



*COMMONWEALTH OF VIRGINIA*  
*Office of the Governor*

Timothy M. Kaine  
Governor

July 6, 2007

**MEMORANDUM**

TO:           The Honorable Viola O. Baskerville  
                  Secretary of Administration

                  The Honorable Robert S. Bloxom  
                  Secretary of Agriculture and Forestry

                  The Honorable Patrick O. Gottschalk  
                  Secretary of Commerce and Trade

                  The Honorable Katherine K. Hanley  
                  The Secretary of the Commonwealth

                  The Honorable Thomas R. Morris  
                  Secretary of Education

                  The Honorable Jody M. Wagner  
                  Secretary of Finance

                  The Honorable Daniel G. LeBlanc  
                  Senior Advisor to the Governor for  
                  Workforce

                  The Honorable Marilyn B. Tavenner  
                  Secretary of Health and Human Resources

                  The Honorable L. Preston Bryant, Jr.  
                  Secretary of Natural Resources

                  The Honorable John W. Marshall  
                  Secretary of Public Safety

                  The Honorable Aneesh P. Chopra  
                  Secretary of Technology

                  The Honorable Pierce R. Homer  
                  Secretary of Transportation

                  The Honorable Robert P. Crouch, Jr.  
                  Assistant to the Governor for  
                  Commonwealth Preparedness

FROM:       The Honorable Timothy M. Kaine   
                  Governor of Virginia

SUBJECT:    Biennial Budget Development

The budget that we develop this year is the only biennial budget that we will both write and implement. It is our most significant opportunity to affect the direction of the Commonwealth during this administration.

One of our obligations, as public servants, is to give Virginians our guarantee that we are putting their tax dollars to the best and highest use by providing services and programs that meet our standards for excellence. As we begin the budget development process in earnest, we must closely examine how our agencies are performing, and how they can improve.

Our goal is to be the best managed state, but also to go beyond – to measure state government against the best business organizations. All highly effective organizations regularly review their budgets and procedures, constantly looking for ways to improve and implement best practices. This exercise is even more crucial in the current fiscal environment. With revenues growing at a slower rate than we expected, we must be even more vigilant in our efforts to direct resources to those programs that best serve the Commonwealth.

In order to improve state government effectiveness and efficiency, it is critical to focus on operational excellence – how we deliver the programs and services that Virginians depend on. High performing organizations not only improve service but deliver savings.

Our collective efforts might produce savings through process improvements—efficiencies in the way we deliver services – or they may come from identifying functions that are outdated or no longer efficiently and effectively serving the public. Achieving operational excellence will free up revenue that can be redeployed to support cost increases and our most effective and efficient programs, including higher priority agency initiatives, programs within a Secretariat, or Governor’s initiatives.

One approach in this process utilizes a best practice from the public and private sector – benchmarking. Benchmarking will allow us to examine the elements of what makes a program effective: what actual need there is for the program, the efficiency with which it meets that need, and whether or not it addresses the need. Using benchmarks drawn from agencies within our system, similar programs in other states, and in world class companies, we can identify and implement best practices that will improve our programs and create savings.

To offer a sense of scale, I am setting a goal for every secretariat to identify ten percent of current discretionary spending that can be redeployed to more effective programs. I do not envision a ten percent reduction for every program, which could unfairly penalize efficient, effective programs. Nor am I suggesting “one-size-fits-all” benchmarking that ignores the unique aspects of how our agencies function.

Rather, I am setting in motion a process that will be thoughtful, thorough, and strategy-driven. Each secretariat and its agencies will be holding detailed budget meetings with DPB in the next two months, and each will have a meeting with me to discuss new funding issues, potential savings, agency performance, and progress towards goals.

This is an important undertaking – one that can have a positive and lasting effect on how we serve our Commonwealth. I appreciate your hard work and dedication to that charge.