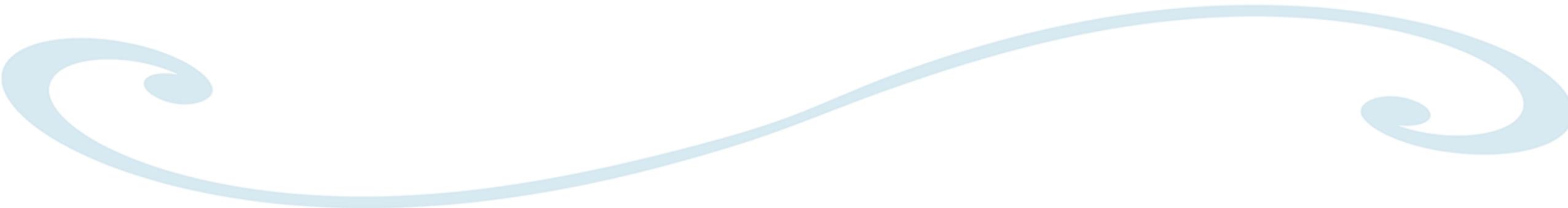

Update



OCTOBER 3, 2011

JANE N. KUSIAK
EXECUTIVE DIRECTOR

Outline

Update

- Overview
 - Virginia Performs Scorecard
 - From Assessment to Positive Change
 - Performance Management
- Jane Kusiak
 - Ric Brown

Overview



Purpose of the Council on Virginia's Future

- Created in fiscal year 2003 (Code of Virginia, § 2.2-2683 et seq.), the Council serves as an advisory board to the Governor and the General Assembly, and is a forum where legislative, executive branch, and community leaders come together for work that transcends election cycles, partisanship, organizational boundaries, and short-term thinking.
- The Council:
 - Provides a long-term focus on high-priority issues.
 - Creates an environment for improved policy and decision-making.
 - Increases government accountability, operations, and performance.
 - Informs citizens about performance and engages them in dialogue about Virginia's future.

Council Membership

The Honorable Robert F. McDonnell, Chair
Governor, Commonwealth of Virginia

The Honorable William T. Bolling
Lieutenant Governor, Commonwealth of Virginia

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

General Assembly Members

Citizen and Business Community Leaders

The Honorable Ward L. Armstrong
Minority Leader, Virginia House of Delegates

The Honorable William D. Euille
Mayor, City of Alexandria

The Honorable Charles J. Colgan
President *pro tempore* & Chairman, Senate Finance Committee, Senate
of Virginia

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

The Honorable M. Kirkland (Kirk) Cox
Majority Leader, Virginia House of Delegates

Mr. Edward W. Gillespie
Principal & Founder, Ed Gillespie Strategies

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

Mr. Harris N. Miller
President & CEO, Harris Miller and Associates

The Honorable Yvonne B. Miller
Member, Senate Finance Committee,
Senate of Virginia

Dr. Edward G. Murphy
Associate, Towerbrook Capital Partners, L.P.

The Honorable Thomas K. Norment, Jr.
Minority Leader, Senate of Virginia

The Honorable Michael J. Schewel
Partner, McGuireWoods LLP

The Honorable Lacey E. Putney
Chairman, House Appropriations Committee, Virginia House of
Delegates

Cabinet Members

The Honorable Richard L. Saslaw
Majority Leader, Senate of Virginia

The Honorable Richard D. Brown
Secretary of Finance

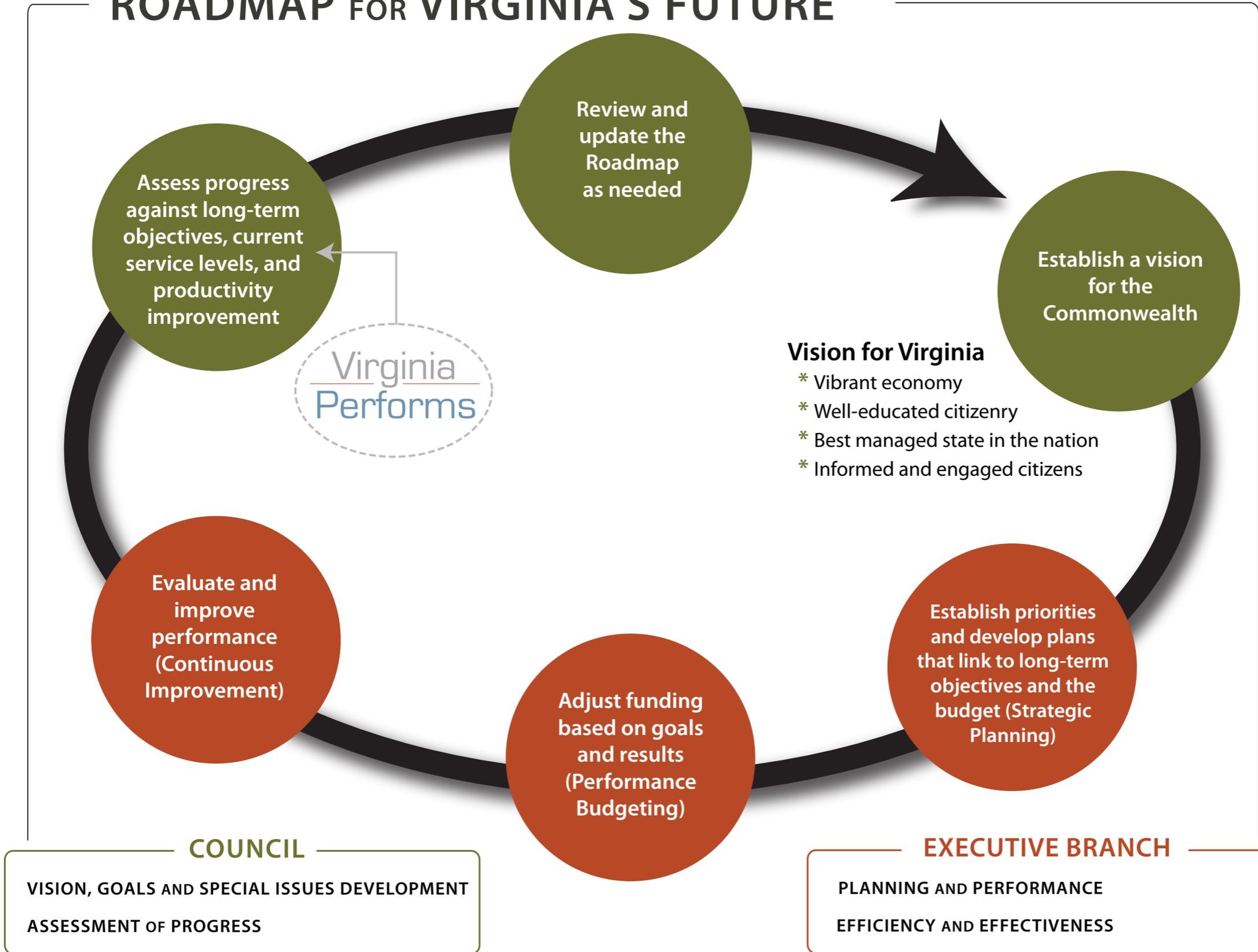
The Honorable Martin L. Kent
Chief of Staff to Governor Robert F. McDonnell

Council support provided by the Weldon Cooper Center for Public Service at the University of Virginia and the Virginia Department Planning and Budget, in cooperation with the Governor's Office.

Guiding Principles

- 
- Early in its development, the Council established a number of guiding principles:
- Focus research and dialogue on the drivers of high-level outcomes, not on development or implementation of specific strategies or policies
 - Provide a forum for dialogue and assessment, not budget decision-making
 - Share accountability, with Council concentration on the Scorecard (societal-level indicators) and Executive Branch concentration on enterprise and agency plans and measures

ROADMAP FOR VIRGINIA'S FUTURE



Virginia Performs Architecture

Charting a Course for Excellence



2011 Areas of Focus



COUNCIL

Partnership

EXECUTIVE BRANCH

| Roadmap and Special Issues Development | Assessment | Enterprise | Agency |
|---|---|---|--------|
| <ul style="list-style-type: none"> • Continue to focus on high-priority issues: <ul style="list-style-type: none"> ▶ Economic Growth ▶ Ongoing collaboration with high-level commissions and advisory groups • Continue development and evaluation of Virginia Performs • Support further development of the enterprise level and IT business plans | <ul style="list-style-type: none"> • Continue to enhance Virginia Performs: <ul style="list-style-type: none"> ▶ Ongoing refinement of societal-level data ▶ Regional views ▶ Drivers of economic growth | <ul style="list-style-type: none"> • Strengthen the performance management and productivity improvement structure <ul style="list-style-type: none"> ▶ Complete implementation of the Performance Budgeting System, including the strategic planning module ▶ Integrate enterprise strategies and high-level priorities into agency planning processes ▶ Integrate the new Executive Progress Report approach into agency planning ▶ Solidify the future direction of the Productivity Investment Fund ▶ Formalize appropriate incentives to promote cost-saving projects in and across agencies | |

Measuring what matters to Virginians

Virginia Performs



How is Virginia Doing?

Are We Getting Results on Our Highest Priorities?

Are We Improving Government Services and Operations?

Evolution of Virginia Performs

--- Council ---

--- Executive Branch ---

| Level | Implementation Phase (2004-2009) | Current Status | Next Steps (2011-2013) |
|--|---|--|---|
| Societal How Is Virginia Doing? | <ul style="list-style-type: none"> Developed Virginia Performs, which integrated societal and agency-level views Focused on educational attainment Developed Hampton Roads Performs | <ul style="list-style-type: none"> Continuing to refine the societal-level system | <ul style="list-style-type: none"> Focus on economic growth; identify and track the critical few drivers of economic growth |
| Enterprise Are We Getting Results on Our Highest Priorities? | <ul style="list-style-type: none"> Established agency key measure platform to recognize high-priority objectives and targets | <ul style="list-style-type: none"> Developing a more comprehensive enterprise level strategic planning platform that identifies priorities and strategies which transcend secretarial and agency boundaries | <ul style="list-style-type: none"> Solidify enterprise level and ensure that measures and targets are established for high-priority issues Develop reporting capabilities to support ongoing assessment and progress |
| Agency Are We Improving Government Services and Operations? | <ul style="list-style-type: none"> Restructured state budget to support performance link Launched comprehensive strategic planning system Strengthened the focus on agency outcomes and results Began development of a new enterprise planning and performance budgeting system Created the Productivity Investment Fund | <ul style="list-style-type: none"> Continuing to assess and evaluate strategic planning process and metrics Completing implementation of the first phase of the Performance Budgeting System Providing ongoing agency training and technical assistance Supporting agency-level reengineering through the Productivity Investment Fund | <ul style="list-style-type: none"> Continue integration of enterprise priorities into agency planning Fully implement the Performance Budgeting System, including strategic planning Integrate the new Executive Progress Reports into agency strategic planning processes Continue training and technical assistance Determine the future direction of the Productivity Investment Fund |

Council Products

Information / Business Intelligence



Virginia Performs website: User-friendly data at state, region and locality levels; portal to state agency strategic plans and performance measures

Analysis, Dialogue & Recommendations

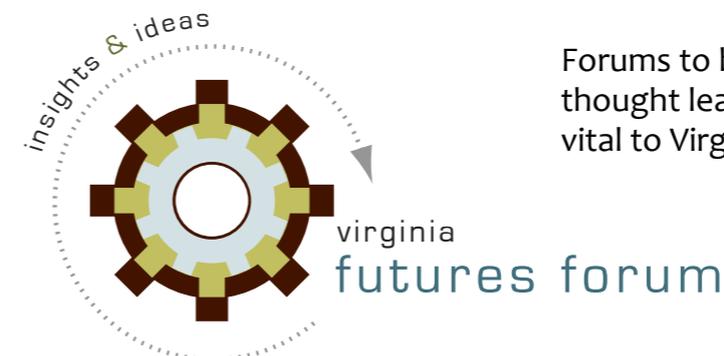


Publications and Research:

1. Outcome data by legislative district compiled for members of the General Assembly
2. White papers and custom presentations on key topics
3. Council e-newsletter with updates on the Roadmap and special issues, assessment, performance, and productivity improvement



The Virginia Report: Annual report with high-level assessment of Virginia's progress in areas important to quality of life; highlights challenges and provides analytic information for decision-making



Forums to bring together thought leaders on issues vital to Virginia

Virginia Performs Scorecard



Keeping the Scorecard Current

- Our indicators track progress over time, compared to other states, and by regions within Virginia.
- Every indicator is updated on a regular basis as data becomes available.
- We continue to add indicators and specific measures that improve assessment of our progress toward long-term goals.
- A team of economists at the Weldon Cooper Center of the University of Virginia takes the lead in data collection and analysis.

SCORECARD AT A GLANCE

"Measuring what matters to Virginians."

Economy

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

| | |
|-------------------|---|
| Business Climate | ↑ |
| Business Startups | → |
| Employment Growth | → |
| Personal Income | ↓ |
| Poverty | ↓ |
| Unemployment | ↓ |
| Workforce Quality | ↑ |

Education

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

| | |
|------------------------|-----|
| School Readiness | ↑ |
| 3rd Grade Reading | ↻ → |
| 4th Grade Reading/Math | ↻ → |
| High School Graduation | ↑ |
| High School Dropout | ↻ → |
| College Graduation | ↑ |
| Educational Attainment | ↑ |
| Lifelong Learning | → |

Health and Family

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

| | |
|-------------------------|-----|
| Adoption | ↻ → |
| Cancer | ↑ |
| Cardiovascular Disease | ↑ |
| Child Abuse and Neglect | ↑ |
| Foster Care | ↑ |
| Health Insurance | ↓ |
| Immunization | ↻ ↓ |
| Infant Mortality | ↑ |
| Life Expectancy | ↑ |
| Obesity | ↓ |
| Smoking | ↻ ↓ |
| Suicide | ↓ |
| Teen Pregnancy | ↑ |

Public Safety

Goal: Protect the public's safety and security, ensure a fair and effective system of justice, and provide a prepared response to emergencies and disasters of all kinds.

| | |
|------------------------|---|
| Crime | ↑ |
| Emergency Preparedness | ↑ |
| Juvenile Intakes | ↑ |
| Recidivism | ↑ |
| Traffic Fatalities | ↑ |

Natural Resources

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

| | |
|---------------------------|-----|
| Air Quality | ↑ |
| Energy | → |
| Historic Resources | → |
| Land Preservation | ↑ |
| Solid Waste and Recycling | ↻ ↑ |
| Water Quality | ↑ |

Transportation

Goal: Ensure Virginia has a transportation system that is safe, enables the easy movement of people and goods, enhances the economy, and improves our quality of life.

| | |
|--------------------------|-----|
| Infrastructure Condition | ↻ → |
| Land Use | → |
| Traffic Congestion | ↓ |

Each topic covers:

- 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?

Government & Citizens

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

| | |
|------------------------------|-----|
| Bond Rating | ↑ |
| Civic Engagement | → |
| Consumer Protection | ↓ |
| Government Operations | ↑ |
| Internet Access | ↑ |
| Taxation | → |
| Voter Registration & Turnout | ↻ ↑ |

Performance Trend

| | | | |
|-------------|---|----------|---|
| Improving | ↑ | Trend | ↻ |
| Maintaining | → | prior to | ↻ |
| Worsening | ↓ | 8/2011 | ↻ |



Scorecard Changes

| Indicator | Previous Trend | Current Trend | Comment |
|--------------------------------|----------------|---------------|--|
| Improving Trends | | | |
| Solid Waste and Recycling | → | ↑ | Since 2006, the amount of solid waste has been steadily declining and recycling rates (adjusted for source reduction programs) have increased slightly. |
| Voter Registration and Turnout | → | ↑ | Both voter registration and participation have improved since 2004. Compared to 2004, voter registration in 2009 and 2010 was up more than two percentage points. |
| Infrastructure Condition | ↓ | → | The percentage of functionally obsolete or structurally deficient bridges decreased slightly in 2010 compared to the previous two years, but road pavement conditions deteriorated between 2007 and 2009. |
| Declining Trends | | | |
| 3rd Grade Reading | ↑ | → | Following several years of improvement in the percentage of children passing the SOL Third Grade Reading Exam, the pass rate fell in the 2009-2010 and 2010-2011 academic years. |
| 4th Grade Reading and Math | ↑ | → | Both reading and math scores decreased slightly between 2007 and 2009 but have remained fairly steady since 2005. |
| High School Dropout | ↑ | → | Based on the new longitudinal data, the dropout rate increased slightly in 2010 compared to 2009 but is still below the rate for 2008. |
| Adoption | ↑ | → | While the adoption rate was higher in 2010 compared to 2006, the rate decreased slightly in 2009 and 2010. |
| Immunization | ↑ | ↓ | Vaccination rates among children 19-to-35 months old improved until 2006 and then started to decline. Among people over 65, pneumonia and flu vaccination rates have been uneven. Flu vaccination rates declined between 2007 and 2010 while pneumonia vaccination rates increased slightly. |
| Smoking | ↑ | ↓ | Smoking rates were higher in 2009 and 2010. Moreover, smoking rates were higher in 2009 compared to 2008 for all education levels and almost every age category. |

How Does Virginia Compare to Other States?*

| INDICATOR RANK | 1-10 | 11-20 | 21-30 | 31-40 | 41-50 | INDICATOR RANK | 1-10 | 11-20 | 21-30 | 31-40 | 41-50 |
|----------------------------|------|-------|-------|-------|-------|------------------------------------|------|-------|-------|-------|-------|
| ECONOMY | | | | | | EDUCATION | | | | | |
| Business Climate | ● | | | | | College Graduation (4-Year) | ● | | | | |
| Business Startups | | | ● | | | College Graduation (2-Year) | | ● | | | |
| Employment Growth | | ● | | | | 4th Grade Reading | ● | | | | |
| Personal Income | ● | | | | | 4th Grade Math | | ● | | | |
| Poverty | ● | | | | | High School Dropout | | ● | | | |
| Unemployment | ● | | | | | PUBLIC SAFETY | | | | | |
| Workforce Quality | ● | | | | | Emergency Preparedness | ● | | | | |
| HEALTH & FAMILY | | | | | | Property Crime | | ● | | | |
| Cancer Deaths | | | ● | | | Violent Crime | ● | | | | |
| Cardiovascular Disease | | | ● | | | Traffic Fatalities | | ● | | | |
| Health Insurance | | ● | | | | TRANSPORTATION | | | | | |
| Immunization (Childhood) | | | ● | | | Infrastructure (Deficient Bridges) | | | ● | | |
| Infant Mortality | | | | ● | | Traffic Congestion (Commute Time) | | | | | ● |
| Obesity | | ● | | | | GOVERNMENT & CITIZENS | | | | | |
| Smoking | | | | ● | | Bond Rating | ● | | | | |
| Suicide | | ● | | | | Charitable Giving | | | | ● | |
| Teen Pregnancy | | ● | | | | Consumer Protection (Fraud) | | | | | ● |
| NATURAL RESOURCES | | | | | | Internet Access (Broadband) | | | | ● | |
| Historic Districts | ● | | | | | Taxation (State and Local) | | ● | | | |
| Energy | | | ● | | | Voter Turnout | | ● | | | |

* Rankings between 1 and 10 denote top national performance.

Updated 09/19/2011

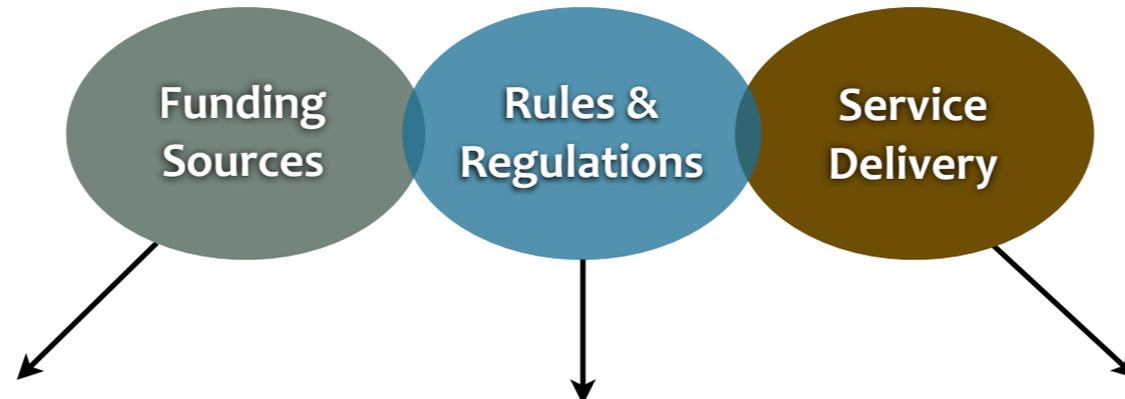
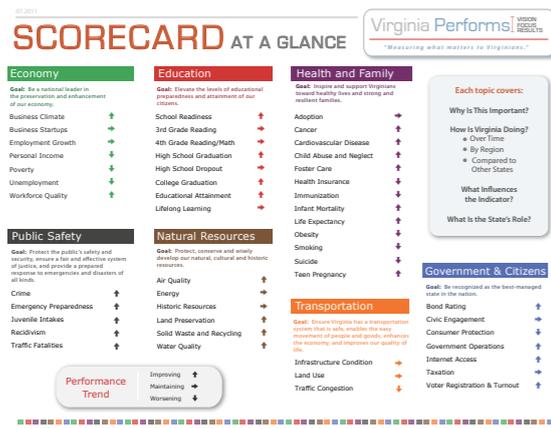
From Assessment to Positive Change



From Assessment to Positive Change

- Understanding the complexity of change:
 - Funding flows matter
 - Relationships among outcomes matter
 - Regional variations matter
- Investing in strong analytics
 - Educational Attainment
 - Regional Perspectives
 - Economic Growth (kick off today)
- Providing effective performance management

Understanding the Complexity of Change



- Both private and public forces affect societal outcomes.
- Government, by its nature, is multi-layered and complex, with responsibility for key outcomes shared among agencies and levels of government.
- About 52 percent of the state's general fund budget for fiscal year 2009 was aid to localities.
- Accountability systems sometimes operate at a different level than rules, regulations, and funding.
- Accountability for outcomes is often weakened and diffused when the service or program has multiple funding sources, and the links between performance and funding are sometimes limited.

Funding Flows Matter

Government Spending by Functional Area, FY 2009 (in billions unless otherwise specified)

Federal Government Total Spending: \$3.4 trillion

| Total Health & Social Services 31.1% \$1,075.4 | | | | | Defense | Debt Service | Econ. Affairs | Other | Education | Gen'l Gov. |
|---|------------------------|-----------------|---------------------|-----------------|---------|--------------|---------------|---------|-----------|------------|
| Income Security | Social Services | Medicare | Other Health | Medicaid | | | | | | |
| 28.3% | 5.5% | 14.5% | 3.9% | 7.1% | 19.3% | 7.4% | 4.4% | 3.3% | 3.1% | 3.1% |
| \$977.6 | \$191.0 | \$502.3 | \$135.1 | \$247.0 | \$668.0 | \$254.0 | \$153.3 | \$112.9 | \$108.6 | \$107.8 |

Commonwealth of Virginia ¹ Total Spending: \$38.8 billion ²

| Total Education 34.8% \$13.5 | | Total Health & Social Services 27.8% \$10.8 | | | (includes \$8.3 of federal support for state & local governments) | | | | | |
|---------------------------------|------------------------------|--|---------------------|------------------------|---|---------------------|-------------------------------------|--------------|------------------------|------------------|
| K-12 Education | Higher Ed & Other | Medicaid | Other Health | Social Services | Transportation | General Gov. | Public Safety & Judicial | Other | Income Security | Debt Svc. |
| 18.6% | 16.2% | 15.7% | 6.4% | 5.6% | 10.6% | 9.3% | 6.8% | 6.5% | 3.2% | 1.2% |
| \$7.2 | \$6.3 | \$6.1 | \$2.5 | \$2.2 | \$4.1 | \$3.6 | \$2.6 | \$2.5 | \$1.2 | \$0.4 |

Virginia's Local Governments ¹ Total Spending: \$32.1 billion

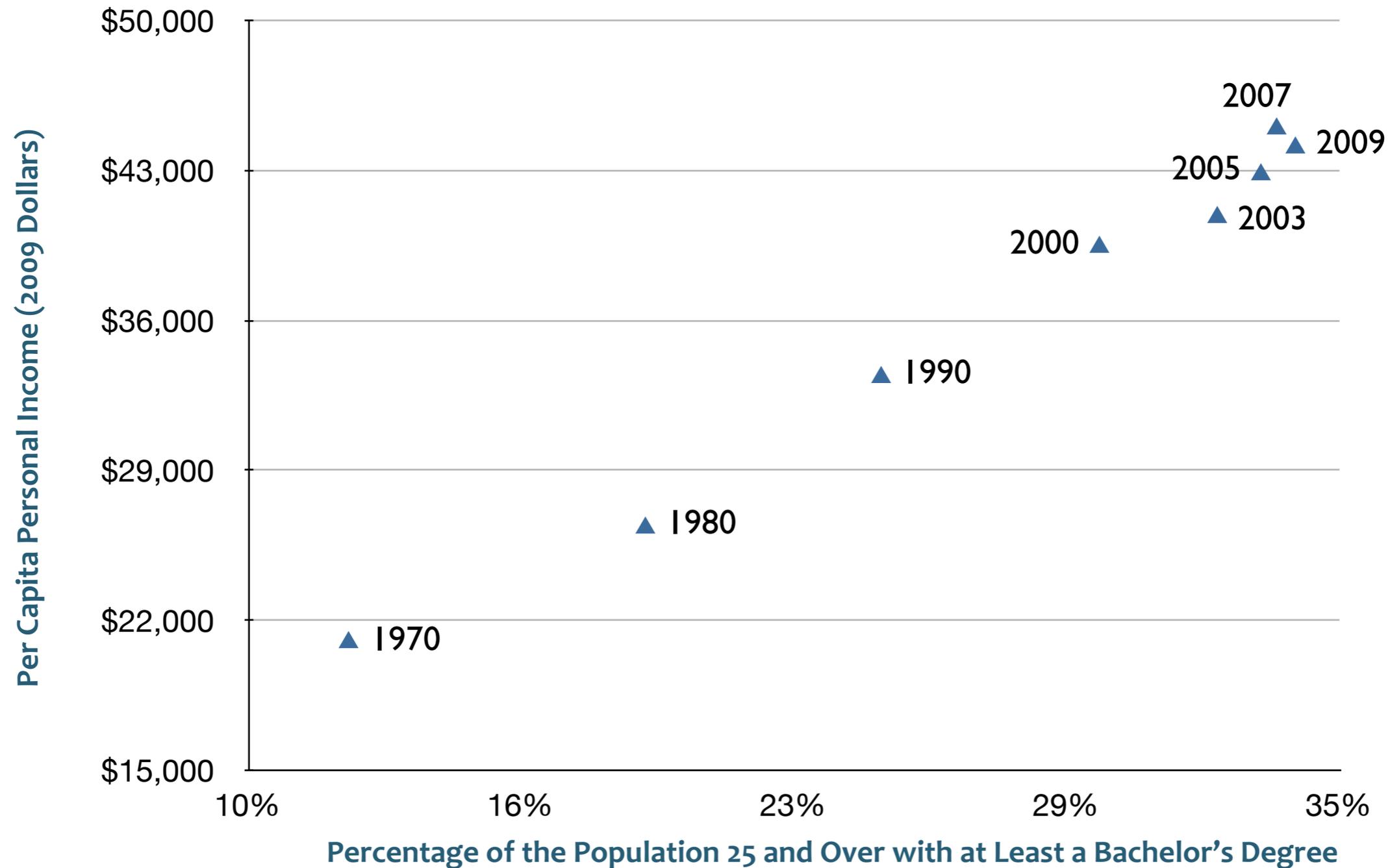
| Total Education 43.9% \$14.1 | | Total 8.8% \$2.8 | | (includes \$1.9 of federal support & \$8.9 of state general fund support) | | | | | | |
|---------------------------------|------------------|------------------------|---------------|---|-----------------------|---------------------|---------------------|---------------------------------|-------------------------|-----------------------|
| K-12 Education | Other Ed. | Social Services | Health | Public Safety & Judicial | Capital Outlay | Debt Service | General Gov. | Housing & Comm. Dev. | Parks & Rec. | Transportation |
| 43.1% | 0.8% | 5.2% | 3.4% | 13.8% | 12.2% | 8.4% | 6.1% | 2.9% | 2.0% | 1.8% |
| \$13.8 | \$0.3 | \$1.7 | \$1.2 | \$4.4 | \$3.9 | \$2.7 | \$1.9 | \$0.9 | \$0.6 | \$0.6 |

¹ Spending totals do not include enterprise activities, such as higher education auxiliary enterprises, utilities, lottery, alcoholic beverage control, etc.

² Total spending for the Commonwealth of Virginia includes general and nongeneral funds.

Relationships Among Indicators Matter

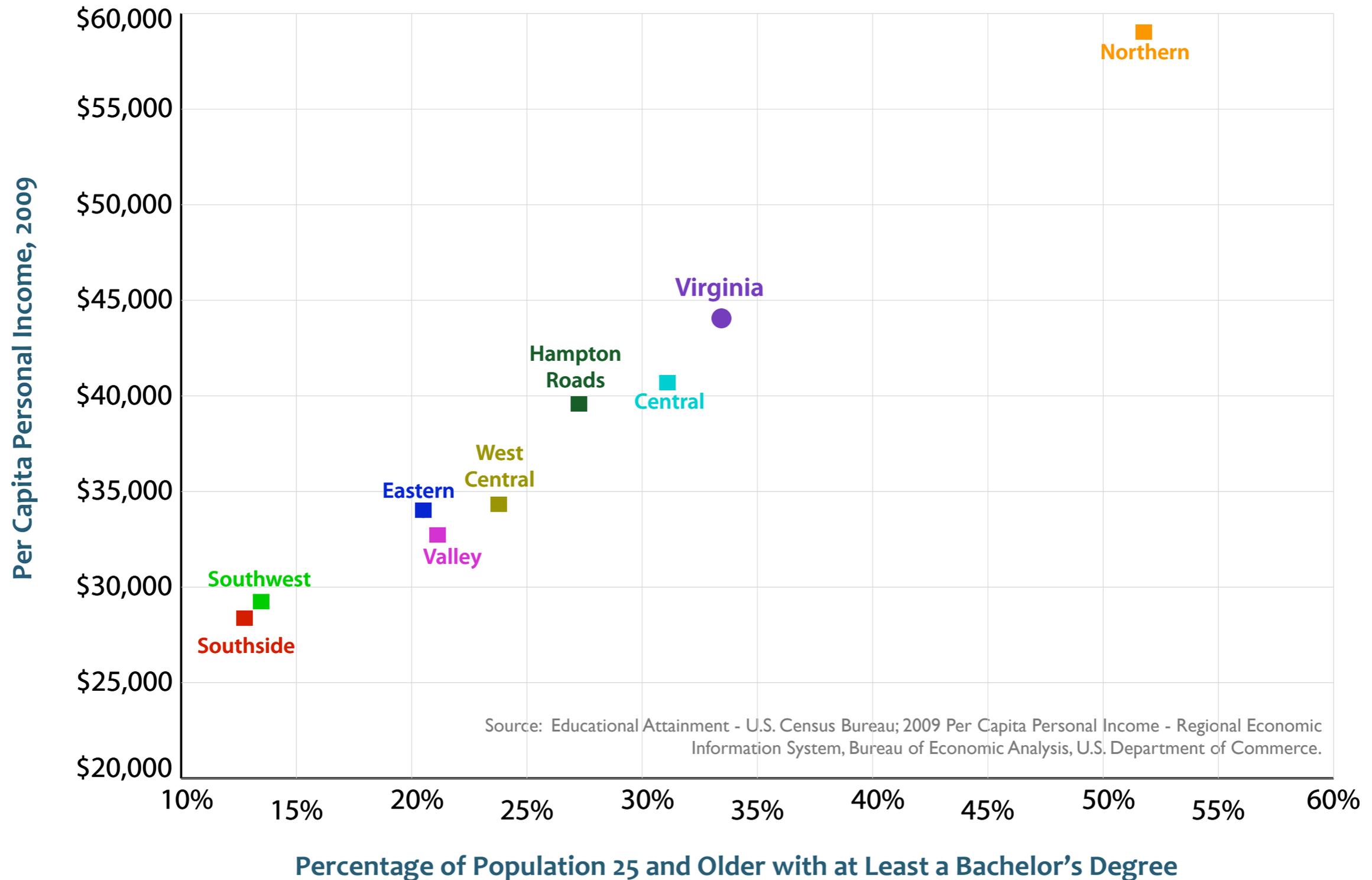
Personal Income and Educational Attainment in Virginia Over Time



Source: Educational Attainment - U.S. Census Bureau; Adjusted (2009 dollars) Per Capita Personal Income - Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

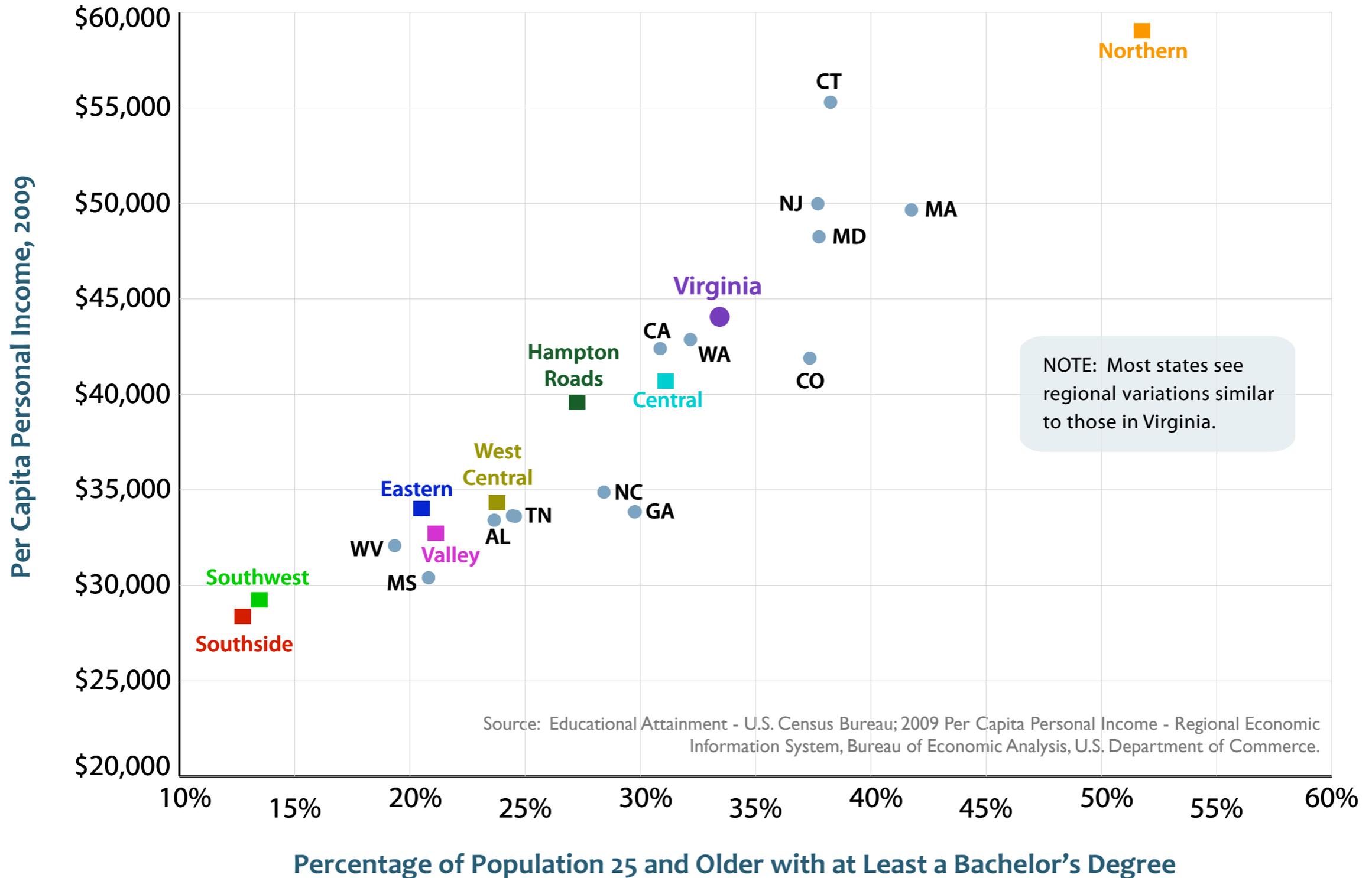
Regional Variations Matter

Per Capita Personal Income and Educational Attainment



Regional Variations Matter

Per Capita Personal Income and Educational Attainment



From Assessment to Positive Change

- Understanding the complexity of change:
 - Funding flows matter
 - Relationships among outcomes matter
 - Regional variations matter
- Investing in strong analytics
 - Educational Attainment
 - Regional Perspectives
 - Economic Growth (kick off today)
- Providing effective performance management

Performance Management



Performance Management: Key Initiatives

- ↷ Enterprise Strategic Priorities
- ↷ Performance Budgeting System
- ↷ Productivity Investment Fund

Enterprise Strategic Priorities

- The initial focus was on capturing information on key outcomes and establishing the foundations for performance leadership and accountability at the agency level:
 - Agency-level planning processes and budget structure were revamped to enhance the links between long-term goals, agency performance, and funding.
 - Agency key measures were identified in 2006 and productivity measures in 2007-08.
- As we approach the next biennium, we seek to strengthen the enterprise level:
 - Solidify the enterprise level and ensure that measures and targets are established for high-priority issues.
 - Enterprise priorities are not intended to supplant the more inclusive set of agency-level objectives and measures nor cover all areas of state government.

Enterprise Strategic Priorities (Draft)

| | |
|----------------------------------|--|
| Economy | <ol style="list-style-type: none">1. Business Climate & Economic Development2. Workforce3. Housing |
| Education | <ol style="list-style-type: none">4. K-12 Educational Improvement5. College Degree Attainment6. Educational Pipeline |
| Health & Family | <ol style="list-style-type: none">7. Virginia Health Reform Initiative8. Children's Services9. Community-Focused System of Care for People with Intellectual Disabilities10. Enterprise Application Re-engineering (MITA) |
| Public Safety | <ol style="list-style-type: none">11. Homeland Security & Emergency Preparedness12. Violent Crimes13. Adult & Juvenile Offender Re-entry14. Substance Abuse Prevention |
| Natural Resources | <ol style="list-style-type: none">15. Chesapeake Bay Restoration16. Land Conservation |
| Transportation | <ol style="list-style-type: none">17. Seamless, Multimodal Transportation System18. Transportation System Safety Improvement |
| Government & Citizens | <ol style="list-style-type: none">19. Internal Controls & Financial Stewardship20. Government Operations |

Performance Budgeting System

Evolution of Performance Budgeting

Foundations for the new system were established in 2004 and 2005

A new budgeting structure was developed, including a service area structure to provide a direct link to funding and a set of objectives and performance measures.

A consistent and integrated strategic planning process was developed and linked to the budget through the service areas.

Computer Systems

A number of outdated and unintegrated systems (one system was developed in the 1980s) were used for budgeting processes; these were inefficient, provided inadequate analytic capabilities, and required high maintenance.

A new Performance Budgeting System was designed and developed beginning in 2008.

New Performance Budgeting System

Integrated System Modules

Operating Budget Development
Budget Execution
Capital Budget Development
Six-Year Financial Plan



Phase 1: August 2010 Completion

Agency Spending Plan
Strategic Planning



Phase 2: 2012 Completion

-
- Substantially improves the links between investments and outcomes
 - Enhances data analysis in support of improved decision-making and funding requests
 - Improves agency-level performance analysis by providing more direct access to valuable data
 - Increases transparency

Productivity Investment Fund

Mission: Established in 2007 to partner with Virginia agencies to create a culture where great ideas can be identified and implemented, speeding the pace of innovation in government.

Services and Sample Projects:

- **Crafting Innovative Solutions.** The UVa Health System is partnering with rural health providers via tele-medicine technology to increase rural access to health care.
- **Enhancing Process Efficiency.** The Department of Taxation has made several IT-based process improvements that were projected to save nearly \$2 million over three years.
- **Improving Customer Service.** The Virginia Employment Commission expanded online claims filing, increasing online application use and reducing processing errors.

Competitive Awards: More than \$4.0 million has been awarded to agencies spanning all secretariats; about half of the funding has been in the form of loans. An additional 10 projects were funded by agencies.

Expected Return: Almost five times the state's investment.

Challenges and Opportunities

- Responding appropriately to growing pressure for greater budget transparency
- Integrating enterprise priorities and strategies into agency planning processes
- Budget decision-making that balances structural requirements with investments in key outcomes
- Encouraging a culture of change and innovation through the budgeting process