

INTERIM REPORT OF THE COUNCIL ON VIRGINIA'S FUTURE

TO THE GOVERNOR
AND THE GENERAL ASSEMBLY OF VIRGINIA



COUNCIL ON
**VIRGINIA'S
FUTURE**

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COMMONWEALTH OF VIRGINIA
RICHMOND, VIRGINIA
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COMMONWEALTH of VIRGINIA

Office of the Governor

Mark R. Warner
Governor

January 12, 2005

My Fellow Virginians:

The Council on Virginia's Future was created in July 2003 and spent its first six months creating a vision for Virginia's future with a focus on four elements essential for improving our quality of life over the next 10-15 years: increasing the level of education among Virginia's citizens; strengthening our economy; informing and engaging citizens in the process of governing; and becoming the best-managed state in the nation.

As the Council studied these elements in 2004, we found there was a need to reexamine the Commonwealth's process for planning and performance measurement in order to have a strong foundation to successfully create change. As a result, we designed and are implementing a new system for performance leadership. The new system links strategic plans with the budget and ensures that we measure performance and challenge ourselves to create a culture of excellence in all state government operations.

With the new planning foundation nearly complete, I look forward to additional progress in 2005. One of our projects will be the development of a scorecard that shows how Virginia has performed over time, how we compare to other states and how we are performing regionally within the Commonwealth. In addition, we will focus on the critical tasks of sharing our vision and goals for the future, listening to the perspectives and ideas of our fellow citizens, and reporting on our progress.

The work we do in 2005 will require continued leadership, innovative ideas and a commitment to think critically about the choices we make – choices that I believe will enable us to leave a strong legacy for all Virginians.

Sincerely,

A handwritten signature in black ink that reads "Mark R. Warner".

Mark R. Warner

MRW/cmg

I. Members of the Council on Virginia's Future

Chairman

The Honorable Mark R. Warner
Governor of Virginia

Vice Chairman

Mr. John O. Wynne

General Assembly Members

The Honorable Vincent F. Callahan, Jr.
Chairman, Appropriations Committee
Virginia House of Delegates

The Honorable John H. Chichester
President Pro Tempore
Chairman, Finance Committee
Senate of Virginia

The Honorable H. Morgan Griffith
Majority Leader
Virginia House of Delegates

The Honorable Franklin P. Hall
Minority Leader
Virginia House of Delegates

The Honorable William J. Howell
Speaker of the House
Virginia House of Delegates

The Honorable Richard L. Saslaw
Minority Leader
Senate of Virginia

The Honorable Walter A. Stosch
Majority Leader
Senate of Virginia

The Honorable William C. Wampler, Jr.
Member, Finance Committee
Senate of Virginia

Citizen & Business Community Members

Ms. Marge Connelly

Mr. William D. Euille

Mr. W. Heywood Fralin

Mr. James R. Leaman

Dr. Edward G. Murphy

Mr. Timothy Robertson

Cabinet Members

The Honorable John M. Bennett
Secretary of Finance

The Honorable Sandra D. Bowen
Secretary of Administration

II. Introduction

Every day, those who govern face the challenge of choosing the best course of action to provide value to the constituents they serve. Over the past several years, Virginia has earned an excellent reputation for good governance and sound financial management. However, Virginia faces constant change that challenges the way its leaders govern. Virginia's leaders cannot stop change from happening, but they can build a better framework for governing in the 21st century – a framework for better decision-making and improved accountability. The Council on Virginia's Future was created to design this framework.

“Organizations can't stop the world from changing. The best they can do is adapt. The smart ones change before they have to.”

Price Pritchett

The Council's ultimate aim is to create a successful future for Virginia. The first step in creating a successful future is to define it – to develop a clear, long-term vision that describes the quality of life we want to achieve and the legacy we want to leave. A truly excellent vision will reflect the voices of Virginia's citizens and have meaning for and inspire those who serve the citizens.

A vision without a plan to achieve it is little more than a dream. Thus, measurable objectives will be established to focus the energy and resources of state government on those things most vital to Virginia's future. One of the challenges in building an accountability system in the public sector is that the things most vital to Virginia's future – the quality of life outcomes we are striving to achieve – are generally complex, large and have multiple entities with accountability for results. There is often a tendency to try to address these societal issues in their entirety – to ‘solve world hunger.’ In the new system for governance, research and other idea-generating methods will be used to isolate the factors that have the greatest potential influence on societal outcomes. From this work, priorities for change will be established and the Commonwealth's role in achieving outcomes will be defined. What is unique about this approach is that we will strive to create partnerships for shared accountability to ensure that we address broad issues in an effective and collaborative manner.

To ensure we are making progress, we are going to keep score. A common phrase we hear today is that, “*You can't manage what you don't measure.*” We will establish performance measures throughout all levels of state government to ensure that accountability exists for improving outcomes.

Building a new framework for governing in the 21st century will not be easy and will not happen overnight. Traditions and habits will create resistance. Priorities will change and new challenges arise. As a result, this new system for governing will need to be flexible, maturing and adapting over time under the guidance of the Council. Critical to its success is the continued leadership and enthusiastic involvement of everyone in state government.

This report is designed to take you on the Council's journey of the past year to give you a sense of challenges faced and progress made. We begin with an executive summary to provide a reminder of the Council's purpose, a snapshot of what happened in 2003 and 2004, and a preview of what to expect in 2005. Following the executive summary are chapters that provide more detailed information about the development of the *Roadmap for Virginia's Future*.

III. Executive Summary

GENESIS OF THE COUNCIL ON VIRGINIA'S FUTURE

Through the passage of House Bill 2097, the General Assembly established the Council on Virginia's Future (the Council) in July 2003 to "...advise the Governor and the General Assembly on the implementation of the Roadmap for Virginia's Future process," a planning process described in the legislation as comprising some or all of the following steps:

- "...developing a set of guiding principles that are reflective of public sentiment and relevant to critical decision-making,
- establishing a long-term vision for the Commonwealth,
- conducting a situation analysis of core state service categories,
- setting long-term objectives,
- instituting a planning and performance management system consisting of strategic planning, performance measurement, program evaluation and performance budgeting, and
- performing plan adjustments based on public input and evaluation of the results of the Roadmap."

The legislation that created the Council was the synthesis of work done by several individuals and groups (e.g., the Coalition for Virginia's Future, the General Assembly, Governor Mark R. Warner and the Governor's Commission on Efficiency and Effectiveness) who shared the common aim of driving accountability and improvement within government. The intent of the legislation was to ensure that the Commonwealth would have a long-term direction and clear priorities that would enhance Virginia's potential for a successful future.

The Council's purpose is to create a vision of Virginia's future and a system for state government that aligns with and supports achievement of the vision. In essence, the Council provides the long-term policy framework for governing effectively in the 21st century.

The Council is responsible for designing the *Roadmap for Virginia's Future*. The purpose of the *Roadmap* is to establish a planning and accountability process that is capable of creating and sustaining a consistent focus, throughout all functions and locations of state government, on those things most vital to Virginia's future.

The Council's specific responsibilities include:

- Developing and communicating a vision and set of objectives that will have relevance and significance well into the next decade.
- Through research, forums and dialogue, creating a deeper understanding of issues affecting Virginia's future.
- Clearly articulating the state's role in achieving the vision and objectives.
- Setting priorities and establishing performance benchmarks.
- Ensuring accountability by measuring progress, i.e., by assessing the Commonwealth's progress in achieving the vision and objectives.
- Providing advice on creating a performance leadership system to implement the *Roadmap*.
- Establishing a process to evaluate the effectiveness of Virginia's performance leadership system to ensure it remains a vital, valued and effective means for managing government performance.

EVOLUTION OF THE *ROADMAP FOR VIRGINIA'S FUTURE*

Since its inception, the Council, working in collaboration with the executive branch, has made steady progress in developing and implementing the *Roadmap*. A brief recap of Council and *Roadmap* activities that occurred in 2003 and 2004 follows, along with a preview of the Council's plans for 2005.

2003 Recap: In 2003, the Council's aim was to begin the development of Virginia's vision, long-term objectives and agency strategic plans. The Council established workgroups with representation from the executive and legislative branches of government and private industry. There was a great deal of discussion in the workgroups about how to determine government's role in achieving the vision and how to set up an effective accountability system in Virginia. The primary outcomes of the work done by the Council and its workgroups in 2003 include:

- Drafting a vision for Virginia's future (refer to page 15).
- Establishing four priorities within the vision: elevating levels of education, strengthening the economy, becoming the best-managed state and having an informed/engaged citizenry.
- Studying the priorities and four other areas related to Virginia's quality of life: health, public safety, transportation, and the preservation of natural, cultural and historic resources.
- Initiating the development of a set of preliminary, overall metrics.

2004 Recap: In 2004, the Council came to realize that existing processes for planning, performance measurement and continuous improvement were inconsistent, varied in their sophistication and cumbersome. As a result, we started to build an agency-level foundation for implementing the *Roadmap*. The first step was the development of a new strategic planning and budgeting model, including a new structure cataloging various services in state agencies (i.e., a new service structure). In addition, we made progress in developing a system for continuous improvement that is focused on enhancing efficiency and effectiveness and establishing a culture of excellence in state government.

Although the proceedings of the Council were delayed due to the length of the 2004 General Assembly session, much was accomplished, including:

- Refining the vision for Virginia's future that was drafted in 2003.
- Developing long-term objectives (refer to page 15).
- Establishing an organization structure to carry out the work.
- Obtaining funding to support the work.
- Beginning the development of the Council's scorecard.
- Initiating communications about the Council and its work with the business community.

2005 Plans: In 2005, the Council will build the commitment and positive energy that are needed to create performance breakthroughs. We will continue to study issues facing Virginia to ensure we truly understand what it will take to do a better job of governing in the 21st century. In addition, we will publish a scorecard of performance indicators to tell the story of how Virginia is performing today and, more importantly, to challenge our thinking, inspire our hearts and create a compelling need for change. We look forward to taking you along on the next phase of our journey.

IV. Performance Leadership System – Roadmap Phase 1

House Bill 2097 requires that Virginia implement a system for performance management, defined as a management system consisting of strategic planning, strategic performance and productivity measurement, program evaluation and performance budgeting. The objectives of a performance management system are to continuously improve government operations and the delivery of services to citizens, to create a better framework for decision-making and to increase accountability.

In 2004, a subset of the Council assessed how performance has been managed in Virginia and found that elements of performance management, as defined in the bill, exist to varying degrees in state government today. However, the elements do not exist in a way that can be described as a system, i.e., an interconnected group of elements that form a coherent doctrine. As a result of the assessment, the Council concluded that to create a vital and effective performance management system for the future would require a dual approach, encompassing both *performance management* and *performance leadership*. In addition, this endeavor will require a commitment from senior leaders to do whatever is necessary to implement the new approach.

The difference between performance management and performance leadership is not subtle. Management is about *handling things*, e.g., preparing budgets, developing plans, reviewing performance – all essential and important tasks. Leadership is about *guiding people*, e.g., empowering, engaging and enabling them to do ordinary things well and to accomplish the extraordinary. Table 1 describes the leadership and management elements that must be developed or refined to form an effective foundation for implementing the *Roadmap*. The Commonwealth will refer to this foundation as its performance leadership system

PERFORMANCE MANAGEMENT	PERFORMANCE LEADERSHIP
Designing and implementing a simplified and consistent planning process	Creating a culture of excellence
Designing and implementing an effective performance-based budgeting process	Involving staff members in the design and implementation of planning, budgeting and performance review processes
Linking strategic plans to budgets	Communicating a vision and setting performance goals
Developing performance indicators	Mobilizing and empowering staff members to achieve performance goals
Monitoring performance on an ongoing basis; making necessary adjustments in strategies and tactics	Recognizing achievements and rewarding successes, e.g., re-investing improvement savings in the people and departments who produced the savings
Developing technology-based systems (e.g., websites, data repositories) to support planning, budgeting, reporting and communication	Communicating results
Evaluating and improving the performance leadership system	Helping managers manage and lead

Table 1

The new system is designed to enable an effective transition to a future state of performance leadership that elevates performance in the Commonwealth and establishes Virginia as a role model for other states. The system is designed to take us from where we are NOW to a new and exciting state of ‘WOW’ (figure 1). A performance leadership steering group, comprising a subset of cabinet members and agency heads, was established to lead this effort.

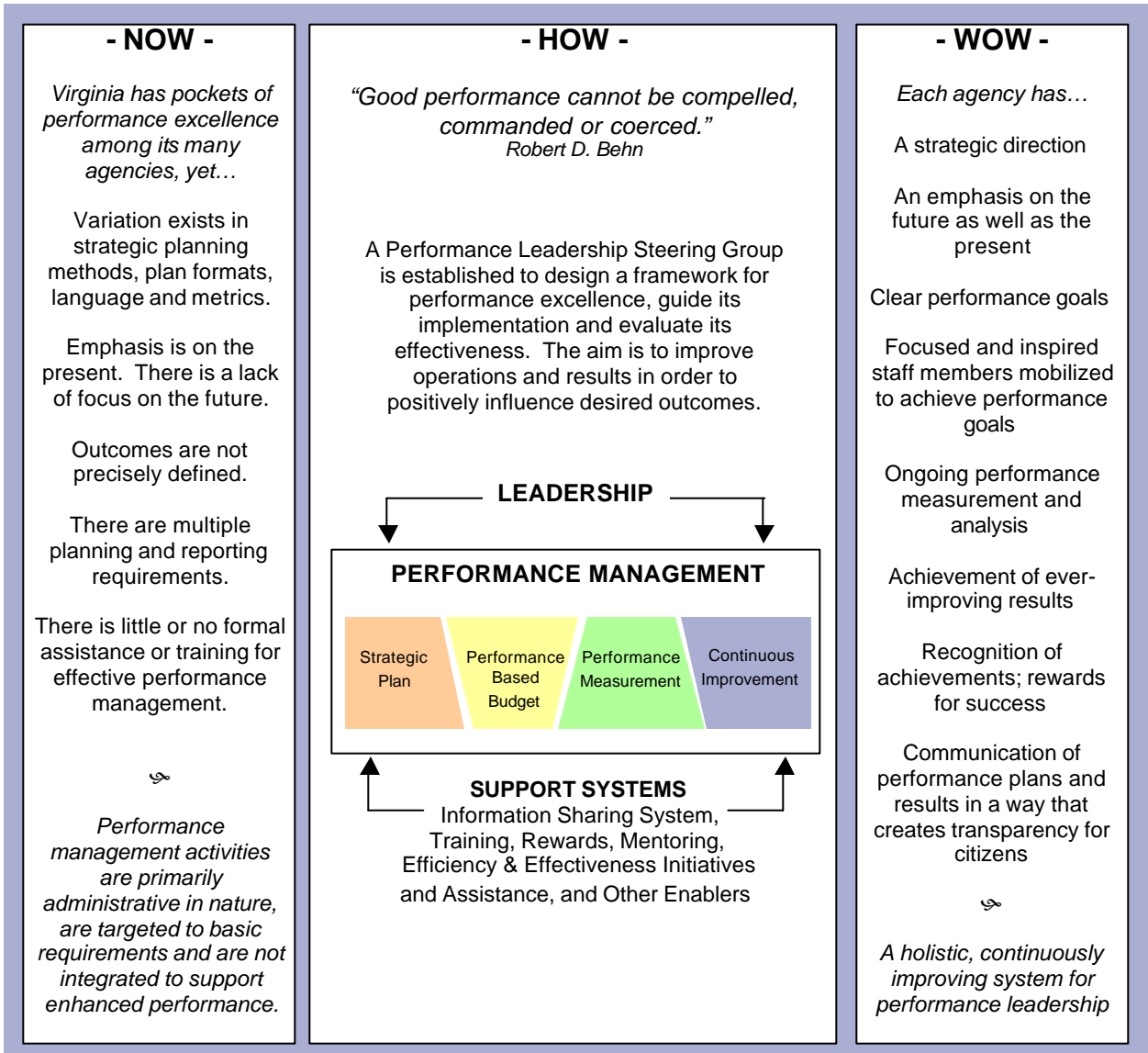


Figure 1

THE CURRENT STATE – NOW

Virginia has much to be proud of in terms of how state government is managed, but there is room for improvement. In a review of the current state, the Council uncovered many challenges that were creating confusion, frustration and redundancy in the way performance is managed. For example, there were several planning, budgeting and reporting requirements and processes that were not effectively linked or coordinated (figure 2).

<p style="text-align: center;">MANAGEMENT</p> <p style="text-align: center;">Leadership Communiqué Management Scorecard Executive Agreements</p>	<p style="text-align: center;">LEGISLATION</p> <p style="text-align: center;">Taxpayer Bill of Rights Outsourcing Legislation Competition Council Transfer</p>	<p style="text-align: center;">EFFICIENCY & EFFECTIVENESS</p> <p style="text-align: center;">School Efficiency Review</p>
<p style="text-align: center;">AGENCY-LEVEL PROCESSES (CURRENT)</p> <p style="text-align: center;">DPB Planning & Budget Information Technology (IT) Planning Workforce (Human Resource – HR) Planning</p>	<p style="text-align: center;">AGENCY-LEVEL PROCESSES (NEW)</p> <p style="text-align: center;">Comprehensive Strategic Planning Performance-Based Budgeting Revised Service Structure for Budgets New Initiative Reviews (budget bill language)</p>	<p style="text-align: center;">CITIZEN TRANSPARENCY</p> <p style="text-align: center;">Virginia Results Virginia Excels Budget Document & Bill</p>

Figure 2

In some cases, these requirements were addressed for reasons of compliance, but not viewed in a broader context as useful management tools. Instructions were sometimes issued and compliance required without the input, involvement or understanding of those who must comply. With the exception of budgeting, the processes did not generally include training or assistance to strengthen organizational capacity. The use of strategic planning and the format of plans varied significantly among state agencies. As a result, state agencies did not speak a common planning language.

THE FUTURE STATE – WOW

As the Council carried out its work, it became clear that significant changes in state government processes would be necessary to implement the *Roadmap*, become the best-managed state and deliver ever-improving results. In the future, each agency will have a strategic plan, as required in HB 2097. Long-term goals will be established along with performance indicators to track progress and provide information to agency leaders about areas needing improvement. The work culture will need to change to one where employee involvement in measuring and improving results is the norm along with recognition for achieving ever-improving results. In addition, it will be necessary to create an environment where leaders value and use their strategic plans to manage their operations, and not view the plans simply as tasks to complete for compliance.

“Measure change, reward results, and you’ll see the whole organization take a different attitude.”

Price Pritchett
& Ron Pound

THE TRANSITION – HOW

To successfully transition from the current state to the future state, the Council designed a new foundation for performance leadership. It comprises four components: strategic planning, performance-based budgeting, performance measurement and continuous improvement. Implementation is underway in all four components of the performance leadership system under the direction of a performance leadership steering group that was launched to lead the transition. The Council will provide ongoing guidance. Pages 11-15 provide additional information about the performance leadership system.

STRATEGIC PLANNING, PERFORMANCE-BASED BUDGETING & PERFORMANCE MEASUREMENT

Virginia's planning and budgeting systems have evolved over the past two decades. House Bill 2097 stimulated a new phase of evolution by mandating that state agencies do strategic planning and performance-based budgeting, defined in the legislation as follows:

- **Performance budgeting** - A systematic incorporation of planning, strategic performance and productivity measurement, and program evaluation information into the budgetary process.
- **Strategic planning** - The systematic clarification and documentation of what a state agency wishes to achieve and how to achieve it. The objective of strategic planning is a set of goals, action steps, and measurements constructed to guide performance.

An ad hoc advisory group of agency representatives met several times during 2004 to design a new planning and budgeting model that would comply with HB 2097 and, more importantly, serve as a valued management tool among agency heads and managers. The group's preliminary work involved an evaluation of the current planning system, the development of criteria for assessing the effectiveness of the new system and an examination of models from other organizations. All work completed by the ad hoc advisory group was reviewed by the Performance Leadership Steering Group.

The new planning and budgeting process that is being implemented in 2005 differs significantly from the processes used in recent years. All agencies will have strategic plans, based on a single model, as well as a single planning, budgeting and measurement taxonomy. This will create a common language and format for planning. Agencies will also have service plans (i.e., operational plans) that are driven by their strategic plans and **are tied to the budget**. This is a significant change that will enable anyone reviewing the plans to see the funding associated with a service, the objectives for the service and the measures that will be used to assess service performance. This, in turn, will enhance transparency as citizens will have access to information about how budget dollars are being spent and the return they are getting for their investment. The new planning process was unveiled to agency heads by the Governor at a December 2004 agency head meeting.

Additional planning and budgeting changes include the following:

- Agencies will develop and use whatever manageable number of strategic objectives they deem appropriate. Previously, they were restricted to a specific number of objectives.
- The practice of having separate strategic, information technology (IT) and human resource management (HR - workforce) plans will be eliminated over time as the IT and HR plans will be incorporated into the strategic and service planning model. This will eliminate different planning cycles in lieu of a new planning calendar (figure 3).
- Comprehensive information within plans will provide a better business case for funding requests.
- Performance indicators will be at a level for improved decision-making both prior to and after the enactment of the budget.

- Information, training and/or reference materials will be provided to agencies and other groups (e.g., the Council, General Assembly, budget analysts) to ensure there is understanding of and conformance to the new model.
- Current computer applications (Virginia Excels and Virginia Results) that are used to report results will be reconfigured to meet the needs of the new planning/budget/measurement system.

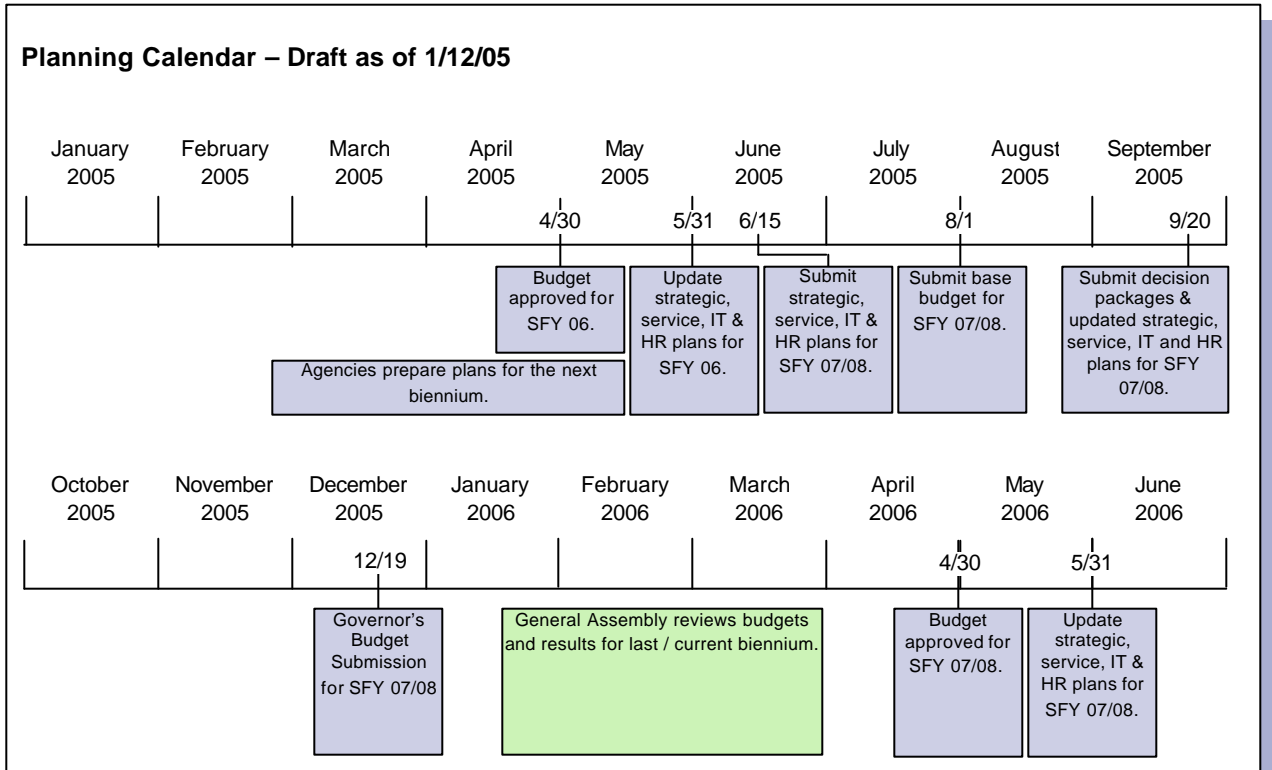


Figure 3

PLANNING, BUDGETING & MEASUREMENT – 2005 FOCUS

All agencies will submit strategic plans by July 1, 2005, ahead of the December 2006 schedule required in HB 2097. This schedule enables the next biennial budgets to be coordinated with the new strategic plans.

A comprehensive work plan has been developed for 2005 with a focus on:

- Completing the refinements to the planning and budgeting models that were developed in 2004 and continuing their evolution.
- Developing a reference manual and glossary of planning, budgeting and measurement terms.
- Finalizing the annual planning calendar (figure 3).
- Designing a process and templates for the development and submission of strategic and service plans and determining reporting requirements.
- Creating and providing training, scheduled to begin in the February/March 2005 timeframe.

- Creating and implementing a communication plan to ‘market’ the new model.
- Developing interim and long-term technical solutions to reconfigure Virginia Results and Virginia Excels to create an effective system for recording, storing, extracting and reporting the planning/budgeting/measurement data.
- Determining how to address the remaining planning requirements and processes, e.g., executive agreements and management scorecard, within the context of the new planning model (figure 2, page 10).
- Determining how planning, budgeting and measurement information will be used and presented in the Governor’s budget documents.

These actions will ensure we are able to meet the July deadline and complete the additional work necessary to fully implement the new planning/budgeting model.

CONTINUOUS IMPROVEMENT (EFFICIENCY & EFFECTIVENESS)

The objective of this component of the performance leadership system is to create a culture of continuous improvement in state government, based on best business practices, that tracks progress, rewards performance and measures success against established benchmarks. The specific goals the Commonwealth is striving to achieve are as follows:

- Cost reductions
- Operational efficiencies
- Programmatic effectiveness

To ensure that continuous improvement efforts are focused on important activities, guiding principles were established.

- Improvement goals must be realistic.
- Collaborative behavior within and among agencies is expected.
- Change must be sustainable.
- Benefits must be measurable.
- Accountability must be clear.

The development of the continuous improvement system will occur in two phases.

Phase I: Existing Enterprise-Wide Reengineering Initiatives

The first phase is a continuation and enhancement of work begun by the Governor’s Commission on Efficiency and Effectiveness. It includes:

- Developing an organization structure to guide, assess and carry out continuous improvement activities.
- Beginning the development of a reward system to recognize achievements, provide an incentive for state government staff members to improve their operations and reduce the fear that the consequences of improvement will be budget and staff reductions.
- Assessing existing initiatives to determine and report their status and progress toward completion from both a budget and activity level; determining whether assistance is needed for successful completion.

Phase I initiatives involve enterprise-wide reengineering efforts that cut across agencies (figure 4). Specific initiatives have been focused on transforming business operations to achieve fundamental, sustainable change in the following areas:

- Information Technology (*VITA*)
- Procurement:
 - *Electronic procurement (eVA)*
 - *Leveraged purchasing (VaPP)*
 - *Small, Women and Minority-owned Business Procurement (SWAM)*
- Real Estate Portfolio Management
- Administrative Dispute Resolution
- Collection of Receivables
- Mail Services

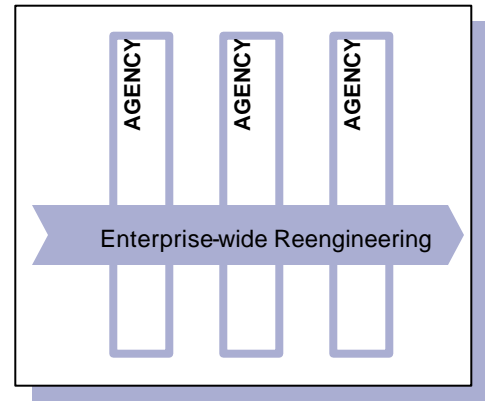


Figure 4

Phase II: Continuous Improvement

The second phase has begun and will continue in 2005 with an emphasis on agency-specific projects designed to improve business processes within and among individual agencies (figure 5). The purpose of this effort is both to stimulate agency activities that produce tangible business process or customer service improvements, and to seed, within agencies, the capacity to replicate these efforts on their own.

The 2004 General Assembly provided a limited appropriation to support this effort, and funds will be used both to support these projects and provide agencies with incentives to participate and succeed. Among the incentives being offered are the ability for agencies to keep savings from such efforts, training assistance for staff, expert assistance and help in defining a way to compensate employees for their participation and success.

At this time, projects are in different stages of design. Examples of the types of projects being pursued include:

- Re-designing the permitting and reporting system for mineral mine operators, to include web-based data submission and analysis.
- Re-thinking DMAS' regulatory focus with medical care providers, including receiving, reviewing and verifying client and provider information.
- Developing a paperless way to process federal grant reimbursements, with one agency developing a prototype for its own use that might be exported to other agencies.
- Finding a way to rationalize the certification of onsite wastewater systems, which involves state officials, private contractors and every local government.
- Expanding staff capacity to oversee natural areas and parks through greater use of technology.

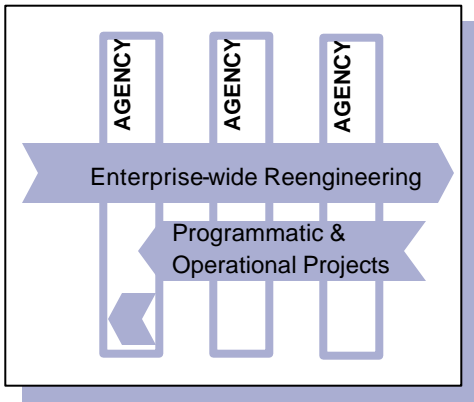


Figure 5

If they are to be successful, projects of this nature will depend on the willing and committed participation of each agency involved.

See Appendix C for a copy of the executive branch's 2005 work plan.

V. Linking Performance Leadership to the Vision – *Roadmap Phase 2*

The Council refined the vision and long-term objectives in 2004. The vision describes the long-term future to which we aspire and establishes priorities designed to focus and energize state government. The long-term objectives provide specific aims that the Commonwealth will continually strive to achieve to improve our quality of life. These documents will ultimately provide overarching guidance for the development of agency-level strategic plans and will continue to be refined as a natural part of the *Roadmap's* maturation.

VISION

Building on a centuries-old heritage of leadership, achievement and commitment to the success of all its citizens, and with an abiding commitment to the rich historic and natural resources of this Commonwealth, we aspire to responsibly grow our economy to provide an enviable quality of life. To do so, we must ensure an attractive business environment, challenging and rewarding jobs reflective of a changing marketplace, and strong growth in personal income throughout all regions in the Commonwealth.

We aspire to increase the levels of educational preparedness and attainment of our citizens throughout all regions in the Commonwealth because an educated, well-trained citizenry, committed to lifelong learning, provides the greatest opportunity to responsibly grow our economy.

We have a responsibility to be the best-managed state in the country. To do so, we must have a focused vision, and a fiscally responsible system that provides clear, measurable objectives, outcomes and accountability, and that attracts, motivates, rewards and retains an outstanding state workforce.

We aspire to have an informed and engaged citizenry so that our citizens can provide knowledgeable input to shape the vision of the Commonwealth, identify appropriate service levels and assess progress.

LONG-TERM OBJECTIVES

1. Elevate the levels of educational preparedness and attainment of our citizens.
2. Be a national leader in the preservation and enhancement of our economy.
3. Engage and inform citizens to ensure we serve their interests.
4. Be recognized as the best-managed state in the nation.
5. Inspire and support Virginians toward healthy lives and strong and resilient families.
6. Protect, conserve and wisely develop our natural, historical and cultural resources.
7. 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.
8. 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.

SCORECARD – *THE VIRGINIA REPORT*

To measure how the Commonwealth is progressing in the achievement of the long-term objectives and vision, we need a way to keep score. One of the most important elements of the *Roadmap* is a set of scorecards designed to tell the story of Virginia's performance in the areas of productivity, service delivery and achievement of long-term objectives.

To begin the development of the scorecard, the Council examined measurement systems, scorecard report formats and sets of performance indicators from several states and cities, including Iowa, Kentucky, Maryland, Texas, Boston and Tacoma. In addition, we studied the work of academics including David Norton and Robert Kaplan, authors of *The Balanced Scorecard* and *Strategy Maps*. During the initial development of the scorecard, the Council faced several challenges that are typical for this type of work: lack of available data, several sources of conflicting data, data reliability issues, and determination of the level of detail that is most appropriate for the scorecard. To resolve these dilemmas, we will continue research and benchmarking activities throughout 2005.

The primary scorecard that will be published is *The Virginia Report*. Its purpose is to track progress against the long-term objectives established by the Council. It is our hope that *The Virginia Report* will provoke thought, stimulate interest, encourage feedback and provide input to help citizens, educators, legislators and policy makers determine the best course of action to take to improve long-term outcomes.

The scorecard will evolve over time in terms of its design, content and use. As shown in figure 6, the current focus is on developing information for the publication of the first scorecard. This requires several steps, including:

- Research to identify factors that influence outcomes.
- Analysis of existing state government performance indicators.
- Benchmarking to identify potential performance indicators to incorporate.
- Development of a format for the scorecard.
- Development of a publication schedule.

While the scorecard is being implemented, state agencies will develop or refine their performance indicators as part of the strategic planning process. The next significant step to take place in 2005-2006 will be to synchronize agency-level work with what the Council is doing top-down. To accomplish this, agencies will determine how data included in *The Virginia Report* will be incorporated into the agency strategic planning process.

In addition, the Council will create specific performance targets for selected policy indicators that are associated with established priorities. Agencies having the potential to positively influence desired outcomes (i.e., achieve the targets) will be identified and their roles defined. Strategies will be selected to create desired changes in outcomes, i.e., to 'move the meter' on the performance indicators. The state will begin the process of creating positive, significant change for the future.

The ultimate aim is to have a mature system where this process repeats and is optimized to ensure that we are able to continually apply long-term strategies to the complex, long-term issues that Virginia faces. These strategies must be able to transcend administrations to avoid creating a ‘flavor of the month’ approach.

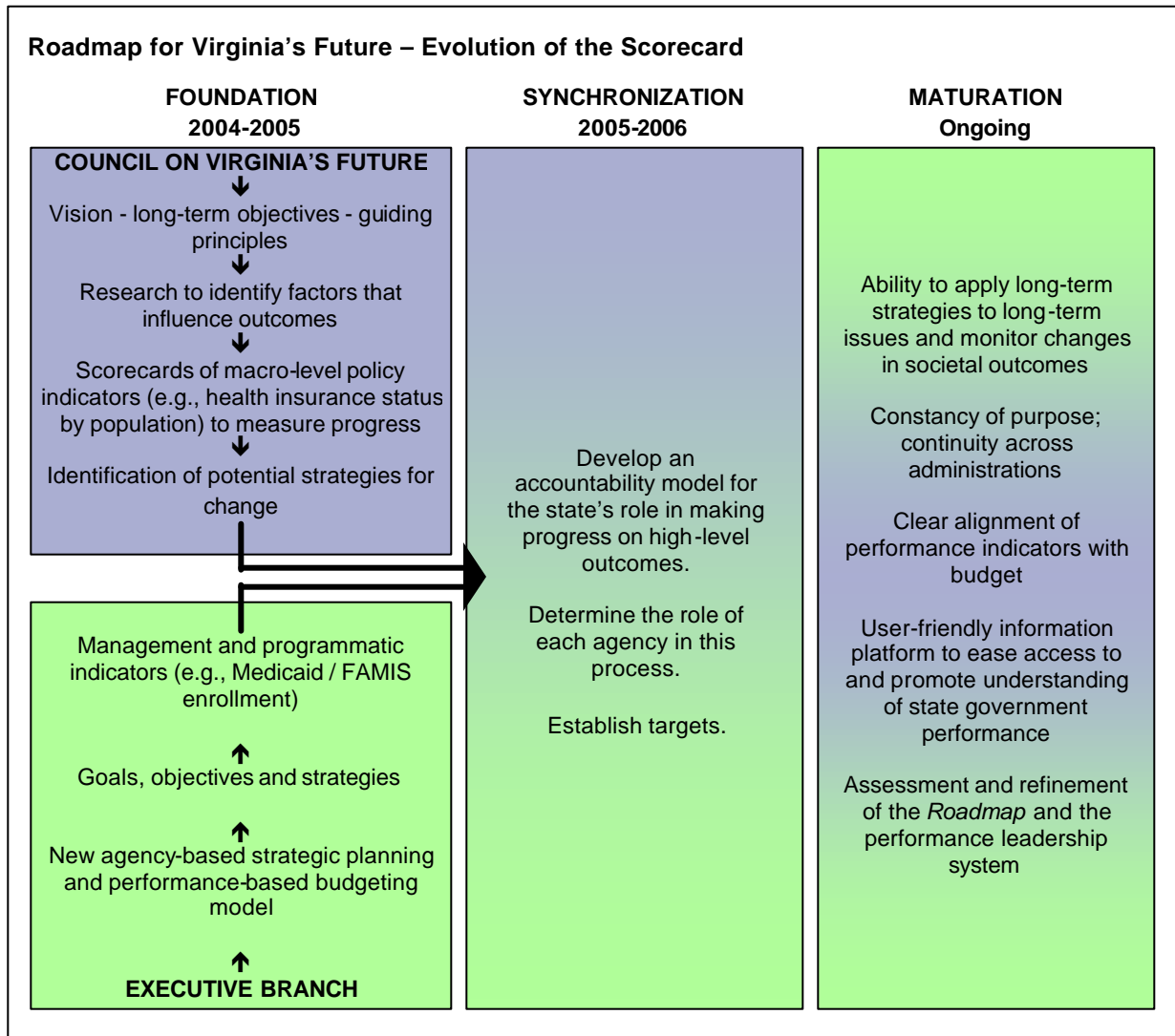


Figure 6

The Virginia Report - Format

The format for the *Virginia Report* will be finalized in early 2005 and will include eight chapters, one for each long-term objective. Each chapter will contain the following:

- A statement of the long-term objective
- A description of the system that supports achievement of the objective and the Commonwealth’s role in that system
- Return on investment (ROI) information for state services associated with the objective
- Outcome performance indicators
- Factors that influence the outcomes and associated indicators (example - figure 7)

A LOOK AHEAD AT 2005

We see 2005 as an exciting year, as we will begin the transition from establishing a foundation for performance leadership to taking actions to shape Virginia's future. We will focus our efforts in on 2005 on:

- Completing the development of the scorecard (i.e., *The Virginia Report*).
- Holding forums to set performance targets for key scorecard metrics.
- Synchronizing scorecard indicators with agency-level strategic plans.
- Developing a process for evaluating the *Roadmap*.
- Establishing guiding principles.

Refer to Appendix C for a copy of the Council's 2005 work plan.

VIII. Appendices

Appendix A: House Bill 2097 Highlights

Appendix B: Organization Structure

Appendix C: 2005 Council and Executive Branch Work Plans and Funding

Appendix A: House Bill 2097 Highlights

ARTICLE 28 - COUNCIL ON VIRGINIA'S FUTURE

§ 2.2-2681 Definitions

"Roadmap" or "Roadmap for Virginia's Future" means a planning process that may include some or all of the following sequential steps: (i) developing a set of guiding principles that are reflective of public sentiment and relevant to critical decision-making; (ii) establishing a long-term vision for the Commonwealth; (iii) conducting a situation analyses of core state service categories; (iv) setting long-term objectives for state services; (v) aligning state services to the long-term objectives; (vi) instituting a planning and performance management system consisting of strategic planning, performance measurement, program evaluation, and performance budgeting; and (vii) performing plan adjustments based on public input and evaluation of the results of the Roadmap.

§ 2.2-2682 Council on Virginia's Future Purpose

The Council on Virginia's Future (the Council) is established as an advisory council, within the meaning of § 2.2-2100 in the executive branch of state government. The purpose of the Council is to advise the Governor and the General Assembly on the implementation of the Roadmap for Virginia's Future process.

§ 2.2-2683 Membership; Terms; Chairman and Vice Chairman; Quorum; Meetings

The Council shall be composed of 18 members that include eight legislative members and 10 nonlegislative members as follows:

1. The Governor;
2. The Speaker of the House;
3. The majority and minority leaders of the House of Delegates;
4. The Chairman of the House Committee on Appropriations;
5. The President Pro Tempore of the Senate;
6. The majority and minority leaders of the Senate;
7. The Chairman of the Senate Finance Committee;
8. One nonlegislative citizen member appointed by the Speaker of the House;
9. One nonlegislative citizen member appointed by the Senate Committee on Privileges and Elections;
10. Two Cabinet Secretaries appointed by the Governor; and
11. Five nonlegislative citizen members appointed by the Governor.

§ 2.2-2684 Duties of the Council

A. The Council shall have the following duties:

1. Recommend a timetable for phasing in and establishing guiding principles for the Roadmap;
2. Recommend long-term objectives for the Commonwealth and monitor and advise the Governor and the General Assembly regarding the progress toward the objectives;
3. Provide advice on the implementation of the performance-management system across state government;

4. Disseminate information to the public on the Commonwealth's performance-management system;
 5. Recommend a systematic process for the periodic evaluation of the Roadmap and adherence to the long-term goals and recommend improvements to the Governor and the General Assembly. The periodic evaluation process shall provide for enhanced opportunities for public participation and input;
 6. Beginning November 1, 2004, develop and submit annually to the General Assembly and the Governor and publish to the public a balanced accountability scorecard containing an assessment of (i) current service performance, (ii) productivity improvement, and (iii) progress against long-term objectives. The balanced scorecard shall also contain other evaluative recommendations that will enhance the provision of state services and suggested measures to evaluate progress against long-term objectives; and
 7. Solicit public input on appropriate aspects of the Roadmap as determined by the Council.
- B. By January 1, 2004, the Council shall recommend to the Governor and the General Assembly legislation defining the vision, long-term objectives, and appropriate performance measures for state government. The Council shall review the long-term objectives for state government every two years.

CHAPTER 55.1. GOVERNMENT PERFORMANCE AND RESULTS ACT.

§ 2.2-5510 Strategic Plan.

- A. Each agency shall develop and maintain a strategic plan for its operations. The plan shall include:
1. A statement of the mission, goals, strategies, and performance measures of the agency that are linked into the performance management system directed by long-term objectives;
 2. Identification of priority and other service populations under current law and how those populations are expected to change within the time period of the plan; and
 3. An analysis of any likely or expected changes in the services provided by the agency.
- B. Strategic plans shall also include the following information:
1. Input, output, and outcome measures for the agency;
 2. A description of the use of current agency resources in meeting current needs and expected future needs, and additional resources that may be necessary to meet future needs; and
 3. A description of the activities of the agency that have received either a lesser priority or have been eliminated from the agency's mission or work plan over the previous year because of changing needs, conditions, focus, or mission.
- C. The strategic plan shall cover a period of at least two years forward from the fiscal year in which it is submitted and shall be reviewed by the agency annually.
- D. Each agency shall post its strategic plan on the Internet.

Appendix B: Organization Structure

An organization structure (figure 8) was created to support the work of the Council and promote collaboration for the development and implementation of the *Roadmap*. The structure is designed to help collapse the walls of some core functions of government through common processes, systems and terminology. The structure will stimulate improvement of operations and results, while creating centers of excellence that can teach new methodologies and share lessons learned. In addition, the structure is designed to ensure more accountability because it will help to balance day-to-day agency operations with the long-term actions necessary to achieve better results. Finally, the structure is designed to provide a greater connection to the citizens and business people served by government.

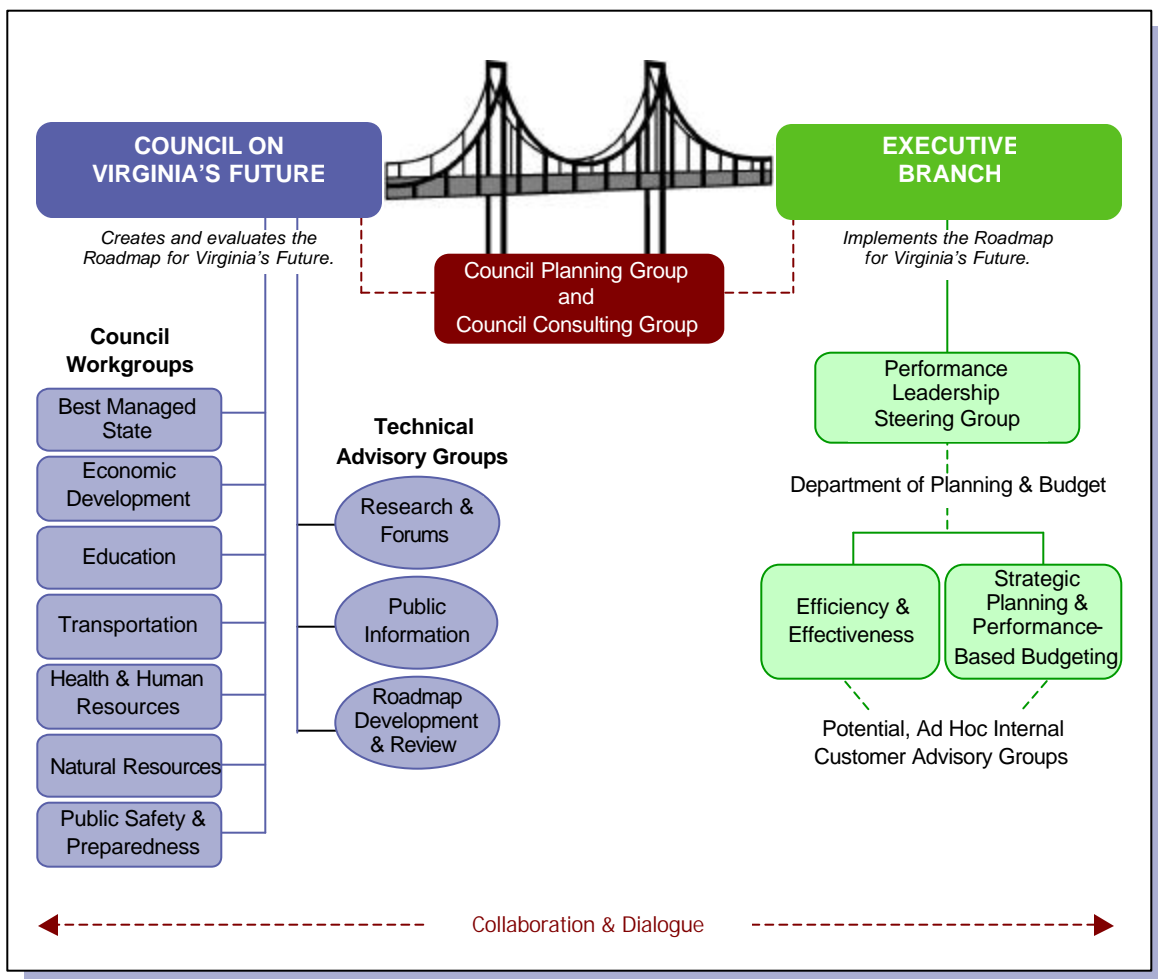


Figure 8

The following pages provide additional information about the purpose and responsibilities associated with each group.

COUNCIL PLANNING GROUP

The Council Planning Group develops preliminary concepts, models and products, creates the infrastructure necessary to implement the *Roadmap* and identifies and addresses barriers to progress that may occur in the early stages of *Roadmap* design and implementation.

The Council Planning Group is responsible for:

- Creating implementation plans.
- Assessing the readiness of various Council and executive branch groups in moving forward with specific actions (e.g., strategic planning).
- Ensuring that the executive branch's performance leadership system is holistic and appropriate for the Commonwealth.
- Acting as ambassadors and role models for the *Roadmap* and its associated elements.

COUNCIL CONSULTING GROUP

The Council Consulting Group provides ongoing input into the evolution of the *Roadmap*, incorporating legislative, academic, practitioner, local government and citizen viewpoints. In addition, this group ensures that Council products are holistic.

The Council Consulting Group is responsible for:

- Preparing information and recommendations for submission to the Council.
- Analyzing research findings to recommend actions.
- Acting as a sounding board for ideas to improve the *Roadmap*.

Together, the Council Planning Group and Council Consulting Group ensure that a bridge exists for collaboration and dialogue between the Council and the executive branch of government.

COUNCIL ON VIRGINIA'S FUTURE GROUPS

Council Workgroups

Council workgroups shape and articulate specific elements of the *Roadmap* and define factors that drive achievement of the Commonwealth's long-term objectives. They are responsible for conducting and commissioning research to gather citizen input and identify trends. In addition, members of these groups network with citizen and business groups to tell the *Roadmap* story.

Technical Advisory Groups

Three technical advisory groups support the work of the Council.

The *Public Information* group serves as a catalyst for citizen involvement. This group develops communication plans and processes for soliciting citizen input and holds events for citizen engagement and dialogue. In addition, this group documents and analyzes findings from citizen engagements, maintains the Council's website and prepares public relations information on behalf of the Council.

The *Research & Forums* group advises Council workgroups on research matters, initiates futures scanning activities and hosts forums on issues of interest to the Council. At the request of Council workgroups, this advisory group evaluates research plans and recommends research avenues.

The *Roadmap Development & Review* advisory group assesses the effectiveness of the *Roadmap* and recommends enhancements to optimize its design and use. This group is responsible for developing the assessment methods and for documenting, analyzing and reporting findings.

EXECUTIVE BRANCH GROUPS

Performance Leadership Steering Group

The Performance Leadership Steering Group shapes the Commonwealth's leadership philosophy and designs the performance leadership system that will be used to implement the *Roadmap*. In addition, this group oversees and supports the performance leadership system, ensures that managers are able to lead and manage effectively within the system and creates a work environment that enables staff members to achieve ever-improving levels of performance. The Performance Leadership Steering Group is responsible for:

- Implementing the *Roadmap for Virginia's Future* in concert with the aims of the Council on Virginia's Future.
- Designing Virginia's performance leadership system, including the strategic planning process, performance-based budgeting process, technology to support reporting, and efficiency and effectiveness initiatives.
- Breaking down barriers to progress.
- Monitoring progress and results.
- Evaluating proposed initiatives, processes and programs to ensure they have value and fit within the performance leadership system.

The Performance Leadership Steering Group is supported by staff members who report to the Secretary of Finance through the Director of the Department of Planning and Budget. The staff members are roughly divided into two groups focused on the following specific elements of the performance leadership system:

- Continuous improvement (i.e., efficiency and effectiveness activities)
- Strategic planning, performance-based budgeting and performance measurement

The support staff is responsible for:

- Developing policies, procedures and instructions.
- Developing and researching best practices to optimize the performance leadership system.
- Providing training and assistance on performance leadership to state government employees.
- Incorporating legislation and various models into the overall performance leadership system.

Appendix C: 2005 Work Plans

COUNCIL ON VIRGINIA’S FUTURE 2005 WORK PLAN

JANUARY – MARCH 2005	APRIL – JULY 2005	AUGUST – DECEMBER 2005
<p>The Council will continue research, and scorecard development, and begin holding forums.</p>	<p>The Council will meet in April and will continue its work on <i>The Virginia Report</i>.</p>	<p>The Council will meet in August and November.</p>
<ul style="list-style-type: none"> • Reactivate Council workgroups to work on the scorecards and review agency strategic plans. • Refine workgroup appointments, as needed. • Commence research and forums. <ul style="list-style-type: none"> ▪ Conduct targeted research to isolate drivers of high priority outcomes (e.g., educational attainment and per-capita income). ▪ Hold a forum to discuss scorecard components for each of the high-priority, long-term objectives (i.e., Education, Economy, Best-Managed State) and to determine performance targets for specific metrics. ▪ Invite local, state and national experts from academia, private industry, philanthropic organizations and government to participate and provide input. 	<ul style="list-style-type: none"> • Hold a Council Meeting in April. <p>Agenda:</p> <ul style="list-style-type: none"> ‡ Review the draft Education, Economy and Best-Managed State scorecard chapters in <i>The Virginia Report</i>. ‡ Review the status of the implementation of the performance-based strategic planning and budgeting model. ‡ Review the status of efficiency and effectiveness initiatives. ‡ Begin the development of guiding principles. <ul style="list-style-type: none"> • Continue research and forums. • Draft scorecards for Transportation, Health & Human Resources, Natural Resources, and Public Safety & Preparedness. • Begin to synchronize the scorecards with agency strategic plans. 	<ul style="list-style-type: none"> • Hold a Council retreat in August. <p>Agenda:</p> <ul style="list-style-type: none"> ‡ Refine the vision and long-term objectives and develop guiding principles. ‡ Adopt the Education, Economy and Best-Managed State scorecards. ‡ Review the draft scorecards for Transportation, Health & Human Resources, Natural Resources, and Public Safety & Preparedness. ‡ Review the synopsis of agency strategic plans. <ul style="list-style-type: none"> • Continue refinement of <i>The Virginia Report</i>. • Continue research and forums. • Hold a Council meeting in November. • Publish <i>The Virginia Report</i> in its entirety. • Determine how to report and assess Virginia’s performance in the areas of productivity and service delivery. • Begin work on a process for evaluating the <i>Roadmap</i>.

EXECUTIVE BRANCH 2005 WORK PLAN

JANUARY 2005 – APRIL 2005	MAY 2005 – AUGUST 2005	SEPTEMBER 2005 – DECEMBER 2005
<i>Performance Leadership Steering Group (PLSG)</i>		
<ul style="list-style-type: none"> Monthly meetings are held to develop and monitor the performance leadership system. 	<ul style="list-style-type: none"> Monthly meetings are held to develop and monitor the performance leadership system. 	<ul style="list-style-type: none"> Monthly meetings are held to develop and monitor the performance leadership system.
<i>Strategic Plan, Performance Measurement & Performance-Based Budget (PBB) Components</i>		
<ul style="list-style-type: none"> Agency development of strategic plans begins to meet designated deadlines. 	<ul style="list-style-type: none"> May - Budget submission instructions are issued and training is completed. All agency strategic plans are submitted by July 1 in preparation for the next budget cycle. 	<ul style="list-style-type: none"> December - Budget is submitted in the new format; long-term objectives and performance indicators are integrated into the budget decision-making process.
<i>Information System (IS) Component of the Support System</i>		
<ul style="list-style-type: none"> January - Interim reporting guidelines are established. Information system design is completed. 	<ul style="list-style-type: none"> Information system development plan is established. Information system development begins. 	<ul style="list-style-type: none"> Information system implementation begins.
<i>Continuous Improvement Component (Efficiency & Effectiveness)</i>		
<ul style="list-style-type: none"> January – Efficiency and effectiveness status is reported to the Council. 	<ul style="list-style-type: none"> Support materials are developed. 	

RESOURCE ALLOCATIONS

COUNCIL ON VIRGINIA'S FUTURE: Administration & Research Component	EXECUTIVE BRANCH Strategic Planning & Performance -Based Budgeting Component	EXECUTIVE BRANCH Efficiency & Effectiveness Component
<p>PURPOSE Development of vision, long-term quantifiable policy objectives, guiding principles and system for ongoing evaluation and refinements including scorecard.</p>	<p>PURPOSE Enhanced planning and budgeting activities consistent with HB 2097 and HB 1838.</p>	<p>PURPOSE Provide ongoing emphasis and analysis related to efficiency improvements.</p>
<p>APPROACH Academic / private expertise and collaboration</p>	<p>APPROACH Internal / external expertise and collaboration</p>	<p>APPROACH Internal / external expertise and collaboration</p>
<p>ACTIVITIES</p> <ul style="list-style-type: none"> • Conduct research on the cause and effect for high-level outcomes, e.g., per capita income, educational attainment. • Determine state's role in affecting change. • Develop paradigm to measure outcome results. • Liaison with internal and external partners on related activities. • Direct the development of strategic planning, budgeting and continuous improvement models. • Develop HB 2097 report requirements. • Coordinate all Council-related activities. 	<p>ACTIVITIES</p> <ul style="list-style-type: none"> • Reconcile Executive Agreements and Virginia Results performance measures. • Develop comprehensive performance-based planning approach. • Provide training and technical assistance to agencies. • Develop and implement service structure for the budget. • Restructure Virginia Results website. • Develop user-friendly performance reports for Governor and Cabinet. 	<p>ACTIVITIES</p> <ul style="list-style-type: none"> • Track, nurture and monitor progress of reengineering initiatives. • Launch new short- and long-term projects. • Develop reward system as an incentive for agencies and employees. • Provide agency training on systemic changes to administrative and management processes.
<p>NEW RESOURCES \$600,000 in FY 2005 \$600,000 in FY 2006</p>	<p>NEW RESOURCES \$295,916 in FY 2005 \$322, 824 in FY 2006</p>	<p>NEW RESOURCES \$1.450 million in FY 2005 \$1.300 million in FY 2006</p>