

January 1, 2024

The Honorable Glenn Youngkin
Governor
1111 E. Broad Street
Richmond, Virginia 23219

The Honorable Janet D. Howell
Chair, Senate Finance and Appropriations Committee
General Assembly Building, Room No: 612
Richmond, Virginia 23219

The Honorable Barry D. Knight
Chair, House Appropriations Committee
General Assembly Building, Room No: 1223
Richmond, Virginia 23219

Dear Governor Youngkin, Senator Howell and Delegate Knight:

Please find attached the updated plan detailing uses for the funds made available for the Transformation Office from the current general fund. This report shall act as the January 1, 2024 update to our original plan that was originally shared with you on September 12, 2022. We have also attached a new report listing the consultants utilized for transformation and reform initiative since January 2022.

As you know, \$10,000,000 from the general fund was made available for transfer to state agencies to help implement government transformation initiatives identified by the Chief Transformation Officer and approved by the Governor. Additionally, \$5,000,000 was made available through the 2023 Special Session I Acts of Assembly Chapter 1. Prior to the transfer of funds, the Chief Transformation Officer shall submit a plan detailing the intended use of the funds to the Governor and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees.

The objectives for Transformation, specified in Executive Order 5, are to help build a culture of transparency, accountability, and constructive challenge across government, ensure employees at all levels are reminded that our government works for the citizens of Virginia, and drive changes improving the effectiveness and efficiency of our government. In short, we work to help make Virginia's government more responsive, efficient, and transparent.

Highlights from the most recent quarter's work of the Transformation Office include:

- Co-led a team, with the Secretary of Education, to develop the **Building Blocks for Virginia's Families** early learning and childcare initiative announced on December 7, 2023. The Transformation Office provided project leadership and assistance to conduct research, analysis, and options evaluation critical to this project. The initiative ensures continued access to quality care for 27,000 children despite the expiration of federal

funding and delivers a best-in-class model that provides parental choice while reducing red tape for families and providers.

- At the Governor’s direction, we launched a new **Call Center Transformation** in partnership with the Secretary of Administration and Chief Procurement Officer. This initiative is focused on building internal call center subject matter expertise, improving call center procurement practices, and instituting best-in-class performance benchmarks to improve Virginian’s experience with the Commonwealth’s numerous call centers.
- At **Virginia’s Alcoholic Beverage Commission (ABC)**, our office partnered with the acting CEO to launch and analytically support a new revenue working team to identify and drive marketing and sales improvements to more effectively serve ABC's customers and generate additional funding for the Commonwealth.
- Collaborated with senior Department of Health leadership to support the **VDH Financial Management Transformation** project to develop the future state of the VDH Office of Financial Management, manage third-party resources to ensure timely delivery of high-quality work products, and provide interim managerial support for existing vacancies within the organization.
- Continued partnership with the Secretary of Labor and Director of the **Workforce Development Agency (VDWDA)**. We supported the functional transition of Economic Information and Analytics (EIA) staff (formerly part of the Virginia Employment Commission (VEC)) and the Registered Apprenticeship staff (formerly part of the Department of Labor and Industry (DOLI)) to the new agency on and ahead of plan respectively. Other activities included establishment of Virginiaworks.gov, agency branding, baseline metrics, budget formulation, and analysis of facilities.
- Assisted the Secretary of Administration on the development of enhanced procurement-focused **Delegation of Authority** prototypes for a pilot cohort of agencies – to provide enhanced visibility, transparency, and accountability of high dollar procurements to agency and executive branch leadership.
- We continued leading an innovative, cross-agency **Re-entry Optimization Transformation** team focused on sustainably improving re-entry success for 55,000 VADOC supervisees (i.e., probationers/parolees). Initial results include increased health insurance enrollment rates and the deployment of multiple employment pilots.
- The CTO continued to work with VEDP’s President and CEO and several Cabinet Secretaries to provide expertise and guidance to the Governor’s priority effort to implement new approaches to accelerate **Virginia’s Innovative Framework for Economic Growth**.
- The **DMV transformation** continued to deliver sustained improvements as DMV team members executed **11** new initiatives for a total of **96** through **November** while maintaining low in-person waiting times and counter service times at historic lows of 10-11 minutes.
- At the **VEC**, the Transformation Office helped claims adjudication teams pilot best-in-class re-training for Deputies and embrace rigorous performance metrics to drive improved UI outcomes for claimants. These teams reduced “claims pending adjudication” to under 3,500 (down from 110,000) and improved timeliness dramatically. The appeals team continued to reduce their backlog by 14% this quarter.

- The Chief Transformation Officer provided continued project management assistance to the **Partnership for Petersburg** and “*Right Help Right Now*” behavioral health transformation.

Specific executed and planned projects are listed on pages 2-3 of the attached schedule with information about their costs, partner agency, objectives, and uses for the funds with updated amounts. All amounts are estimated. Please note that there were no new expenditures of Transformation funds in the most recent quarter. Page 4 of the attached contains the newly required listing of consultants utilized with Transformation funds since January 2022. The list on page 4 represents the subset of projects listed on pages 2-3 that utilized external consultants.

Next Steps

The Secretary of Finance, in consultation with the CTO, shall authorize the transfer of additional amounts from this list to the identified agencies in support of the transformation initiatives.

I look forward to providing continuing quarterly program updates to you and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees. As always, please share any questions or additional suggestions you may have as we continue to work together to make Virginia the best place to live, work, and raise a family.

Sincerely,



Eric J. Moeller
Chief Transformation Officer
Cc: Jeffrey Goettman

Transformation Plan & Consultant Report

January 1, 2024



Status of Transformation Funds – Third-Party Expertise

Transformation Initiatives Identified by the CTO	Amount (\$000)		Agency	Intended Uses and Objectives
	Revised Plan	Transferred		
Procurement Reform Phase 1: assessment and initial planning	495	495	DGS	Third party expertise to assess operating model and identify opportunities for process improvement, transparency, accountability, and savings
Procurement Reform Phase 2: detailed planning & implementation	2,700	2,700	DGS	Third party expertise to help implement operating model improvements and capture opportunities for process improvement , transparency, accountability, and savings (revised +1,200 from original plan)
DMV Phase 1: quick wins, focus on customer experience	0	0	n/a	CTO, Deputy CTO, and Associates working directly with Agency personnel to reduce in-person wait times and improve customer experience. No outside resources utilized.
DMV Phase 2: digital/IT, operating model, costs, & performance mgmt	0	0	DMV	Transformation leadership transitioned to new DMV Commissioner. CTO staff providing light support. No outside resources utilized. (revised -500 from original plan)
VEC Phase 1: backlog reduction and best-in-class roadmap	360	360	VEC	Third party expertise to help reduce backlogs, improve customer service, & prioritize key improvement levers to reach best-in-class (b-i-c). (revised downward from original plan to reflect lower actual cost)
VEC Phase 2: streamline front-end intake process, redesign first level of appeals, best-in-class implementation, resiliency plan design	45	45	VEC	Third party legal expertise and technical resources to help reduce appeals backlogs, eliminate manual processing, move towards best-in-class. in all areas (revised downward to reflect lower actual costs)
Behavioral Health Transformation	1,040	1,040	HHR	Third party expertise to work with Secretary of HHR and internal teams to develop the overall 3-year transformation plan (“Right Help, Right Now”) to transform Virginia’s behavioral health system (revised downward -260 as same funds moved to Project Management (PMO) pool for Behavioral Health Project Manager)
Economic Development - strategy & roadmap	970	970	VEDP	Third party expertise to help design the strategy and roadmap to develop a best-in-class economic development approach and organization to help achieve the Governor’s 400,000 employment growth goal (revised downward -30 from original plan to reflect lower actual cost)
Employee Talent Management	0	0	DHRM	Third party expertise to help DHRM and Agency HR develop common tools, metrics and processes for improving and streamlining recruiting, training and employee performance improvement (revised -700)
SOC - process improvement	0	0	SOC	Leverage process improvement expertise and software to consolidate data, streamline, and speed processes for appointments. No outside resources utilized. (revised downward -250 from original plan)
Subtotal Third-Party Expertise	5,610	5,610		



Status of Transformation Funds – Manpower and Other Expenses

Transformation Initiatives Identified by the CTO	Amount (\$000)		Agency	Intended Uses and Objectives
	Revised Plan	Transferred		
Project Management (PMO) pool	1,560	868	Office of the Governor	Provide project managers (PMs) to help lead and manage Transformation projects prioritized by the Governor and CTO (revised +260 from original plan for Behavioral Health Project Manager)
Transformation Office Resources	1,800	415	Office of the Governor	Provide internal team members to help CTO support priority transformation projects. Funds will be used to fund 3 Deputy CTO and other time-limited roles through 12/31/2025
Executive Search	255	254	Office of the Governor	Executive search firm services to find key leadership positions (revised +35 from original plan to reflect actual costs)
Subtotal Manpower	3,615	1,537		
Travel, software, and other	190	18	Office of the Governor	Travel to learn from best-in-class states on key processes and purchase tools to increase productivity and track transformation initiatives
Unallocated - project(s) TBD	5,885	0	n/a	Additional resources for current project(s) or others yet to be prioritized and named (plan increased by 5,000 to reflect funding from 2023 Special Session)
Subtotal Travel, Software, and Other Expenses	5,775	18		
Grand Total	15,000	7,165		
Balance Remaining to Transfer	0	7,835		Balance to be used to fund current projects and transformation and project manager resources



Consultants Utilized for Transformation and Reform Initiatives – Since January 2022

Pursuant to Item 451 J.4 of Chapter 1 (2023 Special Session I), the Chief Transformation Officer, in consultation with the Virginia Information Technologies Agency, shall report on the use of consultants for transformation and reform initiatives since January 2022. The report shall be submitted by January 1, 2024, and then annually thereafter for each calendar year, to the Chairs of the House Appropriations and Senate Finance and Appropriations Committee and shall include for each instance that a consultant was used, the contract utilized, the amount, the purpose, and consultant name.

Date Contract Initiated	Initiative Name	Secretariat/ Agencies	Contract code/Contract Utilized	Purpose	Consultant	Contract Status	Amount Spent (\$K)
7/29/22	Procurement Reform	DGS	CTR005845 e194-101300	Third party expertise to assess operating model and identify opportunities for process improvement, transparency, accountability, and savings	BCG	Completed	495
2/10/23	Procurement Reform	DGS	CTR005845-2 e194-101300	Third party expertise to help implement operating model improvements and capture opportunities for process improvement , transparency, accountability, and savings	BCG	Completed	2,000
5/22/23	Procurement Reform	DGS	CTR005845-3 e194-101300	Third party expertise to help implement operating model improvements and capture opportunities for process improvement , transparency, accountability, and savings	BCG	Completed	700
2/8/23	Behaviorial Health Transformation	DBHDS	CTR008424	Third party expertise to work with Secretary of HHR and internal teams to develop the overall 3-year transformation plan (“Right Help, Right Now”) to transform Virginia’s behavioral health system	McKinsey	Completed	1,040
12/30/22	Project Management Pool	HHR, Education	UCPJMU5759	Provide project managers for various priority initiatives (e.g. Partnership for Petersburg, Right Help Right Now, and others)	Impact Makers		680
7/7/22	Phase 1	VEC	A182-2333	Backlog reduction and best-in-class roadmap	Accenture LLP		360
1/19/23	Phase 2	VEC	Emergency Procurement	Appeals Mailing, Printing, Folding, etc. Notice of Appeals letters plus postage	SLLOK, LLC		25
1/5/23	Phase 2	VEC	Invoiced via Attorney General's Office	Fix front-end intake process, redesign first level of appeals, best-in-class implementation, resiliency plan design	BrownGreer, LLP		20
11/3/22	Economic Development - Strategy and Roadmap	VEDP	23-012	Third party expertise to help design the strategy and roadmap to develop a best-in-class economic development approach and organization to help achieve the Governor’s employment growth goals	McKinsey		970
TOTAL							6,290

1



1. Actual spending may be less than funds transferred due to timing differences