The Virginia Report

Council on Virginia's Future

2006 Annual Report

COUNCIL ON VIRGINIA'S FUTURE

The 2006 Virginia Report
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About This Report

This is the fourth annual report of the Council on Virginia's Future. Its purpose is to explain the Council's current scope of work and provide an overview of where the Council will focus its efforts over the next year. To obtain additional copies of this or prior reports, you may contact the Council at the address or phone number shown below or download copies from our website.

COMMONWEALTH of VIRGINIA

Office of the Governor

Timothy M. Kaine
Governor

January 11, 2007

My Fellow Virginians:

I am pleased to submit the 2006 interim report of the Council on Virginia's Future.

I firmly believe in the value of transparency and accountability in government and have been privileged to build off the past work of the Council. During my first year in office, my leadership team has worked closely with state agencies to more clearly define our goals for Virginia and the measures we will use to track our progress. Just as importantly, we have been working hard to give the public easy access to that information.

In this regard, we recently took a major step forward with the launch of *Virginia Performs*, a website that will make performance data more readily available to the public. Performance measures are presented at both a societal level – to help assess progress in improving Virginia's quality of life – and at the programmatic level – to indicate progress in achieving state agency service and outcome goals. Data on several of the societal level indicators are available for local and regional reports.

In addition, this budget cycle is the second time that a 'service area' structure was used to more clearly link state spending and services with the results achieved for Virginians. We refined the system this year by identifying agency key objectives and measures related to the most vital mission-related agency activities. Information on these key objectives is presented in the 2007 Budget Document. These steps are helping to build real accountability for our performance.

Finally, we continue efforts to improve the efficiency and effectiveness of state programs and services. Working closely with the Council and private sector experts, my Administration has created a small team, an enterprise solutions group, which will be working with agencies to lower operating costs and to reduce constituent service transaction times. We also have created a productivity investment fund to develop innovative ideas for improvement and encourage collaboration among agencies that serve common constituencies. In the longer run, this group will help us build the internal capacity needed for rapid improvement across the state enterprise.

I am proud of the results achieved by the Council on Virginia's Future and am committed to its goal of keeping Virginia the best managed state in the nation.

Sincerely,

Timothy M. Kaine

Council on Virginia's Future Membership – 2007

The Honorable Timothy M. Kaine, Chairman
Governor, Commonwealth of Virginia

Mr. John O. (Dubby) Wynne, Vice Chairman
President & CEO (retired)
Landmark Communications

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. Marjorie M. Connelly
COO & President, Business Services Group
Wachovia Securities.

The Honorable William D. Euille
Mayor
City of Alexandria

Mr. W. Heywood Fralin
CEO & President
Medical Facilities of America, Inc.

Mr. James F. McGuirk, II
President
AKLM Consulting, Inc.

Dr. Edward G. Murphy
President & CEO
Carilion Health System

Mr. Michael J. Schewel
Partner
McGuireWoods LLP

Cabinet Members

The Honorable Aneesh P. Chopra
Secretary of Technology

The Honorable Jody M. Wagner
Secretary of Finance

Chapter 1: Introduction and Summary

Charting a Course for Excellence

Purpose and Structure

The Council on Virginia's Future was established pursuant to House Bill 2097 of the 2003 General Assembly. 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. The purpose encompasses several factors – providing a long-term focus on high priority issues, creating an environment for improved policy and budget decision-making, increasing government accountability and transparency, improving government performance and engaging citizens in dialogue about Virginia's future. The Governor chairs the Council, and its membership is a unique public/private partnership, comprising representatives from the General Assembly, the Governor's Cabinet and citizens.

Role of the Council

The Council is an advisory board and promotes positive change in the Commonwealth by providing a forum in which legislative, executive branch and citizen leaders can come together for deliberations that transcend election cycles, partisanship, limited organizational boundaries and short-term thinking. Implementation is the responsibility of elected and appointed officials, regional and community leaders and the citizens of Virginia.
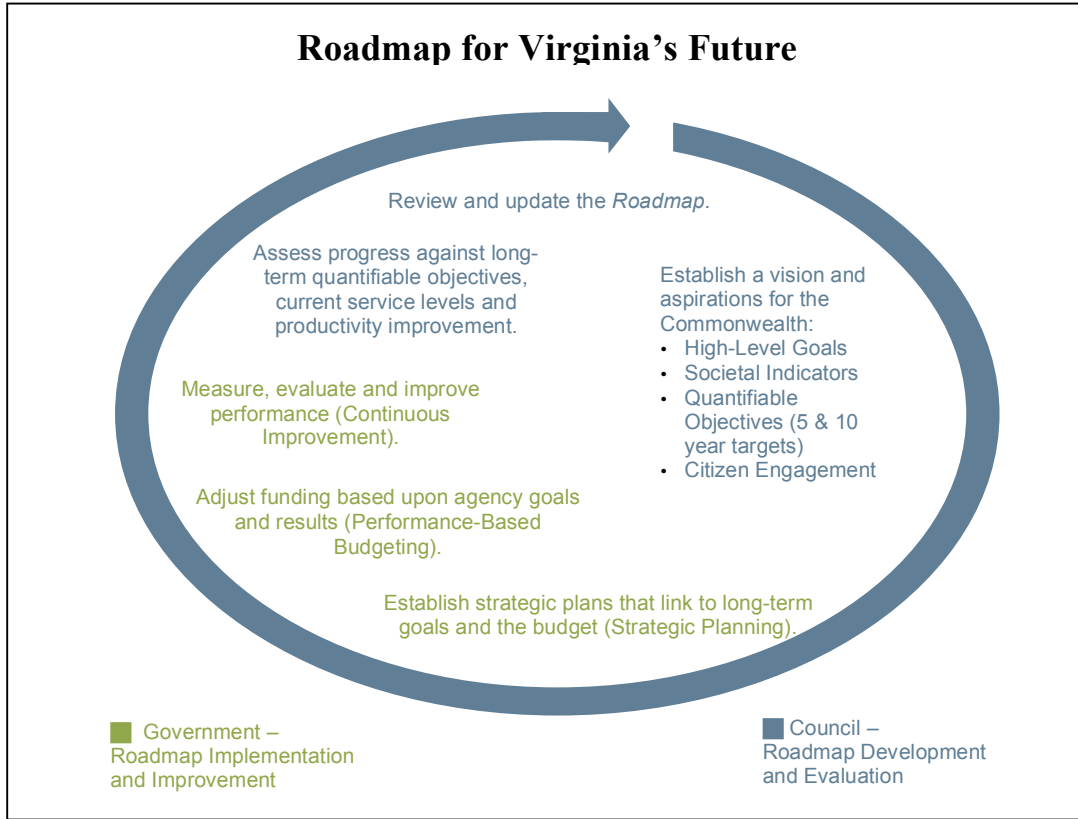
Annually, the Council submits two distinct reports: (1) *The Virginia Scorecard*, which is focused on state government performance, and (2) *The Virginia Report,* an annual report of the Council's proceedings. This is the fourth in the annual *Virginia Report* series. The requirement to develop the *Virginia Scorecard* is now met through the *Virginia Performs* website (www.VAperforms.virginia.gov), which provides information on key societal (macro) indicators and state government performance data.

This report contains three chapters. This chapter presents an overview of the Council and a brief summary of the work accomplished beginning in 2003. Chapter two provides more detail on the overall performance leadership agenda that the Council is working to develop in collaboration with the Executive and Legislative Branches of state Government. Chapter three describes the current status and next steps for the Council's key work tasks.

History

The Council began its work in July 2003 by designing a *"Roadmap for Virginia's Future."* The roadmap, depicted in Figure 1.1, serves as the conceptual model for the Council's work. During 2003, the Council created a vision and established several long-term objectives (Figure 1.2) designed to further define the desired outcomes expressed in the vision. In addition, the Council identified high-level measures that could be used to measure progress against the long-term objectives and published *Virginia Today*, a compendium of performance measures.

Figure 1.1

Roadmap for Virginia's Future

Review and update the *Roadmap*.

Assess progress against long-term quantifiable objectives, current service levels and productivity improvement.

Measure, evaluate and improve performance (Continuous Improvement).

Adjust funding based upon agency goals and results (Performance-Based Budgeting).

Establish a vision and aspirations for the Commonwealth:
- High-Level Goals
- Societal Indicators
- Quantifiable Objectives (5 & 10 year targets)
- Citizen Engagement

Establish strategic plans that link to long-term goals and the budget (Strategic Planning).

■ Government – Roadmap Implementation and Improvement

■ Council – Roadmap Development and Evaluation

In 2004, the Council continued to refine the vision and objectives and began work to determine what changes would be necessary to move to performance budgeting – "the systematic incorporation of planning, strategic performance and productivity measurement, and program evaluation information into the budgetary process" *(HB2097, 2003)*. In the fall of 2004, a strategic planning workgroup was formed to design the new version of Virginia's planning, performance budgeting and performance measurement system. During this period, the Council also benchmarked other states to identify best practices for scorecards and performance indicators and began to monitor the progress of several enterprise-wide reengineering efforts designed to improve state government efficiency and effectiveness.

Figure 1.2

In 2005, the Council focused its efforts and resources on developing and implementing a new state agency strategic planning and performance-based budgeting system. During 2005, a common structure was developed for strategic plans and budget requests that included a new service area structure that more clearly aligned spending with outcomes. The 2006-2008 biennial budget (budget bill and budget document) was presented in a new format. The budget bill identified resources by service area, and the budget document explained requests and identified performance measures for each service area. During this period, the Council continued to monitor several agency level and enterprise-wide reengineering efforts. The Council, together with its co-sponsors, held the first Virginia Futures Forum in Richmond in November 2005. The theme was *Competing in the 21st Century: Moving Virginia's Human Capital Meter.* The forum highlighted the critical importance of educational attainment and skills acquisition to economic prosperity.

Current Scope of Work

While continuation of the journey toward full implementation will require review and refinement of each element of the *Roadmap*, the future scope of work will be approached using the three components of the scorecard mandated in the Council's enabling legislation: roadmap development and evaluation (assessing and facilitating progress against long-term objectives), productivity improvement and service performance. Figure 1.3 provides an overview of this model for the Council's work.

Figure 1.3

Overall Direction for Performance Leadership		
Roadmap Development and Evaluation	**Service Performance: Strategic Planning and Performance Budgeting**	**Productivity Improvement**

-------------Internal Performance Leadership----------

(Council)	(Executive Branch)	(Executive Branch)
The focus of this category of work is to deepen our understanding of selected high priority issues to facilitate the development of strategies designed to improve quality of life or management outcomes. This area encompasses the development and promotion of the *Virginia Performs* website, the Virginia Futures Forum, associated regional meetings and public dialogue and research studies that provide insight into emerging trends and the factors that drive performance outcomes.	The focus of this category of work is on how state government plans for the future, makes budget decisions and manages performance. This area encompasses the continued development of the state performance leadership system, continued training and assistance for the strategic planning and budgeting systems, deployment of performance-based budgeting practices and the development and use agency-level performance data for evaluation and alignment with enterprise priorities.	The focus of this category of work is to continually improve state government performance. This area encompasses the development of an overall efficiency/effectiveness – or change management – support system (e.g., training, methodology, incentives), the selection of enterprise and agency-level reengineering initiatives, the implementation of a consistent approach to continuous process improvement and the evaluation of improvement initiatives and IT project results.

Highlights for 2006

- Roadmap Development and Evaluation: Developed *Virginia Performs* website – launched regional pilots and business climate survey
- Service Performance: Developed key agencies objectives and measures – provided additional training and technical assistance for planning and budgeting
- Productivity Improvement: Completed the Council-supported segments of Phase II reengineering projects – developed a proposal for an enterprise productivity improvement and change management initiative
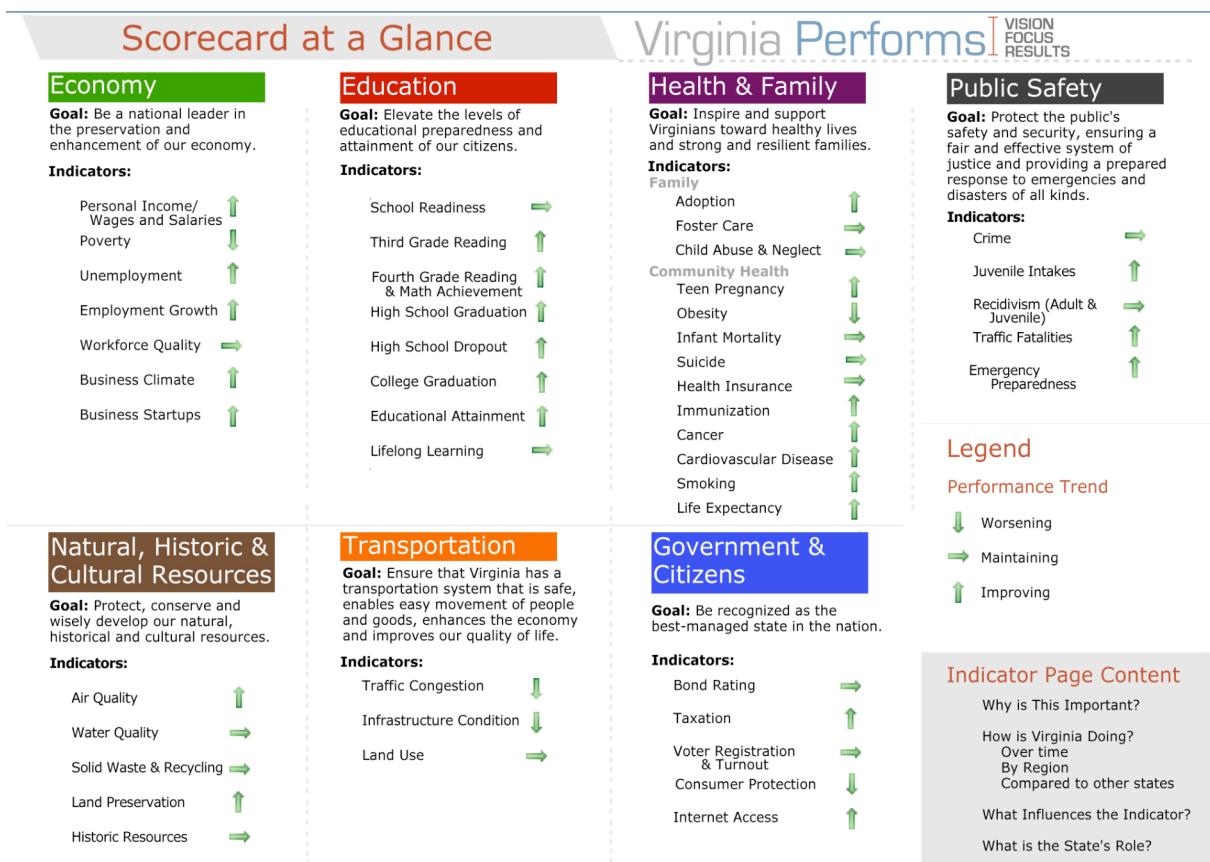
Roadmap Development and Evaluation

The vision and long-term goals developed by the Council begin to describe desired societal results that will help drive changes that benefit Virginians and improve the effectiveness and efficiency with which state government operates. One of the Council's important roles is to assess the progress being made toward long-term objectives for both Virginia and state government. In order to facilitate this assessment, the Council has developed *Virginia Performs*, an information system and website that will track performance. This "scorecard" for Virginia will present data for a comprehensive set of performance indicators for both societal outcomes (quality of life) and state agency performance outcomes (programmatic). Approximately 45 macro (societal) indicators (Figure 1.4) and 200 key agency metrics will provide a high-level status report on progress toward long-term objectives.

Figure 1.4

A key goal for the Council in 2007 is to publicly launch the new website and promote its use in the development, assessment and implementation of the Roadmap for Virginia's Future. In addition to this communications strategy, the Council is participating in two other efforts to promote broader and deeper citizen engagement. The Council is working with university and other partners on a follow up to the successful 2005 Virginia Futures Forum that focused on workforce quality and competitiveness. The Council also is supporting two pilot initiatives designed to encourage regional leadership and ownership of efforts to improve regional competitiveness and quality of life factors.

Productivity Improvement

During the past four years, the Commonwealth has undertaken several projects aimed at improving efficiency and effectiveness. The first phase of projects targeted enterprise-level activities such as real estate management, receivables, IT infrastructure (VITA) and purchasing (eVA). In addition, the Council sponsored a number of agency-specific reengineering efforts, including a new Amber Alert System for the State Police, a Recruitment Management System for the Department of Human Resources Management and a new online permitting system for the Department of Mines, Minerals and Energy.

These initiatives, along with many ongoing agency-initiated improvement efforts, will eventually save the Commonwealth many millions of dollars. While this is an impressive achievement, it will not be enough to offset rapidly rising operating costs and the impacts of a growing population demanding improved services. To meet this challenge the Commonwealth needs to improve the way it manages its productivity improvement efforts. The Council has been working with the Executive Branch to develop an "innovation and improvement" infrastructure that will address several challenges, including: lack of a common set of methods, tools and training for continuous improvement; inconsistent follow-through to monitor desired results; no mechanism for identifying programs, practices or policies that should be discontinued; and no formal way to share best practices so that they can be adapted or use within other areas in state government. The development of this infrastructure – an enterprise business solutions group – will get underway in 2007. In addition, a portfolio of projects driven by Gubernatorial and agency priorities will be evaluated and then further developed beginning in early 2007.

Service Performance: Planning and Budgeting

The Department of Planning & Budget (DPB) created a new service area structure to replace the program structure formerly used in the budget. The service area structure serves as the new "taxonomy" used for budgeting, accounting and planning. These and other changes produced a significant shift in how planning occurs at the agency level.
- All agencies have strategic plans as well as plans for each of the agency's service areas that provide programs to constituents or provide the management mechanisms to run the agency.
- Agency strategic plans follow a consistent format that includes information on the agency's mission, customer base, products and services, statutory authority and strategic goals. The agency strategic plan provides an executive progress report that highlights challenges, improvements and the agency's focus for the future.
- Service area plans provide the link to the budget. They outline the budget, objectives, measures, baseline performance and performance targets for the service area. This enables agency leaders and other decision makers to examine an agency's intentions and the budget allocated to support their achievement and make comparisons to reported results.
- Agency key objectives and targets were identified and then reviewed and refined by the Governor to sharpen a higher-level, enterprise view of progress on improving effectiveness, customer service and critical outcomes.

Ongoing refinements of the planning and budgeting are necessary and fall under the purview of the executive branch. The Council's role will be to assess progress and provide guidance for ongoing improvement.

Summary

A recap of the Council's recent accomplishments and an overview of the Council's work plan are provided below. Detailed descriptions of the elements of the Council's work plan follow, starting on page 19.

Recent Accomplishments

Roadmap Development and Evaluation
- *Virginia Performs,* a performance information system and website was developed for use in policymaking, budget decision-making, issue analysis and monitoring progress against long-term, quantifiable objectives.
- A business climate survey was launched that will provide data for economy-related societal indicators.
- A preliminary model was developed for regional ownership and commitment to improving regional results and performance. The model is being piloted in Roanoke and Hampton Roads.

Service Performance
- Agencies submitted strategic plans and service area plans in a consistent format and posted their plans on their websites.
- A link between agency plans and budgets was established to facilitate performance-based budgeting.
- All agencies identified key objectives and associated measures for use by the Governor to monitor service performance.
- Budget documents were revised to reflect agency planning and performance measurement information and a new service structure.

Productivity Improvement
- Council-supported work on Phase II reengineering projects was completed.
- Four new reengineering initiatives were proposed to further improve state government efficiency and effectiveness.

Plans At A Glance

Roadmap Development and Evaluation
- There will be a public launch of the *Virginia Performs* website and follow-up communications campaign.
- Information from the performance website (vaperforms.virginia.gov) will be used to help set long-term quantifiable objectives and to monitor progress.
- Technical and data content development for the website, *Virginia Performs*, continues. Custom reporting capabilities are added.
- Approaches for engaging the public in dialogue about Virginia's future will be studied, including alternate approaches for the next Futures Forum.
- The regional pilots in Roanoke and Hampton Roads will continue.

Service Performance
- New key objectives and agency performance measures will be used to assess service performance and help make budget decisions.
- Additional training and technical assistance will be provided to improve the overall system.
- Performance budgeting will be fully integrated into planning, decision-making and agency management processes
- Government transparency will be improved as a result of the implementation of the performance website and posting of agency strategic plans on their websites.

Productivity Improvement
- $3.25 million was provided in 2007 and $1.0 million in 2008 for productivity improvement initiatives.
- An enterprise reengineering and productivity improvement initiative will be developed and implementation, including staffing and standards development, will begin. The initiative includes a productivity investment fund, a "Fellows" program and a new private-public partnership to help guide the initiative.
- Additional enterprise efficiency and effectiveness projects will be developed. Projects will focus on core business systems, operating efficiencies and reducing the time required for certain citizen- and business-government transactions.

Overall Direction
- A Roadmap evaluation and improvement process will be developed.

Chapter 2 presents an overview of a model for overall performance leadership excellence in Virginia. This model outlines in more detail the current areas of focus in implementation of the Roadmap for Virginia's Future.

Chapter 2: A Model for Performance Excellence

A Roadmap for Change

Introduction

The Commonwealth of Virginia has earned a strong reputation as a great place to live, get an education, work and raise a family. Yet, as with other states, the Commonwealth faces the challenge of how to sustain and improve its quality of life amid changing economic and demographic landscapes and rapidly evolving opportunities and challenges. Many states and regions have not been up to the challenge. Virginia has been blessed with an engaged and committed citizenry and a high-quality public workforce dedicated to making Virginia a better place to live. Still, the challenges are great and effective leadership is needed to ensure an even better future for Virginia.

Thus, the Council's priorities and work effort focus around two over-arching and complementary themes: Transforming Virginia and Transforming Government. Virginia's state government contributes to the quality of life by establishing policies aimed at transforming Virginia and by ensuring that the programs and services for which it is directly responsible are adding value and being managed efficiently. But transforming Government is only the start. There are many issues critical to Virginia's future that are beyond the reach of state government. These will require broad participation across the state and new public-private and regional collaborations for effective change. The Council's role in transforming Virginia focuses on providing information that can be used to assess progress against the Council's broad vision and long-term goals and by encouraging the work of clarifying and promoting the Roadmap for Virginia's Future.

A Model for Performance Leadership

Performance leadership is a vision-driven, disciplined approach for encouraging collaboration, facilitating change, setting policies, making decisions and ensuring accountability for producing positive results for our citizens. It starts with a shared vision for Virginia – one of responsible economic growth, an enviable quality of life, good government and a well-educated citizenry prepared to lead successful lives and to be engaged in shaping the future of the Commonwealth. The vision serves as a compass to guide state government decisions and actions. It drives us to govern with Virginia's long-term future in mind. Long-term goals further define the vision by describing specific outcomes we wish to achieve. Seven goals have been established for Virginia. Six of the goals are outwardly focused (i.e., customer/citizen) and address quality-of-life issues, while the seventh goal is inwardly focused on the efficiency and effectiveness of state government operations.

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

How does a performance leadership process help to address these challenges and achieve the vision and long-term goals? The system establishes a "means" to achieve the desired "ends" described in the vision and long-term goals. The "means" include planning and budgeting processes, management review processes for monitoring performance and methods for innovation and improvement. An additional component of the performance leadership system is centered on people, because the system cannot be successful without the engagement of the citizenry and the entire workforce in the generation of ideas, in learning new ways of working and in sharing best practices. This requires significant attention to our leadership practices and work culture. Many of these "means" exist in government today, but are not consistent within and across agencies or do not facilitate full collaboration across organizational boundaries. Thus, we are not deriving the full benefit of this approach.
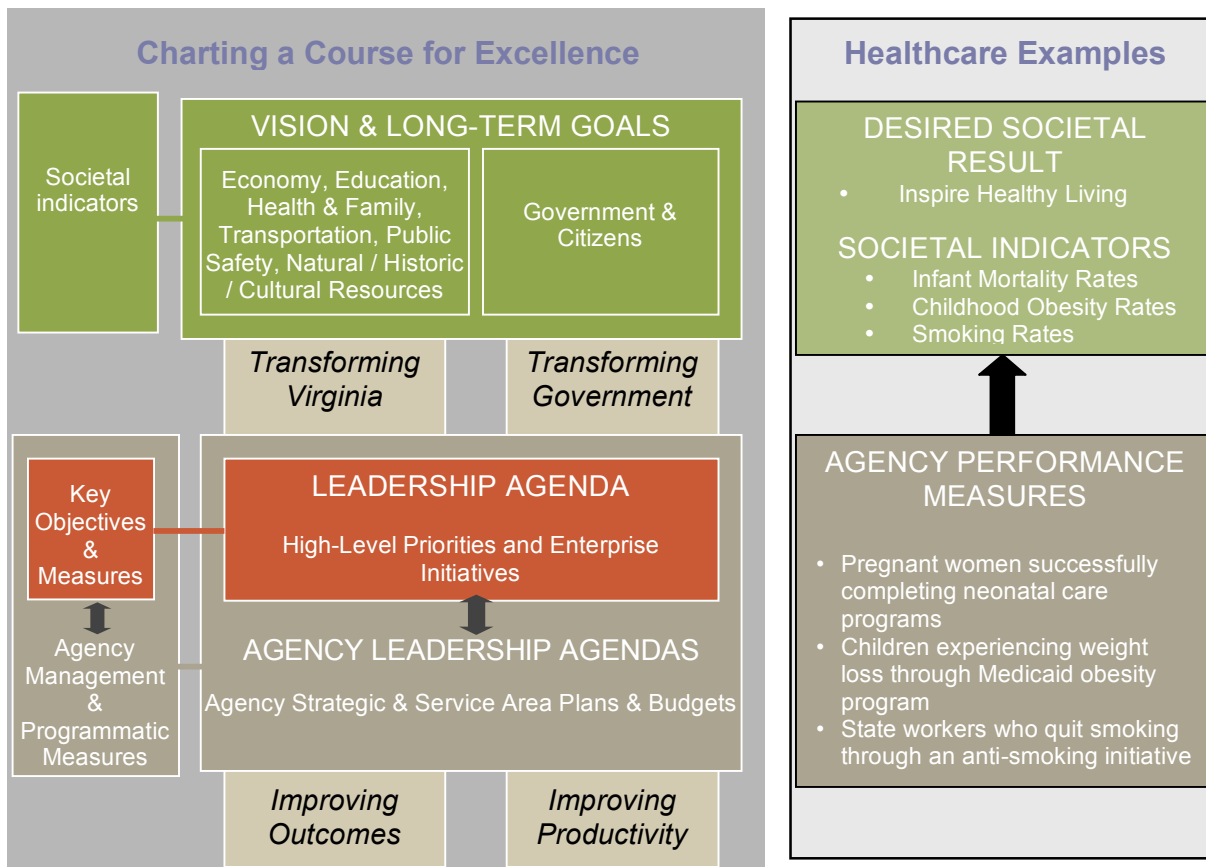
Figure 2.1

Figure 2.1 describes a high-level model of performance leadership for Virginia's future. At the heart of the model are the two key themes for the Council: Transforming Virginia and Transforming Government. There are also three key areas of work: roadmap development and evaluation (assessing progress against long-term objectives), aligning state government resources with key goals through the planning and budgeting processes (service performance) and innovation and productivity improvement around the programs and resources serving Virginians. Finally, there are two levels in the model that incorporate the idea that while state government plays a vital and significant role in improving the quality of life in Virginia, it is not responsible or capable of ensuring our future. We need to monitor progress at a high level in order to help Virginia's citizens, local and regional leaders, interest groups and others to better understand where Virginia is in order to better mobilize the efforts needed for real change.

Achieving the vision will require a long-term commitment that transcends politics, administrations and traditional boundaries. All too often, we fail to adequately address the needs of the future because we are consumed with dealing with today's priorities. But history has proven the importance of allocating resources for long-term planning, focusing on constant improvement of services and investing in innovation. The issues facing Virginia are significant and ever changing. Great performance leadership means being able to balance the need for flexibility and innovation in the short run with the long-term consistency of purpose needed for the long-term foundation building of highly effective and efficient government.

The rest of this chapter elaborates on key elements of the model. To date, the focus of the Council and state government has been on establishing the vehicles that will facilitate monitoring progress against long-term goals and developing new planning and budgeting processes to ensure that our resources are properly aligned with the long-term objectives. The innovation and improvement effort (Improving Outcomes and Improving Productivity) is in the early stages of development, with much of the work focused on accelerating productivity improvement growth in state government. The Council will more fully develop an approach to facilitate broader citizen and regional participation in the Roadmap process during 2007.

Transforming Virginia: Roadmap Development and Evaluation

Early in its deliberations the Council addressed the critical question: "How do we know if we are making progress towards our long-term goals?" Since then the Council has sought to develop and report the best data available at each level of the performance leadership model in order to answer that question as accurately as possible recognizing that there are limitations to data's ability to reflect progress in social programs and assess our quality of life. However, data can help direct us to areas where more research is needed or where more evaluation is needed to assess the value and performance of state programs.

Assessment activities enable us to extract broader meaning from data to support policymaking, decision-making, innovation and improvement. As with planning activities, measurement occurs at various levels (Figure 2.2). At the highest level, measures known as societal indicators provide a snapshot of how Virginia is doing with respect to several

quality-of-life issues (e.g., water quality, educational attainment). At the foundation level, measures help us understand whether we are achieving high-priority performance targets and improving the factors that influence the targets. At the agency level, measures are used to monitor whether state government programs and services are producing desired results. To be effective, we must have a balanced set of measures that enables us to monitor progress from several perspectives. Assessment also supports innovation and improvement projects by providing data for analysis and by enabling managers to verify that desired results produced from these projects have been achieved.

Figure 2.2
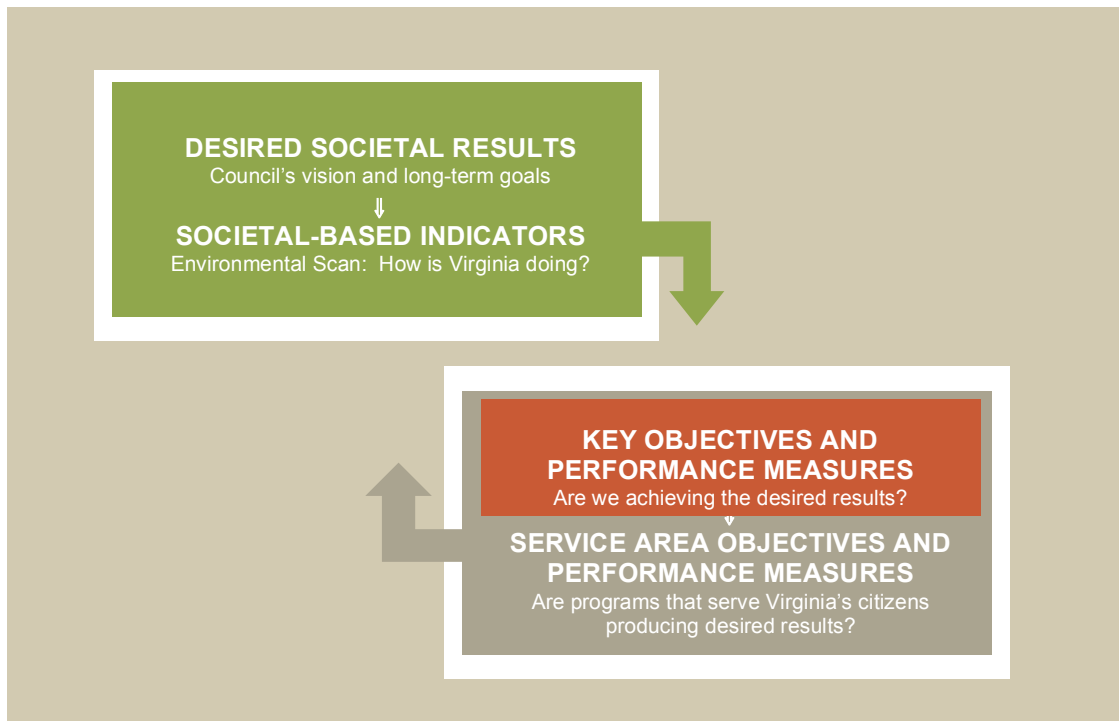
Combined, the goals and performance measures that are part of Virginia's performance leadership system ensure that *results accountability* exists throughout all levels of state government. In his book entitled *Trying Hard is Not Good Enough*, Mark Friedman describes results accountability as "a disciplined way of thinking and taking action that can be used to improve the quality of life in communities, cities, counties, states and nations." He further describes results accountability as occurring at two levels: societal accountability and performance accountability.

Societal accountability addresses results (i.e., outcomes) for a population in a specific geographic area such as a city, county or state. The accountability for results at a societal level resides with the individuals and organizations – within and outside of government - that can jointly impact the results. Performance accountability is about how well managers run specific services or programs for their customers. For example, performance accountability exists within and across agencies that serve the same customers. Performance accountability can exist at many levels within an organization.

Desired Societal Results: As noted earlier, the vision and long-term goals developed by the Council on Virginia's Future point the way to desired results for Virginia's people and natural environment. They are descriptions of societal results. Although state government cannot always significantly influence societal outcomes on its own, it is important that we monitor these outcomes to ensure we can answer the question, "How is Virginia doing?" It is equally important that we understand the depth and nature of our influence on societal outcomes and work in partnership with others to improve the outcomes that Virginia's citizens view as critical to their quality of life. Approximately 50 societal indicators will be used to monitor how Virginia is progressing in achieving the goals, to the extent possible. The indicators, which are presented in Figure 2.3, will be presented over time, by region and in comparison to other states.

Figure 2.3
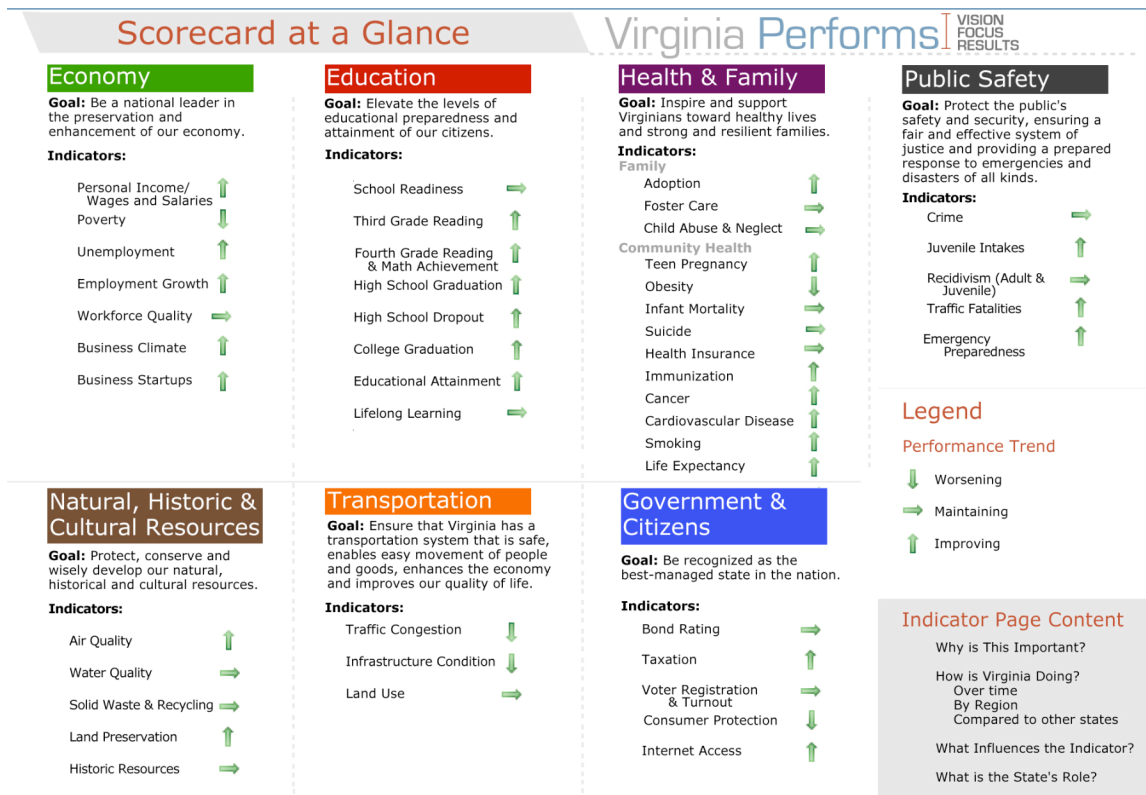
Agency Objectives and Measures: The key objectives and service area metrics at the "foundation" level of the performance leadership system are designed to identify vital, mission-related priorities for state government that, when addressed, will positively impact desired outcomes. Some of the measures will be drawn from agency outputs, while others may reflect desired outcomes that are influenced by many factors, not just state services. This is an important step forward for Virginia's performance leadership system. State strategies and spending can be more clearly linked with shared long-term goals and actual performance and results.

State agency strategic plans and budgets identify desired *performance* results linked to spending. This ensures a high level of accountability and alignment of resources with citizen priorities. This system allows agencies and executive leadership to monitor progress toward key results to ensure state government programs and services are meaningful, effective and efficient. This will facilitate policy and budget decision-making in both the Executive and Legislative branches. This data and information, when presented in a relatively accessible and easy-to-use format, also will encourage citizen engagement in policy and budget development processes

Virginia Performs: The Council's information system and website (www.VAperforms.virginia.gov) serves as the *Virginia Scorecard*. The system will support aggregation, comparison and analysis of the performance data over time, within geographic boundaries of the Commonwealth and with other states, including the national average, the best state for that indicator, and three nearby states. The performance information website includes a comprehensive set of performance indicators for both societal (quality-of-life) outcomes and performance (programmatic) outcomes. The societal indicators that have been developed or are in the process of being developed are presented in Figure 2.3.

Promoting Citizen Engagement: Citizens, groups and non-governmental institutions have a growing need for high-quality information that allows them to make more informed choices about issues impacting Virginia's quality of life. Government must become more transparent and accountable to citizens by allowing them to more easily monitor government performance and progress toward desired societal results. *Virginia Performs* will play a role in this process by making societal and state performance information more readily available. To be most successful the website should be used as part of an enhanced process of citizen engagement in the evaluation and implementation of the Roadmap for Virginia's Future. The Council is undertaking two initiatives to evaluate its role in promoting citizen engagement.

The Virginia Futures Forums was designed to inform and educate Virginians about important public policy issues and to create opportunities for Virginians to help shape solutions that enhance Virginia's quality of life. The inaugural forum highlighted the critical importance of educational attainment to economic prosperity and presented three approaches for developing the Commonwealth's human capital policies. The Futures Forum process is now under review and alternatives will be developed in 2007.

The second initiative involves regional pilot projects in Roanoke and Hampton Roads. While the state can drive many changes for the Commonwealth, regional ownership of many issues is vital. Thus, a process for facilitating change at a regional level is being developed and piloted. The process will address the feasibility of using vision setting and strategic planning – supported by metrics for measuring and monitoring results – to enhance collaboration and the development of regional break-out strategies for improving regional service performance and societal outcomes.

Performance Leadership for Transforming Government

Many examples of performance leadership excellence can be found within Virginia's state government today. The Council's aim is to create a *system* for performance leadership in Virginia that is shared among *all* state government leaders. The system will provide a common language and best practices for managing performance, leading people and improving results. Ultimately, the state government performance leadership system will enhance the abilities of the entire state government workforce to be good stewards of public resources, to produce results that make a difference to citizens and to make ongoing improvements in how services are delivered to customers. In essence, it will provide a new framework for governing in the 21st century.

The performance leadership system addresses several challenges that are unique to state government. One challenge is the size of state government and diversity of its operations. With a workforce greater than 100,000 and over 100 state agencies, the implementation of consistent approaches to activities such as strategic planning, leadership practices and continuous improvement can be difficult and time-consuming. It is easy to lose focus and patience and to adopt expedient solutions in order to feel a sense of progress.

Another significant challenge is in defining the role of state government for specific citizen services and programs. Approximately one-half of the state's budget consists of monies that are collected by the state, but the services provided are done so by other non-state entities such as local governments, school divisions, or private health care providers. The challenge inherent in this arrangement is one of accountability. While formulas are in place to determine the amount of resources that will be allocated to specific localities or entities, performance expectations are not always established with the entities that receive the aid. Without performance expectations, the state cannot effectively monitor whether the strategies for using the allocated funds are producing desired results. Compounding this challenge are multiple regional divisionary systems (e.g., planning district commissions, VDOT districts) that provide oversight for the use of the funds. The existence of several regional configurations makes it difficult to view Virginia's performance at a regional level in an interdisciplinary manner.

To address these and other issues, the Council has designed Virginia's performance leadership system for state government as a blueprint for excellence – a vehicle to help move the state from 'good to great.' As the system evolves, many benefits will be realized. Resources will be consistently directed to important priorities that support achievement of Virginia's vision and long-term goals. Best practices will be developed and shared across agencies, resulting in breakthrough and incremental improvements in government efficiency and effectiveness. Most importantly, we will provide greater government transparency to citizens and create joint ownership with citizens for progress.

There are two primary components of the system. The *planning and budgeting* component focus on the management of state government functions. This component includes the development of long-range plans, performance indicators to monitor progress and the effective allocation of resources to carry out the plans.

The *productivity improvement* component focuses on improving outcomes in two areas: the quality of life that Virginians experience and the efficiency and effectiveness of state agencies. This includes improvement of the leadership and support systems (e.g., technology, tools, training) to facilitate the work of state government managers and employees. These two state performance leadership components are interrelated, with each influencing the other.

Planning and Budgeting: Aligning Resources with Goals and to Improve Service Performance

As states become more competitive and strategic and as the demand for scarce resources intensifies, those states that develop a long-term direction and act on long-term objectives and priorities increase their chances of future success. Without such planning and definition, how can any state know where it is going, whether it is working on the "right" things, or whether the dollars it is spending now are directed toward long-term and sustainable elements of success?

The performance leadership system's planning and budgeting activities are focused on ensuring that we determine the short-term and long-term results we want to achieve, develop and implement strategies to achieve the results and determine how to measure progress. As shown in Figure 2.1, planning activities occur at various levels in state government. At the highest level, a vision serves as a compass for the Commonwealth, providing a consistent view of the future we seek to influence. Combined, the vision and long-term goals provide overarching guidance and direction.

The second level of a performance leadership/accountability system has two key elements. The first is an enterprise leadership agenda that consists of high-level priorities embraced by Virginia's Governor and/or General Assembly. The enterprise-level agenda defines specific key agency objectives and improvement targets along with other quantifiable objectives set through collaborative state-supported strategic planning efforts. Examples include the development of the Commonwealth's strategic plan for economic development and other private-public efforts such as those in workforce, health care and education. The second element of this tier of the performance leadership system also contains agency leadership agendas that comprise strategic and service area plans developed by state agencies. These activities are linked to a budgeting process that provides resources to carry out the plans.

The development of a new agency-level planning and budgeting system began late in 2004. Strategic plans now follow a consistent format that integrates previously separate plan elements (workforce, technology, capital outlay) and are linked to the budget through newly defined service areas. A robust set of metrics will be used to track service performance at the service area and agency level. The entire system is designed to be more results oriented with clearly defined priorities and linkages between performance and budget decisions. The focus for 2007 is to continue to refine strategic plans, key measures and the use of the system as a fully-fledged management tool.

Productivity Improvement

Productivity improvement and innovation activities are designed to transform state government by improving management and operational outcomes. A variety of approaches for improvement, such as reengineering, have been used in the past and

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will be supplemented by additional methods, including the use of highly competent cross-functional teams. Members of the teams will be drawn from the community of practice - people and organizations within and outside of state government - with expertise in the subject area. They will use rigorous, 'best practice' approaches that involve analysis to determine the factors that influence the issue and to identify what is and is not working today to address the issue. Once analysis is completed, strategies to address the issue are developed and implemented. At the conclusion of an innovation/improvement initiative, those involved will share what they learned across state agencies so that best practices can be adopted more broadly within state government. Such an approach will help to cultivate continuous performance improvement.

This component encompasses development of an overall approach for innovation and improvement that includes the improvement activities described above as well as a support system (e.g., training, methodology, incentives), a process for the selection of enterprise and agency level reengineering initiatives and the evaluation of improvement initiative results.

Change Management: Building a new performance leadership system for governing in the 21st century will not be easy. We will need to think beyond the traditions and habits that characterize how we work today and provide leaders and employees with the knowledge, skills and tools that will help them succeed tomorrow. This element addresses the practices that are essential to build commitment to performance leadership (e.g., communication, incentives, recognition and employee involvement) and an approach to enable state employees to do their work more effectively (e.g. training, methods, tools). In addition, it includes practices designed to empower, engage and enable the state government workforce to do ordinary things well, to accomplish the extraordinary and to help our leaders be better leaders.

Results Teams: Results teams will be used to evaluate and redesign governmental services and processes based on the perspective of the citizen-customer and based on comprehensive analyses of costs and benefits. Results teams will be chartered to drive strategic change in state government operations and in the Commonwealth's quality of life. For their selected subject areas, the teams will map the best pathway to a desired management or societal outcome by defining and establishing the relationships among the factors with the greatest impact on the outcome.

As part of their "outcome mapping" work, teams will assess what is and is not working with respect to existing programs and strategies, benchmark other organizations to discover alternative approaches and establish outcome targets. With targets in place, the teams will recommend strategies and initiatives to improve the outcomes and then monitor their implementation. A key role of each results team is to advocate for change. Results teams will draw expertise from inside and outside of government. Subject matter experts, agency representatives, staff members from the Department of Planning and Budget and other key stakeholders will comprise the membership of some of the results teams. In other cases, teams from private industry will be used for specific initiatives, to draw on their expertise in a given subject or their experience with reengineering.

Enterprise-Driven Technology Investments: During the past four years, the Commonwealth has undertaken several projects aimed at improving efficiency and effectiveness. The first phase of projects targeted enterprise-level activities such as real

estate management, receivables, IT infrastructure (VITA) and purchasing (eVA). In addition, the Council sponsored a number of agency-specific reengineering efforts, including a new Amber Alert System for the State Police and a Recruitment Management System for the Department of Human Resources Management. Appendix B provides an overview of the status of this second round of reengineering projects.

Infrastructure for Productivity Improvement: The Council has recommended that an improved approach to innovation and productivity improvement should include a high-level locus of responsibility for enterprise improvement efforts. This enterprise business solutions effort should include three key elements:

- o *Change management and continuous improvement:* This would establish a vehicle to develop performance benchmarks, a common language for change management, more effective organizational and personal incentives for change, best-practice process improvement tools and techniques and improved training for mid-level and executive managers.
- o *Seed funds:* Seed funds will help surface enterprise operational improvement opportunities. The goal would be to build a portfolio of both agency-specific and inter-agency improvement projects that are driven by the needs of the enterprise and include "top-down" opportunities and "agency-driven" collaborations.
- o *Enterprise project management:* This would align agency-specific and enterprise-wide projects to a broader Commonwealth strategy; it would track overall investments and results.

The 2006 General Assembly appropriated $3.25 million for 2007 and $1.0 million in 2008 to create a standardized approach to enterprise change management and to launch new reengineering projects. The Governor has directed that new reengineering projects focus primarily on reducing transaction times for citizens and businesses in their dealings with government. Cost savings and quality improvements will emerge as waste is removed from business processes.

Plans are in place to utilize the private sector in new ways in order to bring to bear the highest level of   project development and management expertise available. An advisory group of private sector leaders, including members of the Council, will provide guidance for the overall effort. Where possible, private sector project management experts will be offered short-term assignments to help develop and support reengineering projects.

Summary

Virginia has earned an excellent reputation for good governance and sound financial management, achieving a designation as one of the top two "best-managed states" in the nation in 2005 and maintaining a triple A bond rating from three bond rating agencies for more than 70 years. Why, then, is a stronger emphasis being placed on performance leadership at this point in time? The answer is simple. The best time to plan for a brighter future is when there is a foundation of success upon which to build. Organizations at this juncture have two choices: maintain what they have achieved or seize the opportunity for growth. We choose the latter.
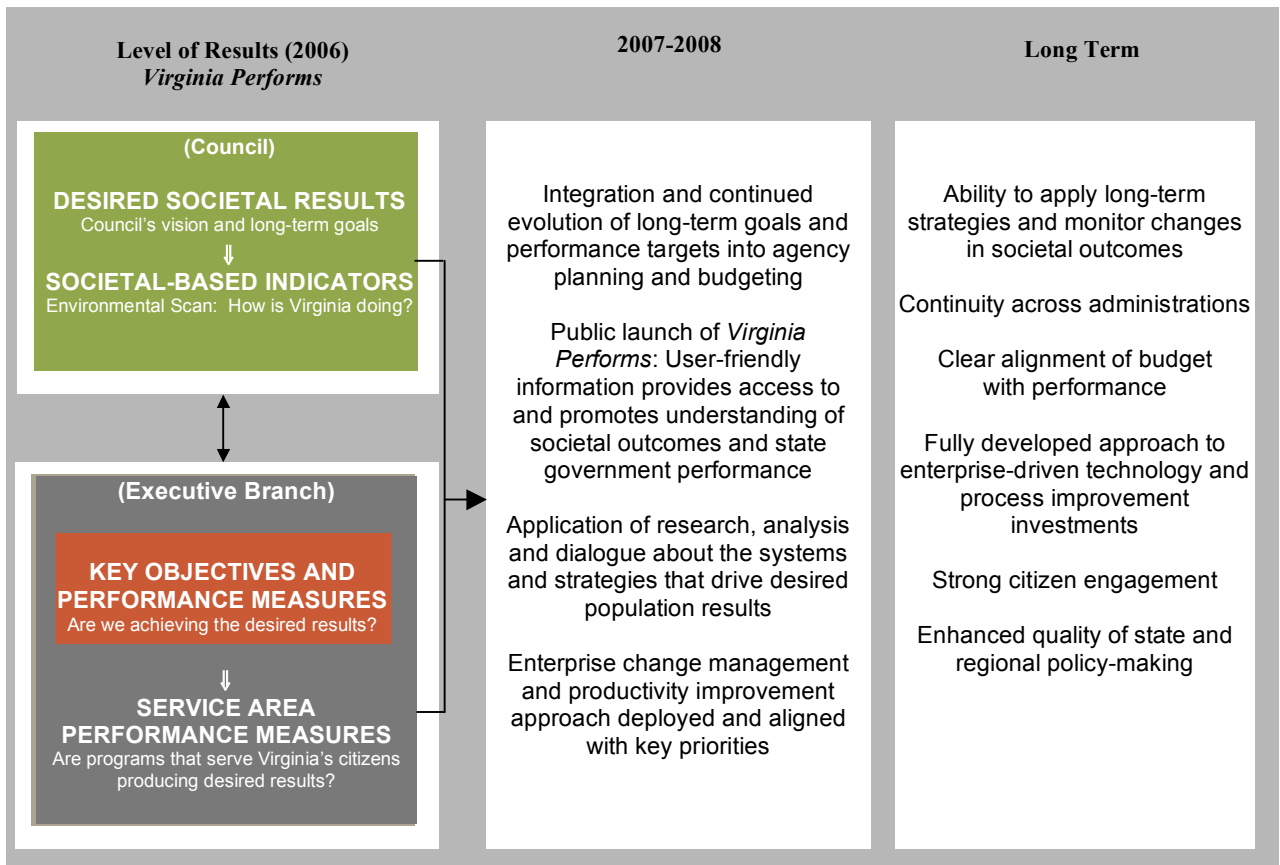
Chapter 3: Recent Progress and Next Steps

Implementing the Roadmap

Introduction

The Council on Virginia's Future and leaders in state government began the implementation of Virginia's performance leadership system in 2003. As shown in Figure 3.1, the focus in 2006 was on the development of agency-level key objectives and measures that align with the budget and Virginia's long-term goals, as well as the development of *Virginia Performs*, a web-based information platform that includes both societal indicators to monitor progress against the long-term goals and agency-level data to measure progress at a programmatic level. As work continues in 2007, the focus will be on activities that lay the foundation for targeted improvement in societal outcomes and for accelerating gains in state government performance. Collectively, these activities will lead to a more mature performance leadership system characterized by constancy of purpose, alignment of goals throughout state government and a disciplined approach to innovation and improvement that is embedded in the work culture and reaches across organizational boundaries.

Figure 3.1

Level of Results (2006) *Virginia Performs*	2007-2008	Long Term
(Council) **DESIRED SOCIETAL RESULTS** Council's vision and long-term goals ⇩ **SOCIETAL-BASED INDICATORS** Environmental Scan: How is Virginia doing?	Integration and continued evolution of long-term goals and performance targets into agency planning and budgeting	Ability to apply long-term strategies and monitor changes in societal outcomes
(Executive Branch) **KEY OBJECTIVES AND PERFORMANCE MEASURES** Are we achieving the desired results? ⇩ **SERVICE AREA PERFORMANCE MEASURES** Are programs that serve Virginia's citizens producing desired results?	Public launch of *Virginia Performs*: User-friendly information provides access to and promotes understanding of societal outcomes and state government performance	Continuity across administrations	Clear alignment of budget with performance	Fully developed approach to enterprise-driven technology and process improvement investments	Strong citizen engagement	Enhanced quality of state and regional policy-making

This chapter outlines the key milestones in 2006 and identifies the major tasks planned for 2007 and beyond. The chapter is organized around the three key elements of the Council's and executive branch's work on the Roadmap: Roadmap development and evaluation (Transforming Virginia), service performance (Strategic Planning and Performance-Based Budgeting) and productivity improvement (Transforming Government).

Roadmap Development and Evaluation

Virginia Performs

A key goal of the Council is to keep Virginia's leaders focused on the long-term issues that will determine Virginia's future quality of life and inspire broader citizen engagement in dialogue and policy-making. These leaders and citizens – from all walks of life and all regions of the Commonwealth – will need good information to assess how we are doing today and how best to promote desired societal results. Because the state government plays such an important role in determining the quality of life, special emphasis was placed on measuring performance at the agency level. At the end of 2006 the Council and the executive branch unveiled *Virginia Performs*, an integrated information system and website that presents various levels of data about Virginia and Virginia government.

As depicted in Figure 3.1, the vision and long-term goals developed by the Council describe desired societal results for the Commonwealth. The vision and long-term goals provide direction to help drive changes that will benefit the citizens of the Virginia and improve the effectiveness and efficiency with which state government operates. Although state government cannot always significantly influence societal outcomes on its own, it is important that we monitor these outcomes to ensure we can answer the question, "How is Virginia doing?" It is equally important that we understand the depth and nature of our influence on societal outcomes and work in partnership with others to improve the outcomes that Virginia's citizens view as critical to our quality of life.

The Council's information system and website (www.VAperforms.virginia.gov) was designed and developed to help track performance at these multiple levels of accountability. The system supports aggregation, comparison and analysis of performance data over time, within geographic boundaries of the Commonwealth and with other states, including the national average, the best state in the nation for that indicator and three nearby states. The performance information website will present data for a comprehensive set of performance indicators for both societal (quality-of-life) outcomes and performance (programmatic) outcomes.

The information system will serve a variety of users and needs. Agencies will benefit from better performance data to support their decision-making processes. The legislative and executive branches need such information in their budgeting and oversight capacities. The general public needs a more transparent view of government. The system also will simplify data access (via user friendly data reporting and search tools) and ensure data integrity and consistency. The information system and the website will continue to be refined to address several challenges: (1) selecting the most appropriate societal (population) indicators from a vast array of indicators with different data sources as Virginia's situation evolves, (2) demonstrating how performance data can be used in budget and policy decision-making and (3) using the website to supplement information presented in the *Budget Document* and *Appropriation Act.*

Virginia Performs Home Page

You can use Virginia Performs to discover how Virginia is doing in key areas. Users can explore data-driven analyses of Virginia's performance on approximately 50 indicators, including statewide, regional and local data. The website includes national, regional and Virginia statistics along with information about recent state initiatives and major state programs addressing each.

Obtain a detailed demographic profile.

Create local and regional maps showing data on dozens of measures.

Get community-by-community reports on each indicator.

Instantly see how Virginia is measuring up in crucial areas.

View state agencies' objectives and measures for programs and services.

Commonwealth of Virginia | Governor | General Assembly   Skip to Content | Web Policy | Contact Us

Virginia Performs   VISION FOCUS RESULTS

Key Facts & Demographic Data
Mapping: Intro • Map It

A Message from
Virginia Governor Tim Kaine

The Commonwealth of Virginia is a spectacular place to live. We treasure the heritage and resources that contribute to our high quality of life, but it takes constant planning and fine tuning to maintain this quality and make needed improvements.

This website, brought to you by the Council on Virginia's Future, shows you how we measure the state's current performance, plan for the future and monitor our progress. Click on the links below to see where your tax dollars go and how we're working to make Virginia strong and healthy. Thanks for visiting.

Governor Tim Kaine

Virginia fourth graders exceed the national average in reading and math.

Measuring Virginia
This website shows you how Virginia is doing in areas that affect quality of life for you and your family. Find out how the Commonwealth measures up, from region to region and compared to other states.

Home | Scorecard at a Glance

Scorecard at a Glance

State Government Key Objectives and Performance Metrics

| Economy | Education | Health & Family | Public Safety | Natural Resources | Transportation | Government & Citizens |

- Education Summary
- School Readiness
- Third Grade Reading
- Fourth Grade Reading & Math
- High School Graduation
- High School Dropout
- College Graduation
- Educational Attainment
- Lifelong Learning

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Written and graphic explanations accompany each indicator. Users seeking to learn more about Education, for example, can delve into any of the following indicators: School Readiness, Third Grade Reading, Fourth Grade Reading and Math Achievement, High School Graduation, High School Dropout, College Graduation, Educational Attainment and Lifelong Learning. Each of the indicators helps to assess the progress the state is making, understand the influences, and clarify the Commonwealth's role in improving educational preparedness and attainment.

Summary of Recent Progress:
The website was launched at the Council meeting on October 30, 2006. Agencies and the Department of Planning and Budget entered current and historical data on key objectives and service area measures during November and December of 2006.

Next Steps:
- o A formal public launch will take place in January 2007 to begin the process of promoting use of the website.
- o Council members and staff will be demonstrating the system across the Commonwealth during 2007.
- o The executive and legislative branches will begin to use the information on the website for budgetary decision-making.
- o Long-term staffing and support will be secured for the website.
- o The website will be reconciled with other websites focused on providing performance and outcome-related state data.
- o A business climate survey will be completed in mid-2007 (see the discussion below).

Business Climate Survey: The purpose of this project is to provide a measurement for Virginia's business climate that can be tracked over time and to provide input that will help to identify opportunities for sustaining or enhancing Virginia's business climate.

As part of the development of a set of societal performance indicators for the Council's economic preservation/enhancement goal, several existing economic and business climate national rankings were reviewed to determine whether they were suitable for monitoring Virginia's business climate. It was concluded that no existing rankings or business surveys sufficiently met Virginia-specific needs. The existing rankings/surveys were too narrowly focused on a few business issues and/or were not designed to provide the level of specificity needed to enable the development of strategies on how best to enhance Virginia's business climate. Thus, a decision was made to conduct a business climate survey. Topics being covered in the survey include the following: availability of capital, regulatory and legal barriers; business costs; quality of life; workforce quality; transportation; healthcare costs; and business assistance/development needs in the "new" economy.

The survey will consist of a two-pronged approach that includes interviews with top-level executives from large companies and a broader-based paper and pencil/web-based survey of smaller firms.

Summary of Recent Progress:
Awareness meetings have been conducted with interested parties to obtain input for the development of the survey instrument. The first of two phases of executive interviews began in November 2006.

Next Steps:
- Survey instrument is developed and distributed (January – February 2007)
- Phase II executive interviews are conducted (March – May 2007)
- Interview and survey results are published; potential measures to use in performance website are identified (July 2007)

Citizen Engagement

The Council will focus part of its work effort during 2007 on promoting the use of the *Virginia Performs* website. The Council is working on two additional initiatives to promote citizen engagement in Virginia: the Virginia Futures Forum and Regional Pilots.

Virginia Futures Forum: Citizens, groups and non-governmental institutions have a growing need for high-quality information that allows them to make more informed choices about issues impacting Virginia's quality of life. Government must become more transparent and accountable to citizens by allowing them to more easily monitor government performance and progress toward desired societal results. The Virginia Futures Forums will be designed to inform and educate Virginians about important public policy issues and create opportunities for Virginians to help shape solutions that enhance Virginia's quality of life.

Summary of Recent Progress:
The Council, in conjunction with its university and other partners, is researching approaches for upcoming forums to adopt the best possible practice for promoting and enhancing dialogue and citizen engagement.

Next Steps:
• A plan for upcoming Forums will be presented at the first Council meeting of 2007.

Regional Pilots: While the state can drive many changes for the Commonwealth, regional ownership of many issues is vital. Thus, a process for facilitating change at a regional level is being developed and piloted in Roanoke and Hampton Roads. The process will address the following elements: how to set a vision for a region; how to use data for goal identification and strategy mapping; how to establish a results accountability system (metrics) for measuring and monitoring results; how to create a scorecard to critique results and movement towards the vision; and how to continuously improve performance. In essence, the approach in the pilots is to verify that the overall performance and accountability system being developed at the state level has relevance and value at a regional level and would be attractive to regional leaders as a vehicle for facilitating collaboration and positive change.

Summary of Recent Progress:
Council members have conducted meetings with regional leaders in both Roanoke and Hampton Roads. The Hampton Roads Partnership planning committee met in late November to formally kick off the Hampton Roads planning effort. The full Hampton Roads Partnership met on December 15, 2006, for an update on the process and to provide input about next steps.

Next Steps:
• Further meetings will be held in Roanoke and Hampton Roads during 2007.
• Feedback on progress and issues will be prepared for the Council's December meeting (November 2007).

Service Performance: Strategic Planning and Performance-Based Budgeting

Significant strides have been made in improving the planning and budgeting processes in state government. In the area of planning, all executive branch agencies and some legislative branch agencies published strategic and service area plans for FY 2006 – 2008 that follow a consistent format and use consistent language. Agencies' strategic goals and objectives were aligned with the long-term goals established by the Council. Separate agency plans, including human resource, capital outlay and information technology plans, were incorporated into agency strategic plans and are on the same reporting schedule. Higher education institutions developed plans and ways to measure progress in accordance with the "Charter University" legislation.

In the area of budgeting, agency service area plans were linked to the budget for the FY 2006 – 2008 biennium. Enhancements were made to the 2006-2008 *Budget Document* to incorporate key agency planning information (e.g., objectives and targets) and the 2006-2008 *Appropriation Act* was enhanced to accommodate the new service area structure.

Summary of Recent Progress: During 2006 additional refinements were made to the planning and budgeting process. The service area structure developed by 2005 included more than a thousand service areas. The sheer number of the related measures made it difficult to adequately assess status and performance at an executive or enterprise level. Therefore, Governor Kaine directed that state agencies develop a set of no more than two or three key objectives that reflect the agencies' missions. The measures for these objectives were to be based on outcomes and focused on monitoring results rather than process. The measures will be embedded in the results accountability system and have budget implications. The Governor reviewed all agency measures and refinement will continue into 2007. Agencies are now adding baseline data and targets for the approved measures. The key elements of the state's comprehensive performance management system are outlined in Table 1.

Table 1

System Component	Purpose
Agency Strategic Plan	Provides description of where agency is going and how it plans to get there – major mission, goals, strategies, *performance metrics, baselines and targets*
Key Outcome-Based Performance Metrics	Performance indicators that provide a basis for measuring the impact of services provided
Service Area Metrics	Performance indicators tied to each service area in the budget
Performance Baseline	Provides starting point for measuring performance against key metrics
Performance Target	Sets expectations for performance against key measures
Management Scorecard	Administrative criteria defining effective management of agencies

This systems approach to performance management will achieve a number of management goals. First, the system will help establish clear accountability for the results promised by government. Second, the system, by helping to make problem areas more visible, will help leadership to focus its limited time and resources on the areas where they are needed most. Finally, the system helps to ensure that spending is aligned with long-term goals and strategic priorities. Budget decisions will be improved because performance, targets, and goals will be more clearly stated and tracked. Appendix C provides six examples from the Governor's proposed 2007 amendments to the 2006-2008 biennial budget. The examples demonstrate how budget decisions are being made using the goals and performance targets established by agencies over the past two years.

Next Steps:
  o Key agency objectives and measures will be linked to long-term goals and service area objectives and measures to help focus efforts toward accomplishing priorities and desired societal results.
  o The Governor's 2007 budget recommendations and the budget document will provide information on key agency objectives and performance measures.
  o Performance data will be updated as it becomes available. Data for FY 2007 will be updated in the first quarter of FY 2008.
  o The Management Scorecard, an evaluation of compliance and management practices in state agencies, will be updated and published regularly.
  o The executive and legislative branches will expand their use of the information on the website for budgetary decision-making.
  o Addition training for enhanced strategic planning and performance management will be provided to the agencies.
  o Efforts will continue to refine the system by focusing on key results and consistency of use, recognizing progress and results and becoming more strategic in evaluation and assessment.

Productivity Improvement

During the past four years, the Commonwealth has undertaken several projects aimed at improving efficiency and effectiveness. The first phase of projects targeted enterprise-level activities such as real estate management, receivables, IT infrastructure (VITA) and purchasing (eVA). In addition, the Council sponsored a number of agency-specific reengineering efforts, including a new Amber Alert System for the State Police and a Recruitment Management System for the Department of Human Resources Management. (See Appendix B for a complete list of these projects and their current status.)

These initiatives, along with many ongoing agency-initiated improvement efforts, will eventually save the Commonwealth millions of dollars. While this is an impressive achievement, it will not be enough to offset rapidly rising operating costs. To meet this challenge the Commonwealth needs to improve the way it manages its productivity improvement efforts.

Summary of Recent Progress: The Governor and General Assembly directed that $4.25 million be used for enterprise reengineering, agency productivity improvement initiatives, and results teams. To lead this charge, an enterprise solutions group (ESG) has been proposed to surface cost saving projects and begin to shift the operating

culture towards continuous performance improvement. The overall mission is to simplify government and, in particular, to:

- o Foster initiatives to lower government operating costs;
- o Reduce constituent transaction times and improve citizen access to government services;
- o Advance the Governor's key agency performance objectives; and
- o Increase the competency of state leaders to manage both continuous improvement and complicated, multi-year change initiatives.

Next Steps: The solutions group will be staffed with two to three professionals in early 2007. They will be supported by 20 to 50 high-potential agency "Fellows" dedicating 15-20 percent of their time to group initiatives. A board comprised of the Secretary of Technology (Chair), the Secretary of Finance, and the Secretary of Administration will provide oversight for the group and ensure a balanced portfolio (long- and short-term) and that initiatives are aligned with the Governor's priorities.

- o A Productivity Advisory Council, comprised of volunteer private sector executives, will be created to provide expertise for the overall initiative.
- o Teams will be formed in early 2007 to determine the expected ROI of an initial portfolio of IT projects derived from Gubernatorial priorities.
- o A Productivity Investment Fund will be created, and a "request for information" will be distributed to agencies seeking to develop high-return efficiency and effectiveness projects. Funds will be distributed to projects meeting stringent risk and return criteria. The ESG will assign teams to support selected projects.
- o A vehicle will be developed to allow agency 'gainsharing' on verified savings achieved through reengineering initiatives.
- o Agency-selected 'Fellows' will be trained to enable their participation in improvement projects and to further develop their leadership potential.
- o Longer-range tasks include on disseminating best practices for change management and continuous improvement, developing the appropriate management and change agent skills within the agencies, developing appropriate incentives, measuring progress and ensuring long-term alignment with strategic priorities.

Summary

The Council began its work in 2003 with a bold vision of transforming Virginia and transforming government. A Roadmap for Virginia's Future set the stage for the development of a vision and long-term goals for the Commonwealth. The Council then developed a model for a performance leadership to help state government better do its part in achieving the long-term goals. The intensive early planning and development work is now beginning to have an impact:

- o A revamped strategic planning and performance-based budgeting system was put in place;
- o A comprehensive performance information system and website (*Virginia Performs*) is now operational; and
- o A new focus for improving the efficiency and effectiveness of state government is being implemented.

Appendix A

Summary of 2006 Council Meetings and Other Activities

Council Meetings and Presentations

The Council held two meetings in 2006. The first meeting, held on October 30 in Richmond, focused on the status of implementation efforts around the two key themes of the Council's work: Transforming Virginia and Transforming Government. Two presentations were made in the morning covering the two key projects for Transforming Government. The first presentation included a summary of efforts to improve the new strategic planning and performance-based budgeting system, with a special emphasis on the 2006 development of key agency objectives and measures to sharpen the enterprise view of agency performance. A second presentation outlined a proposal to develop an enterprise business solutions group to focus and accelerate enterprise-wide productivity improvement efforts. The afternoon presentations included a demonstration of *Virginia Performs*, the Council's integrated website-scorecard for tracking performance on macro (societal) indicators and agency performance metrics.

The Council began to discuss next steps and agreed to finalize 2007 priorities at the December meeting. The December 15, 2006 Council Meeting was held in Senate Room A of the General Assembly Building in Richmond. This two-hour meeting focused on the work plan for 2007. In particular, the communications plan for and the Council's role in rolling out *Virginia Performs* were reviewed in detail. In addition, the Council approved the content of *Virginia Report* and the use of the website to meet the Council's legal requirement to publish a *Virginia Scorecard*.

Throughout the year, Council leaders and the executive director made presentations to and held meetings with a variety of audiences within and outside of state government to provide information about the Council's purpose and activities and to obtain feedback and ideas. Audiences included:

- The Council of State Governments
- The Virginia Executive Institute
- The Governor's Performance Leadership Forum
- Staff at the Weldon Cooper Center
- The House Appropriations Committee
- The Hampton Roads Partnership and Forward Hampton Roads
- The Business Council and the First Monday Group of Business Leaders in Roanoke

The National Governors Association presented one of its three 2006 Distinguished Service to State Government (Private Citizen) Awards to Mr. John O. (Dubby) Wynne, the Vice-Chair of the Council, for his work in creating the Council and his outstanding public service to the Commonwealth. Governor Kaine nominated Mr. Wynne for the award.

Council Working Groups

The Council Planning Group, composed of selected members and executive branch team members, monitors work progress and advises on implementation issues throughout the year. A slightly broader working group met twice to provide additional review of work products. The focus of planning group meetings conducted during the year is described briefly below.

April 17, 2006 – Topics included the organization and roles of Council working groups and an initial discussion of proposed work tasks and deliverables for the remainder of 2007.

May 8, 2006 – This meeting focused in more detail on the work plan and proposed deliverables for the next year, as well as the schedule and focus of future Council meetings. The group reviewed and commented on important elements of the *Virginia Performs* website project and the status of the overall performance leadership system.

July 5, 2006 – The group continued its work on the overall implementation plan for the performance leadership system, including reviews of progress against long-term objectives, service performance (planning and budgeting), and productivity improvement.

August 18, 2006 – The group focused primarily on the development of a set of recommendations for developing a locus of responsibility for productivity improvement and innovation in the state. The group discussed the potential mission, structure, and outputs of such an organization or unit.

September 20, 2006 – The group met to set the objectives, location and agenda for the October 30th Council meeting. The content of the meeting segments was discussed as well as key issues that should be brought before the full Council.

October 24, 2006 – The planning group met to finalize the presentations, including specific recommendations and proposals, for the meeting on October 30th.
December 4, 2006 – The planning group approved a communications roll-out plan for 2007 for the Virginia Performs website. The group also approved an initial work plan recommendation to be presented for the Council's review and approval at the December 15, 2006 meeting.

Council Members in the Planning Group
The Honorable Aneesh P. Chopra
The Honorable Jody M. Wagner
John O. "Dubby" Wynne
Marjorie M. Connelly

2006 Planning Group Team Members
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Wayne Turnage, Office of the Governor
Richard D. Brown, Department of Planning and Budget
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The Honorable William D. Euille
Mr. W. Heywood Fralin
Dr. Edward G. Murphy
Mr. Timothy B. Robertson
Mr. Michael J. Schewel
Mr. John O. "Dubby" Wynne

Model Advisory Panel

The Model Advisory Panel (MAP), working at the direction of the Planning Group, designs and develops specific components of the performance leaderships system and ensures that the various elements of the framework and implementation are coordinated and aligned. The MAP acts as a sounding board for ideas and represents the voice of state agencies in deliberations on the design and implementation of system elements affecting state operations and agency management. The MAP met eight times in 2006 and focused primarily on performance measurement and, in particular, the design and content of *Virginia Performs*. The group reviewed selected best practices from other states and provided advice on training and implementation issues related to the performance measures and strategic planning system.

Council Partners and *Virginia Performs* Design and Implementation Team

The design and development of the *Virginia Performs* website and information system was a major undertaking that is still underway. In addition to the reviews and advice given by the Planning Group and the MAP, a large team was required for the detailed work of building the site. These partners and project consultants were instrumental to the successful launch of the website. Another team met during 2006 to develop recommendations and alternatives for the Virginia Futures Forum.

Model Advisory Panel

Governor's Staff
  Wayne Turnage
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  Ralph Davis
  Kim Farrar

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  Ric Brown
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Tobacco Commission
  Tim Pfohl

Virginia Polytechnic Institute and State University
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  Larkin Dudley
  Laura Fornash
  Melissa Lubin

John Thomas, U.Va.

Appendix B

Status of Phase II Reengineering Projects by Agency

Phase II Initiatives	Status
VIRGINIA INFORMATION TECHNOLOGIES AGENCY VITA developed the Generic Enterprise Dashboard, a robust business management tool for executive branch agencies to track and analyze real time performance against agency goals and benchmarks. Web-based reports open views of agency performance to citizens and stakeholders for greater transparency in government.	The project is complete. There are plans to add other elements such as credit card purchases and subcontractor data as global enhancements to the tool. The Governor's Office approved the dashboard as a reporting tool for SWAM for executive branch agencies. To date, 22 agencies are using the dashboard.
VIRGINIA DEPARTMENT OF HEALTH VDH approves about 30,000 construction permits, 5,000 certification letters, and 10,000 new subdivision lots each year. The process is technically complex and has significant cost implications for developers and property owners. Significant backlogs and delays continue in local construction permits and approvals. The project provided recommendations for significant improvements in the permitting process, streamlining paperwork and reviews, expediting approvals, and integrating greater consistency in regulatory interpretation.	Project is complete. VDH has received the final report from E. L. Hamm and Associates, Inc. The Office of Environmental Health Services is in the process of meeting with local health departments to discuss the report and develop a plan of action.
ENTERPRISE ARCHITECTURE PROJECT The Commonwealth is re-examining its administrative, financial, human resources, and supply chain management to determine whether there are opportunities to increase effectiveness, boost efficiency, and reduce costs. In FY 06, $625,000 in funds were budgeted to support a project director in the due diligence process and aid in completing a Statement of Work.	A contract with CGI-AMS was established for reengineering core Commonwealth business processes and systems. The most recent Enterprise Applications "Plan B" conforms to the General Assembly's reduced funding at $11m (GF) for the 2006-2008 biennium and allows benefits funding, focuses on the needs of the Finance area as a starting point for the program. The final details of this plan are still under construction, and formal statements of work will be negotiated to attach to the contract.

Phase II Initiatives	Status
VIRGINIA EMPLOYMENT COMMISSION The Virginia Employment Commission (VEC) used a vendor to assess the current state of selected business processes of VEC's Unemployment Insurance programs and related administrative and support activities to improve the efficiency and effectiveness of those processes.	The VEC has begun implementation of improvements to their document management system. This initiative will consolidate fax machines, copiers and scanners to one device and reduce the overall cost per office in both the Field and Central Offices. The project is currently on hold until the agency is able to get confirmation from VITA on how to proceed. A consultant is preparing recommendations for next steps. The project is expected to be completed in January 2007.
STATE POLICE The Amber Alert system was redesigned and converted to a web-enabled process, reducing response time from about 60 minutes to less than 15 minutes. Reducing response time substantially reduces the potential search area and increases the likelihood of a child's safe recovery.	The Amber Alert Request System was deployed in production on March 3, 2006. All development and implementation activities have been completed.
SECRETARY OF THE COMMONWEALTH Seven Applications were replaced (Notary Registration, Authentications, Restoration of Rights, Pardons, Extraditions, Lobbyist Registration and Disclosure and Service of Process) with more fully automated business processes yielding improved productivity and reduced technical risk.	The project is completed and the new system is being used.
MINES, MINERALS AND ENERGY A web-based permitting, reporting, and governance system for mineral mine operators in Virginia was created -- saving time and costs for mineral mining operators and improving accuracy of information. For DMME, the benefits include reduction in repetitive data entry, more rapid turnaround of permits and renewals, and more responsive completion of two-year renewals.	The system is fully operational and has significantly reduced permitting cycle times.

Phase II Initiatives	Status
HOUSING & COMMUNITY DEVELOPMENT An electronic reporting system is being developed to streamline data collection and provide real-time information on housing, fire and building safety, and economic and community development projects throughout the Commonwealth. Expected benefits include more rapid and accurate receipt of applications and federal reporting, reduced staff time on paperwork, less redundancy in data collection among internal organizational units, and enhanced customer service.	The e-government housing and development software project is approximately 80 percent complete. The final phase to implement all federal Department of Housing and Urban Development (HUD) funds is underway. This includes cleaning up and linking all Integrated Disbursement and Information System (federal drawdown) data within the new housing and development software environment. Data conversion for non-HUD programs will begin immediately after the HUD programs are completed.
HUMAN RESOURCE MANAGEMENT DHRM established a statewide recruitment management system that integrates all phases of the employment process -- from initial job requisition through the demographics of the applicant selected for hire. The system will increase the number of applicants per posting and reduce the average time-to-fill the vacancy.	The system went live on DHRM's website July 1, 2006. http://jobs.virginia.gov/emplJobListing.html
DEPARTMENT OF CORRECTIONS An estimated 46 staff and 75 inmates at 27 different institutions are involved in inventory control and warehouse operations. To provide more consistency and control, DOC plans to implement an automated inventory system that employs bar-coding technology. A uniform set of policies and procedures will be employed at each warehouse location.	VITA approval has been obtained and software licenses have been purchased. DOC will soon enter into a contract with private company to develop set of uniform commodity codes. Estimated project completion date: June 30, 2007.
DEPARTMENT OF BUSINESS ASSISTANCE Chmura Economics and Analytics has created a web-enabled interactive database called JobsEQ that provides region-specific economic indicators and integrated workforce development and education data, trends, and forecast. The database provides improved access to industry demand for occupations and the supply of labor and occupations in specified areas of Virginia, as well as a comprehensive inventory of training and educational offerings that can be used to promote more efficient alignment of these offerings with anticipated demand for identified occupations.	The project is complete. DBA has purchased two user licenses for the JobsEQ software system. The Workforce Services Division of DBA is currently using JobsEQ to develop templates for prospect presentations, as well as for research purposes.

Appendix C

Performance-Based Budget Examples

Department of Education, Central Office Operations

Council on Virginia's Future Long Term Objective: Elevate the levels of educational preparedness and attainment of our citizens.

Agency Key Objective: We will increase the number of children reading proficiently by the third grade.

Key Measure: We will increase the percentage of third graders passing the third grade reading Standards of Learning test.

Budget Actions Affecting Key Objective: An additional $4.1 million was provided to expand eligibility for the Early Reading Intervention program to increase the number of students that receive services necessary to improve their reading skills or their ability to develop reading skills. The intent of this program is to reduce the number of students that require remedial reading services in later grade levels. This funding expands eligibility by raising the funding levels in first and second grade from 50 percent to 100 percent of eligible students.

Key Measure Baseline: 84 percent (1/1/06)

Key Measure Target: 100 percent (1/1/10)

Key Measure Data:

Year	Performance
2000	61%
2001	65%
2002	72%
2003	72%
2004	71%
2005	77%
2006	84%
2007	TBD
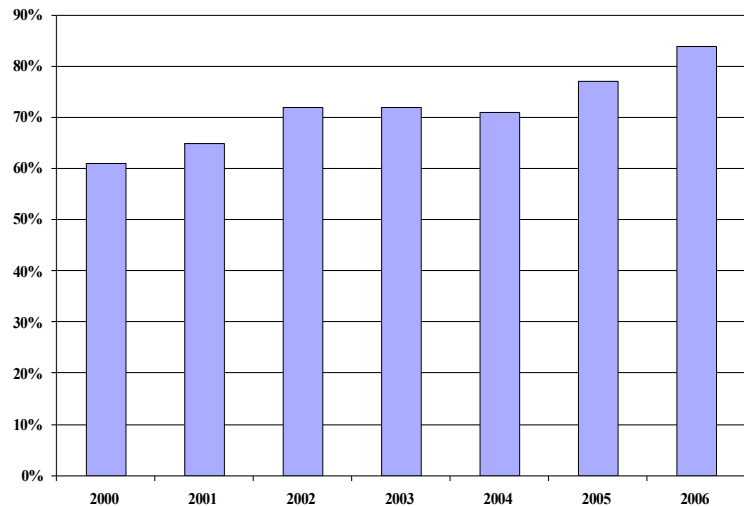
Department of Medical Assistance Services

Council on Virginia's Future Long Term Objective: Inspire and support Virginians toward healthy lives and strong and resilient families.

Agency Key Objective: We will work to improve birth outcomes in the Medicaid population by increasing the percentage of Medicaid/FAMIS covered births that are normal birth weight, rather than below normal birth weight.

Key Measure: Percentage of Medicaid/FAMIS covered births that are normal birth weight.

Budget Actions Affecting Key Objective: Funding was added to increase care coordination rates for the Medicaid high-risk pregnancy program, which will improve the network of providers to ensure access to adequate services by clients. In addition, eligibility for pregnant women under FAMIS will be expanded from 166 percent to 200 percent of the federal poverty level, providing prenatal care to an additional 900 women a year.

Key Measure Baseline: 90 percent in FY 2005

Key Measure Target: 92 percent by FY 2008

Key Measure Data:

Year	Performance
2001	91%
2002	91%
2003	90%
2004	89%
2005	90%
2006	89%
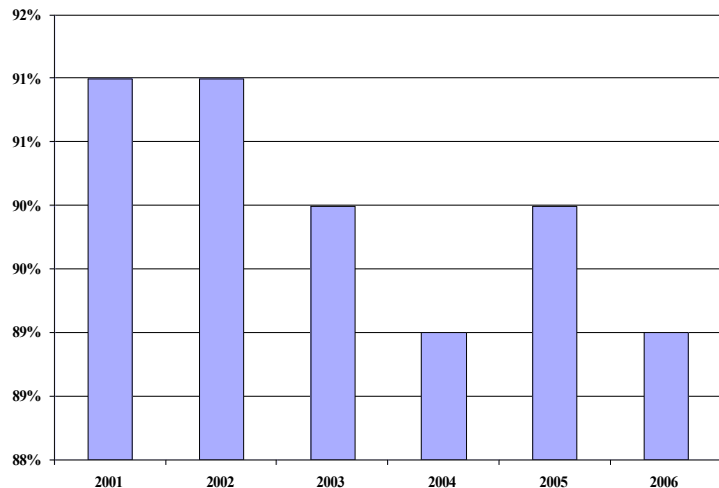
Department of Environmental Quality

Council on Virginia's Future Long Term Objective: Protect, conserve and wisely develop our natural, historical and cultural resources.

Agency Key Objective: Improve and protect water quality, especially in the Chesapeake Bay and its tidal rivers.

Key Measure: We will reduce the annual number of pounds of nitrogen nutrients discharged from significant point sources in the Chesapeake Bay watershed.

Budget Actions Affecting Key Objective:
- Provide $1.6 million for the Virginia Water Quality Improvement Fund.
- Introduce legislation authorizing $250 million in Virginia Public Building Authority bonds for the design and installation of nutrient removal technology at publicly owned treatment works.

Key Measure Baseline: 25.73 million pounds in calendar year 2004.

Key Measure Target: 24.75 million pounds in calendar year 2008.

Key Measure Data:

Year	Performance (millions)
2001	28.60 lbs.
2002	28.60 lbs.
2003	26.50 lbs.
2004	25.73 lbs.
2005	24.93 lbs.
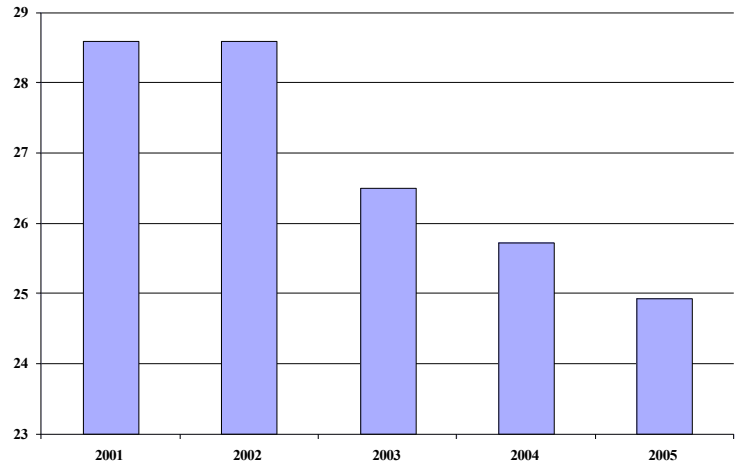
Department of Conservation and Recreation

Council on Virginia's Future Long Term Objective: Protect, conserve and wisely develop our natural, historical and cultural resources.

Agency Key Objective: Conserve important resource lands and meet Virginia's land conservation goals by 2010.

Key Measure: The Commonwealth will, in conjunction with private and public partners, preserve for conservation purposes 400,000 acres of land statewide by 2010.

Budget Actions Affecting Key Objective:
- Provide support to meet Virginia's land conservation goals ($20 million), including:
  o Matching grants for land conservation and preservation of working farms and forests through the Virginia Land Conservation Foundation ($13.7 million) and local agricultural purchase of development rights programs ($5 million).
  o Operating support for the Virginia Outdoors Foundation ($950,000), the historic easement program ($151,920) and the land conservation program ($198,080).

Key Measure Baseline: 65,763 acres in FY 2006.

Key Measure Target:

The goal of 400,000 acres is broken into annual targets to better track progress.

FY 2007   75,000 acres
FY 2008   90,000 acres
FY 2009   110,000 acres
FY 2010   59,237 acres

Key Measure Data:

Year	Performance
2006	65,763 acres
2007 (1st quarter)	11,459 acres

Department of Motor Vehicles

Council on Virginia's Future Long Term Objective: 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.

Agency Key Objective: To provide a reasonable customer wait time for customers conducting business at Customer Service Centers (CSC).

Key Measure: We will reduce the average wait time for a majority (75 percent) of customers conducting business in Customer Service Centers.
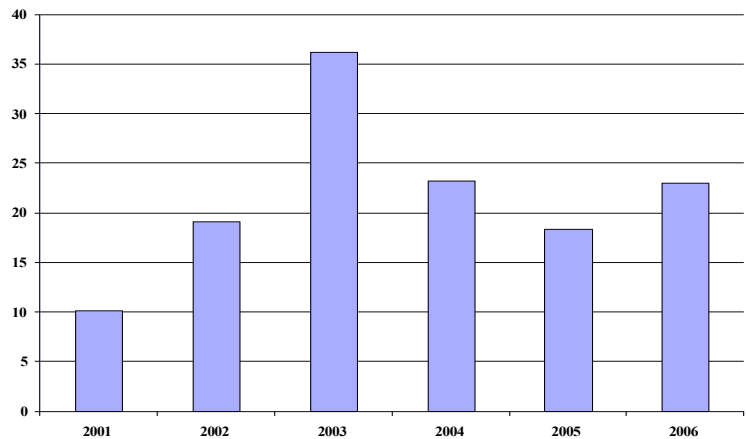
Budget Actions Affecting Key Objective: Funding for the redesign and upgrade of the central office and CSC automated systems.

Key Measure Baseline: 23 minutes in FY 2006

Key Measure Target: 20 minutes in FY 2007

Key Measure Data:

Year	Performance (min.)
2001	10.12
2002	19.10
2003	36.20
2004	23.26
2005	18.43
2006	23.00

Department of Accounts

Council on Virginia's Future Long Term Objective: Be recognized as the best-managed state in the nation.

Agency Key Objective: Enhance Commonwealth Internal Controls.

Key Measure: We will ensure that the number of recurring Auditor of Public Accounts (APA) internal control findings are 20 or below.

**Budget Actions Affecting Key Objective:**
- Provide funding and 14 new positions to increase risk management and internal control standards and financial reporting quality assurance. For 2007, $129,850 (GF). For 2008, $1.3 million (GF) and an increase of 14 positions.
- Increase salaries for DOA accounting professionals. For 2008, $348,802 (GF).

Key Measure Baseline: 25 recurring APA internal control findings in FY 2005

Key Measure Target: 20 recurring APA internal control findings in FY 2006

Key Measure Data:
(Recurring findings)

Year	Performance
2001	37
2002	30
2003	18
2004	18
2005	25

COUNCIL ON VIRGINIA'S FUTURE
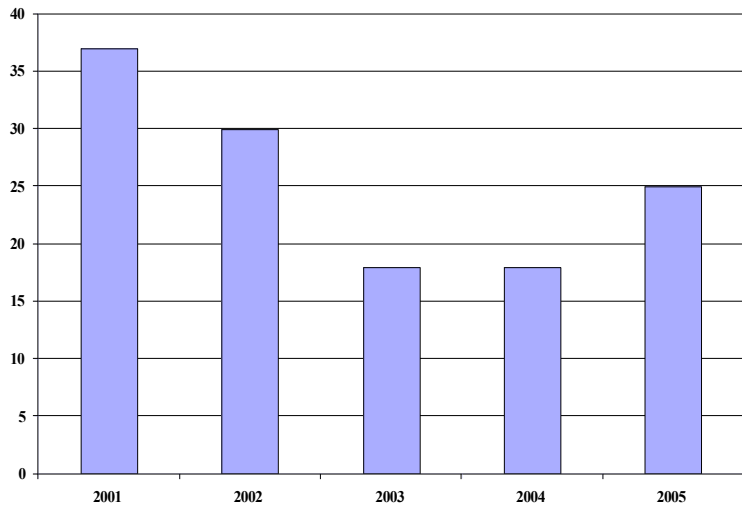
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