Performance Budgeting System

House Appropriations Committee

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Director
Department of Planning and Budget
Performance Budgeting – the business case for a new system . . .

• PROBud, the previous legacy system that was the core budget system for Virginia, was developed and released by Price-Waterhouse in the late 1970s.

• Weaknesses of PRObud:
  – Based on out-dated programs
  – Flat file system – no relational data capabilities
  – Fixed number of fields with fixed field lengths
  – Could not be updated – limited ability to upgrade legacy software to meet changing business needs
  – Could not be easily integrated – lack of uniformity and flexibility to add new products and services that contemporary platforms offer
  – Documentation of system deteriorated with the passage of time
Performance Budgeting – the business case for a new system *(continued)*

• Over the years, a number of ad-hoc internal systems had been developed as work around solutions to keep up with technology and work demands. These systems lacked formal support and documentation.

• Benefits of a new system:
  – Elimination of dependence on legacy mainframe systems
  – Fresh start to document new systems and processes
  – Integration with new business applications
  – Ability to leverage Web and service-oriented architecture
  – Flexible information technology architecture
  – Reduction of risks associated with running potentially unsupported hardware and software
Performance Budgeting – the following systems are being replaced . . .

- PROBud
- WebBEARS
- ExpendWise
- BudgetWise
- FATS (Budget Execution)
- Capital Planning Access Databases
- Six-Year Nongeneral Fund Access Databases
- Six-Year Financial Plan Spreadsheets and Word Documents
- Virginia Performs
  - Strategic Planning
  - Management Scorecard
  - Performance Measurement
Performance Budgeting – business goals for a new system...

• Improved budget decision-making by providing the ability to systematically link strategic and service area plans, performance measures, and budgets
  – Allow the Commonwealth to determine and deploy best business processes
  – Provide better information for decision makers and agencies
  – Improve budget transparency
  – Enhanced reporting capability

• Efficiency and productivity improvements
  – Eliminate redundant data entry, reconciliation, and verification of data integrity
  – Automate workflow capabilities
  – Permit a flexible and extensive account classification structure
  – Provide a Web-based, intuitive user interface
  – Integrate data and analysis tools with powerful reporting capabilities
  – Establish comprehensive security and internal controls
  – Integrate spreadsheets, word processing, and publishing software
Performance Budgeting – business goals for a new system . . .

- Major process re-engineering and software implementation effort designed to:
  - Minimize risk of dependence on older technologies
  - Increase effectiveness and efficiency by replacing numerous disparate systems with a fully integrated enterprise performance budgeting system
  - Position the Commonwealth to exploit emerging technologies
  - Deliver custom interfaces to Commonwealth legacy systems

- Integration of strategic planning and budgeting with functionality to input, modify, and store performance budgeting data

- Enhanced budget development and monitoring functionality for agencies

- Facilitate personnel training through use of online training modules
Performance Budgeting Background – the path from development to implementation . . .

- A Request for Proposal (RFP) for performance budgeting software and implementation services was released in December 2008

- In July 2009, the Commonwealth of Virginia entered into a contract with Project Performance Corporation to implement a new Performance Budgeting system for the Commonwealth

- The project started in August 2009

- The new, fully integrated, Web-based system was completed and began operation of Phase I budgeting modules in September 2010

- Phase II, Strategic Planning and Agency Spend Plan modules, was scheduled for implementation in April 2011
Contract was modified to change Phase II implementation date to June 2011 and add a Phase III (additional budgeting functionality and the correction of some functionality from Phase I) changing the project completion date to March 2012.

Vendor did not deliver Phase II on time, so Phase II work was deferred until after budget development season.

Phase III work continued and is near completion.

Remaining contract work is scheduled for completion by March 2012 and the project is scheduled to close by the end of the fiscal year.

Project is a fixed-price contract so delays present no additional cost to the Commonwealth.
Performance Budgeting – summary of project development costs . . .

• Funded through working capital advance
  – $15.0 million projected total project cost
  – $10.9 million expended through November 2011

• Project costs include things such as:
  – Consultant software implementation and integration services
  – Hardware costs and other VITA costs for various development server environments
  – Budget software licensing and maintenance costs
  – Other software licensing for business intelligence tools and publishing tools
  – Other consulting services
## Performance Budgeting - project budget status

<table>
<thead>
<tr>
<th>Performance Budgeting Project Costs Data as of 11/30/11</th>
<th>Actual Cost</th>
<th>Total Project Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Staff Labor</td>
<td>1,188,642.00</td>
<td>1,238,926.51</td>
</tr>
<tr>
<td>Services</td>
<td>6,440,142.20</td>
<td>9,566,962.06</td>
</tr>
<tr>
<td>Software Tools</td>
<td>1,762,802.58</td>
<td>1,947,008.46</td>
</tr>
<tr>
<td>Hardware</td>
<td>388,111.25</td>
<td>426,575.00</td>
</tr>
<tr>
<td>Maintenance</td>
<td>11,000.00</td>
<td>74,600.00</td>
</tr>
<tr>
<td>Facilities</td>
<td>54,984.72</td>
<td>60,000.00</td>
</tr>
<tr>
<td>Training</td>
<td>513,625.29</td>
<td>575,400.00</td>
</tr>
<tr>
<td>Independent Verification &amp; Validation</td>
<td>53,000.00</td>
<td>124,000.00</td>
</tr>
<tr>
<td>Contingency Risk</td>
<td>464,759.15</td>
<td>939,848.00</td>
</tr>
<tr>
<td>Other</td>
<td>9,892.96</td>
<td>46,992.48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,886,960.15</strong></td>
<td><strong>15,000,312.51</strong></td>
</tr>
</tbody>
</table>
Performance Budgeting - ongoing costs . . .

- A contract for annual systems maintenance and support is under development - anticipated start of July 2012

- Funded through internal service fund
  - Amounts will be charged to agencies based on their pro-rata share of Legislative appropriation
  - Total annual maintenance and support cost estimated at $3.9 million
  - General fund share of the ongoing cost is $1.7 million

- Other ongoing costs include things such as:
  - Hardware costs and other VITA costs for server environments
  - Software licensing and maintenance costs
  - Consultant help desk support
  - Capitalization of certain project development costs
## Performance Budgeting - ongoing costs...

<table>
<thead>
<tr>
<th>Item</th>
<th>Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIDS Application Software Maintenance</td>
<td>$265,455</td>
</tr>
<tr>
<td>LogiXML Report Software Maintenance and Support</td>
<td>$17,000</td>
</tr>
<tr>
<td>Pattern Stream Publishing Tool Software Maintenance</td>
<td>$5,600</td>
</tr>
<tr>
<td>Team Foundation Server Hosted Environment</td>
<td>$20,076</td>
</tr>
<tr>
<td>Hosted Disaster Recovery Site</td>
<td>$4,000</td>
</tr>
<tr>
<td>Other System Software (Webinar, other MS Products, Key fobs, etc.)</td>
<td>$6,619</td>
</tr>
<tr>
<td>DPB Application Support (2 FTEs)</td>
<td>$214,000</td>
</tr>
<tr>
<td>Consultant Application Support - Help Desk (1 FTE)</td>
<td>$312,000</td>
</tr>
<tr>
<td>Consultant Application Administration Support (3.5 FTEs)</td>
<td>$1,040,000</td>
</tr>
<tr>
<td>Supplemental Northrup Grumman Consulting Support</td>
<td>$75,000</td>
</tr>
<tr>
<td>Consulting Support for Pattern Stream Publishing Tool</td>
<td>$75,000</td>
</tr>
<tr>
<td>Consultant 24x7 Budget Development Support for 3 months per year</td>
<td>$25,000</td>
</tr>
<tr>
<td>VITA Hardware Charges</td>
<td>$446,000</td>
</tr>
<tr>
<td>Total Operating and Maintenance</td>
<td>$2,505,750</td>
</tr>
<tr>
<td>Capitalization Costs ($14,041,311, amortized over 10 years)</td>
<td>$1,345,626</td>
</tr>
<tr>
<td>Other Costs (non-capitalization costs, $959,000 amortized over 10 years)</td>
<td>$96,000</td>
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<tr>
<td>Federal recovery of non-capitalization costs (15 percent of non-capitalization costs)</td>
<td>$14,400</td>
</tr>
<tr>
<td><strong>Total</strong> <em>(Annual GF Share = $1,656,925)</em></td>
<td><strong>$3,961,775</strong></td>
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