

**ADDRESS OF
GOVERNOR ROBERT F. MCDONNELL**

**The State of the Commonwealth
Address to the Joint Assembly
2013**



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State of the Commonwealth Address
Richmond
January 9th, 2013

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,

Tonight, we gather in Mr. Jefferson's Capitol for the annual State of the Commonwealth Address.

The Virginia General Assembly has met in this building for 220 years....the Speaker was just a young boy during that first session.

Next door, the Executive Mansion is the oldest continuously occupied Governor's residence in the nation. This year we mark its 200th anniversary, and I thank the First Lady and her team for their work in promoting its extraordinary history. Thanks Maureen!

Tonight we convene, surrounded by our legislative history that started in 1619, ready to do our part to create a more perfect union, and cement a strong foundation for Virginia's future.

We must be determined this session to create more jobs and new opportunities for the attainment of the American Dream for the people of Virginia. They have sent us here to work together on their behalf, and find solutions for the challenges they face in their daily lives.

They've sent us here to do legislatively what they do personally in their own homes, businesses, churches and schools: Act responsibly, solve problems, spend wisely, serve one another, and make life better for those around us.

We don't have to look far for inspiration from our brave and caring people.

On the rain-soaked night of October 30th as Hurricane Sandy's waters rose swiftly in Accomack County, Virginia National Guard soldiers trudged through high water to clear a path to transport seven adults and a child out of harm's way. Another rescue required Guardsmen to carry a citizen 200 yards through chest-high water to safety. Virginia Guard personnel rescued 42 citizens during Hurricane Sandy.

Joining us tonight are Lt. James Breckenridge and PFC Norman Malone of the 1173rd Transportation Company who helped lead some of these rescue missions, and the Adjutant General of Virginia, Major General Daniel Long.

Gentlemen, we salute you for your brave service to Virginia.

With the return of soldiers from Afghanistan this summer, all Virginia Guard units were home for Christmas for the first time since Sept. 11, 2001.

During these 11 years more than 15,000 Virginia Guard soldiers and Airmen were mobilized for combat operations and other missions in Iraq, Afghanistan, and other locations around the world. Since 9-11 we have lost 10 Virginia guardsmen to hostile enemy activity.

Our Virginia Guard is rightly recognized as among the best in the nation. They have served all of us well.

That same heroic service is replicated every day here at home by our men and women in law enforcement.

In March of 2011, Buchanan County sheriff's deputies responded to a suspected robbery only to find a sniper lying in deadly wait.

In the shootout that followed, two deputies, Cameron Justus and Billy Stiltner, were killed. Deputy Stiltner had rushed to the scene from his front yard where he was putting together a new swing set for his two grandchildren. It would be a project left unfinished.

Two other deputies, Eric Rasnake and Shane Charles, were shot and severely injured in the ambush.

Tonight, Deputy Rasnake and Deputy Charles, along with Buchanan County Sheriff Ray Foster, are here with us.

Gentlemen, we thank you, and all Virginia law enforcement officers and first responders for your courage, and your commitment to the safety and freedom of the people.

Over the past three years we've worked together for the common good, with passion, civility and a focus on results.

We have worked hard to create good jobs and build a "Commonwealth of Opportunity."

In January 2010 the unemployment rate was 7.3%.

Today it is 5.6%; the second lowest east of the Mississippi and the lowest in the Southeast.

Virginia has created 150,500 net new private sector jobs during that time.

In 2011 we hit our all-time record for agricultural exports, at \$2.35 billion, bolstering Virginia's largest industry.

Together we put in place a stronger environment in which the private sector can create good-paying jobs, and Virginia is now outperforming our neighboring states.

We have also worked to get our fiscal house in order.

Three years ago, we closed a cumulative budget shortfall of \$6 billion, without raising taxes.

The results: We've had three consecutive budget surpluses, totaling \$1.4 billion.

We more than doubled the Rainy Day Fund.

We gave two 3% performance bonuses to our great state employees

We maintained Virginia's AAA bond rating while the federal government was losing theirs.

We audited multiple state agencies, finding over \$1 billion dollars and bolstering efficiency. We eliminated and consolidated dozens of boards, commissions, agencies and programs.

We set priorities and cut spending. In the past three years we have recommended cuts and reallocations in spending of more than \$1 billion.

We made government live within its means.

We put the most new funding into transportation since 1986, while maintaining our 5% debt limit. The 2011 transportation legislation of Speaker Howell jumpstarted over 900 projects. As of August, a record \$14 billion in projects are now in procurement or under construction, including mega-projects like Dulles Metrorail and the Express Lanes on I-95 in Northern Virginia and the Downtown/Midtown Tunnel/MLK Extension in Hampton Roads. We just restarted Amtrak passenger rail service to Norfolk for the first time in 35 years.

Last session we reformed and stabilized the Virginia Retirement System that hundreds of thousands rely on for retirement security. While California, Illinois and other states march towards pension insolvency, we put the most new funding in history in the system, and our reforms will reduce the system's total unfunded liabilities \$9 billion by 2031. Moody's praised our reforms as "credit positive."

Our 2011 landmark "Top Jobs for the 21st Century" higher education reform legislation has made the college dream more affordable and accessible. Our bold statutory goal of 100,000 new degrees over the next 15 years, with a focus on STEM-H degrees, is supported by more than \$350 million for higher education over three years. Our reforms are working. Over the past two years we've added over 3,800 slots for undergraduate in-state students, and tuition increases this year averaged 4%, after a decade of double digit increases. More diplomas mean more jobs!

We have increased the percentage of K-12 funding going into the classroom from 62% to 64%. Graduation rates are up. The statewide dropout rate has fallen by more than 25 percent. We ended social promotion to 4th grade if students cannot read well. There are now more STEM teachers and programs and less bureaucracy.

We are making good progress cleaning up the Chesapeake Bay, and meeting our goals under our Watershed Implementation Plan. In 2011 our major wastewater facilities exceeded pollution reduction goals by more than 2,000% for nitrogen and more than 450% for phosphorus. Virginia won the U.S. EPA's Region 3 award for ranking second in the nation for reducing nitrogen pollution.

In 2011 we harvested the most oysters since 1989, a nearly 250% increase since 2008. The blue crab population is now at a near 20-year high, and 66% greater than just a year ago. Tonight, when this

speech concludes, I hope you'll join me for a reception featuring Virginia crabs and oysters, to literally taste a little bit of our success!

Our communities continue to get safer. Our violent crime rate is now lower than any time since the early 1960's, the lowest in the South and the 5th lowest in the nation. Our property crime rate is the lowest in the South and the 8th lowest nationally.

Our strategy has been simple and it's working.

First, tough punishment and no parole works. Our adult recidivism rate has fallen to 26.1%, one of the lowest rates in the nation. We have passed tough new laws to combat domestic abuse, gang violence, drunk driving and internet crime. Last year we quietly passed the most significant reforms in over a decade to punish repeat drug dealers and child sex offenders.

Second, we've dramatically improved our prisoner re-entry system. We want more good citizens, not more returning prisoners. Tonight, I'm pleased to announce that our Administration has now restored the civil rights of more Virginians than any other Administration in state history.

The point is, here in Virginia, the Cradle of Democracy, we enact policies that actually work.

In Washington, we see debt, taxes, delays, blame, and dysfunction. Here in Virginia we see results, solutions, job growth, surpluses, and cooperation. What a difference 100 miles makes!

Our work has led The U.S Chamber of Commerce to rank Virginia "America's Most Livable State", and MoneyRates.com to rank Virginia as "The Best State in Which to Make a Living." Every major national business publication puts Virginia in the top three best states in which to do business.

However, as I enter the fourth year of our Administration, there are areas where we must lay a stronger foundation for Virginia's future.

This session, I am asking you to work with me to get a few big things done that will create more jobs and more opportunities. When you leave here ON TIME in 45 days, I want to report to our citizens that our kid's schools are on the way to being the most challenging, innovative, accountable and excellent in the world, and that you've made game-changing reforms and investments in transportation.

If a young person does not graduate from high school, or does not graduate career or college ready, you have failed, I have failed, and, worse, they have failed.

All children, regardless of their zip code, must have world-class educational opportunities. It's the only way Virginia will continue to recruit world-class companies like Hilton, Northrop Grumman, Bechtel and Intelsat that require highly-educated, highly-motivated employees.

The brutal fact is, when it comes to educating our young people, America is slipping.

While Virginia's schools rate well nationally, according to the Program for International Student Assessment, the United States now ranks 14th in reading, 17th in science, and 25th in mathematics. This is unacceptable. Those are not grades that we want to put on the national refrigerator.

The time for action is now.

Great teachers in great schools make great students and citizens. A great teacher, like my sister Nancy in Amherst County, makes all the difference in the life of a young person. We need to recruit, incentivize, retain and reward excellent teachers and treat them like the professionals that they are. I'm proposing giving teachers their first state supported pay raise since 2007, and my budget amendments provide over \$58 million for a 2% pay raise for all SOQ funded instructional personnel.

The Educator Fairness Act will streamline the bureaucratic grievance procedure to benefit teachers and principals. It will extend the probationary period for new teachers from three to five years, and require a satisfactory performance rating as demonstrated through the new performance evaluation system to keep a continuing contract. Good teachers will advance and flourish; poor ones will not.

Students are falling behind in mastering the STEM-H disciplines essential for the global economy.

I'm asking you to approve funding to support new teachers who teach science, technology, engineering, or mathematics in our middle and high schools.

I want our very best teachers in every subject to have incentives to excel. I'm proposing \$15 million for school districts to reward their well-performing educators. This strategic compensation plan based on a model developed in the Salem school system will be implemented through local guidelines that best fit each school division's unique characteristics.

We need some of our best teachers in our hard to staff and underperforming schools. Therefore, I am proposing legislation to start the Teach for America program in the Commonwealth.

Since 1990, Teach for America has placed 28,000 exceptional graduates from top universities into some of our nation's most challenging school systems. All over America this program works, but not here. There are almost 300 Teach for America participants from Virginia who should be teaching right here at home.

I'm also asking you to approve a budget amendment to place one reading specialist in each school that scores below 75% in the 3rd grade Standard of Learning test, and to fully fund the state share for staffing standards for blind and visually impaired students.

I also propose a new method to obtain waivers from bureaucratic red tape, putting the algebra readiness and early reading intervention initiatives into the SOQ, and expanding character education and youth development programs.

Parents need to know how well their child's school is working. We should grade schools like we grade students' papers and tests. I'm proposing an A-F school ranking scale to empower parents and students to demand excellence.

This new grading transparency will allow us to hold schools more accountable. Even in a state like ours with a very good public education system, some students are trapped in underperforming and unaccredited schools. This must end!

We now equip low performing schools with turnaround specialists and additional resources from the state and private sector. If they haven't improved that's unacceptable. We must have a zero tolerance policy for failing schools.

Therefore, I'm asking you to approve a bold initiative to establish a statewide Opportunity Educational Institution to provide a high quality education alternative for children attending any chronically underperforming public elementary or secondary school. The Opportunity Educational Institution will be a new statewide school division to turnaround failing schools. If a school is consistently failing, the Opportunity Educational Institution will step in to manage it. If the school has failed for two years, the Institution can take it over and provide a brand new approach to a broken system.

This model is proven nationally. Louisiana and Tennessee have created Recovery and Achievement districts, and the results are positive. For the very small subset of schools that are failing Virginia's students, we have no other option.

As the parent of five children who graduated from good Virginia public schools, I know we must raise the bar and end failure.

We must continue to bring more innovation and choices to our public education system. Excellent education demands having the courage to try new approaches.

Public charter schools have done well nationally to help bring options to our most underserved communities. They can increase flexibility and innovation and offer a wider range of educational experiences. We've approved new charter laws, but we haven't done nearly enough.

Massachusetts has 72 charter schools. Pennsylvania 164. Florida 520. Virginia has just four!

We still have one of the weakest public charter schools laws in the country. The best public charter school operators in the nation will not come here because we make it nearly impossible for them. We need new charter school laws that demand excellence, set clear standards, and welcome the best charter schools into our communities. This session I'm asking you to join me to pass a Constitutional amendment to allow the state Board of Education to authorize charter applicants. And I am asking your support of legislation to eliminate the requirement that local school boards who originate a charter school application must first apply for authorization from the state Board of Education. These ideas will make it much easier for proven charter schools to open up.

Better schools mean better jobs and a stronger Virginia.

We must also lay the foundation for a stronger Virginia by modernizing our transportation infrastructure system.

The nearly \$4 billion we directed to transportation in 2011 was the most in a generation. With \$14 billion in projects under way, it's hard to miss the construction cones and the new construction jobs. But we have not solved the long term infrastructure problem.

Today the maintenance deficit in transportation is \$364 million. It will be \$500 million in five years. So instead of construction dollars going to build new roads, they are increasingly going just to paving and potholes.

The gas tax is worth 45% of its purchasing power from 1986. Increased fuel efficiency from CAFÉ standards and the rise of alternative fuel vehicles are further chipping away at gas tax revenues.

The Texas Transportation Institute ranked the Washington D.C./Northern Virginia area as the nation's most congested in 2011, and Hampton Roads isn't far behind. CNBC dropped us from 1st to 3rd in its business rankings due, in large part, to inadequate long-term transportation funding.

We must reform and reinvest in transportation infrastructure or job growth and quality family time will suffer.

Therefore I ask that you not conclude this session without approving a long-term transportation funding plan for Virginia. Do not send me a budget that does not include new transportation funding. We are all out of excuses. We must act now.

Yesterday I announced a plan to invest an additional \$3.1 billion in Virginia's transportation networks over the next five years, and provide new funding of \$845 million annually by 2018.

This plan includes increasing transportation's share of the existing sales and use tax from 0.5% to 0.75% over the next five years. For FY 2014, this increase amounts to just \$49 million. If we cannot annually dedicate just three-tenths of one percent of Virginia's existing revenues to transportation, then we are just not serious about fixing this problem. Transportation is a core function of government. With half billion dollar surpluses, revenue growth averaging 4-5%, and ongoing savings strategies in place, it is absolutely wrong to say that we cannot afford a small amount of projected general fund revenue for transportation.

I propose dedicating a little over \$300 million of this money to build Phase II of the Dulles Metrorail Project and to reduce tolls on the Dulles Toll Road. Thereafter, these revenues will go to eliminate the maintenance crossover and put more into construction.

Our plan will also eliminate Virginia's 17.5 cents per gallon tax on gasoline and replace it with a 0.8% increase in the sales and use tax- that will not tax gasoline. We will be the first state in the nation to eliminate the gas tax, which is projected to be in a long term decline.

Over the next five years, this common-sense change will provide over \$600 million more than our current gas tax revenues from organic economic growth, not tax increases.

We will maintain the tax on diesel fuel, 68% of which is consumed by out of state truckers. Trucks comprise 4.2% of the miles traveled, but cause nearly 80% of the maintenance needs.

These two policies will generate almost \$500 million per year by FY 2018 and will eliminate the maintenance crossover.

Every new dollar invested in maintenance equates to an additional dollar freed up for construction. The total impact of my proposal will lead to \$1.8 billion in new construction spending over five years.

Demand for new and improved transit service and intercity passenger rail continues to grow. As new services come online – such as the Norfolk Tide and the Dulles Metrorail Project – and the federal

mandates of the Passenger Rail Investment and Improvement Act are implemented, we must provide additional revenue for these services.

Our plan includes a \$15 increase in the motor vehicle registration fee, and a \$100 alternative fuel vehicle fee. The registration fee increase will provide over \$100 million in additional revenue to fund transit and passenger rail.

I'm a strong supporter of alternative fuel vehicles, and I've directed that we convert the state vehicle fleet to natural gas, but these vehicles generate little federal gas tax revenue and therefore need to contribute their share to fund the roads they use.

Finally, my plan will dedicate the majority of the anticipated new revenues from the expected passage of the Marketplace Fairness or Equity Act to transportation. These are existing revenues that Virginia should already collect.

There is bipartisan support for this measure in Congress, and we are hopeful it will pass this year. The remainder of these new revenues generated will be dedicated to public education and to local government consistent with the current distribution formula.

I know there are parts of this plan you will like and parts you won't. That's true of any innovative and comprehensive transportation plan. But we cannot let another session be lost as each member holds out for their perfect plan. The more we sit and debate, the longer Virginians sit and wait.

I expect to sign a plan into law this year. Better transportation means better jobs!

We can further strengthen our business climate by passing commonsense tort reform. You will consider a number of measures this year that will ease burdens on job creators and create more certainty for small businesses. I thank Speaker Bill Howell for his leadership on this important initiative.

I also ask you to strengthen our commitment to making college more affordable and accessible by increasing TAG grants from \$2800 to \$3100 per student. This will benefit up to 21,000 Virginians. I'm recommending an additional \$31 million for our public colleges and universities to continue to add more slots for in-state students, and bring tuition rate increases down. I've asked our college presidents and boards to further increase operating efficiencies and keep 2013 tuition increases for in-state students to no more than the CPI to help lower student debt.

We must prepare well to face the ongoing unprecedented uncertainty created in Washington. Our conservative budget forecasts and focus on cash reserves does that.

A recent report by the State Budget Crisis Task Force, which looked at how states are positioned for the future, said:

Compared to other states, Virginia does not have a structural budget problem

Virginia manages its debt carefully to meet its debt service and retain its AAA credit rating.

Virginia's fiscal management and institutions are stronger than most.

While that is good, major changes are coming from Washington D.C. They have to. And they will test us.

Our beloved nation is broke, and our federal budget process is broken.

We are \$16 trillion in debt, and \$4 trillion more was added on New Year's Day.

Washington continues to fall deeper into a dysfunctional governing paralysis. There is no bipartisan will to cut spending and reform entitlements. The fiscal cliff was kicked down the road. Decades of overpromising has led to embarrassing fiscal irresponsibility.

Virginia is uniquely vulnerable due to our high proportion of federal workers and defense spending.

Given the unresolved drama, I propose a number of prudent budgetary steps.

We should add another \$50 million to more than double our rainy day fund from \$304 million to nearly \$740 million by the end of this biennium.

I ask you to bolster our recently created Federal Action Contingency Trust (FACT) Fund to help address immediate negative impacts from federal actions.

The economic downturn has also been difficult for our counties and cities. Some of our policies make it harder for them. I've proposed \$45 million in the budget to fully eliminate the awkward policy of localities writing checks back to the state.

The cost of Medicaid in our budget has grown 1600% in the last 30 years to 21% of the General Fund in FY 2012. Virginia simply cannot afford to become the bank for a federally designed expansion of Medicaid.

In 2009, President Obama said "[a]s we move forward on health reform, it is not sufficient for us to simply add more people to Medicare or Medicaid to increase coverage in the absence of cost controls and reform...another way of putting it is we can't simply put more people into a broken system that doesn't work."

He was exactly right. The federal government must promptly authorize real, innovative, state run Medicaid reforms to allow us to better manage the program. Without dramatic reform, I cannot recommend a dramatic Medicaid expansion.

Health benefit exchanges as designed in the PPACA are a bad idea. Federal mandates will increase the costs of insurance for most Virginians, and will crowd out other opportunities for markets in insurance to develop. The ongoing failure of the federal government to provide clear guidance and regulation made establishment of a successful state run exchange impossible by October 2013.

Virginia will have a federal exchange. I have informed the Obama Administration that we will not operate a state based exchange that gives limited state control but distinct financial risk. We will work to ensure that Virginia maintains her traditional regulation of the insurance market.

We have allocated \$3 million to facilitate bold reforms through the Center for Health Innovation, and soon our state employee health insurance plan will offer employees an opportunity to improve their health at lower cost through a leading consumer-driven health care program.

Like all Virginians, Maureen and I were in shock at the tragic news from Sandy Hook Elementary School one month ago where 26 people, most of them beautiful, little children, were killed.

While some evil acts can never be fully understood, we must do our best to prevent them. I am proposing targeted new mental health funding.

I ask you to approve \$5 million for specific adult and child crisis services, and an additional \$1 million for children's mental health services. And I am proposing \$750,000 to assist in discharging individuals from state hospitals who are ready to transition home.

Caring for our fellow Virginians with mental health issues is an expression of who we are as a society.

I have also established a School and Campus Safety Task Force to review all security policies in effect in our schools and colleges, and to make initial recommendations to me by January 31st. I will be sending you legislation this session to improve school safety for our young people.

We must also better care for children in our society who are in need of a permanent home with loving parents.

Joining us tonight are Jeff and Angie Williams. Jeff and Angie couldn't have children of their own, but they knew there are wonderful children out there waiting for a good home with loving parents. They adopted two foster care children: Sharon, who is now 20, and Leona, age 8, who is here with us tonight.

Jeff and Angie, thank you for being model adoptive parents, and Leona, I expect to see you down here delivering your own State of the Commonwealth address in about 30 years!

Tonight, I'm asking you to join with me in ensuring that more little girls like Leona get great parents like Jeff and Angie. We must find good loving homes for the approximately 1100 foster care children currently awaiting adoption.

I have included \$2.3 million in the budget to provide a \$1000 incentive for up to 1000 families who adopt foster care children. This will help more children find the loving home and caring parents they need.

And we owe our children with a clean environment and Chesapeake Bay. I am proposing a \$200 million water quality improvement bond issue that will provide \$101 million for much needed wastewater treatment plant upgrades, and \$35 million for urban storm water projects in multiple municipalities. The budget surplus will provide \$17 million for non-point source pollution reduction projects like agricultural best management practices.

And, partly because I'm concerned about the number of oysters you may eat tonight ...I'm asking you to approve \$2.5 million for the Marine Resources Commission for targeted oyster restoration projects, which I believe will be the largest single oyster restoration deposit in Virginia's history.

While we have significantly improved and fast-tracked the restoration of civil rights process, it's still an executive process. As a nation that believes in redemption and second chances, we must provide a clear path for willing individuals to be productive members of society once they have served their sentences and paid their fines and restitution. It is time for Virginia to join most of the other states and make the restoration of civil rights an automatic process for non-violent offenders.

This session, Delegates Greg Habeeb and Peter Farrell have introduced bills to address this issue, and I urge you to support legislation for the automatic restoration of rights for non-violent felons.

I am also proposing new government and regulatory reforms and a reduction in boards, agencies, and programs, as well as legislation to streamline and simplify the state procurement process to help small business owners.

We've done much working together.

The unemployment rate is down.

More Virginians are going to college and tuition increases have fallen sharply.

More than \$14 billion in transportation projects are under way.

Our pension system is more stable.

We've had three straight budget surpluses.

All of that represents the very best of the Virginia Way.

We continue to help middle class families and build a Commonwealth of Opportunity.

Now, I know this is a campaign year. Of course, when you live in Virginia, every year is a campaign year.

But what we accomplish in this building for the people is so much more important than any political campaign.

If politics trump effective governing, we all lose.

If we are remembered at all, we will all be remembered for what we actually got done. Not what we promised to do. Talk is cheap. Results matter.

The Virginia Way has always been about both fighting civilly for our principles and finding common ground. That's what happens here in Mr. Jefferson's Capitol.

Our challenges this session are clear.

We need to reform and reinvest in transportation infrastructure. This session, let's do it.

We need more innovation and accountability in our public school system to promote great teachers in great schools to prepare great citizens. This session, let's make that happen.

We need further government and budget reforms to strengthen the Commonwealth's fiscal standing in the face of unprecedented uncertainty in Washington. This session, let's enact them.

We need more jobs and more access to the great American Dream. This session, let's provide it.

I'm asking you to join me in continuing the Virginia Way to lay the foundation for Virginia's future.

Thank you for your service to the people of Virginia and may God's blessings remain upon Virginia.

