

## 2018-20 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, 70 Authorized, and 0 Wage Employees.

**Financials** Budget FY 2019, \$7.96 million, 100.00% 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](http://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
- 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
- Assessment of the impact of federal funds on state government
- 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
- Development, coordination, and management of a school efficiency review program
- Oversight of agency capital outlay projects
- Management of the Regulatory Town Hall Web site
- Manage the statewide rulemaking process via the Regulatory Town Hall website

#### Major Products and Services

The Commonwealth's Performance Budgeting System 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
- Forecasts of major budget items including prison, jail, and juvenile correctional center populations; TANF caseloads; FAMIS expenditures; and Supreme Court trial expenditures
- Assessments of programs and services to achieve a more efficient and cost-effective state government
- 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 2018-2020 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	1,270,000	Stable
State Agency(s),	All Virginia state agencies	193	193	Stable

## Finance and Performance Management

### Finance

#### Financial Summary

Over 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.

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 2019	FY 2020
0100	General Fund	\$7,963,865	\$8,015,465

#### Revenue Summary

## Performance

### Performance Highlights

Virginia continues to lead as one of the best managed states in the nation. In 2018, CNBC ranked Virginia fourth among states in fostering a business friendly environment (up from seventh in 2017). CNBC tallied 60 competitive measures across ten categories. Virginia scored highest in workforce (No.3), education (No. 6), and business friendliness (No. 5). In 2017, Virginia placed fifth in Forbes annual "Best States for Business" survey (up from sixth in 2016). As of December 2017, Virginia maintained its AAA bond rating for the 80th consecutive year, the only state with this longevity. Virginia was also ranked sixth in 2018 by *State Policy Reports* for prudent state government, which is a composite ranking of indicators that measure the state's ability to provide government services efficiently. The indicators include taxes as a percent of personal income, state solvency, pension funding, bond ratings, and spending as a percent of state gross domestic product.

### 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
12200000.002.001	Average rate of survey respondents' satisfaction with the timeliness and quality of the agency's analyses.		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. 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 fiscal year 2018 and 2019. 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	184
Number of Agency Base Budget Adjustments	1,322
Number of Decision Packages	636
Number of Technical Adjustments	78
Number of Capital Budget Requests	247
Number of Budget Execution Requests	3,017
Number of Performance Measures	853
Number of Fiscal Impact Statements (2019 General Assembly Session)	2,420
Number of Regulatory Proposals	175
Number of Economic Impact Statements	95

## 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 five to six years, 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 (VITA) provides strategic direction for the use of technology resources for the Commonwealth. In that regard, VITA 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 combines under one system: budget development; budget execution; capital; strategic planning; and, performance measurement. 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.

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. DPB also supports document management systems used by agencies to submit legislative proposals and to provide confidential advice to the Governor's office.

The Virginia Regulatory Town Hall Web site application 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.

## 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. DPB has made recruitment and succession planning a priority and has increased staffing over the last five to six years to ensure adequate staffing to serve customers and to begin the process of transferring institutional knowledge to new staff.

## Physical Plant

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.