must improve our transportation maintenance system now, so that our citizens can get to their jobs and families without delay.

And we must pass a fiscally responsible, structurally balanced budget on time that provides the stability and liquidity we need to navigate the uncertain years ahead. I applaud Delegate Putney

and Senator Stosch and the leaders in both parties for proposing much needed reforms to the budget conference process to facilitate timely decision making, and reduce drama. Well done.

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Our work starts with finding work for the 260,000 Virginians who are currently unemployed. It is the most pressing issue facing our Commonwealth: Virginians need good paying private-sector jobs.

This session, I am asking you to put \$38 million more into targeted programs that spur job creation.

I have proposed state incentives and initiatives for tourism, film, agricultural and forestry products, technology, modeling and simulation, cyber security, international marketing, workforce development, advanced manufacturing, and life sciences. These are proven job and revenue generators.

I am also proposing a new investor tax credit to provide working capital to small businesses which create 70 percent of the new jobs in America, and the extension of time during which the major business facility job tax credit may be taken.

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States are competing against each other, and the world, for job-creating businesses.

When deciding where to move or expand, businesses look for a well-educated and well-trained workforce. We owe every student the opportunity to be career-ready or college-ready when they graduate from high school. A good education means a good job.

I have proposed an increase in funding for K-12 education of \$438 million over this biennium to strengthen the Virginia Retirement System for teachers and school employees, increase dollars going to the classroom, hire more teachers in science, technology and math, improve financial literacy, and strengthen Virginia's diploma requirements.

We will also provide new funding for the successful Communities in Schools program, as well as funding for all 10th graders to take the PSAT, and for the start up of new health science academies.

However, while we will put more funding into K-12 in this budget, more funding alone does not guarantee greater results.

Over the past decade, total funding for public education increased 41 percent, while enrollment only went up 6 percent. This budget will provide new funding, but we will also seek more accountability, choice, rigor and innovation.

Providing flexibility to local school divisions is important. It is time to repeal the state mandate that school divisions begin their school term after Labor Day unless they receive a waiver. Already, 77 of the 132 school divisions have these waivers, so that the exceptions have become the rule.

Local communities can best balance their teaching and calendar needs with the important concerns of local tourism and business. They know their situations far better than Richmond.

Our teachers are well educated and motivated professionals who deserve to be treated as such.

Just like workers in most other jobs get reviewed every year, and are therefore able to be more accurately promoted and rewarded for their success, so too should our teachers.

I am asking that we remove the continuing contract status from teachers and principals and provide an annual contract in its place. This will allow us to implement an improved evaluation system that

really works and give principals a new tool to utilize in managing their schools. Along with the merit pay pilot program we approved last year, we will provide more incentives and accountability to attract and retain the best and brightest teachers.

We've got so many great teachers in Virginia, teachers like Stacy Hoeflich, a fourth grade teacher at John Adams Elementary School in Alexandria, who was recently named the National History Teacher of the Year.

I happen to think my sister Nancy, a public school teacher in Amherst County, is a great teacher.

Your House Majority Leader, Kirk Cox, is a great teacher.

We all know strong teachers who deserve to be better recognized for the invaluable roles they play in the development and learning of our students.

We will also fund policies to ensure all young people can read proficiently by third grade, so they are ready to become lifelong learners. Social promotions are not acceptable. When we pass a student who cannot read well and is not ready for the next grade, we have failed them.

Our public education system must also embrace multiple learning venues and opportunities.

I agree with President Obama that we need to expand charter schools in our nation. I am proposing that we make our laws stronger by requiring a portion of the state and local share of SOQ student funding to follow the child to an approved charter school, and to make it easier for new charters to be approved and acquire property.

We need a fair funding formula for the fast growing virtual school sector. I will propose that a portion of the state and local share of SOQ student funding should follow the student in this area as well, and that we implement new regulations for accrediting virtual schools and teachers.

We should also create effective choices for low-income students, so I'm asking you to provide a tax credit for companies that contribute to an educational scholarship fund to help more of our young people, and I thank Delegates Jimmie Massie and Algie Howell, and Senators Walter Stosch and Mark Obenshain for their leadership on this issue. A child's educational opportunities should be determined by her intellect and work ethic, not by her neighborhood or zip code.

We will also propose innovations to promote greater dual enrollment in high school and community college, so motivated students can get a head start on their college educations.

The goal of all of these proposals is simple: at high school graduation, every student who receives a diploma must be college- or career-ready.

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When our students are ready for college, our colleges must be ready for them. The American dream becomes more attainable when a college degree is more accessible and affordable.

Our sweeping Top Jobs higher education legislation that passed unanimously last year set a visionary blueprint for reform and reinvestment in higher education. Now, we have to put our money where our policy is.

I am asking you to invest over \$200 million in new funding for our colleges and universities.

Additionally, I am proposing a dynamic new funding model for higher education that ties new general funds to achieving our statutory goals. Institutions will be rewarded for increasing the number of degrees, especially in STEM-H fields; improving graduation rates, and expanding practical research. It will also require colleges to be more accountable and efficient, by

reprioritizing 5 percent of their current general fund dollars by 2014 to meet the key policy goals we enacted last year, including year round use of facilities and greater use of technology to leverage more programs and courses.

Taken together, these actions cement the direct nexus between higher education and job creation, and begin to reverse the unacceptable trend over the last ten years during which the average college tuition for our constituents has doubled. Parents and students can't afford it. Those days are over!

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Our economy cannot grow if people and products cannot move. Last year's major new transportation construction funding bill was significant. But more must be done.

We all know that increased fuel efficiency and the emerging use of alternative fuel vehicles have caused gas tax revenues to decline, a trend that is likely to continue. Our growing deficit in maintenance funding is the result, and it must be addressed.

Transportation is a core function of government. We must treat it like one.

I am asking you to increase transportation's share of the year-end undesignated surplus to 75 percent, and dedicate the first one percent in revenue growth over 5 percent to transportation.

To seriously address the maintenance deficit, I am also requesting that you increase the dedicated transportation allocation of the state sales tax from .5 percent to .75 percent over the next 8 years.

The introduced budget starts that process by increasing the dedicated sales tax percentage to .55 percent, generating over \$110 million in new transportation maintenance dollars.

To put it in perspective: \$110 million is one-eighth of one percent of the total \$85 billion budget.

If we can't find the resolve to use just one-eighth of one percent of our budget for additional transportation maintenance funding, then we just aren't serious about maintaining our infrastructure.

We will also propose numerous measures to further reform VDOT, and reduce timelines for construction projects. We will also reform, promote and greatly expand both the Port of Virginia, a great asset that must be a global leader in international shipping, and the growing commercial space industry at Wallops Island on the Eastern Shore.

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It is also time that we address, head on, the hard realities of our woefully underfunded state pension system.

As of the June valuation, the funding status of the system was 70 percent for state employees and 66 percent for teachers. According to JLARC, the plans could reach lows of 63 percent and 61 percent, respectively, in 2013. That is unsustainable. I will not pass this problem on to another governor. You cannot pass this problem on to another General Assembly.

Our responsibility is clear. That is why I have proposed the largest employer contribution to the Virginia Retirement System in history, recommending \$2.21 billion in total funding to the systems for state employees and teachers, including \$876 million in state general fund dollars. This more than doubles the employer contributions from the last budget.

The state is doing its part. Localities will have to fund their share of teacher's retirement, since teachers are local employees, and local governments have the duty to fund VRS. Doing the right

thing at the state level is not an unfunded mandate on localities. The rates have been set, the bills are now due.

This new state cash infusion will not, by itself, fix the system. To ensure a stable retirement system in the decades ahead, state employees, who do tremendous work for us every day, will be asked to accept some plan adjustments. In the days ahead, I will announce a number of specific VRS reform proposals to ensure long term solvency, and I look forward to working with you to enact them this session.

I also want to continue the success we found in bringing private-sector management incentives to state government.

In 2010, we provided a 3 percent performance bonus for state employees contingent on their saving a specific amount of taxpayer dollars by the end of the fiscal year. It worked. Their great efforts saved taxpayers over \$90 million, after the bonus payment. That is good government. And we should do it again this year.

In this budget, I have proposed another 3 percent one-time bonus for our employees, again contingent upon a specific amount of savings being achieved, and employees meeting specific performance measures. We will again save money and reward good performance. That is effective government.

Last summer, we all collectively held our breaths as we watched the debt limit fight in Washington. Today we face a volatile Euro and international unrest.

Uncertainty is the new certainty.

While we cannot control what Congress or Europe do, we must prepare as well as possible for the future changes that are certain to come.

That is what I have tried to do in the introduced budget.

The budget does not raise taxes.

Rather, it forces state government to set priorities, live within its means and plan for the future, something I wish our federal government would do.

I am asking you to put \$50 million into a newly created Federal Action Contingency Trust (FACT) Fund. This fund will help us to handle impacts from the necessary and likely future federal spending cuts, and to take prudent action to help diversify our economy. I am also proposing we enhance our cash reserves by doubling the Rainy Day Fund to over \$600 million by the end of FY 2014.

We will also eliminate the accelerated sales tax policy for 96 percent of merchants, by allocating \$50 million in FY 2012. My goal is to get rid of this unfair policy by the time I leave office.

Together, these budget strategies provide structural balance, reduce unfunded liabilities and invest in job creation, transportation and higher education; ideas well received during our visit to the three bond rating agencies in New York last Friday with your money committee leaders.

To continue building "A Commonwealth of Opportunity", I will be asking for your partnership in other critically important areas.

Our budget provides \$5 million for additional land conservation to continue our bipartisan effort to conserve more open space and protect the environment. We have already been able to add 100,000 acres of lands to protected status in the last two years.

We are also making progress in restoring the jewel that is the Chesapeake Bay.

Striped bass production was at an all-time record high in 2011, the blue crab population is at its second highest level since 1997 and eagle populations are up.

The recent budget surpluses have allowed us to contribute over \$85 million more to improving water quality. This means more assistance to Virginia's farmers and a significant contribution to the Water Quality Improvement Fund.

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Providing for public safety is one of the top duties of government at every level. If people aren't safe and secure in their neighborhoods, businesses will not locate there, and our communities will not prosper. Thanks to the smart public policies we have approved, and the selfless service of first responders and law enforcement officers like Deriek Crouse and Trooper Mike Hamer, crime and recidivism are down in Virginia. But we still face challenges.

Repeat drug dealers are a major, perpetual cause of crime in our state. This year, I am proposing tough new laws to put away repeat drug dealers for longer periods of time. If these dealers are behind bars, they can't sell drugs to our kids, steal from their neighbors or contribute to the tragic cycle of addiction that has stolen the lives of too many Virginians.

We can break that cycle when we combine tough sentences with other effective policies.

In this year's budget I have provided localities with a mechanism for obtaining authorization for new drug courts, at their expense, as long as they meet certain requirements and provide data necessary to evaluate their success.

For those released from prison, who have learned from their mistakes, we will provide them with positive opportunities for change through effective prisoner re-entry policies. We are a remarkable nation of second chances. Over 90 percent of offenders get out of prison, and we don't want them going back. We want more good citizens and fewer victims.

This year's budget maintains critical "599" funding for local law enforcement, fully funds our sheriffs, and adds 40 slots in our state trooper schools.

A more secure society is a more prosperous society.

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We will step up our efforts to make Virginia "The Energy Capital of the East Coast."

That starts with pursuing an "all of the above; red, white and blue" approach to energy production by utilizing all of our resources. More domestic energy production equals more American job creation and greater energy security.

An important part of our nation's energy solution is here in Virginia.

Fifty miles off our shores are oil and gas deposits that can be accessed in a responsible manner. We passed legislation in 2010, with strong bipartisan support, approving offshore drilling. America needs the energy and Virginians need the jobs.

I urge the Obama Administration to end the delays and act now to include Virginia in the 2012-17 Outer Continental Shelf Plan. If they won't, then Congress must.

I thank Senators Warner and Webb and Congressmen Goodlatte and Rigell for leading our fight in that body.

And we must continue to demand that the federal government stop the overreach and overregulation of our important job-creating coal and natural gas industries.

Congress must also revitalize the nuclear industry by setting reasonable policies on the storage and disposal of spent fuel rods after thirty years of inaction.

We will also continue to pursue the development of alternative sources of energy like solar, wind and biomass, as long as they are cost-competitive for consumers. In October we announced that the nation's first facility for the testing and certification of large offshore and land-based electricity-producing wind turbines will be developed on the Eastern Shore. Wind energy is a developing industry, and Virginia is at the forefront of it. That is why I have included \$500,000 in the FY13 budget for research and development to accelerate and assist private development of the Virginia Wind Energy Area.

We are also currently evaluating private sector proposals to move the Commonwealth's substantial vehicle fleet to alternative domestic fuels to reduce our reliance on foreign oil.

Making Virginia "The Energy Capital of the East Coast" will create more jobs and revenues for our citizens.

We must also continue to reform state government to make it more efficient and effective, or as Mr. Jefferson said, more "wise and frugal." Over the past decade, state spending has grown 23 percent faster than the rate of growth in population and inflation. We have significant room for improvement.

I am proposing that we close a prison; cut ineffective programs; abolish unnecessary boards and commissions; eliminate and consolidate agencies; end memberships in dozens of outside organizations and make government work smarter.

And we should honor our Virginia founders by putting into our state Constitution a strong property rights amendment that protects the private property of every Virginian.

We will continue our recent work to dramatically improve mental health funding. Last year we invested \$60 million in new funds to strengthen community care capacity. I have already authorized 60 new home and community based waiver slots, specifically for individuals ready to transition from institutions back to the community.

Now, in this new budget, I am asking you to put another \$30 million into mental health. We must transition more individuals from institutions to community based care. It's the right thing to do.

Medicaid spending has increased by 1600 percent over the last 29 years. During the 2011 session, substantial ways to improve the quality, cost effectiveness, and program integrity of the Medicaid program were enacted. We are now moving forward with the statewide adoption of care coordination. This will allow state government to better manage Medicaid expenditures, while ensuring Virginians receive the high quality health care they need.

You arrive here today at a particularly pivotal moment in the life of our Commonwealth and our country.

The world around us is changing rapidly.

Gone are old regimes in Iraq, Libya, Egypt and Afghanistan. China and India are on the rise. Facebook and Twitter replace texts, which replaced emails, which replaced phone calls. iPhones rule. Products and procedures get obsolete quickly.....even one-term governors...but, I promise you, not too quickly!

In the midst of all this uncertainty and structural change Virginians want government to provide some measure of stability by providing its core services well.

They want good jobs, safe neighborhoods, successful schools, a modern transportation system, a clean environment, strong families, and an equal opportunity to achieve the American dream. We are a nation that rightly guarantees opportunities, not outcomes.

That's the kind of government enshrined in law by Virginians over two centuries ago. It has made this the freest and most prosperous nation the world has ever known.

In the mid 1840s and 50s, during the Irish Potato Famine, millions of my Irish heritage fled for the United States, having little idea what to expect on the other side of the ocean, but hoping to find survival here. In the galleys of the ships that sailed from ports like Dublin and Cork, the Irish government posted bulletins with the heading "Advice to Irish Emigrants."

The posters read in part: "In the United States, ...Wealth is not idolized; but there is no degradation connected with labor; ...an industrious youth may follow any occupation without being looked down upon...and he may rationally expect to raise himself in the world by his labor."

One hundred years ago this May, that same promise of America led my own grandfather from Ireland to Ellis Island, in search of his own dreams and opportunities.

That's the Virginia we all believe in. That's the America we are so blessed to call home.

Our job over the next 60 days is to enact policies that will help ensure that this remains a Commonwealth where any man and any woman, of any race and any creed, from any beginning and any place, will always have the opportunity to raise themselves in the world by their God given talents and their labor.

Together, I know we will.

Thank you all, and may God continue to shower his blessings on the Commonwealth of Virginia!

