

**ADDRESS OF  
GOVERNOR TERENCE R. MCAULIFFE**

**The State of the Commonwealth  
Address to the Joint Assembly  
2014**



**SENATE DOCUMENT NO. 1C**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
2014**



**State of the Commonwealth Address**

**Governor Terence R. McAuliffe**

**January 13, 2014 – 7:00 PM**

**Richmond**

*As Prepared for Delivery*

Mr. Speaker, Mr. President, Justices of the Supreme Court, members of the General Assembly, and my fellow Virginians;

It is an honor for me to stand here tonight, before this great joint assembly, as the 72<sup>nd</sup> Governor of the Commonwealth of Virginia.

At the outset, I want to thank each of you -- the members of the General Assembly -- for your warm reception of Dorothy and me, and our five children during this weekend's inaugural activities.

Dorothy and two of our children, Peter and Sally, are here with us tonight. Please join me welcoming them this evening.

I'd also like to take a moment to honor Sergeant J. Michael Phillippi of Martinsville, one of our state troopers who died in the line of duty this past Saturday. He gave over 42 years of service to the Commonwealth of Virginia, and my thoughts and prayers are with his family today. Please join me in a moment of silence for him and his family.

When our transition began the day after the election, I made it clear that my highest priority was to use the 66 days ahead of me to forge solid relationships with my colleagues in the General Assembly.

I have tried to do that. And without exception, our conversations and meetings have been marked by courtesy, civility, and openness to other points of view.

These are, after all, the hallmarks of this institution – the oldest continuous legislative assembly in the Western Hemisphere.

Even when we have disagreed on priorities or the best approach to governing, we have found common ground in our shared desire to provide good jobs for our people; to improve their quality of life; to safeguard our natural resources; and to be proper stewards of the Commonwealth's finances.

So tonight, as I launch a new administration, and mindful that so much unites us as Virginians, let me share with you my own ideas of how to move the Commonwealth forward in these exciting, yet challenging economic times.

Like every new Governor, my views for this maiden speech to the General Assembly have been shaped by months of campaign travel.

From one end of the Commonwealth to the other, I have listened to families tell me about their struggles.

Sometimes their problems stem from the fact that they are unemployed, or underemployed, or don't have the skills to take the next step in their careers.

Others worry about aging parents, the cost of health care, whether they can get care at all, or how their children will get into college.

I have heard owners of businesses large and small talk about how government can be both a help and a hindrance to commerce. Teachers have expressed to me their frustrations about the requirements for seemingly endless standardized tests.

And everyone has an opinion about the traffic.

But through it all, one thing became abundantly clear to me: The challenges that we face are considerable; but we are more than capable of solving them if we work together for the good of our great Commonwealth.

That is the very essence of the Virginia way.

Together, our leaders built and sustained one of the best higher education systems anywhere in America. Our system of K-12 education is nationally ranked and includes some of the best schools and teachers in the nation.

Virginia's racial and ethnic diversity, which once sadly divided us, is now a source of strength, as people from throughout the world are drawn to the Commonwealth for its commerce, inclusiveness and rich culture.

Virginia is consistently rated as one of the best states in America to do business.

The Port of Virginia is poised to usher in a new era of commerce and trade as Post Panamax vessels begin to utilize the new and deeper Panama Canal this year.

Our spaceport at Wallops Island held another successful launch this past week of an Antares rocket. This facility holds the promise of renewed economic development on Virginia's great Eastern Shore.

The Commonwealth's parks, mountains, beaches and vast historical assets, which you and your predecessors have so diligently protected, attracted 30 million visitors last year and contributed \$21.2 billion to our economy.

Preserving these natural resources will be among our highest priorities.

And finally, and perhaps most importantly, state government itself continues to enjoy a reputation for efficiency and fiscal discipline.

Virginia is one of the best-managed states in the nation and is one of only nine states to enjoy a triple-A bond rating, a rating we have earned since the 1930s.

I intend to keep it that way.

That's why one of the first decisions I made was to call once again on the services of Secretary of Finance Ric Brown, a public servant without peer in this Commonwealth.

I salute Ric and each of you, as members of the Virginia General Assembly, for all you have done to bring us to this point.

But this is no time to rest.

Today, Virginia finds herself at a unique crossroads.

Much of the success I just described results from Virginia being the number one recipient of federal dollars.

In Hampton Roads, federal spending is nearly half of the economy. In Northern Virginia, it is a third.

This critical spending for defense and civilian agencies has historically sheltered Virginia from the worst economic trends at the national level, especially those that occurred after the terrorist attacks in 2001, and the Great Recession of 2008.

Last year, that began to change.

For much of 2013, spending reductions under sequestration had a severe effect on many of our defense industries, and on the professional service industries that are so important to Northern Virginia.

A 16- day shutdown of the federal government during the fall reflected failures in Washington and dealt a severe blow to our economy and confidence in the future.

Virginia confronts these economic headwinds against the backdrop of deeper problems shared by so many other states: Aging infrastructure; rising health care costs; a state workforce close to retirement; and most significantly, growing economic competition from abroad.

In order to meet these challenges, we must grow and diversify our economy so our future is driven by Virginia entrepreneurs, not by damaging defense cuts and Washington gridlock.

In today's modern economy, Virginia has to be smarter, more productive and far more aggressive than our sister states for new jobs and investment.

And those efforts must begin with education and workforce training.

Nothing is more important to our ability to create jobs than a smart, well-trained workforce.

The jobs of the 21<sup>st</sup> Century economy will go to the states that train their workers in high demand, cutting edge fields. We need Virginia to be that place.

As I traveled Virginia for much of the past four years, I heard constantly about the need to modernize and upgrade workforce training in the Commonwealth.

As it is currently structured, workforce training is cumbersome, confusing and too often inefficient.

Improving workforce development is an area where I know we can find common ground together this session. As we begin that process, I have two goals in mind:

First, that we make the reformed workforce system as streamlined and simple as possible. Second, that we listen to what employers want and build a system that meets their needs.

Several of you in this Chamber have worked on this issue for more than a decade, and I am eager to offer my full support to bring these efforts to fruition.

As we improve workforce training, we must devote special energy to creating opportunities for Virginia veterans.

These brave men and women are highly motivated, highly disciplined, and well-trained.

Giving them the tools they need to thrive in the civilian workforce will give Virginia a critical economic advantage as we compete with other states and other nations.

Many civilian jobs, from health care to energy to education, are ideally suited for Virginia's veterans.

We must stand up for those who served so that they can put their skills to work as they return home.

Building a 21<sup>st</sup> Century workforce means preparing our children for success starting at the earliest stages of their development.

That is why I support expanding access to Pre-K education, so that every child is ready to learn and thrive, regardless of what zip code they live in, or what their parents' financial situation is.

Investing in world class public schools is key to a healthy economy – as is attracting the best and the brightest to teach our students. That is why I will be requesting an amendment to the introduced budget to provide an additional \$5 million to help Northern Virginia localities compete for high quality educators despite the high cost of living in the area.

And while I hope we can work together to make further investments in schools across the Commonwealth, we must also do everything we can to maximize the impact of the resources we are already spending in the classroom.

So let us resolve tonight to come together around thoughtful, meaningful and effective reforms to the Standards of Learning tests.

Few issues came up more often in my campaign for Governor than this. Most of you have heard the same things I have:

We should stop over-testing our students. We should examine essay testing and other ways to measure knowledge and cognitive reasoning. And we should free teachers to spend more time on new subject material.

The SOLs have been a tremendous success for our state, but they are now a generation old and need to be modernized to fit the needs of today's families and today's economy.

Several of you in this Chamber have filed bills on SOL reform. I suspect there may even be a few more before the end of this week.

I am optimistic that we can reform the SOLs in a way that maintains our high education standards, while encouraging innovation and creativity in the classroom.

No one has fought harder for a better future for children from all walks of life than Judge Anne Holton, which is why I am thrilled that she has agreed to serve the Commonwealth as my Secretary of Education.

Our economic future also depends on our colleges, universities and community colleges. I saw their impact firsthand last year as I visited all of our community colleges and most of our four-year institutions.

The Virginia Chamber's Blueprint Virginia aptly describes our community colleges as one of state government's core assets. The same could be said of our entire higher education system, public and private. Our higher education system is one of the best in the world -- and we need to view it as an investment, not an expense.

Every dollar we spend annually on higher education adds more than 17 dollars to our state's GDP and returns more than a dollar to the state treasury.

This legislature and my predecessor wisely committed the Commonwealth three years ago to a long-term plan to confer 100,000 more college degrees by 2025. These degrees are to be focused on the science, technology, engineering, math and health care fields that are leading the way in the 21<sup>st</sup> Century economy.

That goal is a worthy one, and I will push to do even better.

Doing so will require a sustained commitment to make sure those degrees and advanced training are affordable and accessible for all Virginians, and are focused in fields that will lead to well-paying jobs for our graduates.

Expanding access to higher education not only benefits our students, it benefits our economy.

That is why I support offering the children of immigrants who have been living, learning and paying taxes in this Commonwealth for years that opportunity to study at our colleges and universities.

The General Assembly should not wait another year to pass the bipartisan Dream Act.

Let us maintain our momentum in higher education so that our young people and their families can afford it, so that our state economy will benefit from it, and so that we will be a magnet for the innovators and entrepreneurs who will invent the future.

Virginia's ability to compete economically is also shaped by the quality of our transportation system. As someone who has lived in Northern Virginia for more than 20 years, I know first-hand how sitting in stalled traffic stifles business and reduces our quality of life.

People from Northern Virginia spend an average of 67 hours per year sitting in traffic. And that costs our economy more than \$1 billion each year.

In Hampton Roads, improving transportation is essential to economic growth, to national security, and to the safety of our fellow citizens in the event of a hurricane or other disaster.

In Southside, Southwest and other areas, expanding our transportation infrastructure is key to attracting new businesses and creating good jobs.

It is for these reasons that the bipartisan leadership of this General Assembly deserves such enormous credit for last year enacting the first major transportation package in 27 years.

Passing that package took cooperation, innovation and more than a little compromise from all parties involved. It is a shining example of what we can achieve when we put partisan differences aside for the good of the Commonwealth.

I will work to honor that achievement by spending every dollar wisely; and seek to deliver projects on time and on budget.

To achieve this goal, I have directed Secretary Aubrey Layne to work with you, Mr. Speaker, and other members of this body who have offered smart new ideas on how best to target our resources to congestion relief and economic growth.

For every project, we have to ask:

One, whether its benefits are commensurate with its cost; two, whether the project can be executed on time and on budget, and finally number three, whether it has the support of local government and citizens in the affected area.

Before I leave the subject of transportation, let me say one thing about tolls – and specifically tolls affecting citizens who must cross the Elizabeth River from Norfolk to Portsmouth.

I have been very clear that I support Virginia's aggressive approach to public private partnerships on major road and transit construction projects. But in the cases where tolling is necessary, we must ensure that they are fair and equitable and make sense from a business standpoint.

The tolls on the Midtown Tunnel Project do not meet this test – they are too high and place too great a burden on commuters who have to use that route to get to work and get home each day.

For this reason, I have directed Secretary Layne to develop a plan to revise the tolling rate schedule, and present it in detail to the Commonwealth Transportation Board on Wednesday for their immediate favorable action.

A modern transportation system, good schools, safe streets, superior workforce training, and a clean environment: these are all critical to attracting new jobs and investment to Virginia.



But in order to succeed in today's increasingly competitive economy, we must work together to do more.

My predecessors from both parties have recognized this.

With their support and yours, the General Assembly has authorized and funded effective incentive programs that have given us new tools to compete in a global economy. These programs work, and I intend to use every dollar that we invest in them wisely to attract new businesses and create good jobs all over Virginia.

Even on this, the first full business day of my administration, I am pleased to announce that after ceasing operations in Virginia 18 months ago, Carnival, the world's largest cruise line, intends to resume sailing from Norfolk in the spring and fall of 2015.

This renewed activity in Hampton Roads will not only generate important tourism dollars for the Commonwealth, but will also be a catalyst for job growth.

I am delighted to welcome Carnival back to Virginia next year, but my administration's goal is to encourage them to bring more ship calls and ultimately, regular homeport service to downtown Norfolk, and to continue to grow our tourism economy across the Commonwealth.

I'm also proud to welcome the person with whom I have been working on this project, the Mayor of Norfolk, Paul Fraim. Mayor Fraim, I would like to thank you and your team for your leadership on this important economic development project.

Growing our economy means making Virginia a leader in attracting cutting edge technology companies that work in genome sequencing, nanotechnology, data analytics and cyber security. These industries are creating the jobs of the future, and I am committed to seizing every opportunity we can to bring those jobs here.

We are off to a great start. In fact tonight I am pleased to announce that Telos Corporation, a leading cyber security company, will invest \$5 million in its operations in Loudoun County and create 160 new high-tech and high-paying jobs.

Telos CEO John Woods is here with us today. John, thank you for your work keeping our nation's cyber assets safe, and for continuing your company's great partnership with the Commonwealth of Virginia.

These companies recognize the enormous assets we have as a Commonwealth in our workforce, our schools and our well-run, pro-business government. I will devote every day to expanding those assets and leveraging them to help create jobs across Virginia.

That focus means bringing new businesses here, but also exporting Virginia goods across the globe. Agriculture and forestry are Virginia's largest industries, and they will be key to my efforts to grow and diversify our economy.

For every one dollar of Virginia Grown products we send overseas, we gain \$1.40 in economic activity here at home. I hope to sign a budget that increases the Agriculture and Forestry Industries

Development Fund, so that Secretary Todd Haymore and I can compete globally to bring good jobs here, while finding new markets for our home grown products abroad.

It is my goal to make Virginia the number one exporter of agricultural products on the East Coast.

An important part of keeping our economy strong, especially in Hampton Roads and Northern Virginia, is making sure that Virginia continues to be a good host to our naval and military forces. We need leaders in state government who understand personnel, force structure and basing issues.

That is Virginia's best defense against another round of base closings, movement of ships out of their homeport in Hampton Roads, or elimination of major commands, which we witnessed in August 2011 with the Joint Forces Command in Norfolk.

That is why I have nominated John Harvey, a retired four-star Admiral and the former commander of the Atlantic Fleet, as my Secretary of Veterans Affairs and Homeland Security. His experience will make him an invaluable liaison to America's military leadership and a strong advocate for Virginia veterans, active duty personnel and their families.

Admiral Harvey gave the military 43 years of dedicated service and I want to thank him for agreeing to serve Virginians once again.

Making Virginia an even better place to live and work must include sustained progress in our health care system, and in the human services we provide to our citizens. With your support, the Commonwealth has made great strides in modernizing health information technology systems, combating homelessness, and promoting adoption.

In the New Year, we plainly must do more to improve our mental health system. I urge you to support the \$38.3 million in new funding for mental health in the introduced budget. Additionally, I know we can work together to improve the temporary detention process and the operation of our community service boards.

The Task Force on Improving Mental Health Services and Crisis Response will receive my full support. I look forward to reviewing its recommendations later this year, and acting upon them in coordination with Secretary of Health and Human Resources Bill Hazel.

In health and human services, there must be no higher priority than health care coverage for more of our citizens. Across Virginia tonight, there are almost one million people who lack health insurance coverage.

These Virginians are our neighbors, friends and constituents.

In fact, 70 percent of all the uninsured live in households in which at least one person is working.

In many of these families, there are two working adults. For these Virginians, access to care is fragmented and irregular at best. When they do get sick, proper care is too often delayed until their conditions become more serious, and more costly to treat. These families are just a major illness or accident away from financial ruin.

And what about the costs of this broken system for the rest of us?

We bear these costs several ways. The General Assembly each year must appropriate more than \$100 million from the General Fund for indigent care at our state teaching hospitals. Hundreds of millions more are lost by Virginia's private hospitals when they don't get paid by the uninsured.

This further strains a system that in many communities is on the verge of collapse. We saw this with the closing of Lee Regional Medical Center in Southwest Virginia. Not only was this the sole hospital in the area, it was one of the area's largest employers. We can and must do better by these families, by our health care system and by our economy.

We can start by acting on the consensus of Virginia's business and health care communities to use Virginians' own federal tax dollars to provide access to health coverage to as many as 400,000 uninsured Virginians.

The General Assembly has laid an important foundation for this expansion by recommending reforms that are already making our Medicaid system more cost efficient and responsive to patients. But if we fail to exercise this option, we will forgo \$2.1 billion annually in federal funding over the next three years. That is more than \$5 million per day.

That money represents tax payments that Virginians have sent – and will continue to send -- to Washington regardless of whether we seize this opportunity or not.

This is simply a good deal for the states that choose to take it. Which is why 25 of our sister states, our economic competitors, have already, or are in the process of doing just that – including several with governors as conservative as you will find anywhere in America, such as Arizona, Michigan, and Iowa. Virginia should join these states.

I will ask for a budget amendment requiring the Medicaid Innovation and Reform Commission to complete their work by the time this body adjourns. The Commission has done useful work, but our citizens need an answer, without delay. These families have been waiting long enough.

I know that in the long days and weeks ahead, many other issues will come before you.

I commend the willingness of so many in this Chamber to embrace meaningful ethics reform. Public confidence in Virginia's political system, and in the integrity of our leaders, must never be in doubt. When ethical questions about government arise, they place a cloud over all of the Commonwealth's public servants, the overwhelming majority of whom are honest, hardworking and dedicated to the common good.

On Saturday, I issued an Executive Order to impose a \$100 limit on gifts received by me, my immediate family, and members of my administration. The order also provides for an ethics commission to enforce these new standards on members of the executive branch, and to answer questions from our employees as they arise.

These are important first steps. Going forward, we will implement other measures to increase the openness, transparency and integrity of state government. I understand that the legislature will have its own ideas on ethics reform, and I will certainly look forward to working with you – in a bipartisan spirit – to advance this important work.

On Saturday I was also proud to sign Executive Order Number One, which prohibits discrimination in state government on the basis of sexual orientation and gender identity. Improving Virginia's government means attracting the best and brightest to our state workforce, and sending a clear message that we will not tolerate discrimination in any form.

And open and welcoming Commonwealth requires a state government that trusts women to make their own health care decisions, and works to expand access to quality care.

There are many other ways that we can work together to make Virginia a more inclusive, responsive and accountable Commonwealth.

I am eager to work with the coalition of Virginia leaders who agree that we need to strengthen our democracy by passing legislation putting Virginia on the path toward non-partisan redistricting.

Legislative districts should keep communities intact and not be drawn for the political convenience of members, regardless of whether they are Democrats or Republicans. We can join 13 states that have made this reform, and strike another blow for good government in the Commonwealth.

Protecting Virginia's natural and historic resources is critical to a healthy economy. We have made great progress cleaning up the Chesapeake Bay, and I will work to honor Virginia's commitment to accomplishing that goal by 2017.

I am also committed to building on the work of my predecessors in the area of farmland and open space conservation. By the end of my term I hope to stand here and announce that we have secured an additional 400,000 acres for the enjoyment of many Virginia generations to come.

Ensuring that every Virginia household and business has equitable access to broadband services, particularly in rural areas, is one of my top priorities. It is a key step toward expanding opportunities in employment, education and healthcare and helping more businesses compete in the global economy.

I am also deeply committed to improving Virginia's ability to respond in the event of a hurricane or other disaster, including the increasing risks that stem from climate change. I have reviewed the recent JLARC report on disaster preparedness planning in the Commonwealth, and recognize that, while we have a great plan in place, there are some deficiencies and a lack of coordination.

That is why I am asking Brian Moran, my nominee for Secretary of Public Safety, and Admiral John Harvey, to work with the General Assembly to implement the recommendations of the report and centralize all homeland security and disaster preparedness functions within the Office of the Secretary of Public Safety.

My friends, in closing, I want to thank you again for your warm welcome tonight, and for your service as members of the General Assembly.

As members of this distinguished body, you are all drawn here from different parts of Commonwealth.

You have different careers backgrounds and life stories. And as I have learned as I have gotten to know many of you, this body is full of strongly principled men and women with no shortage of strongly held views.

But as I said at the outset of these remarks, I remain convinced that there is more that unites us as Virginians than divides us as Republicans or Democrats. At the end of the day, we're all trying to secure a better future for the people who sent us here.

We are all trying to grow our economy; improve our children's schools; safeguard our environment; promote healthy families; and protect public safety.

These are not partisan issues – they are issues of the common good – and I believe deeply that there is common ground upon which we can advance each of these causes to the benefit of the families we serve.

In another era of Virginia history, George Washington spoke eloquently about the importance of civility in our public life, urging his colleagues always to submit their “judgment to others with modesty.”

So tonight, as we launch this new chapter in our history, let us resolve to show the partisans in Washington and across the nation that here in Virginia, in a Commonwealth that pioneered government by consensus, there is no challenge too great, no debate too intractable and no idea too ambitious that we cannot come together on common ground to build the future our families deserve.

Thank you and God Bless the Commonwealth of Virginia.

