
Update on Performance-Based Budgeting System

September 2007

Performance-Based Budgeting Presentation Outline

Next Steps

Virginia Enterprise Applications Program

Next Steps

Performance-Based Budgeting System

Specific actions will be taken to improve the link between budgeting and performance.

- Existing programs and services are being examined for how they contribute to move the Commonwealth toward established statewide goals (mapping).
- Performance assessments of existing programs and services will improve awareness (transparency), program outcomes and effectiveness, and the quality and utility of performance measures.
- Specific performance expectations will be established for new services and will be used to monitor results.
- Operations will be improved by providing incentives (gainsharing) for achieving greater productivity and efficiency.
- Operations will be simplified and streamlined to meet service demands and promote customer service.

Next Steps (cont'd)

Performance-Based Budgeting System

- Begin next round of development for state agency and service area strategic plans (2007)
 - Issued revised strategic planning instructions which build in role of key agency objectives (June 2007)
 - Continued training to enhance abilities in strategic planning and performance measurement (August 2007)
- Issued top-down guidance to agencies on statewide goals/issues for use in strategic planning efforts (May 2007)
 - Long-term statewide (COVF) goals (desired societal results)
 - Governor's stated objectives

Strategic & Service Area Training

3 Training Sessions (8/22, 8/23, 8/27) – 185 Attendees primarily from executive branch agencies but also legislative, judicial, and independent agencies.

- Part 1 of the training focused on changes from prior submissions:
 - **New Web tool in Virginia Performs replacing access**
 - **Updated IT summary and appendix**
 - **Standard objective & measure for Commonwealth Preparedness**
 - **Impact that the aging population has on the agency**
 - **Standard objective and measure for agency administration tied to management scorecard**
- S.W.O.T. analysis linked to ARMICS (internal audit requirements)
- Part 2 focused on improving the plans and achieving more uniformity across agencies:
 - **Writing good mission statements**
 - **Creating quantifiable objectives**
 - **Developing ways to measure results including type, frequency, methodology, baseline, and target**
 - **Identifying and formatting key objectives and measures**
- Developing strategies to help achieve the objective and target

Next Steps (cont'd)

Performance-Based Budgeting System

- Meet with state agencies to analyze current performance and to tie agency strategic planning efforts to statewide goals (July, August and September)
 - Examine quality/appropriateness of agency key objectives, performance measures, and established performance targets
 - Assess current performance in terms of stated agency/service area objectives and performance measures
 - Begin mapping of relationships between agency key objectives/service area efforts and statewide goals/desired societal results (establish strategic agenda)
 - Review current composition of each agency's budget to determine flexibility in terms of spending requirements.

Next Steps (cont'd)

Performance-Based Budgeting System

- The relationship between societal-based indicators, state agency key objectives and measures and service area performance measures may vary:
 - A direct link among all three levels
 - An apparent link between two of the three levels
 - No apparent link

Example of Direct Link Between Societal-Based Indicators, State Agency Key Objectives and Measures and Service Area Performance Measures

<u>Level</u>	<u>Goals/Objectives/Indicators</u>
Statewide:	
Desired Societal Result	Protect, conserve and wisely develop our natural, historical and cultural resources
Societal-Based Indicator	Water Quality
Department of Environmental Quality:	
- Agency Key Objective	Improve and protect water quality, especially in the Chesapeake Bay and its tidal rivers.
- Agency Key Performance Measure	We will reduce the annual number of pounds of nitrogen nutrients discharged from significant point sources in the Chesapeake Bay watershed.
Water Quality Improvement Fund Service Area:	
- Service Area Objective	Improve and protect water quality, especially in the Chesapeake Bay and its tidal rivers
- Service Area Performance Measure	Number of pounds of nitrogen nutrients discharged from significant point sources

Next Steps (cont'd)

Performance-Based Budgeting System

- Support performance budgeting with supplemental analytical efforts to increase effectiveness and improve productivity and operational efficiency
 - Research cause and effect relationships associated with desired outcomes and make specific recommendations for improvement across the enterprise of state government. Potential outcomes include: infant mortality, early childhood development and school readiness, recidivism (juvenile corrections), or educational/workforce skills obtainment of population.
 - Conduct performance reviews on select programs and services
 - What are the objectives of activity?
 - What are intended outcomes?
 - Are we being successful?

Next Steps (cont'd)

Performance-Based Budgeting System

- Perform best practice reviews on components of state government operations (Operational Review of energy or water usage, mail processing, fleet management, paper usage, etc.)
- Assess efficiency of select state government processes in terms of accepted benchmarks or best practices (e.g. unit cost of eligibility determination, unit cost of licensure or permit issuances, etc., vs. best practices or unit cost standards)
- Foster productivity enhancements through gainsharing arrangements (Productivity Investment Fund)
- Re-engineer business practices to mitigate risks and increase efficiency and data availability (Virginia Enterprise Applications Program)

Performance-Based Budget Presentation Outline

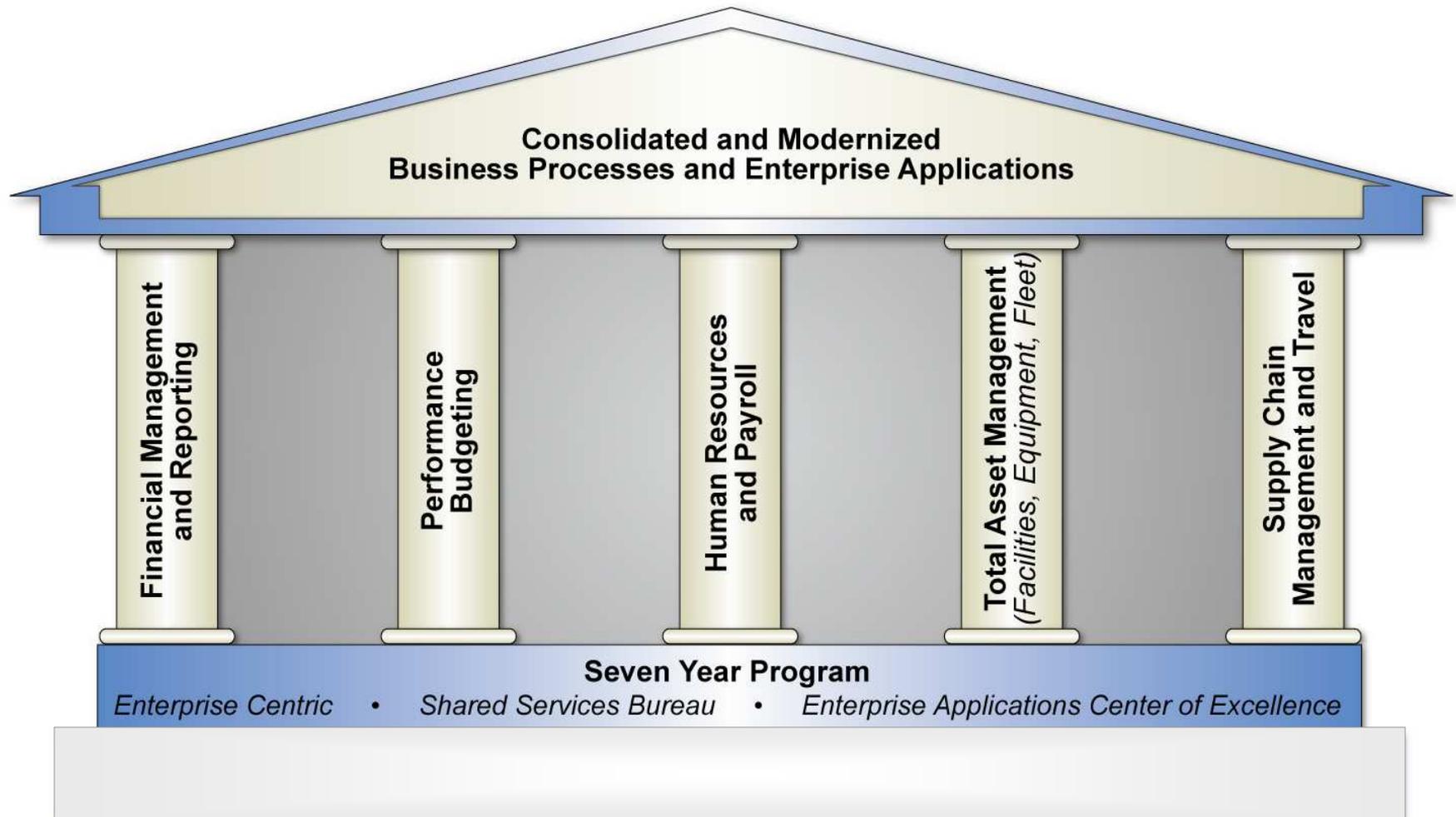
Next Steps

Virginia Enterprise Applications Program

VEAP Vision

- Provide the Commonwealth with best practice business processes supported by a suite of commercial-off-the-shelf (COTS) enterprise solutions, consistent with Virginia's position as a Best Managed state and a financial and technology leader.
- Transform administrative operations by consolidating and modernizing the service delivery models and supporting applications for the Commonwealth's Financial Management, Human Resources, Administrative Management, and Supply Chain Management resulting in superior resource management and improved performance.

VEAP Overview



Future State of Performance-Based Budgeting

- In the future, strategic planning will be the foundation for resource allocation decisions in the budgeting process. Performance budgeting will be enhanced through key process and policy changes:
 - Extending the strategic planning horizon to three biennia
 - The current two-year planning horizon only minimally aligns with the six-year financial and capital outlay plans
 - Establishing strategic priorities
 - Executive policy initiatives and direction will be disseminated
 - Agencies will rank their objectives and program activities
 - Agencies will identify programs that need additional resources to meet current or future service demands
 - Realigning base budgets
 - Agencies will be encouraged to realign their base budgets to meet changing program needs and service demands
 - Agencies will identify areas of greatest need and identify resources that can be reallocated within their base budgets

Future State of Performance-Based Budgeting

- Defending base budgets
 - Discretionary spending in base budgets will be reduced (by a percentage amount) each biennium
 - Agencies will identify efficiency savings (which will be reallocated within each agency) and reduce or eliminate lower-performing programs and lower-priority services
 - Agencies may submit decision packages to restore base budget funding; such requests will compete with other restoration requests and new or expanded program requests
- Initiating performance reviews
 - DPB and the agencies will conduct performance reviews on existing service areas
 - Performance reviews will focus on program effectiveness and on the quality and utility of agency performance measures
- Linking strategic plans, budgets, expenditures, and performance
 - Performance assessment provides the critical link between strategic planning and budgeting
- The future state builds upon the existing efforts of the Commonwealth to create an environment that promotes strategic planning, prudent financial management, and incentives for exceptional management.

APPENDIX

Accomplishments to Date

Accomplishments

Strategic Planning and Performance-Based Budgeting System

- A common structure has been developed for agency strategic plans and budget requests:
 - Services performed by state agencies catalogued (2004-2005)
 - New budgeting and service area structure implemented (2006)
- State agencies have developed strategic plans in a uniform format:
 - New strategic planning model includes both agency strategic plans and service area strategic plans (2005)
 - State agencies provided training and technical assistance on new model (2005)
 - Separate agency plans (Information Technology, Capital Outlay, Workforce) are consolidated within the strategic plan and are on the same reporting schedule (2005)
 - Strategic plans are linked to state budget through service areas

Accomplishments (cont'd)

Strategic Planning and Performance-Based Budgeting System

- The 2006-2008 biennial budget (budget bill and budget document) was presented in a new format:
 - Budget bill identified resources by state agency and service area (2005)
 - Budget document explained budget recommendations by state agency and service area and identified performance measures for service areas (2005)
- State agencies have now established key objectives and performance measures to focus and improve performance management (2006)

Accomplishments (cont'd)

Strategic Planning and Performance-Based Budgeting System

- New *Virginia Performs* system was developed (2006)
- Agencies began to access web-based performance measure reporting system and submit revised strategic plans based on final state budget (2006)
- Agencies have entered historical and current data on key performance measures and service area measures (2006)
- Governor's 2007 budget document provided information on key agency objectives and performance measures. (December 15, 2006)