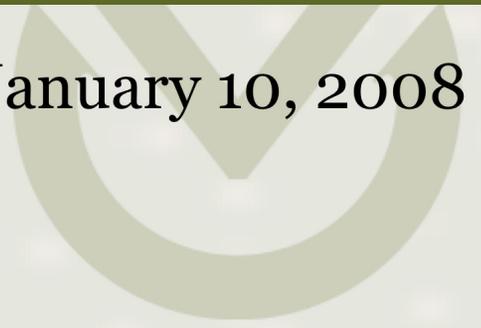




The Council on Virginia's Future
Overview and Progress Update

January 10, 2008



Meeting Agenda

I. Welcome and Opening Remarks

The Honorable Timothy M. Kaine,
Governor and Council Chair

II. Overview and Progress Update

Jane N. Kusiak, Council Executive Director

Panel:

Richard D. Brown, Director,
Department of Planning and Budget

The Honorable Aneesh P. Chopra,
Secretary of Technology

III. 2008 Work Plan and Discussion

Jane N. Kusiak

IV. Closing Remarks

The Honorable Timothy M. Kaine

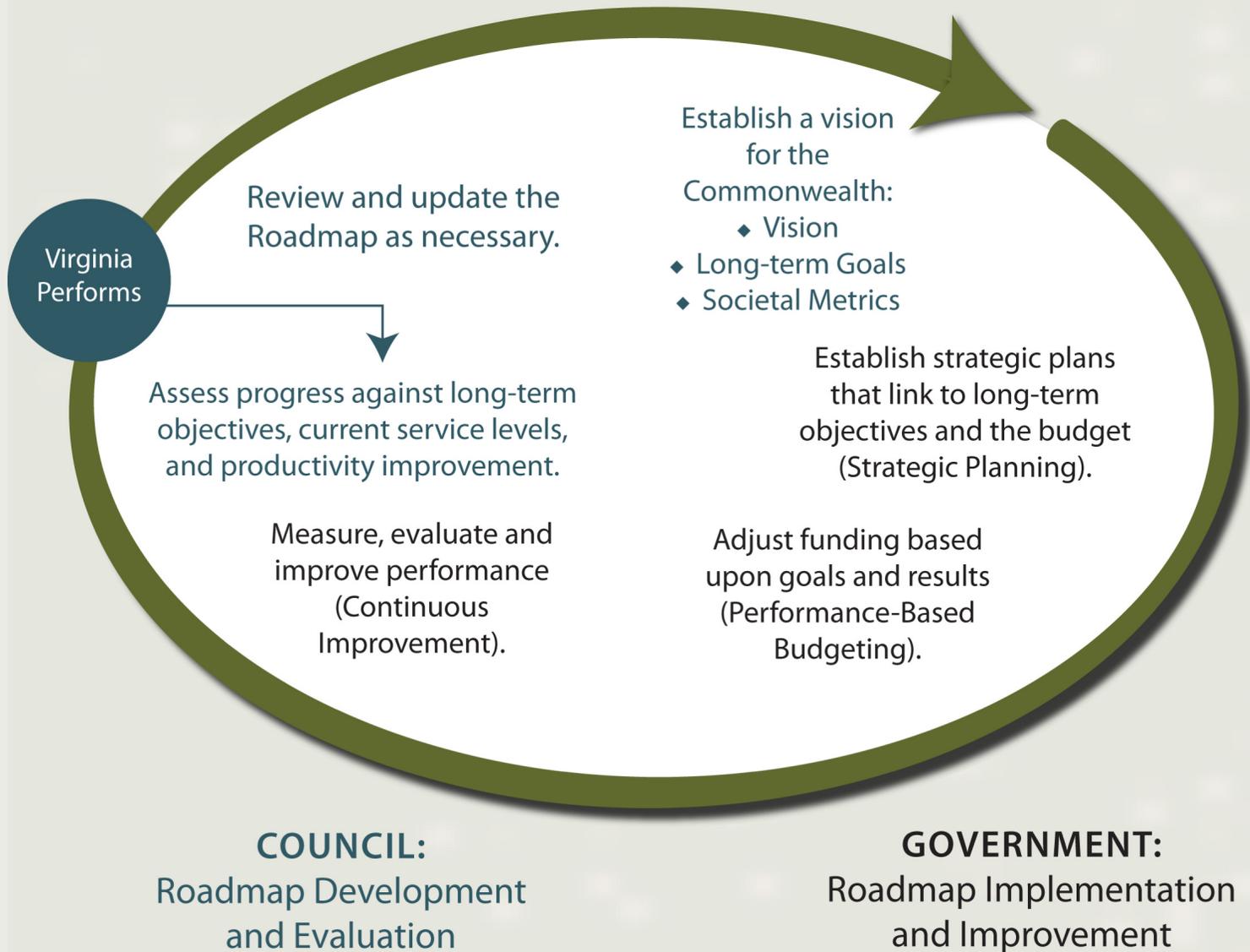
Presentation Outline

- Overview of the Council and Virginia Performs
Jane N. Kusiak (Executive Director, Council on Virginia's Future)
- Performance-based Budgeting: The Governor's Proposed Biennial Budget for 2008-2010
Richard D. Brown (Director, Department of Planning and Budget)
- Productivity Improvement Initiatives: Opportunities for Improvement and Innovation
Aneesh P. Chopra (Secretary of Technology)

Overview of the Council and Virginia Performs

Jane Kusiak
Council Executive Director

Roadmap for Virginia's Future



Key Milestones

2008

- Sharpen focus on long-term vision for Virginia to create a strategic imperative for enhanced educational attainment.
- Develop a new performance budgeting system.
- Support regional and state forums.
- Develop regional component of Virginia Performs, starting with the Hampton Roads area.
- Increase emphasis on productivity and innovation.
- Continue to develop and enhance Virginia Performs.

2007

- Launched Virginia Performs with societal indicators and agency measures.
- Published the *Virginia Report*, an analytical view of Virginia Performs.
- Refined agency key measures and aligned them with societal indicators.
- Further developed productivity agenda.

2006

- Identified key agency objectives and measures.
- Added a productivity initiative to provide focus and financial support for enhancing both programmatic & operational targets.

**2006
to
2003**

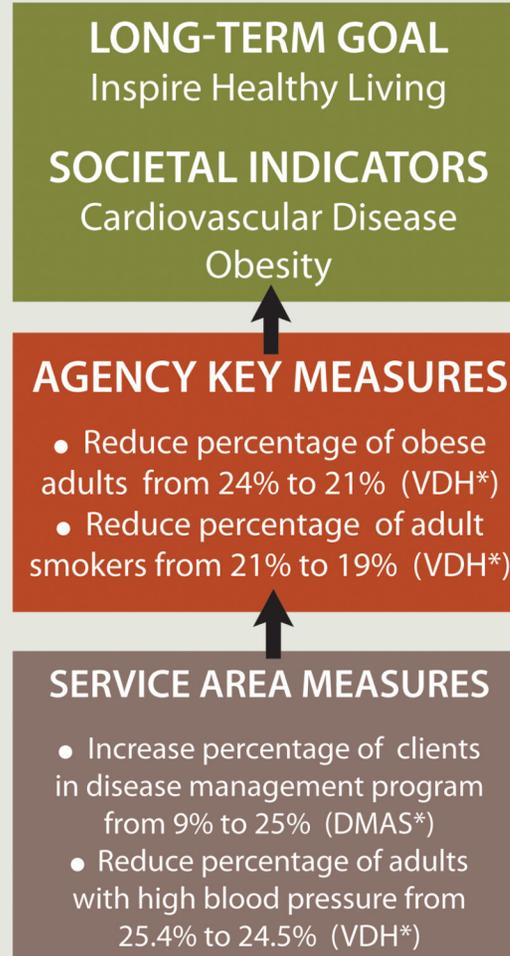
- Implemented a new strategic planning and budgeting approach that included objectives, measures, and targets.
- Established a vision and long-term goals for the Commonwealth.

Virginia Performs Architecture

Charting a Course for Excellence



Health & Family Examples



} How is Virginia doing?

} Are we getting results on our highest priorities?

} What are the expectations for our service areas?

* The acronym VDH stands for the Virginia Department of Health; DMAS stands for the Department of Medical Assistance Services.

Scorecard at a Glance

Scorecard at a Glance

Virginia Performs VISION FOCUS RESULTS

Economy

Goal: Be a national leader in the preservation and enhancement of our economy.

Indicators:

Personal Income/ Wages and Salaries	↑
Poverty	↓
Unemployment	↑
Employment Growth	↑
Workforce Quality	→
Business Climate	↑
Business Startups	↑

Education

Goal: Elevate the levels of educational preparedness and attainment of our citizens.

Indicators:

School Readiness	→
Third Grade Reading	↑
Fourth Grade Reading & Math Achievement	↑
High School Graduation	↑
High School Dropout	↑
College Graduation	↑
Educational Attainment	↑
Lifelong Learning	→

Health & Family

Goal: Inspire and support Virginians toward healthy lives and strong and resilient families.

Indicators:

Family

Adoption	↑
Foster Care	→
Child Abuse & Neglect	→

Community Health

Teen Pregnancy	↑
Obesity	↓
Infant Mortality	→
Suicide	→
Health Insurance	→
Immunization	↑
Cancer	↑
Cardiovascular Disease	↑
Smoking	↑
Life Expectancy	↑

Public Safety

Goal: 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.

Indicators:

Crime	→
Juvenile Intakes	↑
Recidivism (Adult & Juvenile)	→
Traffic Fatalities	↑
Emergency Preparedness	↑

Natural, Historic & Cultural Resources

Goal: Protect, conserve and wisely develop our natural, historical and cultural resources.

Indicators:

Air Quality	↑
Water Quality	→
Solid Waste & Recycling	→
Land Preservation	↑
Historic Resources	→

Transportation

Goal: 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.

Indicators:

Traffic Congestion	↓
Infrastructure Condition	→
Land Use	→

Government & Citizens

Goal: Be recognized as the best-managed state in the nation.

Indicators:

Bond Rating	→
Taxation	↑
Voter Registration & Turnout	→
Consumer Protection	↓
Internet Access	↑

Legend

Performance Trend

↓	Worsening
→	Maintaining
↑	Improving

Indicator Page Content

Why is This Important?

How is Virginia Doing?
Over time
By Region
Compared to other states

What Influences the Indicator?

What is the State's Role?

Are We Making Progress?

	Improving	Maintaining	Losing Ground
Economy			
	Personal Income Unemployment Business Climate Business Startups Employment Growth	Workforce Quality	Poverty
Education			
	3 rd Grade Reading 4 th Grade Reading/Math High School Graduation College Graduation Educational Attainment	School Readiness Lifelong Learning	
Health and Family			
	Adoption Teen Pregnancy Immunization Cancer Cardiovascular Disease Smoking Life Expectancy	Foster Care Child Abuse Infant Mortality Suicide Health Insurance	Obesity
Public Safety			
	Juvenile Intakes Traffic Fatalities Emergency Preparedness	Crime Recidivism	
Natural Resources			
	Air Quality Land Preservation	Water Quality Solid Waste & Recycling Historic Resources	
Transportation			
		Land Use Infrastructure Condition	Traffic Congestion
Government and Citizen			
	Taxation Internet Access	Bond Rating Voting	Consumer Protection

How Are Our Regions Doing?

Indicator	Regions							
	Central	Eastern	Hampton Roads	Northern	Southside	Southwest	Valley	West Central
Economy								
Personal Income	●	●	●	●	●	●	●	●
Poverty	●	●	●	●	●	●	●	●
Unemployment	●	●	●	●	●	●	●	●
Employment Growth	●	●	●	●	●	●	●	●
Business Startups	●	●	●	●	●	●	●	●
Education								
3rd Grade Reading	●	●	●	●	●	●	●	●
High School Graduation	●	●	●	●	●	●	●	●
High School Dropout	●	●	●	●	●	●	●	●
Associate Degree	●	●	●	●	●	●	●	●
Bachelor's Degree	●	●	●	●	●	●	●	●
Health and Family								
Foster Care	●	●	●	●	●	●	●	●
Infant Mortality	●	●	●	●	●	●	●	●
Suicide	●	●	●	●	●	●	●	●
Teen Pregnancy	●	●	●	●	●	●	●	●
Cardiovascular Deaths	●	●	●	●	●	●	●	●
Public Safety								
Property Crime	●	●	●	●	●	●	●	●
Violent Crime	●	●	●	●	●	●	●	●
Traffic Fatalities	●	●	●	●	●	●	●	●

Trend Key:



Improving



Maintaining



Worsening

How Does Virginia Compare to Other States?

Indicator Rank vs. Other States	1-10	11-20	21-30	31-40	41-50
ECONOMY					
Personal Income	✓				
Poverty	✓				
Unemployment	✓				
Employment Growth	✓				
Workforce Quality	✓				
Business Climate	✓				
Business Startups		✓			
EDUCATION					
Fourth Grade Reading	✓				
Fourth Grade Math			✓		
High School Graduation		✓			
High School Dropout	✓				
College Graduation—Bachelor's	✓				
HEALTH & FAMILY					
Teen Births			✓		
Obesity			✓		
Infant Mortality				✓	
Suicide		✓			
Health Insurance		✓			
Immunization	✓				
Cancer Deaths				✓	
Smoking			✓		
PUBLIC SAFETY					
Crime—Violent and Property		✓			
Traffic Fatalities	✓				
NATURAL RESOURCES					
Historic Districts	✓				
TRANSPORTATION					
Traffic Congestion—Commute Time					✓
Infrastructure—Deficient Bridges			✓		
GOVERNMENT & CITIZENS					
Bond Rating	✓				
Taxation	✓				
Voter Turnout				✓	
Internet Access—Digital Government	✓				

Performance-based Budgeting: The Proposed 2008-2010 Budget

Ric Brown
DPB Director

Governor's Proposed 2008-2010 Budget

- Overview
- Review of links between budgeting and performance
- Examples of indicator-to-key measure alignments
- Other examples of performance-based budget decisions (gainsharing, efficiency actions, competition, performance measure development)

Overview: Key Elements of Performance Budgeting (Virginia Performs)

- Agencies have updated and revised their strategic plans
 - Agency plans are informational and aspirational
 - Service area plans are more operational (linked to budget)
- Agencies have articulated performance objectives
 - Key agency objectives for performance management
 - Service area objectives for individual program performance
- Agencies have updated and reported performance data
 - Key agency performance measures
 - Service area performance measures
- All elements are available on the Virginia Performs website

Making Linkages Between Strategic Planning and Performance-based Budgeting

- The relationship among societal-based indicators, state agency key objectives and measures, and service area performance measures may vary:
 - A direct link among all three levels
 - An apparent link between two of the three levels
 - No apparent link



Are Agency Measures Aligned with High-priority Goals?

SOCIETAL INDICATOR				AGENCY		
Indicator	Performance Trend	State Influence	State Ranking	Agency	Key Measure	Baseline/Target
EDUCATION						
Third Grade Reading	↑	●	-	Education	Third graders passing the reading SOL test	84% / 95%
High School Graduation	↑	●	12	Education	High school students exiting with a diploma	74% / 80%
HEALTH AND FAMILY						
Infant Mortality	→	●	34	Medical Assistance Services	Medicaid/FAMIS-covered births at normal birth weight	90% / 92%
Immunization	↑	●	5	Medical Assistance Services	Medicaid two-year olds fully immunized	87% / 90%
ENVIRONMENTAL, HISTORIC, CULTURAL RESOURCES						
Water Quality	→	●	-	Environmental Quality	Nitrogen nutrients discharged in the Chesapeake Bay watershed (lbs.)	25.7M / 24.8M
				Forestry	Harvest sites with no sediment reaching streams	93% / 94%
PUBLIC SAFETY						
Traffic Fatalities	↑	●	10	Transportation	Traffic fatalities	1,071 / 906
Recidivism	→	●	-	Corrections	Recidivism after the Therapeutic Community Treatment Program	13.7% / 13%

Examples of Budget Decision Alignment to Agency Key Measures

HEALTH AND FAMILY						
SOCIETAL			AGENCY			
Indicator	Performance Trend	State Influence	Agency Acronym	Key Measure	Target	Progress
Adoption	↑	●	DSS	Children adopted within 24 months of entering foster care	25%	↑
Foster Care	→	●	DSS	Children adopted within 24 months of entering foster care	25%	↑
			CSA	Proportion of children served at home, in school, and in the community	50%	↑
Child Abuse & Neglect	→	●	DSS	Children experiencing repeat child abuse or neglect within 6 months	1.5%	↑
			VDH	Infant mortality rate (per 1,000 live births)	7.0	→

Children's Initiatives

- Increase maintenance payments to foster homes and funding for adoption subsidies.
- Increase recruitment and retention of foster parents and improve training.
- Implement monthly visits to foster care families.
- Provide incentives for community-based care through the Comprehensive Services Act (CSA).
- Improve outcome data on children served by the CSA.
- Enhance child welfare worker training.
- Increase outpatient mental health services for children.

Examples of Budget Decision Alignment to Agency Key Measures

HEALTH AND FAMILY						
SOCIETAL			AGENCY			
Indicator	Performance Trend	State Influence	Agency Acronym	Key Measure	Baseline / Target	Progress
Infant Mortality	→	●	VDH	Infant mortality rate (per 1,000 live births)	7.4 / 7.0	→
			VDH	Two-year old children appropriately immunized	84% / 90%	↓
			DMAS	Two-year old children in FAMIS / Plus appropriately immunized		
			DMAS	Medicaid/FAMIS-covered births at normal birth weight	90% / 92%	↓
Health Insurance	→	●	DMAS	FAMIS- & FAMIS Plus-enrolled children utilizing dental services	30.4% / 40%	↑
			DMAS	Well-child visit rate	51% / 70%	↓
			DMAS	Medicaid long-term care spending for home & community services	34.4% / 38%	↑
			DMAS	SCHIP Medicaid expansion-enrolled children utilizing dental services	30.4% / 40%	↑
			DMAS	EPSDT well-child screenings	23% / 50%	↑
			Cancer	↑	●	VDH
VDH	Youth who smoke					

Expand Health Care Access

- Provide additional funding for community-based health safety net providers.
- Support the purchase of additional equipment for the Mission of Mercy dental project.
- Expand eligibility for prenatal coverage from 185 to 200 percent of Federal poverty level.
- Provide more free cancer screening and diagnostic tests for uninsured women.
- Increase health insurance coverage for the uninsured who work in small businesses.
- Provide funding for uninsured medical catastrophes.
- Expand coverage for newborns under FAMIS.

Other Examples of Performance-based Budget Decisions: Gainsharing

Virginia Employment Commission information technology system

- Funds made available for upgrading obsolete information technology systems. Savings as a result of the new systems are to be retained by the Commission.

Central Accounts Compensation and Benefit Supplement

- The Department of Human Resource Management to explore options within the state employee health insurance plan to promote value-based health choices:
 - Create greater employee satisfaction with lower overall health care costs in the program.
 - Savings associated with initiative to be used toward funding state employee salary or fringe benefit cost increases.

Merging Charitable Gaming with Agriculture and Consumer Services

- The Department of Charitable Gaming is merged with the Department of Agriculture and Consumer Services beginning in FY2009. The salary for an agency head has been eliminated in the budget. Other savings, if any, will be retained by the new merged Department to promote customer service.

Other Examples of Performance-based Budget Decisions: Efficiency Actions

- Continues funding for the Productivity Investment Fund to promote productivity and efficiency efforts in state agencies (\$3.4 million for the biennium).
- Language directing the Virginia Enterprise Application Program with the assistance of other central agencies to examine the expansion of payroll service and fiscal service bureaus.
- Provides for the distribution of the Executive Budget Document in an electronic format rather than a printed document.

Other Examples of Performance-based Budget Decisions: Promoting Competition

\$10.5 million to the Commonwealth Technology Research Fund (CTRF) to:

- Enhance research opportunities at public higher education institutions that indicate a promising return of economic development.
- CTRF grant committee to base funds allocations on research proven to best translate into economic development.

Other Examples of Performance-based Budgeting Decisions: Performance Measure Development

- Expand monitoring and accountability of Community Services Boards - \$875,000
 - Creates four positions to develop core standards and service improvement plans related to services provided through local community services boards. The addition of these positions will allow for better oversight and monitoring of recent community-based service expansion.
- Collect outcome data on children served by the Comprehensive Services Act - \$277,000
 - Provides funding for the purchase and maintenance of a data tool that will allow the agency to better coordinate information related to a uniform assessment instrument. The ability to track outcome data for children served through the Comprehensive Services Act will aid localities in providing effective services in the most appropriate setting.
- Create the Quality Rating and Improvement System (QRIS) - \$4,600,000
 - Assignment of a quality rating from one to five stars to any program, public or private, that receives state pre-K funds will ensure high quality programs and will serve as a valuable tool for parents in school selection.

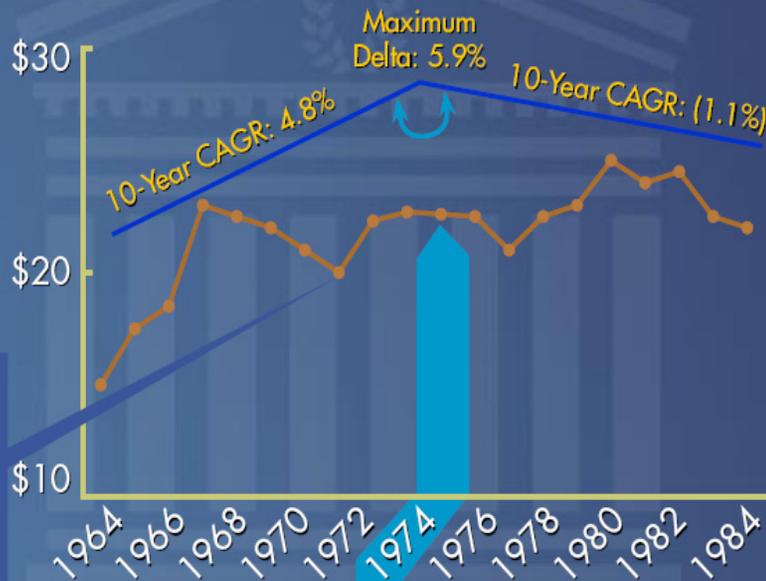
Productivity Initiative: Opportunities for Improvement and Innovation

Aneesh Chopra
Secretary of Technology

A Company-by-Company Search for Stall Points

Kodak's Revenue in Billions of U.S. Dollars

1964-1984*



The stall point identification process compares 10-year growth rates preceding and following each year in a company's history...

Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1987	1979
10 Prior Years	4.2%	3.9%	3.6%	4.3%	4.8%	4.8%	3.8%	3.1%	0.3%	0.5%	1.1%
10 Next Years	1.1%	2.6%	2.3%	1.7%	0.0%	(1.1%)	(1.7%)	(1.2%)	(0.2%)	1.1%	1.0%
Stall Delta	3.1%	1.3%	1.3%	2.6%	4.8%	5.9%	5.5%	4.3%	0.5%	(0.6%)	0.2%

...pinpointing 1974 as the year that captures Kodak's stalling growth rate most accurately.

Questions Addressed by the Analysis

- ✓ When do large firms stall in their revenue growth performance?
- ✓ Are there "early warning" signs of impending revenue stalls?
- ✓ What are the valuation consequences of a revenue stall?
- ✓ How likely is it that a large firm can recapture healthy top-line growth?
- ✓ Are revenue stalls created by factors largely outside the control of managers?
- ✓ What strategy issues are most important to large firm growth fortunes?

Source: Standard & Poor's Compustat data; Corporate Strategy Board research.

Lesson 5: Most Stalls Are Controllable

Frequency of Observed Stall Factors

Uncontrollable Factors (12% of Total)

Contextual Factors (12%)

- Regulatory Actions
- Economic Downturn
- Labor Market Inflexibility
- Geopolitical Context

Counting the Causes

Of the 170 incidences of stall factors underlying the 50 revenue stalls, 88% link to controllable choices of management teams and 70% involve strategy decisions.

Controllable Factors (88% of Total)

Strategic Factors (70%)

- Premium Position Captivity
- Innovation Management Breakdown
- Failed Acquisition
- Premature Core Abandonment
- Key Customer Dependency
- Strategic Diffusion/ Conglomeration
- Failed International Expansion
- Adjacency Failures
- Voluntary Growth Slowdown

Organizational Factors (18%)

- Talent Bench Shortfall
- Organization Design
- Incorrect Performance Metrics
- Board Inaction

Key factors for Virginia Agencies

Enterprise Solutions Group: A Model to Spur Innovation and Productivity in State Government

ESG Mission

Partner with state agencies to:

- identify, catalyze and implement innovative solutions
- enable a simpler and more effective government for the benefit of the citizens of the Commonwealth

Approach

- Lean direct staffing; leverage agency and/or external resources where appropriate
- Manage deployment of the Productivity Investment Fund (PIF), which is \$3MM in “seed capital” created to catalyze innovative projects that support one or more key outcomes

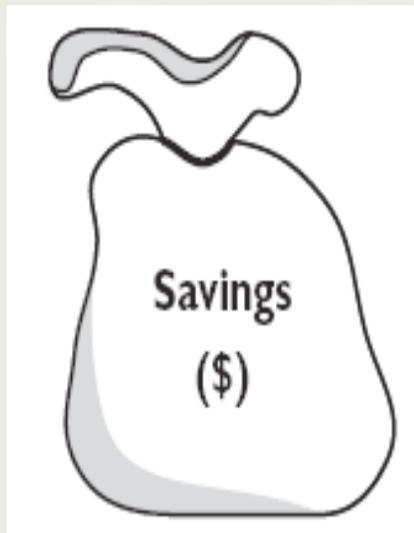
Key Outcomes

- Improve the constituent experience (e.g., better results, shorter transaction times, reduced constituent expenses)
- Increase government operating efficiency
- Advance Governor’s key agency performance objectives

www.innovations.vi.virginia.gov

Policy Incentives, Leadership Training Critical to Success

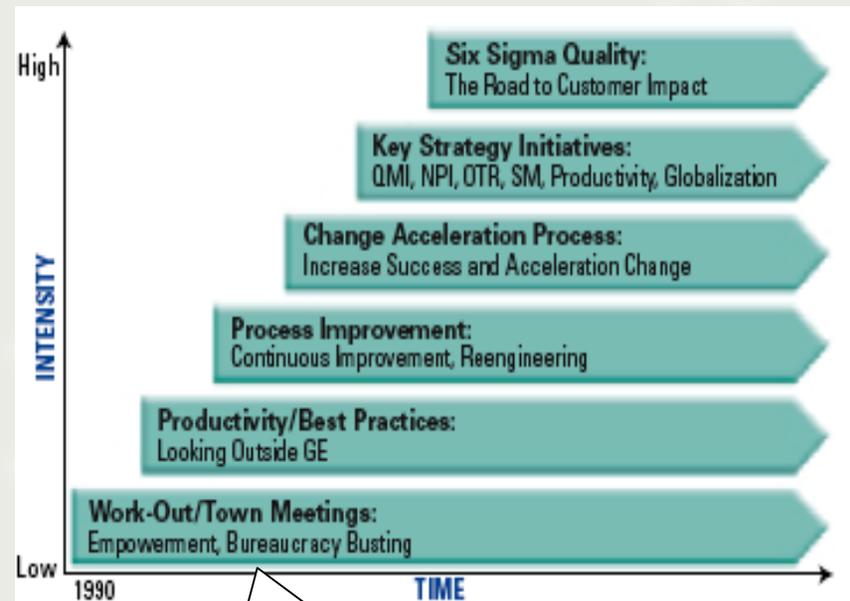
Gainsharing *Savings Distribution*



% savings retained by agency to redeploy for higher-yielding activities

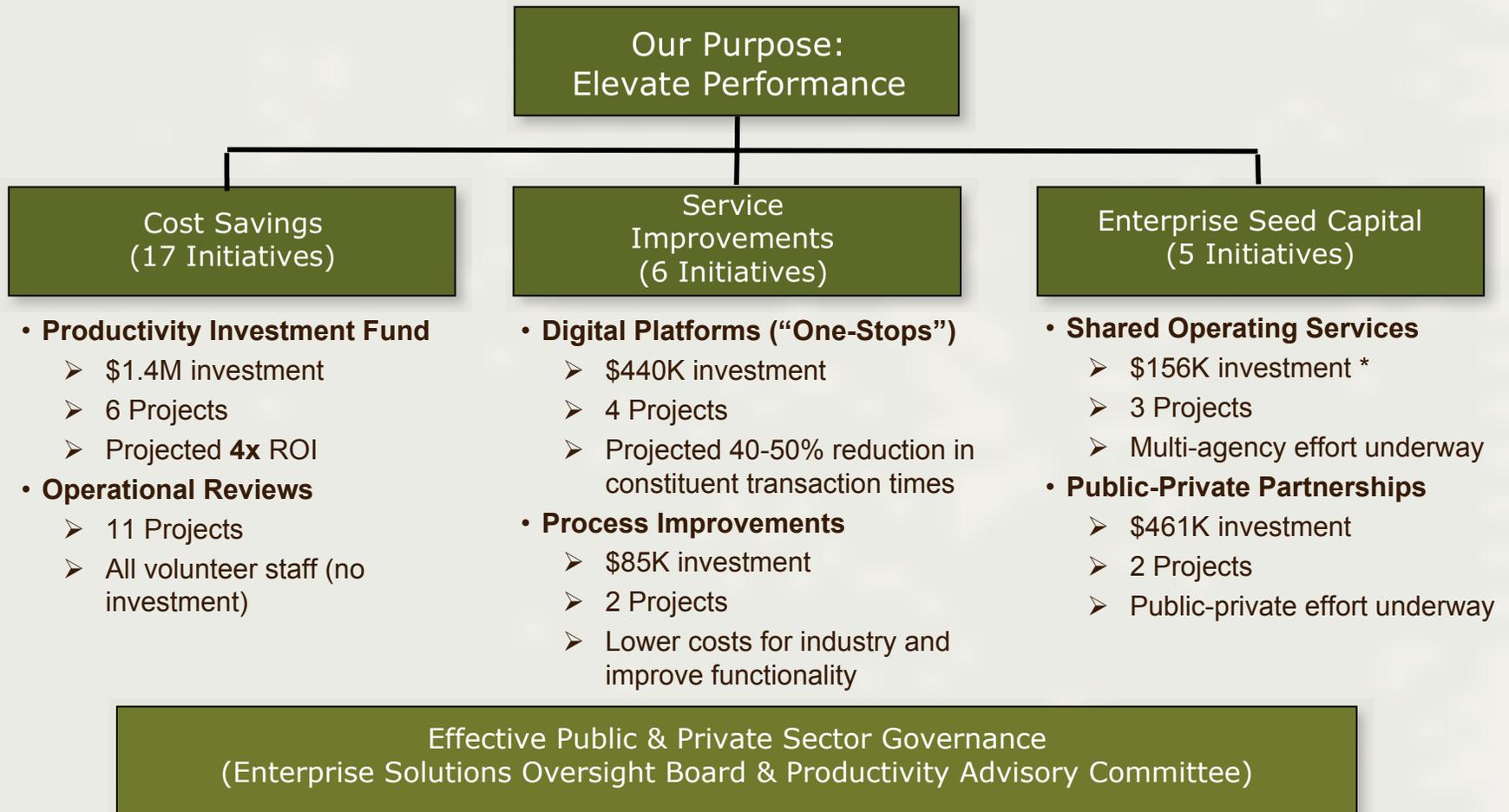
% re-distributed through Commonwealth's General Fund

Performance Training *GE "Workout" Methodology*



Genworth generously invited **5** high potential leaders to join in training in **2007**; goal to develop Commonwealth approach and scale to **50** leaders with rigorous implementation accountability

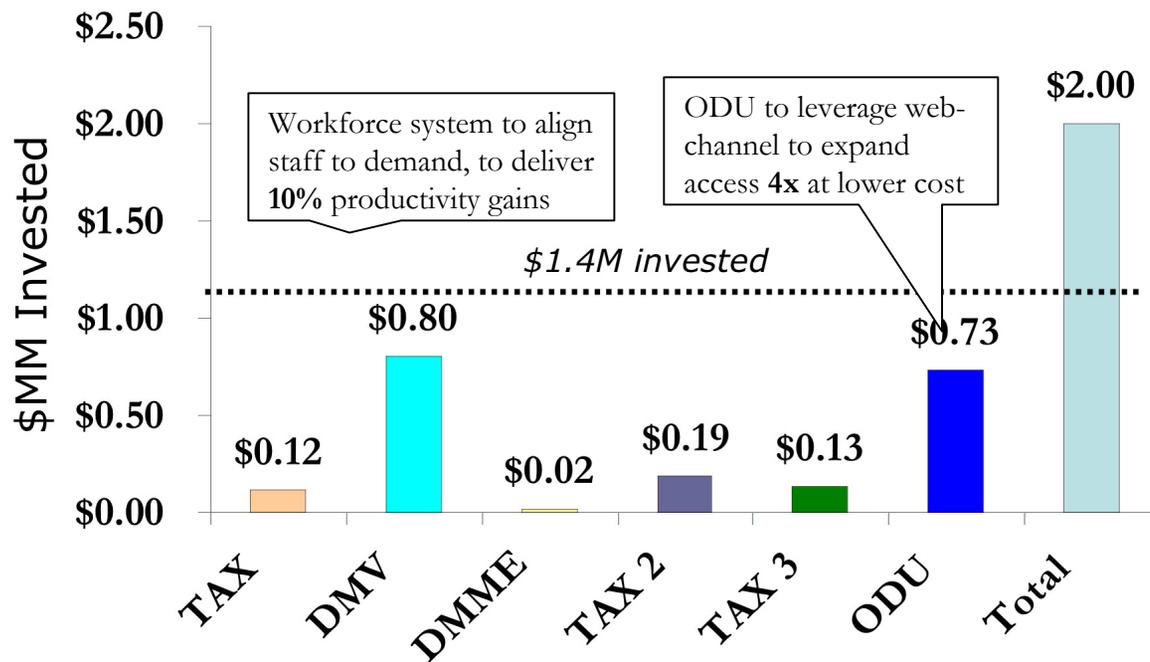
Portfolio Management Approach to Effectiveness and Efficiency Investments



*Does not include \$11M dedicated towards VEAP Project Planning

Cost Savings Portfolio: Expected to Return 4x ROI within 3 Years

Annualized Savings Potential – Base Case



Productivity Investment Fund in Brief

Capital: Governor Kaine established **\$3M** fund to simplify government operations.

Goals: In addition to **operating cost savings**, PIF encourages agencies to **lower constituent transaction time** and advance the Governor's **key performance measures**.

Portfolio: Across two rounds, we have invested **\$1.4M** to fund the following savings initiatives:

- Dept of Tax: Image Cash Letter
- DMV: Workforce Mgmt System
- DMME: Field GIS
- Tax 2: Corporate E-File
- Tax 3: Eliminate Vouchers
- ODU: VIDEO-D-U

Using the base case, the 3-year return per dollar invested is approximately \$4.

Leveraging Digital Platforms to Improve Service

Pilot Project

Description

Business One Stop

New website designed to streamline myriad forms required to start a new business in Virginia and avoid data entry duplication; of **37** most common forms, **445** data fields include **324** duplicates

Turbo-Vet

New website designed to streamline federal veteran's benefits application; current veteran wait times of **240 days** for final answer expected to fall to **100 days** through more accurate submissions

Mining Permit e-Forms

New web-based multi-year mining permit process will reduce **90** day wait time to **14** days; DMME will also begin accepting **digital signatures** further lowering industry regulation costs

Streamlined Application Processes

New web-based **Medicaid** application for aged, blind and disabled to dramatically lower time to determine eligibility; current **90** day period to fall to **45** days; an enhanced **Employment Commission** website will ensure more accurate applications **lowering review time**

\$525K investment should lower constituent transaction time 40-50%, saving citizens time and money.

Seed Capital to Plan for Streamlined Enterprise Operations

Governor's Agenda Enterprise Initiatives

Portfolio

Shared Operating Services

- **Virginia Enterprise Applications Partnership (VEAP)**— a shared service approach to lowering “back-office” operating costs
- **“Paperless Government”** – an enterprise standard to convert paper records into an automated workflow
- **e-Payments** – an enterprise approach to convert paper checks to electronic payment systems

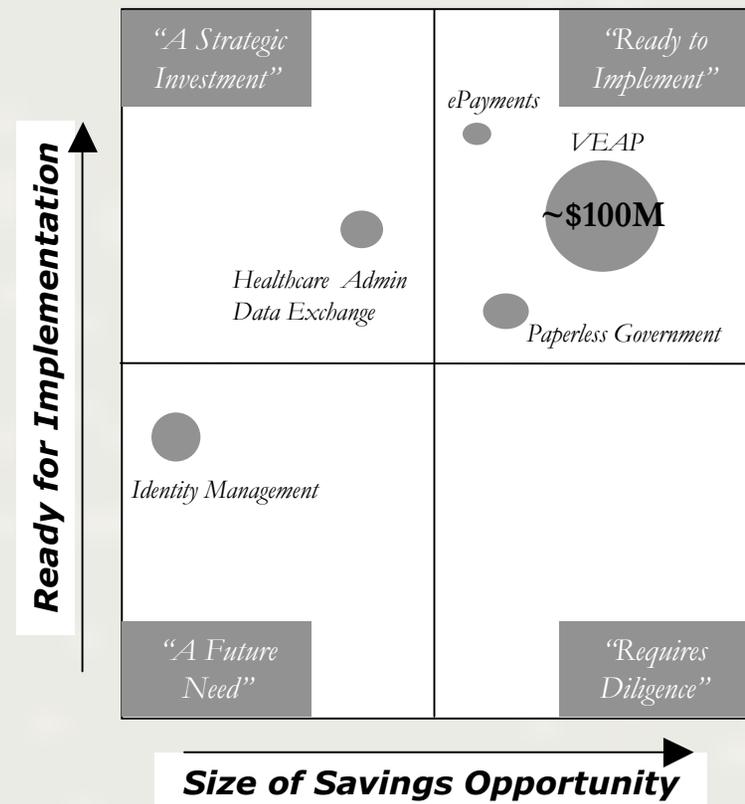
Public-Private Partnerships

- **Healthcare Administrative Data Exchange**— a public-private partnership to streamline healthcare administrative costs through data exchange
- **Identity Management**— a review of existing identity management activities to assess viability of public-private Real-ID leveraged shared service

\$617K investment yielded four viable projects.

**Separately funded and project launched*

Mapping Opportunities By Size of Implementation Cost



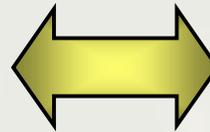
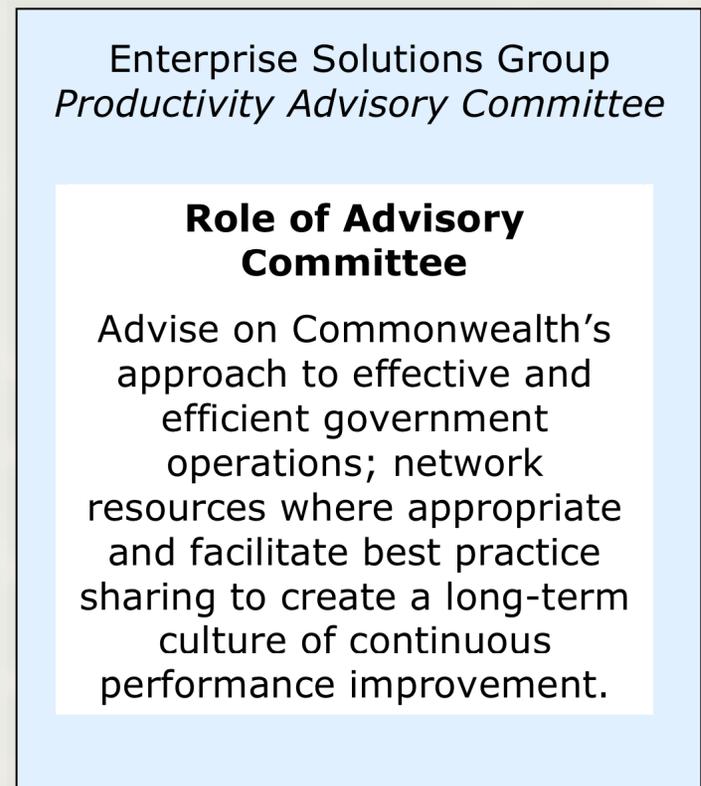
● Denotes Size of Investment Cost at Full Implementation

Simplifying Operations by Linking Public and Private Sector Experts

Public Sector



Private Sector



Innovative Ideas: Four Strategic Levers

Lever	Description
<i>Personalized Government</i>	Agencies build processes from the perspective of key customer segments ; goal to streamline transaction time , especially across related agencies
<i>Shared Operating Services</i>	Agencies consolidate a set of “ non-core ” activities which are common across the enterprise; goal to free resources to focus on core mission
<i>Digital Government</i>	Agencies drive more online transaction volume , digitize additional transaction processes, and design online experiences based on the needs of specific customer segments; goal to leverage low-cost service channel
<i>Business Intelligence</i>	Agencies leverage multiple data sets to allocate (limited) resources where needed; goal to advance key objectives through elevated staff productivity

Virginia Professor Removes Arsenic for 99% Less Than Market Rate

An Inspired Dream



Public Sector Innovation

Goal: Develop low-cost method to remove arsenic from water; 10+ million people suffer without treatment

Solution: A simple, maintenance-free system that uses sand, charcoal, bits of brick and shards of a type of cast iron; each filter has 20 pounds of porous iron, which forms a chemical bond with arsenic

Results: GMU Professor Abul Hussam wins \$1M Grainger Prize for \$40 solution; donates 70% to buy filters for Third World

