

Budgeting for Results Commission Meeting

October 6, 2011

2 PM – 4 PM

DHS Building, 401 S Clinton St, 7th Floor, Room 9-040

Illinois State Capitol Building, Room 205

Attendees:

Commissioners Participating (Chicago):

John Bouman, President of the Sargent Shriver National Center on Poverty Law
Carole Brown, Managing Director at Barclays Capital
State Representative Will Davis
Larry Joseph, Director, Budget and Tax Policy at Voices for Illinois Children
John Kamis, Senior Advisor to the Governor
Jim Lewis, Senior Program Officer at Chicago Community Trust
Roger Myerson, Glen A. Lloyd Professor of Economics at the University of Chicago
Maria de Jesus Prado, President at Prado and Renteria
Alex Rorke, Governor's Economic Recovery Commission (Co-Chair)
Jose Sanchez, CEO and President of Norwegian American Hospital

Commissioners Participating (Springfield):

Steve Schnorf, Budget Consultant

Commissioners Participating (Phone):

State Senator Pamela Althoff
State Representative Kent Gaffney
State Senator Dan Kotowski (Chair)

Meeting:

I. Approval of the minutes for the September 7th Meeting

John Kamis called the meeting to order. He briefly explained the meeting's agenda to the Commission. Minutes from the September 7th meeting were approved.

II. Update and Follow-Up:

The Commission addressed two items in its update and follow-up:

- *Sharepoint*: The Commission will be starting the SharePoint next week. This will allow Commissioners to view and discuss shared documents. Other information will be available on the website at: Budget.Illinois.gov
- *Public hearings*: The Commission discussed logistics around the public hearings. It was agreed that the Commission would ask individuals to RSVP to testify at the public meetings. Comments would be limited to 3 minutes with the possibility for Commissioners to ask questions. It was estimated that there will be 70+ people in attendance with about 20 people providing testimony. The hearing will start out with a short presentation by Chairman Kotowski and John Kamis and will then move into public testimony.

III. OMB Update – Director David Vaught

Currently OMB is working on FY13 budget, with over 50 executive agencies working on budget. Director Vaught outlined sub goals and what he asked of the agencies.

1. Agencies should submit information about how to achieve BFR sub goals by November 15th
2. Five full weeks spent going to agencies and analyzing results
3. Solicit feedback on sub goals themselves

January and February are when the heart of allocation decisions will be made, and the Commission's recommendations should be included in this process. OMB will need to put enough lead time into this process.

Director Vaught then moved to discussing changes in the layout of the budget that will be presented to the General Assembly. Ultimately, he would like to present the budget book in new way. The book would be organized by goals and sub goals, not by agency. Illinois will still end up with a line item budget. Each program and each line item may meet more than one goal. This issue of multiple programs satisfying multiple goals is not totally new, as last year's presentation had priorities/possible outcomes as well. However, these changes in last year's presentation were not emphasized. Director Vaught repeated that Illinois must ensure simplicity and transparency in the budget process. Illinois needs to achieve clarity and to speak with one voice so that there are no contradictions.

One last thing for the Commission to note is that it needs to create consistent language (i.e. "infant mortality reduction") and refrain from using the word "Citizens."

IV. Results Update – John Kamis

The document with results and sub goals will be ready by the beginning of next week. It will be put on SharePoint so that Commissioners can engage in a dialogue about its contents.

V. Allocation Discussion

Commissioners discussed eight key issues in the allocations process:

- The Possibility of House and Senate Committees based on the Six Results: The General Assembly Committees run in two-year terms. The Commission could ask the Speaker to align the Appropriations Committees with the Governor's six results. Additionally, because of last year's Budgeting for Results process, agencies have a framework to present to the House and Senate Appropriations Committees. It may prove useful to have the same Budgeting for Results committees in the House and Senate that focus on each of the Governor's six goals.
- The 4-Step "Lewis Method" for Allocations: Commissioners agreed that the challenge in the 4-step plan developed by Jim Lewis lies in implementing the fourth step (or allocating the General Revenue Fund to priorities). Priorities must be developed across sub-goals. Illinois might also need to determine what priorities it cannot function without.
- Defining the Specifics of Sub-goals: Some Commissioners believed that they needed to be more specific in terms of sub-goals. They thought that Illinois needed to understand where it ranks in comparison with other states and countries on the sub-goals. This ranking would serve as a reference to where Illinois currently stands on the sub-goals and where it intends to move forward with sub-goals, goals, and results. Quantifiable sub-goals might assist in placing Illinois in perspective to other states and countries. For instance, reducing the drop-out rate should include an evaluation of where Illinois ranks now, in order for Illinois to have a point of reference and to determine where it intends to move with the results. Quantifying sub-goals would provide a structure in which sub-goals would provide specific benchmarks for the future.
- Prioritizing State Programs: Additionally, some Commissioners believed that agencies might be assigned different priority levels based on their geographical location, or which specific populations they serve. However, this would not apply to all agencies, as some are not geographically organized. Essentially, some Commissioners wanted to define sub-goals that are measurable and provide Illinois with a point of reference on where it stands in implementing these sub-goals.

John Kamis explained that many OMB staff members are conducting this type of work. They use data and logic models to drive the process of the fourth step (or allocating GRF to priorities). In order to allocate percentages of the budget to the results, OMB staff must first understand the effectiveness of programs.

- Clarifying the "Jim Lewis Method": The "Jim Lewis method" was elaborated on by John Kamis. The four steps are: (1) develop the agency's mission, and find out what resources are available to achieve it. In addition, a list of metrics used to compile the mission and the resources should be available. (2) Determine what other funding proves available for the agency in fulfilling its mission. Federal funds and other state funds should be considered. (3) Decide what mandates must the agency fulfill/satisfy. (4) Designate priorities. This 4-step method is anticipated to simplify the budgeting process. By

separating out Medicaid and other programs driving the budget before determining priorities, the State will benefit.

- Concerns about the 4-Step Jim Lewis Allocations Method: Some Commissioners believed that there is a “missing link” in the 4-step BFR process. They thought that it did not help with the macro level allocations. Education, Human Services, and Public Safety are the “biggest buckets” of money that are all associated with goals and priorities. The struggle in the budget process is how to decide to allocate resources among goals. The Commission should rank its sub-goals and determine which sub-goals are most important for the state to fulfill. The State will need to determine who it needs to help. Additionally, the State should start with the concrete and determine what resources it has to meet its sub-goals, goals, and results. Only then will the macro level assigning of funds make sense.

John Kamis determined that the Commission would start its theoretical examination of implementing the BFR process in Illinois with the Lewis method and build upon it through e-mail and share point. The Commission will provide three recommendations under allocations: (1) a more fully-developed Lewis method; (2) general process recommendations; and (3) items that the Commission wants to explore over the next year (or a “roadmap” for the future).

Additionally, some Commissioners believed that Steps 1, 2, and 3 will need to be satisfied before Illinois can proceed to step 4 of the Jim Lewis method. The first three items could be subjected to review and evaluation under the BFR process, but they will not have mitigating effecting on short-term state spending.

- Debate about Agency Baselines: Commissioners then debated whether or not BFR will include a baseline for state agencies. The Commission agreed that an “assumed baseline” will come from agencies. This baseline will include basic costs that the state of Illinois will have to address, such as the minimum amount of funding required for an agency or state facility to function. While the BFR Commission has “lofty goals,” some state agencies and facilities will worry about simply keeping their doors open. A baseline would keep agencies from needless work and communities from needless anxiety. BFR starts with recognition of what it will cost agencies to keep functioning at a minimum.

Some Commissioners questioned what it will cost an agency to “keep doing what they are doing.” They believe that the Executive and Legislative branches of government do not have to agree with the costs for providing minimum services/functions by agencies. Other Commissioners questioned what programs the agencies are “maintaining,” and whether those programs are effective. One example was provided that, according to the Department of Corrections, the HIV population has a 0% recidivism rate, because they receive various forms of assistance upon leaving prison (such as housing, food, etc.)

- Contents of the November Report: Commissioners considered the possibility of submitting a different report on November 1st from the mandated report. The Chair decided that the Commission should do its best to satisfy the expectations of its statute. Because the Commission will not perfectly satisfy the statute, it will continue to meet

after the November 1st reporting deadline. It was decided that the November 1st report will be definitive and forward-looking. The Commission has several definitive areas where it can provide recommendations (such as revenue and goals), yet some areas will remain relatively undefined and, as a result, will be more forward-looking. The Commission decided that it could not recommend specific transfers for elimination. Thus, the Commission's report will not be an entirely conceptual document, as it will include definitive recommendations.

Commissioners decided that Jim Lewis' 4-Step Method is a working document. The Commission will build a consensus on their recommendations in response to Jim's document.

VI. Mandates Discussion

The discussion about mandates will occur electronically. Commissioners will comment on the list of 1700 mandates provided to them by OMB. They will select specific mandates for discussion and use SharePoint as a location to hold discussions and to post documents. Jennie Sutcliffe will schedule a conference call for Commissioners with the Governor's Office Internet Technology Staff.

VII. Public Hearings/ Next Steps

There will be two public hearings next week: one in Springfield (October 11th) and one in Chicago (October 12th). Commissioners are encouraged to attend the Springfield hearing. A tour of the Governor's Mansion can be arranged for interested individuals.

Governor's Office Staff will be in communication with the Commissioners at least once per week. Commissioners will view drafts of the November report as they become available.

The Commission scheduled a meeting for the week of October 17th. On October 24th (the last Monday of the month), the Commission will meet, finalize, and adopt its November 1st report. The Commission will meet twice during the week of October 24th if necessary. The Commission will meet prior to the last week (October 24th) to discuss outstanding issues.

The Lieutenant Governor would like to hold a hearing in Carbondale. Jennie and John will work with Steve Schnorf to schedule a date for the hearing.

The Commission received a Washington State flyer. The Washington State Public Policy Institute will evaluate the effectiveness of programs. It will fund 10 states next year, and it has only committed to funding 7 states thus far. The Washington State Public Policy Institute will provide states with modeling on the return for their investment. This would prove extremely helpful to OMB. Washington used 80% of funding for this program from outside entities, including the MacArthur Institute. Limited public funds will be available for this program.