RICHMOND - Governor Mark R. Warner today addressed agency heads on his 2003 legislative agenda. The following are the prepared remarks of Governor Warner:

Good afternoon. Thank you all for being here.

When we met back in the Spring at the Virginia Museum, and then here this Summer, I shared with you the themes that I hoped would characterize our work together - most specifically, my commitment to building an administration based on bipartisanship, diversity, and inclusion - and a promise to talk straight with the people of Virginia.

After 11 months, I believe that has been our record, and I intend to continue it - even in tough times. When I look back over our first year, I realize just how many challenges we have faced.

We confronted redistricting; a tire fire in Roanoke; floods and the worst drought in modern history; avian flu; the continued struggle in the war against terrorism; a senseless shooting at the Appalachian School of Law; and a series of tragic sniper attacks.

And while our budget challenge is the most serious in memory, many of these events - like the sniper attacks - make our financial challenges seem almost mundane.

Through all of this, we have seen the courage and resilience of our people on display time after time. We have come through each of these challenges in no small way because of your commitment and the hard work of all the employees in your agencies.
In a year of great uncertainty, state employees have performed with tremendous professionalism and grace. I am grateful for their response, and my personal respect for them has only grown.

Clearly, as everyone here knows, these are uncertain times, and they are forcing us to make tough choices - many that we would prefer not to make. But they also give us the opportunity to fundamentally reform our organizations for a changing economy.

A week after the November elections, I spoke to the country's newly elected Governors at the National Governors Association annual meeting in Austin, Texas. Most states are just now beginning to confront the fiscal challenges we have addressed in Virginia for the past year.

The remarkable thing I found at that meeting was that leaders across the country knew the challenges we've faced in Virginia.

They were anxious to hear how we had worked to restore accountability to Virginia's finances in a time of declining revenue and rising expenses.

My message was simple:

Accept the fact that you are entering office in the most challenging fiscal time in the past 50 years. 
Talk straight. And take the long view.

For anyone in public office, taking the long view is tough. Tomorrow's good headline is always an alluring target. But headlines do not move us forward, and scoring short-term political points does not prepare Virginia for the future.

The easy approach would have been to paper over the fiscal realities that we have faced over this past year. We could have promised more of the old-style "something for nothing" politics. But we rejected that route.

I see no other choice than to take the long view, and that is the approach we have chosen throughout state government.

This has not been easy, but it has helped us achieve many successes of which I am very proud.

When I took office eleven months ago, our economic conditions dictated that we embark on the most dramatic reform of state government in a generation. Most significantly, we have cut state spending more than any Governor in Virginia history.

And we've started to build a foundation for reform.

We began by putting an end to political gridlock in Richmond. The year before I took office, political bickering kept the Commonwealth from passing a budget - for the first time in history.
This year, by reaching across the aisle and putting partisanship aside, we set a new way of doing business in Virginia.

Last winter, the General Assembly and I worked together to pass a budget that closed a $3.8 billion shortfall. It largely avoided short-term fixes, and new expenditures whose costs balloon years down the road.

And because of the hard work at the Tax Department, taxpayer refunds were paid on time this summer, avoiding delays we had seen in the past.

The General Assembly approved our financial reforms, including legislation requiring the Governor to submit a six-year financial plan by the beginning of each long session.

While we had hoped our financial problems were solved last session when we closed a $3.8 billion budget gap, by July we saw that revenues continued to be down.

By re-forecasting revenues this summer, we were able to get ahead of the latest budget shortfall, and we addressed it months ahead of other states.

That's why we made deep cuts in October affecting services that Virginians expect from state government. You don't need me to tell you that state government looks dramatically different today than it did a year ago.

When the latest round of layoffs is fully implemented, state government will employ almost 6,000 fewer people than in January.

These decisions have not been easy, and I have not made them lightly. I know they have had a dramatic impact on many Virginians who depend on state services, on thousands of students in our colleges and universities, and on the state employees whose jobs have been affected.

These decisions have allowed us to balance the budget and protect core services. In October, Wall Street validated this sound approach when they renewed our coveted AAA bond rating, making us one of only eight states to have that top rating. Meanwhile, a dozen other states are on credit watch.

In particular, the rating agencies specifically commended our pro-active, yet conservative, approach for dealing with our revenue shortfall.

And while I can't say we are out of the woods yet, we are starting to see some light at the end of the tunnel.

That means we must continue our focus on accountability, which we have insisted upon from day one.

As I have said when we met in the past, I believe in a simple, but powerful rule: That which gets measured, gets done. We've brought that principle to state government as well.
For the first time, the Commonwealth now has clear, written performance agreements with each Cabinet member and agency head. These agreements provide a clear vision of our goals and how we'll get them accomplished.

These agreements are a partnership, between you, your Secretary, and the Governor's Office. I appreciate your professionalism in developing these agreements. You continue to have the full confidence and support of my cabinet, my office staff, and me.

These agreements have been one of the tools we have used to make progress at agencies that historically had been the most troubled.

For example, we installed a new management team at the Transportation Department, and we dramatically scaled back the old six-year transportation improvement plan, which had become little more than a wish list.

Now, for the first time in many years, the public is starting to regain confidence in our transportation department - and the agency is once again poised to deliver projects on time and on budget. And from everything I hear - it's a better place to work today than it has been in a long time.

We have enjoyed other successes as well.

To capture the renewed spirit of civic duty that emerged since the September 11 attacks, we created Virginia Corps. This is the Commonwealth's strategy to help individuals find ways to become involved in volunteer service, homeland security, and preparedness in their communities. Virginia Corps will make it easier for people to find ways to serve their communities, and unite as a people.

And I'm proud to report that Secretary Ridge has said Virginia's citizen corps program has made the most progress of any program in the country.

We have worked hard to recruit new employers to Virginia and to help existing businesses expand. As we promised, we have given strong emphasis to the rural areas of Southwest and Southside Virginia, where the need for new jobs and economic diversity is greatest.

In the past three weeks alone, we have announced nearly 1,400 new jobs across Southside - from Wytheville to Emporia and beyond - bringing our total to more than 4,000 for this area this year.

All told, we have announced almost 25,000 new jobs statewide this year, and last week we learned that unemployment is at its lowest level in 14 months. Virginia is clearly well positioned for economic recovery.

In our public schools, student achievement on the Standards of Learning continues to rise. Nearly two-thirds of our schools now meet the standard for full accreditation well ahead of schedule.
That's welcome news - but it also means that one-third of our schools still need help to meet these minimum standards. That's why we launched our PASS initiative - the Governor's Partnership for Achieving Successful Schools.

PASS is helping 122 academically warned schools with a comprehensive plan that emphasizes the core curriculum and marshals community and business support.

While this new program has only been in place for a few months, it has already helped Virginia win the Distinguished Performance Award from the National Alliance of Business.

And because so many state agencies and employees are working as mentors and partners in the PASS program, I consider this national recognition to be your award.

Because every child must go to school ready to learn, we have achieved great reforms to FAMIS, the joint federal-state health insurance plan for children.

By removing red tape and administrative barriers, we have increased enrollment in the program by 30 percent since January.

Throughout these tough budget times, I have worked hard to protect direct state aid to K-12 from cuts. But in October, when we began preparing for yet another round of budget cuts, I grew concerned that we might not be able to protect education again.

I am pleased to report that the budget I will present to the General Assembly later this month will not cut direct aid to Virginia's public school classrooms, and that is good news for every child in Virginia.

This has not been easy, but it's the right thing to do. If the General Assembly returns a budget that cuts direct aid to the classroom, I will not sign it.

This priority is based on my core belief that strong public schools are key to our future economic success and quality of life. We have made too much progress in raising student achievement to retreat, even during these difficult times.

But not every program in education works.

My direction is simple: If an education program cannot show clear results and success in raising student achievement, then we must re-invest its precious dollars elsewhere, in other education programs that work. We will start by focusing on proven programs to ensure that every student has the skills necessary to succeed by the third grade.

For higher education and our state parks, we achieved a great victory last month when voters approved bonds to upgrade and expand these facilities. These bonds will be Virginia's first major new investment in infrastructure in over a decade.

Looking to the Future
As we look ahead, I believe we continue to have a unique opportunity to prepare for a future that will be marked by increasing competition and greater demands for a knowledge-based workforce.

And as we look to a new year and a new session of the legislature, I am determined to build on the reform agenda we launched this year.

We will continue ... straight talk about our problems ... and the reform of our most important agencies.

But as we saw with the recent defeat of the transportation referendums in Hampton Roads and Northern Virginia, many people still don't have confidence that state government will use their tax-dollars wisely.

To fully regain the trust of our people, we must go much further. We must embrace the kind of long-range planning and reform that is at the heart of your own mission. We must give the taxpayers of Virginia confidence that their money is well spent.

Let me outline our legislative agenda.

We will begin this reform agenda with a series of sweeping changes in how we develop budgets and manage state finances. Our goal will be to ensure that our Commonwealth never again plunges so deeply into shortfalls and fiscal turmoil.

We will seek

to require revenue reforecasts any time year-end shortfalls exceed one percent of core revenues;
to strengthen required deposits to the Rainy Day Fund;
to provide for long-term fiscal impact statements;
to require evaluations of all new initiatives before their funding is automatically renewed;
to require sunsets on any new boards and commissions;
and to examine whether changes in the budget cycle would improve our fiscal practices.

These reforms bring best practices to state budgeting, and they will help ensure that the Commonwealth can avoid some of the budget shortfalls we have faced over the past year.

A closely related reform that we will offer this year will be a constitutional amendment to end the current prohibition on gubernatorial succession. The current term limit for governors actually prevents long-term planning. Legislators like Delegate Bob Purkey have been working on this issue for many years, and I applaud their efforts.
Those individuals who have chosen to make state service a career understand this. You cannot do your jobs effectively when priorities change every four years, often dramatically.

Let me be clear - I am not seeking to extend my own time in office. Rather, our proposal to allow gubernatorial succession would begin with the Governor elected in 2009 - so that the change will not affect any of the immediate aspirants to this office.

Second, we will seek additional reforms of how we plan and administer transportation projects in Virginia.

On Thursday, I will announce specific new reforms for VDOT. These VDOT reforms will emphasize greater accountability, stronger financial management and oversight, more user-friendly information on the status of every highway project across the Commonwealth, and a renewed emphasis on affordable, innovative solutions to our transportation problems.

Through continued reforms, we will be able to enhance public confidence in our once-proud transportation department, and ensure taxpayers that the agency is being held accountable for its performance on a daily basis.

Third, we will continue to right size state government. Our commission on government efficiency will soon report after a year of hard work.

When it does, we will immediately move forward on issues the Commission has been examining since the spring. We will focus initially on rightsizing government through agency consolidations and elimination of boards and commissions.

As you all know, we already have moved forward aggressively to reform procurement to streamline the process and save money. The new e-VA system automates government purchasing activities through a single, common portal for access to business opportunities for state agencies and many participating localities as well.

With almost 3 million products, including vehicles, fuel, and technology, eVA is the largest single online marketplace of goods and services for any state.

This new system not only benefits agencies and taxpayers, but it makes it easier to expand the number of suppliers doing business with the state.

This is most important for small, minority-owned, and women-owned businesses. These companies too often not seen a level playing field in state procurement - and changing that fact remains a priority for this administration.

E-VA is a young system, and I congratulate you on all you've done to make it a success so far. As state governments all around the country move toward e-procurement, you are setting the standard for how it should be done.
That's why the Center for Digital Government has named eVA the number one E-Procurement Solution in the nation, and I want to congratulate you on that achievement.

We will continue to press for procurement reforms so that the Commonwealth takes a more enterprise-wide approach to purchasing goods and services.

Beyond that, the privatization of services now performed by state agencies must remain an option to us, and I will look forward to the Wilder Commission's guidance on privatization issues, such as alcohol sales.

As I mentioned earlier, we have already reduced the size of state government by almost 6,000 positions. Going forward, I expect to announce a proportionate reduction in the number of agencies as well.

But let's be clear: Our goal is not reduction for reduction's sake. Rather, we will continually seek to cut overhead, redundant services and programs, and agencies whose mission may be no longer vital.

Fourth, in four specific areas - water policy, mental health services, workforce training and veterans services - we will propose consolidations that are intended to bring greater order and efficiency to the delivery of human services.

One of Virginia's worst droughts this century has brought to the forefront problems with water policy that have existed in the Commonwealth for years - too many state agencies are responsible for regulating Virginia's water supplies and helping to provide financial support for clean drinking water in Virginia.

Meanwhile, the state has simply ignored water supply planning altogether, leaving local governments on their own. This session, we will address those problems by consolidating water functions in state government in a common sense manner.

Similarly, our citizens deserve the best mental health care system available. Research has made clear that appropriate community-based care is often the best way to serve those in need of mental health services.

However, state budget priorities haven't always reflected that thinking. Therefore, I will propose a plan to redirect some resources from institutional to community care, though this will not involve any facility closures.

Just last month, a study by the Joint Legislative Audit and Review Commission concluded that, "Virginia lacks a coherent, coordinated system of workforce training."

Even a quick review demonstrates that the study was correct - Virginia's workforce training efforts consist of a more than 20 programs spread across 10 state agencies with no means of coordination. This session, we will begin the process of bringing coordination to our workforce
training programs so that we can give our customers what they deserve - the best trained workforce in the nation.

Virginia's veteran population has grown to approximately 780,000 - not counting families and dependents - and we have the highest percentage of military retirees in the nation. We find that in the 21st century, the needs of our veterans and their families are changing.

Meanwhile, the federal government continues to rely more and more upon the states to provide needed services.

In June, I established the Governor's Advisory Commission on Veterans' Affairs and charged it charged with reviewing the agencies, programs, and boards currently serving Virginia's veterans.

That commission has presented a comprehensive plan to restructure those agencies, programs, and boards. I look forward to proposing legislation implementing that plan so we can dramatically improve the quality of services the Commonwealth provides to its veterans.

Fifth, we will bring common-sense business principles to the state's vast information technology program.

Nowhere is rightsizing needed more urgently than in state information technology services.

When I took office, no one could even tell me how much the Commonwealth spends on information technology. We now know that number is in excess of $900 million per year.

There are more than 2,200 IT professionals spread across state government, at an annual cost of $154 million. These professionals support six mainframes, all of which are located in Richmond.

Moreover, executive branch agencies have a total of 1,420 local area networks, with dramatic overlap.

I could go on, but you get the point. It's time to replace multiple separate and incompatible systems with a single comprehensive network. Our technology reforms hold the promise of saving millions of dollars each year and consolidating a number of agencies.

Sixth, we will build on the work of the Secure Virginia Panel with legislation to enhance our emergency preparedness.

Just as the federal government in Washington has responded to the tragic events of September 11th with a sweeping overhaul of domestic security and homeland security, we will press for significant reforms here in Virginia.

Our legislative agenda for 2003 is detailed, and it is designed to reform and restructure state government. Taken together, it represents the most sweeping change since Governor Holton established the cabinet system.
Let's be clear. These changes will upset existing bureaucracies ... threaten interest groups ... and require shared sacrifice.

But as others have said, if we can't make bold changes to state government now when the need is greatest, then when will they ever be made? And if we don't make these changes, then who will?

The people of Virginia will need the support of everyone in this room - the individuals on the front lines of public service - to press hard for this forward-looking reform agenda.

These are not ordinary times, and our fiscal situation will continue to force tough choices for a long time to come.

But even once we have brought new efficiencies and right sized state government, we still must ask certain fundamental questions about the very nature of what we expect from state government - questions that we need to start asking now and throughout 2003.

Do we want to settle for a state where a 70 percent passage rate on the SOLs is good enough, or will we demand that every child pass?

How will we sustain the excellence we have come to expect from our colleges and universities? Do we want Virginia to continue as a state whose universities are top ranked and produce Nobel laureates, or is average acceptable?

How will we keep our communities safe in a post-9/11 world, where two individuals with a rifle can terrorize half the state for three weeks?

How do we promote economic growth so that all Virginians can get good jobs? Do we want to settle for a Commonwealth where prosperity is confined to Northern Virginia, Hampton Roads, Richmond and Charlottesville?

How do we protect our environment and enhance the quality of life around Virginia?

What kind of transportation system - what kind of health care system - what kind of mental health system do we expect in the 21st century?

These are the kinds of questions that we'll need to address over the weeks and months to come. I firmly believe how Virginians respond will depend on whether we are successful in reforming state government and restoring the people's trust in state government.

That's the only way we can build a future worthy of our past. Virginia needs your continued leadership and professionalism - and together, we will make Virginia the place that gets it right.

Thank you.