Annual Executive Summary

- 2011 -

Council on Virginia's Future

COUNCIL ON VIRGINIA'S FUTURE

Annual Executive Summary

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Introduction

This report was prepared pursuant to §2.2-2689 of the **Code of Virginia**, which requires the Council on Virginia's Future to provide an executive summary of the activities and work of the Council annually to the Governor and the General Assembly.

This document provides a brief introduction to the Council and Virginia Performs, the Commonwealth's performance leadership and accountability system. Included is a discussion of recent accomplishments and the enhancements underway in three focus areas (assessment, performance, and productivity improvement) and activities related to the development of special issues. More information is available on the Council's website (future.virginia.gov).

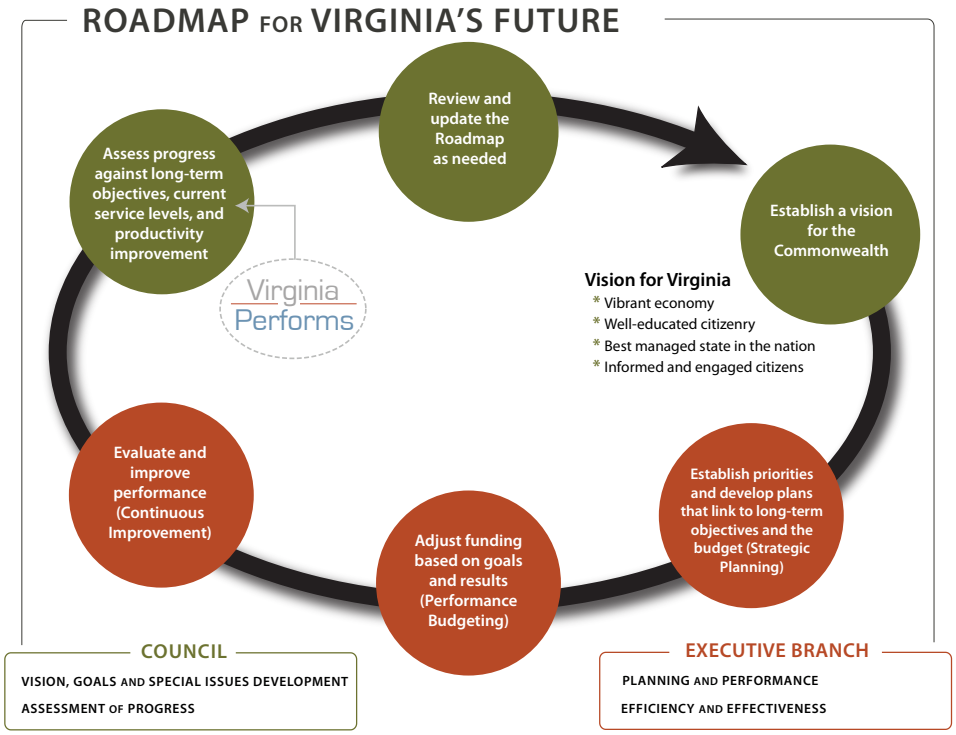
Background

The Council on Virginia's Future, which is chaired by the Governor and comprised of state, business, and community leaders, was established by the 2003 General Assembly to advise Virginia's leaders on the development and implementation of a roadmap for Virginia's future. The Council is committed to improving the quality of life and the effectiveness of state government in Virginia. The Council works to create these improvements by:

- Providing a long-term focus on high-priority issues;
- Creating an environment for improved policy and budget decision-making;
- Increasing government performance, accountability, and transparency; and
- Engaging citizens in dialogue about Virginia's future.

The Council began its work in 2003 by designing the Roadmap for Virginia's Future (Figure 1), a model for improving performance leadership and accountability in state government.

Figure 1



The Council then began working with its partners to set long-term goals for the Commonwealth and to develop a performance leadership and accountability system that would help ensure that state government is both efficient and effective in improving outcomes and the quality of life for Virginians.

The performance leadership and accountability system establishes a vision-driven, disciplined approach for encouraging collaboration, facilitating change, setting policies, making decisions, and ensuring accountability for producing positive results for citizens. It starts with a shared vision for Virginia – one of responsible economic growth, an enviable quality of life, good government, and a well-educated citizenry prepared to lead successful lives and to be engaged in shaping the future of the Commonwealth. It enables state leaders to manage government with Virginia's long-term future in mind.

VISION FOR VIRGINIA

- Responsible Economic Growth
- Enviable Quality of Life
- Educated Citizens Prepared for a Successful Life
- Best-Managed State Government
- Informed and Engaged Citizens Helping to Shape the Commonwealth's Future

LONG-TERM GOALS

- Be recognized as the best-managed state in the nation.
- Be a national leader in the preservation and enhancement of our economy.
- Elevate the levels of educational preparedness and attainment of our citizens.
- Inspire and support Virginians toward healthy lives and strong and resilient families.
- Protect, conserve, and wisely develop our natural, historical, and cultural resources.
- Protect the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds.
- Ensure that Virginia has a transportation system that is safe, enables easy movement of people and goods, enhances the economy, and improves our quality of life.

Long-term goals further define the vision by describing specific desirable outcomes. Seven goals have been established for Virginia. Six of the goals are outwardly (i.e., citizen-customer) focused and address quality-of-life issues, while the seventh is focused on the efficiency and effectiveness of state government operations.

The vision and high-level goals established by Council and championed by the Governor serve as a compass to guide state government decisions and actions.

The Council's statutory authority (§ 2.2-2683 et seq. of the **Code of Virginia**) outlines three core components of the performance leadership and accountability system:

Assessment:	Effective measurement and analysis of outcomes and productivity
Performance:	Outcome-driven, performance-based planning and budgeting processes
Productivity Improvement:	Innovative methods for improving efficiency and effectiveness

These three interrelated elements represent the core of the Council's scope of work and continue to evolve. A fourth element – roadmap and special issues development – includes the Council's focus on longer-term issues critical to Virginia's prosperity and well-being.

Special Issues Development

One of the Council's core roles is to maintain a focus on issues vital to Virginia's future. As a key part of its emphasis on long-term goals and outcomes, it has concentrated on four foundations of Virginia's prosperity and quality of life:

- Vibrant economy,
- Well-educated citizenry,
- Best-managed state, and an
- Informed and engaged citizenry.

For instance, in 2008 the Council began an extensive review of educational attainment in Virginia because of its critical importance to the future prosperity and economic competitiveness of the Commonwealth. This work helped establish a foundation for the work in 2010 of Governor McDonnell's Commission on Higher Education Innovation, Reform and Investment. During 2011, Council staff continued to work with thought leaders and experts on a number of key issues, including:

- *Economic Growth and Per Capita Personal Income*: Perhaps no other overarching goal is as important as economic prosperity; while Virginia currently enjoys the seventh highest level of per capita personal income in the nation, its future prosperity cannot be taken for granted. The Council has continued to research the key drivers of economic growth, review international best practices, and dialogue with state and national experts to ensure that the Commonwealth remains focused on the factors most important to long-term growth and higher per capita personal incomes. Issue Insight #6, *Virginia Performs: A Regional Perspective*, continues this focus by providing a high-level summary of key outcomes across Virginia's diverse regions.
- *Governmental Funding Flows and Service Relationships*: Many key outcomes – and their drivers – are influenced by a host of factors and organizations, including personal choice, private enterprise, nonprofit organizations, as well as federal, state, and local governments. In addition, government, by its very nature, is complex and multi-layered. Recently, staff produced Issue Insight #7, *Government Funding and Service Relationships*, to provide a high-level summary of funding and service delivery relationships between levels of government in core service areas.
- *Critical Outcomes in Virginia Education*: Education, perhaps more than any other single factor, is a direct determinant of the well-being, prosperity, and quality of life for individuals and families, communities, and the state as a whole. This report continues the Council's focus on education attainment and follows the earlier publication, Issue Insight #5*, Educational Attainment in Virginia*. The report complements information presented in Virginia Performs and presents a high-level assessment of progress on key measures of educational quality and attainment.

Council staff has also been working with the Governor's Office and Cabinet to develop Enterprise Level Priorities. The purpose of this initiative is to provide a view of the top priorities to inform the biennial strategic planning and budget process.

Outreach and Council Products

The Council continued to publish analyses, special reports, and documents on issues important to Virginia's long-term future. Examples include:

- Regional community snapshots for legislators and others,

- The Council's e-newsletter,
- The Virginia Report 2011, and
- Updated brochures and other communication pieces for thought leaders and citizens.

The Virginia Report 2011 updated the two new sections from the 2010 report: *A Profile of Virginia*, detailing key facts and trends for Virginia's people, economy, and government; and *A Regional Perspective*, which profiles each of the state's main regions. In addition, the Council continued its varied outreach activities to regional, state, and national organizations and governments. Among these were briefings for:

- Virginia Workforce Council
- Association of Government Accountants
- Virginia Association of Planning District Commissions
- *LEAD Virginia*
- Virginia's Information Technology Advisory Council
- Commonwealth Managers Association
- American Association for Budget and Program Analysis
- Sorensen Institute Political Leaders Program
- Virginia Executive Institute
- Virginia Commonwealth University
- Governor McDonnell's Higher Education Advisory Commission
- Visiting Delegation from Indonesia

Virginia Performs continues to be seen as a model for other states and nations. For example, the federal Government Accountability Office profiled Virginia Performs in its recent report on key indicator systems around the world, and Government Technology Magazine included Virginia Performs in a feature article about effective state performance systems. Other entities requesting more information about Virginia Performs included: National Archives and Records Administration (NARA); California State Controller's Office; Tennessee Department of Finance and Administration; North Carolina State Auditor's Office and Department of Commerce; Delaware State Office of Management and Budget; Massachusetts Office of Administration and Finance; Nebraska State Office of Legislative Research; Ohio Public Utilities Commission; the New York Spending and Government Efficiency (SAGE) Commission; and Harvard's John F. Kennedy School of Government.

Assessment

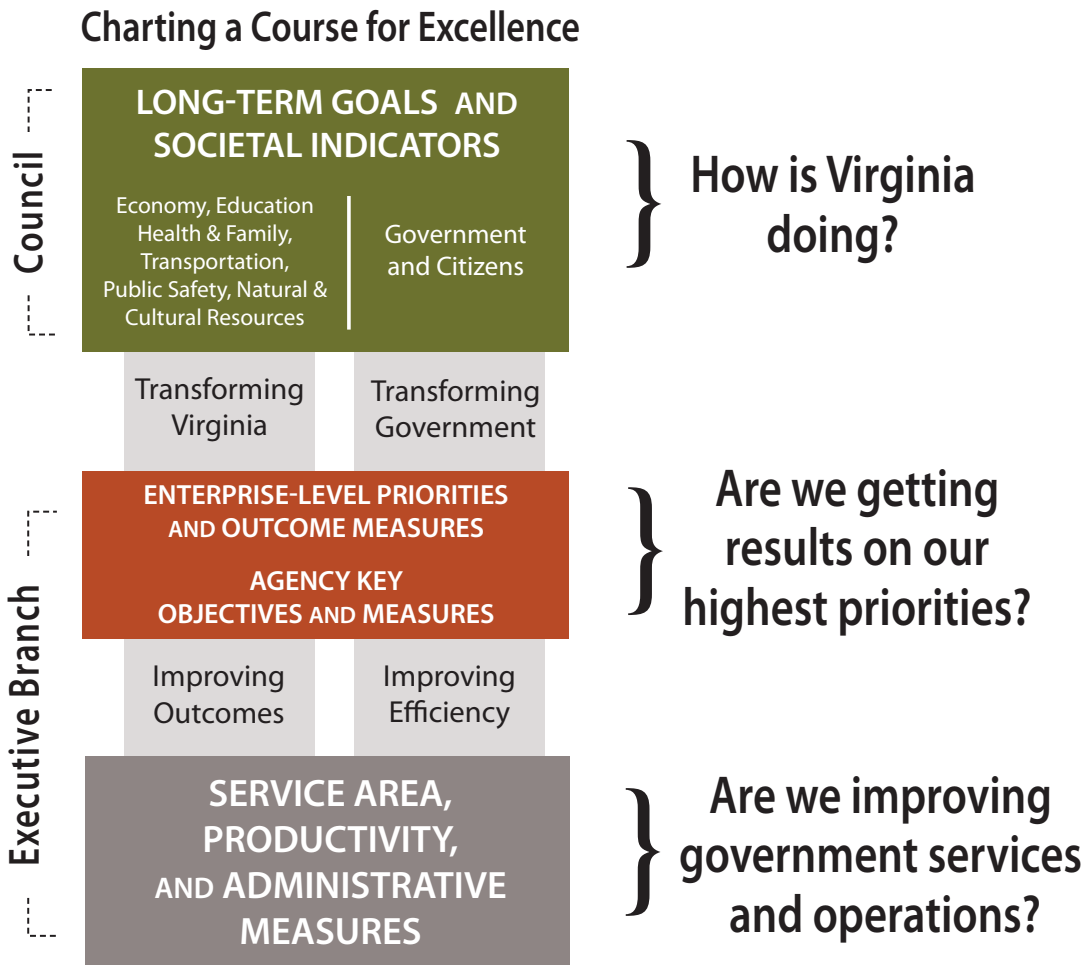
The performance leadership and accountability system aligns agency-level outcomes with broader statewide goals. The system:

- Serves as a catalyst for better strategic thinking and policy, enterprise solutions, performance-driven decision-making, and improving outcomes;
- Supports strategic state, regional, and local planning; and
- Informs and engages citizens about Virginia's progress and its future.

Figure 2 (on page 5) presents a high-level schematic of the "architecture" of this system, commonly known as Virginia Performs. At the highest level, quality-of-life measures known as societal indicators provide a snapshot of how Virginia is doing with respect to issues of particular importance to Virginia's prosperity and quality of life (e.g., water quality, educational attainment). At the middle level, agency key objectives and measures help us understand whether we are achieving high-priority performance targets and improving the factors that influence the targets. At the foundation or agency detail level, service area, productivity, and

administrative measures are used to provide budget transparency and monitor whether state government programs and services are producing desired results. Combined, the goals and performance measures ensure that results accountability exists throughout all levels of state government.

Figure 2: Virginia Performs: Architecture of the Integrated Performance System



The Virginia Performs website (vaperforms.virginia.gov) provides a window into the performance leadership and accountability system. It gives citizens an opportunity to see the real world results of efforts to make Virginia's government more effective and efficient. Citizens can:

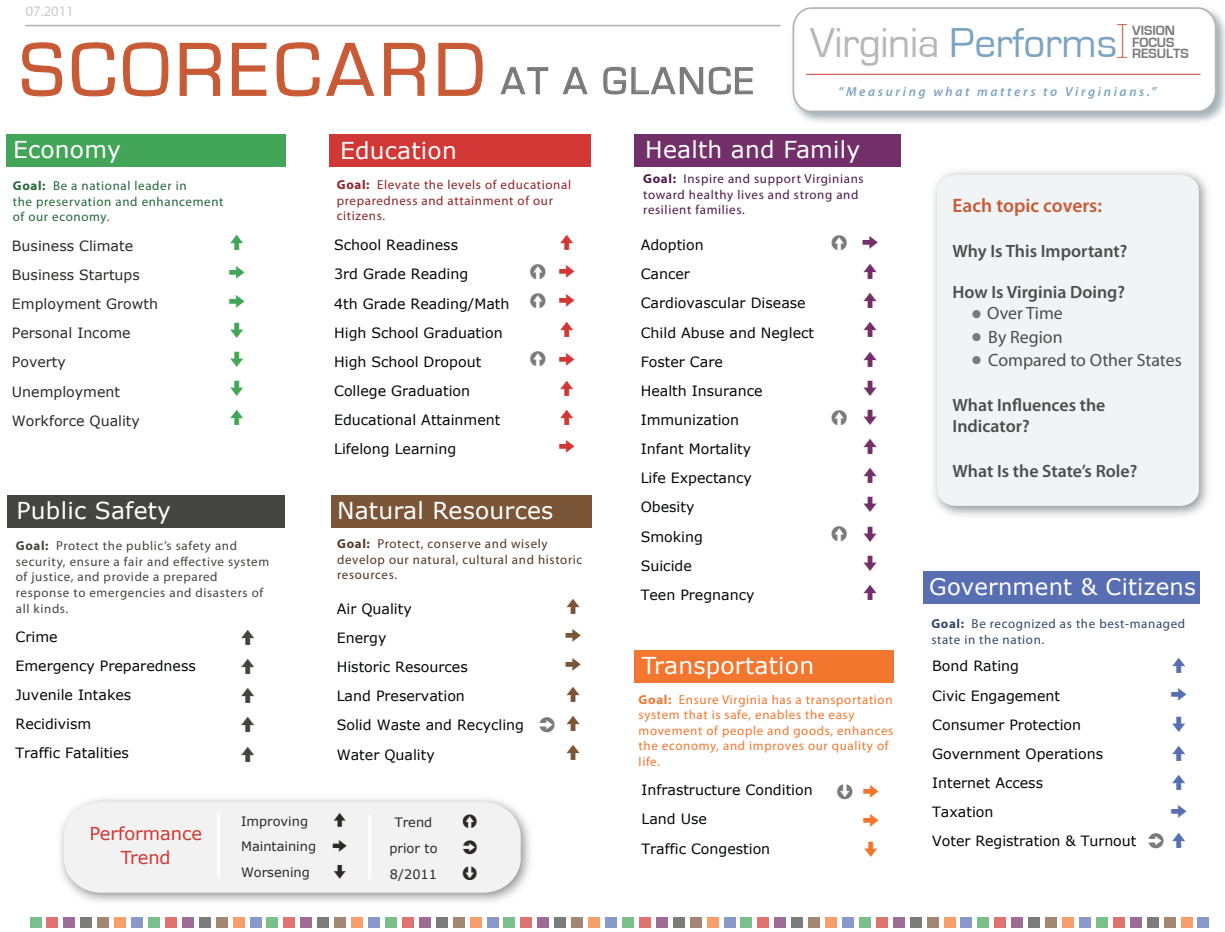
- See how the Commonwealth is performing by region and compared to other states;
- Track performance in their communities;
- Monitor activity on important issues such as health care, educational attainment, workforce quality, and voter turnout; and
- See how state government is working for them.

Quality-of-Life Indicators

Quality-of-life indicators (e.g., personal income, high school graduation, air quality) are linked to Council long-term goals and are used to measure and assess Virginia's overall quality of life and progress towards improvement. For each Council long-term goal, indicators answer the

question, "How is Virginia doing?" Included on the website are a description of each indicator, a summary of its importance, Virginia's progress, major influences, and the state's role. The societal indicators shown in the Scorecard at a Glance (Figure 3) are measured over time, and, where possible, by region and in comparison to other states.

Figure 3: Scorecard at a Glance



Data for each of the societal indicators is updated throughout the year as new information becomes available. Assessments conducted during the year lead to regular updates in performance trends.

Agency Objectives and Measures

State agency key and service area objectives and measures, the middle and foundation levels of the performance data architecture (Figure 2 on page 5), track state agency progress in meeting performance targets. State agencies work with the Governor, the Department of Planning and Budget (DPB), and other stakeholders to develop these objectives and measures.

Key objectives and measures are designed to identify and track progress on vital, mission-related priorities that, when addressed, will positively affect desired outcomes. Some of the measures are drawn from agency outputs, while others reflect desired outcomes that are influenced by many factors, not just state services. This was an important step forward for Virginia's performance leadership and accountability system. State strategies and spending can be more clearly linked with shared long-term goals and actual performance and results.

State agency strategic plans and budgets identify desired performance results for defined budget service areas. This more comprehensive data set ensures a high level of accountability and alignment of resources with citizen priorities and allows agencies and executive leadership to ensure that programs and services are meaningful, effective, and efficient. Agencies report their progress at regular intervals for both sets of metrics. This information is available through the state agency planning and performance measures section of the Virginia Performs website.

Recent Developments

Societal Indicators: Virginia Performs was recently enhanced by adding new measures to deepen our understanding of how well Virginia is doing.

> *Broadband Access*: Virginia continues to earn high marks nationally for its range of online government services and information portals for citizen use. But newly developed data sources and measures for this indicator have now shown that the Commonwealth lags behind many states in broadband adoption. Virginia ranks only 39th nationally for citizen access to broadband services, even though the quality and accessibility of such services are important attributes of economic competitiveness. Although less than 94 percent of residents have access to broadband, this figure in influenced in part by low population densities in certain areas across Virginia.
>
> *Land Use*: Virginia continues to seek a balanced land development strategy, weighing the benefits of economic development with the costs of changing land use. The ultimate goal is efficient use of developed land with little waste or unrealized potential. Previously, Virginia Performs assessed land use strictly through a broad review of population density. This measure was refined to more accurately assess populations in both high- and low-density areas. In addition, a new national-level measure was added to assess population rates per developed acre of land in order to better gauge the general efficiency of development.

Agency Key Measures: Agencies continue to update and refine performance data to improve budget decision-making and program evaluation. Performance data continue to be added to the site as results become available. Council staff worked with DPB analysts to update the tables aligning key measures with societal indicators. This table includes a summary assessment of recent progress made by the agencies toward the targets set for their key objectives. This review and update takes place twice a year.

Productivity Measures: All state agencies have developed one or more productivity measures. These measures help agencies optimize their use of resources and improve results. Examples currently in use by agencies include the cost to renew a vehicle registration and the cost to process a Medicaid application.

Performance

The focus of the service performance component has been on the continued development of Virginia's planning and budgeting capabilities:

- DPB provides training and technical assistance to enhance the system and improve its usefulness in planning and budgeting processes.
- All agency strategic plans now follow a consistent format that includes information on the agency's mission, customer base, products and services, statutory authority, and strategic goals. The agency strategic plan also includes an executive progress report.

- Service area plans provide a link to the state budget. They outline the agency budget, objectives, measures, and performance targets for each service area. These plans and data enable agency leaders and other decision makers to compare goals and appropriations against reported results.
- With the addition of productivity and administrative measures, the strategic planning and performance-based budgeting elements of a comprehensive performance leadership and accountability system are in place (Figure 4).

Figure 4: Performance Leadership and Accountability System Components

System Component	Purpose
Long-Term Goals	Desired outcomes (e.g., healthy lives, public safety) guide planning and decision-making
Agency Strategic Plans	Plans describe where an agency is going and how it will get there – mission, goals, strategies, performance metrics, and targets
Key Outcome-Based Performance Metrics	Performance measures provide a basis for measuring the impact of core services
Service Area Metrics	Performance measures provide a basis for measuring budget service area results
Productivity & Administrative Measures	Productivity and administrative measures provide a basis for evaluating agency operations and improvement initiatives
Performance Targets	Targets set expectations for agency performance measures

Recent Developments

The Commonwealth's new Performance Budgeting (PB) system represents another step forward in the ongoing transformation of the Commonwealth's performance-based budgeting capabilities. The process began more than five years ago with the integration of planning processes, a new budget structure, and the creation of a comprehensive set of performance metrics. The new system is designed to take these capabilities to the next level.

The modules recently deployed are operating budget, capital budget, budget execution, six-year planning, budget bill narrative, and administration and reporting. Although the Commonwealth has had strong, nationally recognized performance budgeting and decision-making structures in place for some time, the core tools underlying them were no longer very efficient. The new PB system not only replaces outdated and vulnerable technology, it significantly enhances the state's analysis and assessment capabilities and will help:

- Substantially improve the links between investments and outcomes;
- Enhance data analysis in support of better decision-making;
- Improve agency performance analysis by providing direct access to valuable data; and
- Increase transparency.

The Performance Budgeting implementation project is a joint venture between DPB and the Virginia Information Technologies Agency (VITA) Enterprise Applications Division. Agencies across the Commonwealth participated in oversight committees, workgroups, and user acceptance testing. Phase II of the project, scheduled for completion in 2012, will include modules for strategic planning and agency-level spending plans.

Productivity Improvement

Measuring and improving productivity in state government are important goals for the Council. For instance, at the urging of the Council, the General Assembly appropriated $4.25 million in the 2006-2008 biennium budget to accelerate productivity improvement in state government. Three million dollars was used to launch the Productivity Investment Fund (PIF) in early 2007 (www.pif.virginia.gov).

The PIF helps foster innovative solutions for simpler, more effective state government. The PIF is needed and has been successful because:

- Some agencies lack the necessary capital to fund all of the attractive productivity investments available to them on their own.
- Some opportunities involving multiple agencies and/or levels of government need third party guidance and support.
- Some solutions require the use of innovative tools and technologies outside of the agency's skill set.

The PIF continues to partner with Virginia agencies for innovative solutions that reduce costs and improve service levels. Since its inception in 2007, the Fund has invested $5.5 million in 41 projects across 24 agencies representing most secretariats. Six of these awards have been in form of loans totaling $1.9 million. Together, these investments are projected to generate a more than 4-to-1 return for the Commonwealth, helping to eliminate inefficiency, streamline operations, and facilitate value-added public-private partnerships.

Recent Developments

The October 2011 Council meeting highlighted the success of three recent projects:

Google Applications Classroom for K-12 Education Mecklenburg (Mecklenburg County Public Schools). The purpose of the grant was to replace Microsoft office software in a single school division with free Google Applications and then document the results for other school divisions.

- Google Mail has been fully implemented and operational since the summer of 2008.
- The division has embraced Google Docs as a collaborative tool both in instruction and school administration.
- The PIF grant award was $50,000, and it saves the county $40,080 annually. The total saved as of June 2011 was $200,398.

VIDEO-D-U (Old Dominion University): The purpose of this project was to replace community college TELECNET sites with online courses and build video streaming infrastructure to allow widespread course offerings. This resulted in savings for both the university and the students.

- The video stream enrollment increased from 4,983 student credit hours (FY06) to 5,722 (FY07) to 7,674 (FY08).
- In FY07, six rented sites on community college campuses were closed in favor of video streaming.
- In total, ODU expects to save $2.5 million a year in rent by further developing video steaming for its students.
- Loan was $500,000 and has been repaid in full.

Virginia Student Training and Refurbishment Program (VA STAR) (Department of Education partnership with Prince William County Public Schools): The core mission of the program is to introduce Virginia's students to the field of IT repair. The ultimate goal of the VA STAR program is to create a sustainable educational program that redirects surplus hardware from state agencies or private companies to student IT repair certification courses.

- Currently, VA STAR is in seven school divisions statewide and over 10 STAR sites.
- PIF grant award was $345,150 and has resulted in hundreds of computers being refurbished.
- As of June 2011, over $255,589 has been saved by school divisions, families, non-profits and community centers across the state. Direct savings to school divisions alone has been $59,262 this year.
- The program has also resulted in improved pass rate percentages (from 10% in 2006 to 70% in 2010) on the IT repair certification exam.

Recent Developments

VOSH Data-Driven Safety Inspections: The Virginia Occupational and Safety Division (VOSH), part of the Commonwealth's Department of Labor and Industry (DOLI), is the Commonwealth's counterpart to the federal Occupational Safety and Health Administration (OSHA). The VOSH Program is responsible for enforcing occupational safety and health laws and regulations in the private and public sectors. VOSH also helps Virginia's employers enhance safety and health protections for their employees.

DOLI and VOSH are teaming up with the Virginia Employment Commission (VEC) and the Virginia Workers Compensation Commission (VWCC) to improve inspection targeting to focus on the workplaces where employees are at most risk. A Productivity Investment Fund grant of $250,000 will be used to combine information from VWCC (injury claims per employer) and VEC (employees per employer) to determine the rate of injuries for each employer. This more accurate and timely information means that inspectors are sent where they are most needed, reducing wasted trips and producing safer work environments. The new data analysis application is expected to generate a more than 2-to-1 payback for the Commonwealth in its first full year of operation.

Time, Attendance, and Leave System (TAL): This new application being developed for the Department of Human Resource Management will improve efficiency, lower costs, and enhance customer service by extending the functionality of the Personnel Management Information System and incorporating a web-based enterprise solution for time, attendance, and leave reporting and management.

Summary and Next Steps

During 2011 Virginia Performs continued to evolve and mature, ensuring greater accountability and transparency in government and helping its leaders improve critical outcomes. It has standardized and streamlined the performance reporting process for state agencies by aggregating and presenting planning and performance data on the Virginia Performs website. The new performance budgeting system, which became operational in late 2010, will have a dramatic positive impact on the quality and effectiveness of the information technology and process infrastructure supporting budgeting and decision-making. Figure 5 (on page 11) provides a summary of the continued evolution of Virginia Performs.

Figure 5: Evolution of Virginia Performs

Level	Implementation Phase (2004-2009)	Current Status	Next Steps (2012-2013)
Societal How Is Virginia Doing?	• Developed Virginia Performs, which integrated societal and agency-level views • Focused on educational attainment • Developed Hampton Roads Performs	• Continuing to refine the societal-level system	• Focus on economic growth; identify and track a critical few drivers of economic growth
Enterprise Are We Getting Results on Our Highest Priorities?	• Established agency key measure platform to recognize high-priority objectives and targets	• Developing a more comprehensive enterprise level strategic planning platform that identifies priorities and strategies which transcend secretarial and agency boundaries	• Solidify enterprise level and ensure that measures and targets are established for high-priority issues • Develop reporting capabilities to support ongoing assessment and progress
Agency Are We Improving Government Services and Operations?	• Restructured state budget to support performance link • Launched comprehensive strategic planning system • Strengthened the focus on agency outcomes and results • Began development of a new enterprise planning and performance budgeting system • Created the Productivity Investment Fund	• Continuing to assess and evaluate strategic planning processes and metrics • Completing implementation of the Performance Budgeting System • Providing ongoing agency training and technical assistance • Supporting agency-level reengineering through the Productivity Investment Fund	• Continue integration of enterprise priorities into agency planning • Fully implement the Performance Budgeting System, including strategic planning • Integrate the new Executive Progress Reports into agency strategic planning processes • Continue training and technical assistance • Continue the long-term evolution of the Productivity Investment Fund

Areas of Focus for 2012

In 2012, the Council's emphasis will be on continuing the examination of the drivers of key outcomes – including economic growth, implementing the strategic planning module of the new performance budgeting system, and on continuing the evolution of Virginia Performs, especially through fuller integration of key enterprise priorities into the system. Figure 6 (on page 12) provides a high-level summary of the Council's key focus areas for 2012.

Figure 6: Areas of Focus for 2012

Council		Executive Branch	
Roadmap and Special Issues Development	**Assessment**	**Enterprise**	**Agency**
• Continue to focus on high-priority issues: ▸ Economic Growth ▸ Ongoing collaboration with high-level commissions and advisory groups • Continue development and evaluation of Virginia Performs • Support further development of the enterprise level and IT business plans	• Continue to enhance Virginia Performs: ▸ Ongoing refinement of societal-level data ▸ Regional views ▸ Drivers of economic growth	• Continue to strengthen approaches for performance management and productivity improvement • Complete implementation of the Performance Budgeting System, including the strategic planning module • Integrate enterprise strategies and high-level priorities into agency planning processes • Integrate the new Executive Progress Report approach into agency planning • Solidify the future direction of the Productivity Investment Fund • Formalize appropriate incentives to promote cost-saving projects in and across agencies	
Measuring what matters to Virginians Virginia Performs VISION FOCUS RESULTS		**How is Virginia Doing?** **Are We Getting Results on Our Highest Priorities?** **Are We Improving Government Services and Operations?**	

Conclusion

The Council, together with its partners, continues to maintain a focus on critical, long-term outcomes and to make progress on implementing an enhanced performance leadership and accountability system for state government. The emphasis in 2011 was on improving results through enhanced performance leadership and accountability, implementing a new performance budgeting system, continuing the development of Virginia Performs, and providing a forum for deeper thinking and analysis on issues critical to Virginia's future.

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