

Commonwealth of Virginia

Performance Management Advisory Committee

Annual Report
AUGUST 5, 2001



PERFORMANCE MANAGEMENT ADVISORY COMMITTEE MEMBERS

Chairmen

Mr. Scott D. Pattison

Director (through June 1, 2001)

Department of Planning and Budget

Mr. Richard D. Brown

Acting Director (beginning June 1, 2001)

Department of Planning and Budget

Members

Mr. R. Kirk Jonas

Deputy Director

Joint Legislative Audit and Review Commission

Mr. William H. Leighty

Director

Virginia Retirement System

The Honorable Roger J. McClure

Delegate

Commonwealth of Virginia

The Honorable Michele B. McQuigg

Delegate

Commonwealth of Virginia

The Honorable Maurice P. McTigue

Distinguished Visiting Scholar

Mercatus Center, George Mason University

Mrs. Sara Redding Wilson

Director

Department of Human Resource Management

TABLE OF CONTENTS

Executive Summary	i
Chapter 1 – Overview of Virginia’s Performance Management System	1
Performance Management Legislation	1
Virginia’s Performance Management System	2
Strategic Planning in Virginia.....	4
Performance Measurement in Virginia.....	5
Program Evaluation in Virginia.....	5
Performance Budgeting in Virginia	10
Virginia Results	11
Chapter 2 – Centers of Excellence in Virginia	13
Department of Motor Vehicles	13
Department of Taxation	14
Treasury Department	15
Virginia Retirement System.....	16
Department of Mines, Minerals and Energy.....	17
Characteristics of Centers of Excellence	18
Chapter 3 – Strengths, Opportunities & Recommendations... ..	21
Strengths	21
Opportunities and Recommendations	22
Appendices	25
Attachment 1 - § 2.1-391	25
Attachment 2 - House Bill 1065	27
Attachment 3 - House Bill 1847	31
Attachment 4 - House Joint Resolution 773	33

EXECUTIVE SUMMARY

Virginia's performance management efforts date to the early 1980's when goals and measures were required to be provided by state agencies as part of their budget submissions. Virginia's current performance management system has been operational since 1995. It is comprised of four, linked processes: strategic planning, performance measurement, program evaluation, and performance budgeting.

In the 2000 legislative session, HB 1065 amended § 2.1-391 of the *Code of Virginia*, establishing a Performance Management Advisory Committee to provide input regarding the direction and results of the state's performance management efforts. The Advisory Committee met several times over the past year to review Virginia's current performance management system, discuss best practices within the Commonwealth, and develop recommendations for future action. The following is a summary of the opportunities and recommendations developed by Virginia's Performance Management Advisory Committee:

Opportunities and Recommendations

PUBLIC ASSURANCE

The public should be assured that their tax dollars are spent as intended and that government programs and services are provided in the most effective and efficient way.

Recommendation #1: Create opportunities for citizens to provide input on program performance changes and improvements.

Recommendation #2: Enable public review of agency/program effectiveness.

LEADERSHIP

Competent leadership that is knowledgeable of organizational performance management tools and committed to using them for improving the efficiency and effectiveness of government services is critical to creating and sustaining an effective organizational performance management system.

Recommendation #3: Provide organizational performance management training and technical assistance for executive and legislative branch decision makers and staff.

Recommendation #4: Ensure that all major executive branch agencies have publicly available strategic plans and performance measures linked to the plans as required by state guidelines. These should be reviewed and approved by the appropriate Cabinet Secretaries.

Recommendation #5: Develop a system that identifies, communicates, and supports superior organizational performance management practices throughout state executive and legislative branch agencies.

ORGANIZATIONAL PERFORMANCE MANAGEMENT

The organizational performance management system should provide state government with clarity of direction and a mechanism to monitor, evaluate, and improve the effectiveness of its programs and services.

Recommendation #6: Clarify the identified primary users of organizational performance management information, their specific information needs, and how they intend to use the information. This requires open, regular dialogue with senior decision makers and staff within and between the offices of the Governor, cabinet secretaries, agency heads, and General Assembly.

Recommendation #7: Ensure that organizational performance management systems are directly related to identified primary users of organizational performance management information, their specific information needs, and how they intend to use the information. Users can include citizens, legislators, money committee staff, executive branch decision makers, and other appropriate legislative and executive personnel.

Recommendation #8: Systematically assess the usefulness of the states' organizational performance management systems to ensure its effectiveness and efficiency.

Recommendation #9: Develop a process that systematically and regularly assesses all performance measures reported by executive and legislative branch agencies for validity, completeness, and accuracy.

Recommendation #10: Maintain a balanced emphasis on using performance information to improve the efficiency, quality, and effectiveness of government services and using the information to enhance accountability of state agencies and programs.

Recommendation #11: Develop agency incentives for using performance information to improve the efficiency and effectiveness of their programs.

Recommendation #12: Consider requiring agencies to provide public notice that they will be changing their publicly reported strategic plans and/or performance measures.

COMMUNICATION

The organizational performance management system should build informed audiences, including citizens and members of the executive and legislative branch agencies.

Recommendation #13: Increase dialogue and collaboration between the legislative and executive branches regarding the uses and needs of organizational performance management information.

Recommendation #14: Ensure that a broad range of performance information on the effectiveness and efficiency of state programs is publicly accessible.

Recommendation #15: Consider adding additional features on *Virginia Results*, including the creation of discussion forums, listing upcoming training events, recognizing agencies that excel in using organizational performance management tools and information, and listing best organizational performance management practices.

Recommendation #16: Consider requiring all executive and legislative branch agencies to develop communication strategies.

HUMAN CAPITAL

State organizational performance management systems should directly support strengthening the results-orientation of government. This can be accomplished by providing incentives for improved performance, training to enhance the competency of the state's workforce to provide efficient, effective, and high quality services, along with other efforts.

Recommendation #17: Create incentives that support and recognize the use of organizational performance management systems to improve the efficiency and effectiveness of government services. Incentives can take the form of increased flexibility, public recognition, and/or additional funding.

Recommendation #18: Consider offering awards for exemplary design and implementation of organizational performance management systems at the agency or program level, and/or superior performance by agency programs, leadership, and staff.

Recommendation #19: Provide regular training in organizational performance management practices to at-will personnel so that the training accommodates the skill and information needs of these personnel.

PERFORMANCE MANAGEMENT ADVISORY COMMITTEE (PMAC)

PMAC should work to ensure that the Commonwealth's organizational performance management systems are operationally useful and continually improving.

Recommendation #20: Define a set of key outcomes that the PMAC is seeking to achieve and regularly measure progress toward these outcomes.

Recommendation #21: Include in the annual PMAC report a ranking of the degree to which PMAC recommendations from the prior year have been implemented (using the following four point scale: not implemented, partially implemented, mostly implemented, fully implemented).

Chapter One:

OVERVIEW OF VIRGINIA'S PERFORMANCE MANAGEMENT SYSTEM

Virginia's performance management efforts date to the early 1980's when goals and measures were required to be provided by state agencies as part of their budget submissions. In 1982, the Department of Planning and Budget's (DPB) program evaluation function was established, and since then has completed well over seventy-five program evaluation studies. In 1994, DPB established the planning and performance section to coordinate the state's strategic planning and performance measurement work.

All executive branch agencies have strategic plans and performance measures in place and this information can now be accessed centrally through *Virginia Results* (www.dpb.state.va.us/VAResults/VRHome.html) the Commonwealth's automated performance management information system. Virginia's performance management efforts have been recognized nationally and internationally as a leader in this area.

Performance Management Legislation

§ 2.1-391 directs the Department of Planning and Budget to develop and operate a system of standardized reports of program and financial performance for management. It also directs DPB to develop, coordinate, and implement a performance management system involving strategic planning, performance measurement, evaluation, and performance budgeting within state government. The department is instructed to ensure that information generated from these processes is useful for managing and improving the efficiency and effectiveness of state government operations, and is available to citizens and public officials (see Attachment 1).

House Bill 1065, 2000 General Assembly Session, amended § 2.1-391 of the *Code of Virginia* to establish a Performance Management Advisory Committee to "provide input regarding the direction and results of the state's performance management efforts." The Advisory Committee is directed to provide an annual report detailing the Committee's work and recommendations to the Secretary of Finance and members of the General Assembly (see Attachment 2).

House Bill 1847, 2001 General Assembly Session, amended § 2.1-391 of the *Code of Virginia* to require DPB to submit annually a report that establishes for the agencies strategic planning information and

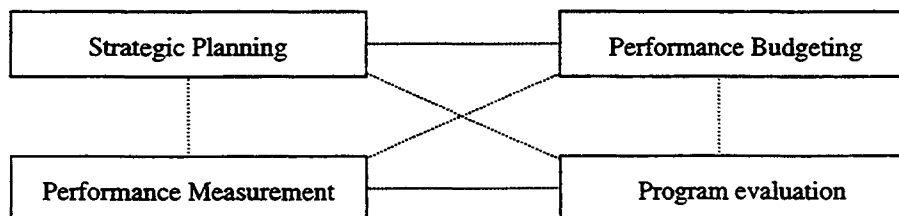
performance measurement results for the preceding fiscal year (see Attachment 3).

House Joint Resolution NO. 773, 2001 General Assembly Session, directs the Joint Legislative Audit and Review Commission to analyze the growth in spending by the Commonwealth since Fiscal Year 1981, including an analysis of the use of performance budgeting, performance measurement, and program evaluation information in the legislative budgeting process and how the information may be more systematically used for program improvement and budget decision-making by legislators (see Attachment 4).

Virginia's Performance Management System

In striving to improve Virginia's performance management system, it is helpful to consider these important questions. What benefits to the quality of life and opportunity for the citizens of Virginia are to be achieved by each program of Virginia State Government? Are these goals being achieved? What actions should be taken to change, increase, or diminish each program of state government?

Virginia's current managing for results system has been operational since 1995. It is comprised of four, linked processes: strategic planning, performance measurement, program evaluation, and performance budgeting. The figure below presents one way to show the linkages between components. Because these processes are designed to work together to manage the performance of state government, this system is referred to as the Virginia's "performance management system."



Definitions of each of the four components of the state's managing for results system are provided below:

- **Strategic planning:** Systematic clarification and articulation of what an organization wishes to achieve and how to achieve it.
- **Performance measurement:** Systematic collection and reporting of information that track resources used, work produced, and intended results achieved.

- **Program evaluation:** Systematic collection and analysis of information to determine a program's performance and reasons for achieving the level of performance.
- **Performance budgeting:** Systematic incorporation of performance information (planning, performance measurement, and evaluation information) into the budgetary process.

Taken as a whole, these components provide multiple streams of information that policy and decision-makers, the general public, and state employees can use to improve and communicate the results of government services. These two key uses of Virginia's managing for results system can be further broken out as follows.

Manage Strategy

- Support strategic and operational planning
- Guide resource allocation
- Enhance accountability
- Identify partners for collaborations

Improve Performance

- Identify effective practices
- Support organizational learning
- Facilitate organizational redesign
- Recognize and reward successes
- Recruit and retain talented staff
- Identify training needs

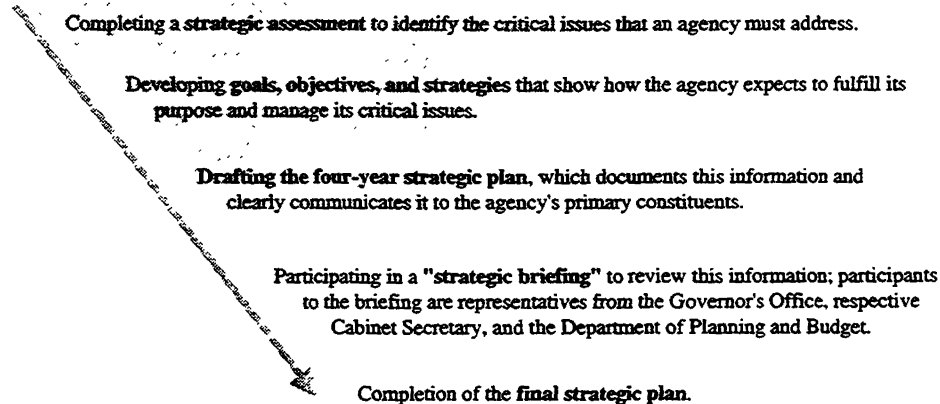
Communicate Results

- Substantiate funding requests
- Demonstrate effectiveness to internal/external audiences
- Improve public understanding of the effectiveness of agency programs.
- Recognize and reward successes
- Promote a program to referral sources

Strategic Planning in Virginia

Governor Gilmore's four-year plan entitled, *Building Virginia's Future, A Time for All Virginians: A Strategic Plan for the Commonwealth of Virginia* articulates the Governor's guiding principles for state operations. As such, state agencies are to use this document in developing their strategic planning efforts. This document was completed in 1999, and is available on the Governor's Internet site for review and download.

To help agencies align their strategic plans with the Governor's strategic vision, agencies are required to participate at least biennially in the statewide strategic planning process. The planning cycle covers four years (spanning two biennia), and is organized around the following processes:



After completing the draft strategic plan, each agency participates in a "strategic briefing." The purpose of the strategic briefing is to create an environment in which representatives from the Governor's Office, respective Cabinet Secretary, and the Department of Planning and Budget (DPB) focus on the current state of the agency and its draft strategic plan. The briefing provides an opportunity for agencies to receive guidance and feedback from decision makers before developing their budget proposals, clarify the Governor's and Secretariat's priorities, and facilitate reaching consensus on critical issues the agencies will address during budget development. After completing the strategic briefing, agencies finalize their strategic plans and submit them to DPB.

Based on important lessons from the past several years' experience, DPB staff has also proposed simplifying the statewide strategic planning process. The result will include much of the same processes used in developing plans, but will require agencies to submit a simpler outcome-oriented strategic plan to DPB. The purpose of the change is to collect

and disseminate statewide level strategic planning information that is most useful for decision-makers and the public. For example, each strategic goal will be an outcome-oriented statement directly related to its key customers and budgeted programs. That is, each goal is to clearly state the benefits to customers, at least in part, resulting from services provided by the agency. Eventually, each goal will have at least one associated outcome measure or indicator that tracks the level of achievement of the outcome. These goals, along with a listing of key customers and their needs, the agency's mission statement, and outcome-oriented goals and indicators will be reported to DPB.

Performance Measurement in Virginia

The Department of Planning and Budget currently collects approximately 700 performance measures and associated results data from over 100 executive branch and several independent agencies. To increase the efficiency of the data collection and reporting processes, the department has recently transitioned to using a web-based system that employs a set of user-friendly, Internet forms (see the description of *Virginia Results* below). The types of measures include input, output, efficiency, quality, and outcome measures, and vary from having a program-specific to an agency-wide focus.

The FY 2000-2002 Budget Bill (§4-1.03d) also included language requiring the Department of Planning and Budget and the Department of General Services to develop performance measures for all capital projects. These capital project measures would include, but not be limited to, measures tracking whether projects were completed on time and within budget. Initial research in this area is currently being conducted. Performance measures will be used for future capital projects.

Program Evaluation in Virginia

For over two decades, program evaluations and audits of various types have helped the legislative and executive branches in Virginia identify efficiencies, improved effectiveness, and best practices throughout state government operations. The need for evaluating the programs, policies, and activities of state government was recognized particularly since the mid-1970s when the Commission on Government Management recommended greater emphasis on analyzing programs to determine their results and costs.

Central agency staffs as well as line-agency staff currently conduct this evaluation work. Some agencies have an evaluation or research unit in-house, while others use program staff to perform these duties. Several large agencies, such as the Department of Transportation, Department of Social Services, Department of Health, Virginia Lottery Department, Department of Corrections, Virginia Commonwealth University, and Department of Criminal Justice Services have dedicated program evaluation and/or audit staffs. These staffs range in size from one to fifteen and routinely perform evaluations to identify opportunities for program improvement and increased efficiencies.

Central agencies that regularly conduct performance evaluations and audits include the Department of Planning and Budget, the Joint Legislative Audit and Review Commission, Department of the State Internal Auditor, Auditor of Public Accounts, Department of Accounts, and the State Council of Higher Education for Virginia. Their efforts in this area are described in more detail below.

Department of Planning and Budget

Virginia's Department of Planning and Budget formally established its Evaluation Section in 1982. The Section was eventually merged in 1995 with the Planning and Performance Section to create the Strategic Planning, Research, and Evaluation Section. The section is currently comprised of five full-time evaluators, researchers, and planning and performance measurement experts. These individuals conduct reviews, evaluations, and studies at the request of the Governor, Cabinet Secretaries, and the General Assembly. DPB staff and designated staff from evaluated agencies also serve on project teams as appropriate. Analyses undertaken typically address the following:

- Whether current policies and programs are appropriate and necessary government concerns.
- Whether programs are producing intended results.
- Whether alternative policies, programs, or management strategies would be more appropriate.

Since its inception, the Planning and Evaluation Section has completed more than 75 studies of state agencies and programs. One recent example is *Reducing Costs and Increasing Efficiency: A Study of the Workers' Compensation Self-Insurance Program*. This study contains a series of recommendations to strengthen the Workers' Compensation Self-Insurance Program's financial position and customer responsiveness. The implementation of these recommendations was projected to yield at least \$2 million in savings in the first year.

In a forward thinking move to improve the management of state government agencies, Governor Gilmore's Chief-of-Staff created a best management practices unit within DPB. Created in 1999, this multi-disciplinary unit is staffed with professional from the DPB, the Department of Accounts, and the Department of the State Internal Auditor. These professionals have expertise in best management practices, accounting, auditing, and program evaluation and effectiveness. The best management practices unit conducts extensive in-depth studies of executive branch agencies. These intensive studies last several months and involve extensive interviews with all levels of staff of agencies. The studies result in recommendations on how the management of agencies can be improved and operations best managed based on best management practices. The team members act as consultants to the agencies to assist them with further operational improvements.

Joint Legislative Audit and Review Commission

Virginia's legislative oversight agency, the Joint Legislative Audit and Review Commission (JLARC), was established in 1973. JLARC's purpose is to provide the General Assembly with reliable and valid information for use in legislative decision-making, monitor and report whether state agencies and programs are in compliance with legislative intent concerning appropriations and objectives, determine whether state agencies and programs are operating efficiently and effectively, and communicate findings and recommendations in this regard. In addition to conducting program evaluations, the General Assembly during the 1999 Session adopted an amendment to the Appropriation Act creating the Fiscal Analysis Section within JLARC. The Fiscal Analysis Section provides the legislature with technical expertise in the areas of fiscal impact estimation, expenditure forecasting, and reviews of state spending.

JLARC has received numerous awards for its work. These include: the NCSL Excellence in Methodology Award (2001) for its Technical Report, *The Costs of Raising Children*, the Excellence in Evaluation Award (1998); Certificate of Recognition of Impact (1998) for the report *Follow-up Review of Child Day Care in Virginia*; and an Excellence in Research Design and Methodology Award (1995) for the report *Solid Waste Facility Management in Virginia: Impact on Minority Communities*.

State Internal Auditor

The principal responsibility of the Department of the State Internal Auditor (DSIA), a separate agency within the Finance Secretariat, is to establish and maintain internal audit programs in state agencies. In this regard, the work of DSIA is intended to ensure that the Commonwealth's assets are subject to appropriate internal management controls to safeguard assets, ensure accurate accounting and reporting of financial transactions, and provide effective and efficient management.

The diverse responsibilities of DSIA and other Commonwealth internal auditors include internal consulting, operational review, organizational review, risk assessment, information systems auditing, systems development audits, performance analysis, internal control evaluation, as well as financial and compliance auditing. DSIA's seven staff typically conduct about five reviews annually, and does so at the request of the Governor, Cabinet Secretaries, and agency heads.

To support and strengthen statewide internal audit operations, the department is also responsible for:

- Establishing state policies, standards, and procedures which will ensure an effective internal audit program in all state agencies;
- Providing technical information to state agencies concerning trends and new techniques in internal auditing;
- Developing evaluative tools and other modern methods to assist agency internal auditors in performing audits;
- Assisting state agencies in developing and implementing automated data processing internal audit programs in the Commonwealth;
- Providing general technical and audit assistance to agency internal auditors and to the Auditor of Public Accounts and the Governor on request;
- Administering the State Employee Fraud, Waste, and Abuse Hotline, whereby state employees can anonymously report potential fraud, waste, and abuse within their agencies or other state activities; and
- Assisting in the professional development of agency internal auditors by developing and conducting training programs.

DSIA has developed a strategic plan that places a high priority on enhancing internal controls throughout the Commonwealth and maintaining the internal auditor's knowledge, skills, and disciplines on the leading edge of the profession.

Auditor of Public Accounts

The *Code of Virginia* requires the Auditor of Public Accounts (APA) to "audit all the accounts of every state department, officer, board, commission, institution or other agency in any manner handling state funds." The *Code* also requires the Auditor to report any unauthorized, illegal, irregular, or unsafe handling or expenditure of state funds to the Governor, to the Comptroller, and to the Joint Legislative Audit and Review Commission (JLARC).

In carrying out these responsibilities, APA's staff conduct both financial and performance-type audits. The latter involve a determination of whether a state entity is acquiring, protecting, and using its resources economically; the causes of inefficiencies or uneconomical practices; whether an entity has complied with appropriate laws and regulations; and the degree to which an entity has achieved intended results. As mentioned above, the APA also regularly reviews performance measures included in the state's performance management system. This involves the clarification of: a) the agency's mission, strategic plans, and performance measurement system; b) whether the performance measurement information submitted to the Department of Planning and Budget is accurate and reliable; and c) whether baseline and targets established to measure performance are reasonable.

State Council of Higher Education for Virginia

The State Council of Higher Education for Virginia (SCHEV) is Virginia's coordinating body for higher education. SCHEV was established by the Governor and General Assembly in 1956 "to promote the development of an educationally and economically sound, vigorous, progressive, and coordinated system of higher education" in Virginia. Towards this end, SCHEV conducts research and makes public policy recommendations to the Governor and General Assembly in such areas as capital and operating budget planning, enrollment projections, institutional technology needs, and student financial aid. For the last several years, SCHEV has been instrumental in advancing the role of performance measures in higher education, and has collaborated with Department of Planning and Budget staff to provide data for measures tracked in the state's performance management system.

Department of Accounts

The Department of Accounts (DOA) was originally created in 1927 by the General Assembly as the Division of Accounts and Controls in the Department of Finance. The purpose of DOA is to provide a uniform

system of accounting, financial reporting, and internal control adequate to protect and account for the Commonwealth's financial resources. One way in which DOA has supported an increased focus on performance is through the dissemination of user-friendly reports that inform the public about the Commonwealth's financial condition. These quarterly and annual reports contain a variety of measures related to automated controls, statistical analyses, pre-audits and post-audit information, and staff studies and reviews of reports issued by the Auditor of Public Accounts. When taken as a whole, these measures provide a broad set of information on the degree to which agencies are complying with Commonwealth accounting and financial management policies, procedures, regulations, and practices.

Performance Budgeting in Virginia

The National Partnership for Reinventing Government recognized Virginia's performance budgeting process as one of the best in the nation, citing Virginia's integration of strategic planning, budgeting, performance tracking, and results-based decision-making. Beginning with the 1998-2000 biennium, most new budget requests were accompanied by a performance measure indicating the results each agency expected to achieve should the request be funded. Linkage between performance measurement and the budgeting process was strengthened in the 2000-2002 budget development process, requiring agencies to submit performance measurement and strategic planning information in all budget requests. For example, agencies were to indicate how the budget proposal was tied to one or more of the agency's or Governor's strategic priorities, how the proposal related to one of the agency-wide performance measures tracked by DPB, and how the decision package, if funded, would affect the measure's target. If the proposal did not relate directly to a strategic planning priority, the agency was to explain why not. If the proposal did not relate to existing performance measures, the agency was to indicate how it would measure the success of the effort if funded.

As performance measures have become more established throughout Virginia state government, it is becoming increasingly possible to use performance data to support the analysis and prioritization of budget decisions. Establishing clear linkages between program performance and budget decisions continues to be a significant challenge for all governments attempting to implement performance management systems. The Department of Planning and Budget will continue to examine new, more effective ways to systematically integrate performance data in the budgeting process.

Virginia Results

The Department of Planning and Budget has developed a statewide, results-oriented Internet site, named Virginia Results. This site is a centralized resource for a variety of results-oriented information generated from state agencies. *Virginia Results* is accessible directly from the state's home page, emphasizing the importance of performance management in the Commonwealth and ensuring that results-oriented information of all types is directly and centrally accessible for audiences. Via forms on the site, agencies will be able to directly submit strategic planning and performance measurement information to central state performance management databases. If decision-makers or citizens also want to obtain additional planning, measurement, or evaluation information, *Virginia Results* provides contact information to expedite such a request.

Virginia Results utilizes graphics, user interfaces, and database structures that ensure data are current and meet the needs of senior decision makers, agency staff, and the public. The categories of information contained on *Virginia Results* include the following:

- The Governor's strategic plan and key budget initiatives for the current biennium.
- Statewide quality of life indicators. A list of indicators, developed during the past year, provides senior decision makers, state government staff, and the public with a "big-picture" of the overall quality of life in the Commonwealth. To ensure that the indicators take a systemic perspective, categories of indicators include: community, families, safety, education, health, economy, environment, government, and technology. Trend data will be updated annually and displayed in a consistent format for all indicators.
- Planning and performance measurement information from agencies, as well as input forms to capture this information directly from agency staff.
- Interactive training on strategic planning, performance measurement, and how to use the information generated from these processes.
- Related links.

Virginia Results was designed to:

- Clearly, efficiently communicate the state's initiatives and progress made on initiatives.
- Utilize state-of-the-art Internet and database technology to enhance accountability, responsiveness, and efficiency of state government.

- Centralize a variety of statewide performance data in accessible, user-friendly, and continuously available system.
- Leverage scarce resources in support of the state's initiatives and results-oriented practices throughout state government.
- Provide for efficient, centralized data entry and management of state-wide planning, performance, and evaluation data.

Future uses of Virginia Results could include:

- Discussion forums for those interested in learning more about performance management.
- Evaluation information from agencies, as well as input forms to capture this information directly from agency staff.
- Listings of upcoming educational and training events throughout the state
- Recognition of those state entities that have made noteworthy efforts in managing their performance.
- Best practices on performance management.

CHAPTER TWO: Centers of Excellence in Virginia

The Commonwealth of Virginia is recognized as one of the best-managed states in the nation. This reputation has been built on a long record of accomplishment achieved by various agencies throughout state government that have dedicated their efforts to increasing efficiencies and improving productivity.

Utilizing management tools such as strategic planning, performance measurement, program evaluation, rewards and recognition, customer and client feedback, and other innovative methods, these agencies have become *Centers of Excellence* in the Commonwealth. Their examples of high performance, quality, and productivity provide state agencies and other organizations a high standard toward which to strive.

Virginia's Department of Motor Vehicles, Department of Taxation, Treasury Department, Department of Mines, Minerals and Energy, and the Virginia Retirement System were all designated by the Performance Management Advisory Committee to be *Centers of Excellence* based upon the agencies receiving awards from the prestigious United States Senate Productivity and Quality Award program.

Virginia Department of Motor Vehicles

The Virginia Department of Motor Vehicles is responsible for licensing over five million drivers in the state, registering over five million motor vehicles, promoting highway safety, and providing other services to ensure the safe operation of motor vehicles in Virginia. The agency provides the following services to citizens of the Commonwealth.

- Disability Services
- DMV Fees
- Driver's Licensing
- Family of Deceased
- Fuels Tax Refund
- ID Services
- Medical Information
- Operating Authorities (Limos, Movers, Taxis, Buses, Haulers)
- Record Services
- Vehicle Services

DMV's mission is to administer motor vehicle and related laws, promote transportation, safety and collect transportation revenues in an ethical and customer-focused manner.

- Every two years, DMV redefines its customer service objectives during the development of the strategic plan. The process embraces a bottoms-up approach and solicits input from all employees and administrative units.
- One of the results of the strategic planning process was the creation of a project team charged with developing a queuing system, which has become operational and allows customers to access wait-time information for various DMV offices.
- Queuing system was identified in surveys as a factor in improved customer satisfaction.
- DMV's per customer cost has decreased significantly in the last 25 years. DMV also consistently spends less revenue on operating costs than other enterprise-oriented agencies.
- Employee turnover rate is less than two percent.
- DMV's use of alternative customer service methods has broadened partnerships with vendors and reduced the cost of doing business.
- DMV has increased customer satisfaction and decreased business costs even though its workload has more than doubled in the last two decades.
- DMV has won several awards in the past year for its customer service and technology innovations, including the first Governor's Technology Award and the American Association of Motor Vehicle Administrators' regional Excellence in Customer Service Award.

Virginia Department of Taxation

The Virginia Department of Taxation (TAX) collects revenue and deposits it to the state treasury and administers the tax laws for individuals and corporations. TAX processed nearly 7.2 million tax returns and bill payments in FY 2000. The agency is currently in a five-year public-private partnership to re-engineer the agency's technology processes.

- TAX has implemented a limited form of pay banding (“interchangeable classes”) in the Office of Fiscal Research in part in response to high turnover. Since this program has been implemented, staff turnover has been reduced by 50%.
- Return Processing -- between 60 and 63 percent of all refunds issued were accelerated refunds, issued within less than 2 weeks.
- Compliance Revenue Production -- intense efforts to reengineer programs, enhance quality, and develop and utilize benchmarking data. Compliance programs are operating at much higher levels.
- Customer Service -- The quantity of service provided has clearly increased over the past three years.

Virginia Treasury Department

The Virginia Department of the Treasury provides a variety of financial services to the Commonwealth, including managing cash in the state treasury, making payments based on authorizations from the Comptroller, and issuing and managing the state’s debt. The agency also provides staff services to several boards and authorities, including the Virginia Public School Authority, the Virginia College Building Authority, and the state Treasury Board.

- Early in 1998, Treasury defined for itself a new direction in quality centered on a team-based process, named “STAR”, that is being used to address agency-wide issues. STAR reaches to all levels of the agency, and is directed by Treasury Advisory Group (TAG Team).
- STAR has been embraced by employees partly because of the quality infrastructure and team spirit that has been in place for many years. Treasury employees are encouraged to be innovative, to seek new solutions, and to communicate these upward.
- A report on all agency accomplishments is distributed to each employee at the close of each fiscal year as well as a summary of new goals and objectives to be tackled in the upcoming year.
- The STAR process is open to all levels of employees, and the teams represent a cross-section of the agency in many ways. Likewise, the TAG team includes employees from all levels and areas, not just agency management.

- Treasury's quality gains are also shared in unusual ways. For example, the Unclaimed Property Division developed a new state-of-the-art unclaimed property processing system. The system is so advanced that Treasury is actively marketing it to other states for \$100,000 per copy. Proceeds from the sale of the system are being used to make further system enhancements and other customer service improvements such as purchasing a new phone system.
- Treasury has specific performance measures that must be met. The measures are updated quarterly, and reported annually to the Legislature and other interested parties.
- The timely payment of bond principal and interest is paramount in maintaining creditability with investors and the financial community. Treasury tracks this as one of its primary performance measures and has set a zero-tolerance standard in this regard.
- Timeliness of unclaimed property claims payments -- work to return funds promptly; must be certain that the right person is receiving the property. They have made faster claims validation and processing a high priority, and performance is improving in this area. Payments are now being made in a 60-day turnaround time versus the previous 90-day timeframe.

Virginia Retirement System

The Virginia Retirement System is a defined benefit plan under Section 401(a) of the Internal Revenue Code. VRS administers retirement and group life insurance for approximately 735 public sector employers. Members include approximately 275,000 state employees, public schools employees, and political subdivisions. Membership in VRS is a condition of employment.

A Board of Trustees administers the Virginia Retirement System. In addition to the VRS, the Board administers the State Police Officers' Retirement System (SPORS), the Judicial Retirement System (JRS), and the Federal-State Social Security Agreement (OASDHI).

VRS' mission is to administer pension benefits and associated services earned by participating Virginia public employees by serving as stewards of the funds in VRS' care and providing superior service to membership.

- Change has involved employees at all levels of the organization. Employee participation in surveys and focus groups helped set the mission, vision and core values for the agency. Employees, serving on process improvement teams (PIT Crews), have been given broad

authority to initiate change in agency procedures. Employee suggestions have resulted in fundamental changes in policies and processes, and in new and expanded services.

- VRS also developed six Strategic Business Objectives (SBOs) aimed at improving customer service. Acceptable levels of performance were established for each objective and databases were created to store information and track progress over time.
- In 1999 a “Dumb Rules” contest was held. Employees were asked to identify “rules” that hinder efficient operations. All suggestions were reviewed during a management retreat, and most have been implemented. Departments that submitted the most ideas were rewarded with a day off.
- If the agency achieves six of its SBOs, employees can receive an additional 50 percent in their overall percentage pay increase. To further align individual performance with agency goals, in 1999, departmental SBOs were added to the performance appraisal process. To receive the maximum increase possible, employees must meet individual as well as agency and departmental objectives.
- In just four years, the market value of VRS assets has grown from \$18.5 billion to more than \$31 billion.

Virginia Department of Mines, Minerals and Energy

The Virginia Department of Mines, Minerals, and Energy (DMME) serves a large and varied group of people, organizations and agencies throughout the Commonwealth. Through its six divisions, the agency regulates the mineral industry, provides mineral research, and offers advice on wise use of resources. Its programs directly serve the citizens who live near mining operations, mining labor groups, other regulatory agencies, the educational community, the mineral industry, and environmental, consumer, and industry special-interest groups.

The Department's mission is to enhance the development and conservation of energy and mineral resources in a safe and environmentally sound manner in order to support a more productive economy in Virginia.

- Each year DMME seeks to benchmark its work processes and implement improvements in its programs.

- DMME managers use the automated strategic and operating plan reporting system to measure their plans' effectiveness. Management monitors progress through monthly reviews of activities grouped by strategic and operating plan objectives and strategies.
- Management also uses the strategic plan as the basis for the employee performance review process.
- All employees are directly involved in establishing the Department's and its divisions' goals, objectives and strategies.
- DMME has established a system of recognition and reward based on day-to-day interaction with peers and colleagues, external customers and stakeholders.
- DMME communicates performance measurement results to the agency's employees through the strategic plan reporting system, staff meetings, and internal training sessions.
- Prompt payment (percentage of invoices paid within 30 days) has increased to nearly 100%.

Characteristics of Centers of Excellence

These Virginia state agencies have achieved improved results and developed a reputation for high performance and productivity. The information highlighted above shows several traits common to these agencies and that have been identified as traits of other high-performing organizations, in the state's U.S. Senate Productivity and Quality award, and elsewhere. For other state agencies to become *Centers of Excellence*, they must adopt and encourage these characteristics. These characteristics include:

- **Visionary leadership.** An organization's senior leaders set directions and create clear and visible values, a customer focus, and high expectations. The directions, values, and expectations balance the needs of all stakeholders. The values and strategies help guide all activities and decisions of the organization. Senior leaders inspire and motivate the entire work force and encourage involvement, development and learning, innovation, and creativity by all employees. Through their ethical behavior and personal roles in planning, communications, coaching, developing future leaders, review of organizational performance, and employee recognition, these leaders serve as role models, reinforcing values and expectations and building leadership, commitment, and initiative throughout your organization.

- **Future focus.** This requires a strong future orientation and a willingness to make long-term commitments to key stakeholders — customers, employees, suppliers, stockholders, the public, and the community. Short- and long-term plans, strategic objectives, and resource allocations need to reflect a variety of internal and external factors that may change and influence the organization.
- **Management by fact.** These organizations depend upon the measurement and analysis of performance. Such measurements derive from the organization's strategy and provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance measurement, management, and improvement. The performance data are used to determine trends, projections, cause and effect, and to support a variety of purposes, such as planning, reviewing overall performance, improving operations, and comparing performance with competitors or with "best practices" benchmarks.
- **Customer focus.** The centers of excellence take into account a variety of product and service features and characteristics that contribute value to their customers and lead to customer satisfaction, preference, referral, and loyalty. Being customer driven has both current and future components — understanding today's customer desires and anticipating future customer desires and marketplace offerings. Having a customer focus is a strategic concept, directed toward customer retention, market share gain, and growth.
- **Valuing employees.** An organization's success depends increasingly on the knowledge, skills, innovative creativity, and motivation of its employees and partners. Organizations that value their employees are committed to their satisfaction, development, and well-being. High performing organizations value their employees by: (1) demonstrating the leaders' commitment to their employees; (2) providing recognition opportunities that go beyond the normal compensation system; (3) providing opportunities for development and growth within the organization; (4) sharing the organization's knowledge so the employees can better serve its customers and contribute to achieving its strategic objectives; and (5) creating an environment that encourages risk taking.
- **Continuous learning.** Achieving the highest levels of performance requires a well-executed approach to organizational and personal learning. This translates as the continuous improvement of existing approaches and processes and adaptation to change, leading to new goals and/or approaches. Learning is embedded in the way that high performing organizations operate, resulting in: (1) enhanced value to customers through new and improved products and services; (2) new business opportunities; (3) reduced errors, defects, waste, and related

costs; (4) improved responsiveness and cycle time performance; (5) increased productivity and effectiveness in the use of all resources throughout the organization; and (6) enhanced performance in fulfilling its public responsibilities and service as a good citizen. These organizations invest in employee personal learning through education, training, and opportunities for continuing growth. Thus, learning is directed not only toward better products and services, but also toward being more responsive, adaptive, and efficient — giving the organization and its employees marketplace sustainability and performance advantages.

- **Encouragement of innovation.** High performing organizations consistently make meaningful changes that improve an organization's products, services, and processes and create new value for the organization's stakeholders. Innovation is not strictly the purview of research and development departments, but is a part of the culture and daily work of the organization.
- **Public responsibility and citizenship.** High performing organizations stress their responsibilities to the public. These responsibilities refer to business ethics and protection of public health, safety, and the environment. Planning processes anticipate adverse impacts from production, distribution, transportation, use, and disposal of products and seek to prevent them or provide a forthright response if they occur. Strong leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes.
- **Systems perspective.** Successful management of a high performing enterprise requires synthesis and alignment – looking at the organization as a whole and focusing on what is important to the whole enterprise. Leadership concentrates on key organizational linkages, the enterprise's strategic directions, and on how these relate to its customers. Having a systems perspective requires leaders and their employees to manage the whole enterprise as well as its components to achieve outstanding and improved performance.

CHAPTER THREE: Strengths, Opportunities & Recommendations

The Performance Management Advisory Committee has evaluated Virginia's current statewide performance management system and developed the following list of strengths, opportunities, and recommendations. It is hoped that these recommendations will be addressed and implemented to strengthen Virginia's performance management system.

Strengths

- A solid performance management infrastructure is in place to collect and disseminate statewide planning and performance management information. This infrastructure consists of organizational and information technology systems, expertise, and experience within the Department of Planning and Budget, the Joint Legislative Audit and Review Commission, Auditor of Public Accounts, Department of the State Internal Auditor, and a number of other state agencies.
- Strategic plans and performance measures have been developed for all Virginia executive branch agencies. The over 100 state agencies which have participated in Virginia's performance management system for the past six years have become familiar with basic strategic planning and performance measurement concepts and uses. This broad institutional knowledge base can provide potentially effective leverage when designing and implementing improvements to the current system.
- The Department of Planning and Budget has designed and developed an Internet-based results management system, entitled *Virginia Results*. *Virginia Results* was implemented at the beginning of FY 2001 and has already been visited by almost 2,000 users. Several improvements to the system have been made and others will be identified and implemented as experience is gained using the system for data collection, data reporting, analysis, and training.
- Virginia has earned a reputation for sound public sector management practices, attracting the attention of many national and international organizations. Since implementing the state's performance management system, personnel from the Department of Planning and Budget, Joint Legislative Audit and Review Commission, and the Auditor of Public Accounts have given numerous presentations to international, national, and local audiences wishing to learn more

about the system. As described earlier in this paper, the system has also garnered numerous awards and recognition.

Opportunities and Recommendations

PUBLIC ASSURANCE

The public should be assured that their tax dollars are spent as intended and that government programs and services are provided in the most effective and efficient way.

Recommendation #1: Create opportunities for citizens to provide input on program performance changes and improvements.

Recommendation #2: Enable public review of agency/program effectiveness.

LEADERSHIP

Competent leadership that is knowledgeable of organizational performance management tools and committed to using them for improving the efficiency and effectiveness of government services is critical to creating and sustaining an effective organizational performance management system.

Recommendation #3: Provide organizational performance management training and technical assistance for executive and legislative branch decision makers and staff.

Recommendation #4: Ensure that all major executive branch agencies have publicly available strategic plans and performance measures linked to the plans as required by state guidelines. These should be reviewed and approved by the appropriate Cabinet Secretaries.

Recommendation #5: Develop a system that identifies, communicates, and supports superior organizational performance management practices throughout state executive and legislative branch agencies.

ORGANIZATIONAL PERFORMANCE MANAGEMENT

The organizational performance management system should provide state government with clarity of direction and a mechanism to monitor, evaluate, and improve the effectiveness of its programs and services.

Recommendation #6: Clarify the identified primary users of organizational performance management information, their specific information needs, and how they intend to use the information. This requires open, regular dialogue with senior decision makers and staff

within and between the offices of the Governor, cabinet secretaries, agency heads, and General Assembly.

Recommendation #7: Ensure that organizational performance management systems are directly related to identified primary users of organizational performance management information, their specific information needs, and how they intend to use the information. Users can include citizens, legislators, money committee staff, executive branch decision makers, and other appropriate legislative and executive personnel.

Recommendation #8: Systematically assess the usefulness of the states' organizational performance management systems to ensure its effectiveness and efficiency.

Recommendation #9: Develop a process that systematically and regularly assesses all performance measures reported by executive and legislative branch agencies for validity, completeness, and accuracy.

Recommendation #10: Maintain a balanced emphasis on using performance information to improve the efficiency, quality, and effectiveness of government services and using the information to enhance accountability of state agencies and programs.

Recommendation #11: Develop agency incentives for using performance information to improve the efficiency and effectiveness of their programs.

Recommendation #12: Consider requiring agencies to provide public notice that they will be changing their publicly reported strategic plans and/or performance measures in an attempt to provide continuity in the data reported.

COMMUNICATION

The organizational performance management system should build informed audiences, including citizens and members of the executive and legislative branch agencies.

Recommendation #13: Increase dialogue and collaboration between the legislative and executive branches regarding the uses and needs of organizational performance management information.

Recommendation #14: Ensure that a broad range of performance information on the effectiveness and efficiency of state programs is publicly accessible.

Recommendation #15: Consider adding additional features on *Virginia Results*, including the creation of discussion forums, listing upcoming training events, recognizing agencies that excel in using

organizational performance management tools and information, and listing best organizational performance management practices.

Recommendation #16: Consider requiring all executive and legislative branch agencies to develop communication strategies.

HUMAN CAPITAL

State organizational performance management systems should directly support strengthening the results-orientation of government. This can be accomplished by providing incentives for improved performance, training to enhance the competency of the state's workforce to provide efficient, effective, and high quality services, along with other efforts.

Recommendation #17: Create incentives that support and recognize the use of organizational performance management systems to improve the efficiency and effectiveness of government services. Incentives can take the form of increased flexibility, public recognition, and/or additional funding.

Recommendation #18: Consider offering awards for exemplary design and implementation of organizational performance management systems at the agency or program level, and/or superior performance by agency programs, leadership, and staff.

Recommendation #19: Provide regular training in organizational performance management practices to at-will personnel so that the training accommodates the skill and information needs of these personnel.

PERFORMANCE MANAGEMENT ADVISORY COMMITTEE (PMAC)

PMAC should work to ensure that the Commonwealth's organizational performance management systems are operationally useful and continually improving.

Recommendation #20: Define a set of key outcomes that the PMAC is seeking to achieve and regularly measure progress toward these outcomes.

Recommendation #21: Include in the annual PMAC report a ranking of the degree to which PMAC recommendations from the prior years have been implemented (using the following four point scale: not implemented, partially implemented, mostly implemented, fully implemented).

Appendix:

Attachment 1

§ 2.1-391. Duties of Department.

The Department shall have the following duties:

1. Development and direction of an integrated policy analysis, planning, and budgeting process within state government.
2. Review and approval of all sub-state district systems boundaries established or proposed for establishment by state agencies.
3. Formulation of an executive budget as required in this chapter. In implementing this provision, the Department of Planning and Budget shall (i) utilize the resources and determine the manner of participation of any executive agency as the Governor may determine necessary to support an efficient and effective budget process notwithstanding any contrary provision of law and (ii) make an appropriate reduction in the appropriation and maximum employment level of any state agency or institution in the executive branch of government which reports involuntary separations from employment with the Commonwealth due to budget reductions, agency reorganizations, or workforce down-sizings, or voluntary separations from employment with the Commonwealth as provided in the second and third enactments of the act of the General Assembly creating the Workforce Transition Act of 1995 (§ 2.1-116.20 et seq.). In the event an agency reduces its workforce through privatization of certain functions, the funds associated with such functions shall remain with the agency to the extent of the savings resulting from the privatization of such functions. Such budget shall include reports, or summaries thereof, provided by agencies of the Commonwealth pursuant to subsection E of § 2.1-20.01:1.
4. Conduct of policy analysis and program evaluation for the Governor.
5. Continuous review of the activities of state government focusing on budget requirements in the context of the goals and objectives determined by the Governor and the General Assembly and monitoring the progress of agencies in achieving goals and objectives.
6. Operation of a system of budgetary execution to assure that agency activities are conducted within fund limitations provided in the

appropriation act and in accordance with gubernatorial and legislative intent.

7. Development and operation of a system of standardized reports of program and financial performance for management.

8. Coordination of statistical data by reviewing, analyzing, monitoring, and evaluating statistical data developed and used by state agencies and by receiving statistical data from outside sources, such as research institutes and the federal government.

9. Assessment of the impact of federal funds on state government by reviewing, analyzing, monitoring, and evaluating the federal budget, as well as solicitations, applications, and awards for federal financial aid programs on behalf of state agencies.

10. Review and verification of the accuracy of agency estimates of receipts from donations, gifts or other nongeneral fund revenue.

11. Development, coordination and implementation of a performance management system involving strategic planning, performance measurement, evaluation, and performance budgeting within state government. The Department shall ensure that information generated from these processes is useful for managing and improving the efficiency and effectiveness of state government operations, and is available to citizens and public officials.

12. Development, implementation and management of an Internet-based information technology system to ensure that citizens have access to performance information.

Attachment 2

CHAPTER 424

An Act to amend and reenact § 2.1-391 of the Code of Virginia, relating to duties of the Department of Planning and Budget.

[H 1065]

Approved April 4, 2000

Be it enacted by the General Assembly of Virginia:

1. That § 2.1-391 of the *Code of Virginia* is amended and reenacted as follows:

§ 2.1-391. Duties of Department.

The Department shall have the following duties:

1. Development and direction of an integrated policy analysis, planning, and budgeting process within state government.
2. Review and approval of all substate district systems boundaries established or proposed for establishment by state agencies.
3. Formulation of an executive budget as required in this chapter. In implementing this provision, the Department of Planning and Budget shall (i) utilize the resources and determine the manner of participation of any executive agency as the Governor may determine necessary to support an efficient and effective budget process notwithstanding any contrary provision of law and (ii) make an appropriate reduction in the appropriation and maximum employment level of any state agency or institution in the executive branch of government which reports involuntary separations from employment with the Commonwealth due to budget reductions, agency reorganizations, or workforce down-sizings, or voluntary separations from employment with the Commonwealth as provided in the second and third enactments of the act of the General Assembly creating the Workforce Transition Act of 1995 (§ 2.1-116.20 et seq.). In the event an agency reduces its workforce through privatization of certain functions, the funds associated with such functions shall remain with the agency to the extent of the savings resulting from the privatization of such functions. Such budget shall include reports, or summaries thereof, provided by agencies of the Commonwealth pursuant to subsection E of § 2.1-20.01:1.
4. Conduct of policy analysis and program evaluation for the Governor.

5. Continuous review of the activities of state government focusing on budget requirements in the context of the goals and objectives determined by the Governor and the General Assembly and monitoring the progress of agencies in achieving goals and objectives.

6. Operation of a system of budgetary execution to assure that agency activities are conducted within fund limitations provided in the appropriation act and in accordance with gubernatorial and legislative intent.

7. Development and operation of a system of standardized reports of program and financial performance for management.

8. Coordination of statistical data by reviewing, analyzing, monitoring, and evaluating statistical data developed and used by state agencies and by receiving statistical data from outside sources, such as research institutes and the federal government.

9. Assessment of the impact of federal funds on state government by reviewing, analyzing, monitoring, and evaluating the federal budget, as well as solicitations, applications, and awards for federal financial aid programs on behalf of state agencies.

10. Review and verification of the accuracy of agency estimates of receipts from donations, gifts or other nongeneral fund revenue.

11. Development, coordination and implementation of a performance management system involving strategic planning, performance measurement, evaluation, and performance budgeting within state government. The Department shall ensure that information generated from these processes is useful for managing and improving the efficiency and effectiveness of state government operations, and is available to citizens and public officials.

12. Development, implementation and management of an Internet-based information technology system to ensure that citizens have access to performance information.

2. That the Governor shall appoint a Performance Management Advisory Committee to provide input regarding the direction and results of the state's performance management efforts. The Advisory Committee shall not have more than seven members, each serving a one-year term and without compensation. Citizen members shall be reimbursed for necessary and reasonable expenses incurred in the performance of their duties as members of the Advisory Committee. Staff support for the Advisory Committee shall be provided by the Department of Planning

and Budget, with the Director of the Department serving as chairman of the Advisory Committee. An annual report of the Advisory Committee's work and recommendations shall be issued by July 30th, with the first report due July 30, 2001. The annual report shall be provided to the Secretary of Finance who shall forward copies of it to the Governor and the members of the General Assembly no later than August 5 each year.

Attachment 3

CHAPTER 43

An Act to amend and reenact § 2.1-391 of the Code of Virginia, relating to reports submitted by the Department of Planning and Budget.

[H 1847]

Approved March 2, 2001

Be it enacted by the General Assembly of Virginia:

1. That § 2.1-391 of the *Code of Virginia* is amended and reenacted as follows:

§ 2.1-391. Duties of Department.

The Department shall have the following duties:

1. Development and direction of an integrated policy analysis, planning, and budgeting process within state government.
2. Review and approval of all sub-state district systems boundaries established or proposed for establishment by state agencies.
3. Formulation of an executive budget as required in this chapter. In implementing this provision, the Department of Planning and Budget shall (i) utilize the resources and determine the manner of participation of any executive agency as the Governor may determine necessary to support an efficient and effective budget process notwithstanding any contrary provision of law and (ii) make an appropriate reduction in the appropriation and maximum employment level of any state agency or institution in the executive branch of government which reports involuntary separations from employment with the Commonwealth due to budget reductions, agency reorganizations, or workforce down-sizings, or voluntary separations from employment with the Commonwealth as provided in the second and third enactments of the act of the General Assembly creating the Workforce Transition Act of 1995 (§ 2.1-116.20 et seq.). In the event an agency reduces its workforce through privatization of certain functions, the funds associated with such functions shall remain with the agency to the extent of the savings resulting from the privatization of such functions. Such budget shall include reports, or summaries thereof, provided by agencies of the Commonwealth pursuant to subsection E of § 2.1-20.01:1.
4. Conduct of policy analysis and program evaluation for the Governor.

5. Continuous review of the activities of state government focusing on budget requirements in the context of the goals and objectives determined by the Governor and the General Assembly and monitoring the progress of agencies in achieving goals and objectives.
 6. Operation of a system of budgetary execution to assure that agency activities are conducted within fund limitations provided in the appropriation act and in accordance with gubernatorial and legislative intent.
 7. Development and operation of a system of standardized reports of program and financial performance for management.
 8. Coordination of statistical data by reviewing, analyzing, monitoring, and evaluating statistical data developed and used by state agencies and by receiving statistical data from outside sources, such as research institutes and the federal government.
 9. Assessment of the impact of federal funds on state government by reviewing, analyzing, monitoring, and evaluating the federal budget, as well as solicitations, applications, and awards for federal financial aid programs on behalf of state agencies.
 10. Review and verification of the accuracy of agency estimates of receipts from donations, gifts or other nongeneral fund revenue.
 11. Development, coordination and implementation of a performance management system involving strategic planning, performance measurement, evaluation, and performance budgeting within state government. The Department shall ensure that information generated from these processes is useful for managing and improving the efficiency and effectiveness of state government operations, and is available to citizens and public officials. *The Department shall submit annually on or before the second Tuesday in January to the Chairman of the House Appropriations Committee and the Chairman of the Senate Finance Committee a report that sets forth state agencies' strategic planning information and performance measurement results pursuant to this subdivision for the immediately preceding fiscal year.*
 12. Development, implementation and management of an Internet-based information technology system to ensure that citizens have access to performance information.
-

Attachment 4

HOUSE JOINT RESOLUTION NO. 773

Directing the Joint Legislative Audit and Review Commission to analyze the growth in spending by the Commonwealth since Fiscal Year 1981.

Agreed to by the House of Delegates, February 6, 2001

Agreed to by the Senate, February 21, 2001

WHEREAS, since Fiscal Year 1981, general fund expenditures by the Commonwealth have grown from \$5.7 billion to \$25.1 billion in Fiscal Year 2001; and

WHEREAS, the growth in spending by the Commonwealth over the past two decades has significantly exceeded the Commonwealth's population growth and the rate of inflation; and

WHEREAS, the baseline budget of the Commonwealth has increased and grown dramatically during the past several years, to the sum of a \$50 billion biennial budget; and

WHEREAS, a budget of this size, scope and complexity requires the detailed and comprehensive supervision of the General Assembly; and

WHEREAS, while the budget is drafted and approved based on the most accurate fiscal and budgetary forecasts available during the brief legislative sessions, data may change in response to changing economic conditions subsequent to the session; and

WHEREAS, the Commonwealth provides, in addition to state-run agencies, extensive funds to private organizations and groups to advance legitimate state interests and the public policy goals of the General Assembly; and

WHEREAS, the General Assembly, while not exercising daily supervision and control of these private organizations and their operations, nevertheless retains its constitutional obligation and mandate to exercise sound stewardship of state funds on behalf of the people of the Commonwealth; and

WHEREAS, this sound stewardship requires that a full, complete and accurate accounting of the spending of state funds be made by any private organization that receives funding from the General Assembly; and

WHEREAS, an accurate and comprehensive analysis of the Commonwealth's spending trends over the past two decades would be a highly valuable aid to the fulfillment of the General Assembly's constitutional duty to appropriate the revenue derived from the taxpayers of the Commonwealth and its duty to protect the taxpayers from excessive spending and taxation; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Legislative Audit and Review Commission be directed to analyze the growth in spending by the Commonwealth since Fiscal Year 1981. In conducting the study, the Commission shall consider, among other things, (i) an identification and analysis of spending functions and programs that could be consolidated with other programs without diminishing the quality of the services provided to the citizens of the Commonwealth; (ii) an identification and analysis of those spending functions or programs that no longer have a distinct and discernible mission or are not performing their missions efficiently; (iii) an identification and analysis of the state programs that have had the largest impact on the growth of state spending over the prior 10 biennia, in dollar terms; (iv) an identification and analysis of the programs growing the fastest in percentage terms; (v) for the programs identified as the largest and fastest-growing, comparisons of the growth in spending on those programs to the rate of increase in inflation and the growth in populations served by those programs over a comparable time period; (vi) an analysis of the causes for the growth in spending on the largest and fastest-growing programs, and whether the growth in spending appears rationally related to the rates of increase in inflation and populations served; (vii) an analysis of the use of performance budgeting, performance measurement, and program evaluation information in the legislative budgeting process and how the information may be more systematically used for program improvement and budget decision-making by legislators; (viii) a detailed analysis of the operations and expenditures of state funds by private organizations and groups, for the purpose of demanding a full, complete and accurate accounting of those funds, as well as demonstrable evidence that the public policy goals have been accomplished by their expenditure; (ix) policies and strategies that can be instituted or restructured to more efficiently and effectively spend such funds; (x) the cancellation of programs that fail to meet the stated purpose of their funding, or fail to provide a satisfactory accounting of their expenditures; and (xi) such other related issues as it deems appropriate.

All agencies of the Commonwealth shall provide assistance to the Commission for this study, upon request.

The Joint Legislative Audit and Review Commission shall submit preliminary findings and recommendations by November 30, 2001, to the Governor and the 2002 Session of the General Assembly, and the Commission shall complete its work in time to submit its final written findings and recommendations by November 30, 2002, to the Governor and the 2003 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

