

2016-18 Executive Progress Report

**Commonwealth of Virginia
Secretary of Finance**

Department of Planning and Budget

At A Glance

The Department of Planning and Budget advises the Governor on how to wisely use public resources for the benefit of all Virginians by analyzing, developing, and carrying out various fiscal, programmatic, and regulatory policies.

Staffing 46 Salaried Employees, 6 Contracted Employees, 67 Authorized, and 3 Wage Employees.

Financials Budget FY 2017, \$8.14 million, 96.32% from the General Fund.

Trends Legend ↑ Increase, ↓ Decrease, → Steady

Key Perf Areas →
→
→

Productivity Legend ↑ Improving, ↓ Worsening, → Maintaining

For more information on administrative key, and productivity measures, go to www.vaperforms.virginia.gov

Background and History

Agency Background Statement

The Department of Planning and Budget (DPB) was created by statute in 1976 merging previously existing budget and planning agencies. Sections 2.2-1500 through 2.2-1514 of the Code of Virginia established the agency and set forth the powers and duties of DPB and its Director, the requirements for submitting the executive budget to the General Assembly, and the requirements for submitting the Budget Bill, as follows:

- Development and direction of an integrated policy analysis and planning and budgeting process within state government
- Formulation of an executive budget
- Policy analysis and program evaluation for the Governor
- Continuous review of the activities of state government focusing on budget requirements in the context of the goals and objectives determined by the Governor and the General Assembly
- Operation of a system of budgetary execution to ensure agency activities are conducted within funding limitations provided in the Appropriation Act and in accordance with gubernatorial and legislative intent
- Review and verification of the accuracy of agency estimates of receipts from nongeneral fund revenue
- Development, coordination, and implementation of a performance management system involving strategic planning, performance measurement, evaluation, and performance budgeting within state government
- Development and management of an Internet-based system to ensure citizens have access to performance information and the development of regulatory policies
- Oversight of agency capital outlay projects
- Manage the Regulatory Town Hall Web site; publish and provide online public comment forums; prepare an economic impact analysis (EIA) for proposed and fast-track regulation within 45 days; provide EIAs to the Joint Commission on Administrative Rules (JCAR) and General Assembly

Major Products and Services

The Commonwealth's Performance Budgeting System is fully implemented and combines under one system budget development, budget execution, capital, strategic planning, and performance measurement. As required by Section 2.2-1501 in the Code of Virginia, DPB ensures information generated in the Performance Budgeting System is useful for managing and improving the efficiency and effectiveness of state government operations and is available to the Commonwealth's citizens and public officials. DPB's mission-critical products and services are, as follows:

- Budget bill
- Budget document
- Budget development
- Budget execution
- Analysis of budget proposals and development of recommendations for the Governor
- Procedures for monitoring agency expenditures
- Decision briefs for budget execution decisions
- Coordination of the executive legislative review process
- Fiscal impact statements for legislation introduced in the General Assembly
- Planning and performance measure instructions, handbook, and training for state agencies
- Economic impact statements and policy analyses on proposed regulations
- Development, maintenance and oversight of the Regulatory Town Hall Web site
- Coordination and management of the rulemaking process across state agencies
- Training on the Regulatory Town Hall Web site and state rulemaking process
- Forecasts of major budget items including prison, jail, and juvenile correctional center populations; TANF caseloads; FAMIS expenditures; and Supreme Court trial expenditures
- Detailed assessments of programs and services to achieve a more efficient and cost-effective state government
- Coordination of school efficiency reviews
- Performance of best management practices reviews
- Staff support for legislative and executive task forces
- Advisory assistance to various panels, committees, and commissions
- Presentations on fiscal and budgetary policy
- Response to constituent requests

Customers

Customer Summary

The Department of Planning and Budget (DPB) is a Virginia executive branch agency. DPB works with the Governor's Office, the General Assembly, and other state agencies to develop and execute the Commonwealth's budget and to conduct analysis and review of budgetary information, program and policy information, regulatory information, and various reviews of government functions including agency operations and public school division operations. DPB's customer base is not expected to change during the 2016-2018 biennium.

Customer Table

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Governor	Governor	1	1	Stable
General Assembly	General Assembly members	140	140	Stable
Governor	Council on Virginia's Future (members)	18	18	Stable
Governor	Governor's Policy staff	8	8	Stable
Governor	Governor's Secretaries and Deputy Secretaries	35	35	Stable
Local or Regional Government Authorities	Local school divisions	132	132	Stable
State Agency(s),	All Virginia state agencies	193	193	Stable

Finance and Performance Management

Finance

Financial Summary

More than 80 percent of DPB's general fund budget supports personnel costs: salaries, wages, and fringe benefits. The remaining budget supports day-to-day operations: 1) funding for rent; 2) information technology needs ; 3) training; 4) office supplies; and 5) other miscellaneous costs.

Beginning in fiscal year 2014, DPB received a nongeneral fund appropriation of \$300,000 to support school efficiency reviews coordinated by DPB. Expenses from this appropriation are derived from school reviews that are 100 percent funded by a local school division. This appropriation has been continued in the 2016-2018 biennium.

Funding for ongoing maintenance of the Commonwealth's Performance Budgeting System, which fall under DPB's oversight, is appropriated in the Department of Accounts.

Fund Sources

Fund Code	Fund Name	FY 2017	FY 2018
0100	General Fund	\$7,844,587	\$7,401,522
0200	Special	\$300,000	\$300,000

Revenue Summary

A Nongeneral Fund (NGF) appropriation of \$300,000 has been provided in each year of the 2016-2018 biennium to support the school efficiency reviews program coordinated by the Department of Planning and Budget. Each participating school division shall pay 100 percent of the cost of the review to the Department of Planning and Budget. General fund appropriations shall not be used to support these school efficiency reviews. The nongeneral funds paid by the school division are used solely to pay for the costs of the review.

Performance

Performance Highlights

Virginia continues to lead as one of the top ten states for business in the nation. Virginia's financial strength is indicated by both its AAA bond rating and the distinction of being one of ten states that have been given this superior rating by all three national rating agencies. Virginia ranked No. 6 in the Forbes Best States for Business in 2016. The Forbes ranking measured six vital categories for businesses: business costs, labor supply, regulatory environment, current economic climate, growth prospects, and quality of life. In 2016, Virginia ranked second in labor supply and third in the regulatory climate category because of its strong incentive offerings and business-friendly government policies. In the Pollina Corporate Top 10 ProBusiness States for 2015, Virginia ranked No. 4 in the nation overall and first in the nation for incentives and economic development agency factors. Virginia is one of two states (Wyoming is the other state) that have made the Pollina Corporate Top 10 Pro-Business States list every year since its inception in 2004. Alternatively, CNBC ranked Virginia's economy as 36th while Forbes and Pollina ranked Virginia's economic climate in the top 3.

Selected Measures

Measure ID	Measure	Alternative Name	Estimated Trend
12271502.002.002	Administratively approved appropriations as a percentage of legislative appropriations.		Maintaining
12271505.001.001	Percentage of economic impact analyses that are completed within 45 days from receipt of proposed and fast-track (stage) regulatory proposals.		Maintaining
12271505.002.002	Accuracy of the agency's forecast for total state responsible inmate population.		Maintaining
12200000.002.001	Average rate of survey respondents' satisfaction with the timeliness and quality of the agency's analyses.		Maintaining
12271504.001.001	Percentage of all versions of bills assigned to the agency (excluding those marked "no review") for which fiscal impact statements were issued.		Maintaining

Key Risk Factors

Maintaining funding for core services: The Department of Planning and Budget (DPB) leads the state's integrated strategic planning and budget process. As part of its statutory responsibility, DPB advises the Governor on the allocation of scarce resources. DPB will remain challenged in the years ahead to maintain necessary funding for the core services of state government and to maintain structural balance as the state is likely to continue to experience modest revenue growth while large entitlement programs such as Medicaid will continue to see significant growth. Structural balance is maintained by the utilization of recurring revenue to support ongoing operations. The use of one-time or non-recurring revenue for ongoing operations and potential federal reductions puts the state's bond rating at risk. DPB will experience increased pressure to remain vigilant in maintaining financial responsibility and a structural balance in the state's budget.

Loss of experienced finance workforce: DPB depends upon obtaining quality information and data from state agencies. As the workforce ages and has been downsized, many agencies are not able to develop replacement staff. Delayed succession planning in key finance positions could lead to difficulties in managing financial crisis in the future. Central agencies like DPB may be called upon more often to help agencies resolve issues that once were managed by agency-based staff.

Agency Statistics

Statistics Summary

The following statistics provide a comprehensive snapshot of the magnitude of the Department of Planning and Budget (DPB) operations during FY 2016. The activities listed in the statistical table are extremely complex and require extensive analysis and review.

Statistics Table

Description	Value
Number of Agency Base Budgets	178
Number of Agency Base Budget Adjustments	184
Number of Decision Packages	2,309
Number of Technical Adjustments	594
Number of Capital Budget Requests	638
Number of Budget Execution Requests	3,193
Number of Performance Measures	939
Number of Fiscal Impact Statements (2014 General Assembly Session)	1,662
Number of Regulatory Proposals	192
Number of Economic Impact Statements	93

Management Discussion

General Information About Ongoing Status of Agency

The Department of Planning and Budget (DPB) leads the Commonwealth's enhanced integrated strategic planning and budgeting process and advises the Governor on the allocation of scarce resources. In terms of the overall financial health of the Commonwealth, DPB will remain challenged in the years ahead to maintain necessary funding for the core services of state government. As part of its statutory responsibility, DPB advises the Governor on the allocation of resources to large entitlement programs that are mandated or required (such as Medicaid and K-12 education) down to support of small local sheriff offices that protect our smallest communities. Decisions about the proper funding levels for each of these requires comprehensive information and in-depth analysis. DPB also must be poised to react quickly in its advisory capacity to changes in revenue that affect financial responsibility and structural balance in the state's budget. In order to maximize its ability to successfully respond to economic changes, DPB must focus on transferring its institutional knowledge through the recruitment and development of a well trained staff.

DPB has been addressing pressing workforce issues: a highly competitive market of well-educated and skilled staff; and, an aging workforce in key positions that either are, or soon will be, eligible for retirement. Over the last year, DPB has increased its staffing levels after analyzing its organizational structure to determine where existing resources can best be directed toward sound succession planning. DPB is addressing the training needs of new staff through exposure to national organizations and internal training from other state agencies as well as staff mentoring.

Information Technology

The Virginia Information Technologies Agency and Northrop Grumman partnership (VITA\NG) provides strategic direction for the use of technology resources for the Commonwealth. In that regard, VITA\NG oversees the pre-selection, selection, control, and evaluation of all DPB information technology projects and procurements in support of Executive Branch Agency business objectives.

The Commonwealth's Performance Budgeting System is fully implemented and is the first systematic and consolidated overhaul of the state's budget system in Virginia since the early 1980s. The Performance Budgeting System combines under one system: budget development; budget execution; capital; strategic planning; and, performance measurement. The Department of Planning and Budget (DPB) is responsible for overseeing the operation and maintenance of the system. The ongoing cost of this effort will be paid for through rates charged to state agencies.

The Electronic Legislative Action Summary System (eLAS) is used by authorized state users to assign, track and report on Legislative Action Summary documents prepared during the General Assembly Session. DPB's Electronic Pre-session Agency Legislation (ePAL) is used by authorized state users to create, submit, review and track proposals for legislation to be considered for introduction in the next session of the Virginia General Assembly.

DPB's Web-based Electronic Fiscal Impact Statement System simplifies the tracking and development of Fiscal Impact Statements (FIS). FIS are issued on bills introduced during the General Assembly sessions. FIS describe the fiscal impact of proposed legislation and are intended to aid legislators and the Governor's Office in the decision-making process. Each FIS is electronically communicated to legislative services where it is posted electronically with the legislation, and electronic copies are sent to the patron and relevant committees.

The Virginia Regulatory Town Hall Web site application was the first of its kind in the nation. It provides Virginians the opportunity to participate which gives greater access to all citizens in the regulatory rulemaking process electronically. Regulations affect many aspects of the Commonwealth including speed limits, physician qualifications, pollution control requirements, and testing standards in Virginia's public schools. The Regulatory Town Hall Web site allows Virginians to learn about regulations, submit online comments, and sign up to receive customized email notifications at no cost.

Workforce Development

The Department of Planning and Budget (DPB) relies mostly on salaried classified state employees for the delivery of services to its customers. DPB also employs wage employees to supplement classified staff during peak work periods and unexpected staff turnover. Generally, wage employees make up about nine percent of DPB's staff. DPB now has an employment level of 46 full-time and three wage employees from a total authorized position level of 65. DPB has made recruitment and succession planning a priority and has increased staffing over the last two years to ensure adequate staffing to serve customers and to begin the process of transferring institutional knowledge to new staff.

Physical Plant

The Department of Planning and Budget (DPB) is a Virginia executive branch agency that works with the Governor's Office, the General Assembly, and other state agencies to develop and execute the Commonwealth's budget. DPB's proximity to the Governor's Office and the General Assembly is critical in fulfilling its mandate. DPB is located in the Patrick Henry Building adjacent to the capitol. At this time, the current space is adequate to meet DPB's needs. DPB leases its space from the Department of General Services.
