

Budgeting for Results Commission

9/22/11

10:00am- 12:00pm

JRTC Room 9-031

Member Participants:

Commissioners Participating (Chicago):

- *Chairman State Senator Dan Kotowski*
- *Carole Brown, Managing Director, Barclays Capital*
- *Dr. Roger Myerson, Glen A. Lloyd Professor of Economics, University of Chicago*
- *Jim Lewis, Senior Program Officer, Chicago Community Trust*
- *John Kamis, Office of the Governor*
- *Larry Joseph, Director, Budget and Tax Policy, Voices for Illinois Children*
- *Maria de Jesus Prado, President, Prado & Renteria;*
- *Bob Kettlewell, Office of the Governor*
- *Donna Sims Wilson, Executive Vice President, Castleoak Securities*
- *Cristal Thomas, Deputy Governor*

Commissioners Participating (Springfield):

- *Steve Schnorf*

Commissioners Participating (Telephone):

- *Senator Pamela Althoff*
- *Alderman Will Burns*
- *Representative Will Davis*
- *Representative Kent Gaffney*

Commissioners Unable to Attend:

- *State Senator Tony Munoz*
- *Lyle Logan, Vice President, Northern Trust Bank;*
- *Alex Rorke, Co-chair, Illinois Economic Recovery Commission;*
- *Jose Sanchez, CEO and President, Norwegian American Hospital;*
- *Kevin Semlow, Director of Legislative Affairs, Illinois Farm Bureau*
- *Lieutenant Governor Shelia Simon*

I. **Approval of minutes from September 7th meeting**

Members had two concerns about the minutes:

- “Corporate tax evasion?”: Commissioners wondered if this was stated correctly on the last meetings minutes. As a result, the phrase “corporate tax evasion?” was stricken.
- The COGFA portion of the minutes: Commissioners recalled that COGFA’s presentation last week expressed the direness of FY 2013 projected revenues. As a result, the minutes will be sent to Jim at COGFA for further revision.

*NOTE: Approval of the September 7th minutes is contingent upon these changes.

II. **Follow up from September 7th meeting**

- **Feedback:**

Commissioners decided that documents sent by staff should be provided in advance so that Commissioners could provide their feedback. OMB staff presented a document that outlined the structure of the Commission’s report: (1) executive summary; (2) recommendations on results, goals, and sub-goals; (3) allocations of percentages of the budget to results; and (4) recommendations for the termination of mandates. The Commission decided that it was not in a position to provide reasonable, well-informed recommendations on allocations. Instead, it will use the November report to submit theoretical recommendations on how to improve the budget process and how best to allocate State resources to results.

- **Mandates & Transfers**

OMB staff led the discussion by explaining the difference between a “transfer” and a “mandate.” A transfer is “the automatic movement of moneys between funds.” State Statute assigns money to certain funds and programs, and as a result, revenue must go to those funds and programs. In contrast, a mandate is “a requirement of the government by law.” The Commission agreed that it wanted to focus on transfers, in addition to mandates, in compiling its report.

OMB produced two documents that separated the list of 1700 mandates provided by state agencies. Although the Commission’s statute states that the Commission must recommend mandates for termination, the Commission decided to exercise extreme caution in how it examined and discussed the OMB lists of mandates. The Commission will examine the 50 transfers out in order to meet the November reporting deadline, and Commissioners will examine the full list of 1700 mandates over the next year. Commissioners wanted to look at the categorization of mandates, unfunded federal mandates, special state funds mandates, and the \$8 billion minimum of mandated expenditures (including pension, debt service, and statutory transfer obligations). Some Commissioners expressed concern that special state funds mandates represent the culmination of agreements made over several years with special constituencies. Special state funds constitute the agreement of a special population to pay a fee or a tax in order for that money to go into a special fund for a specific use that will benefit that population. The Commission must consider who agreements were made with, why they were made, and how long they have been made,

before it makes recommendations on special state funds. Commissioners agreed that they should consider how funds receive their revenues in order to enhance their understanding of the state's overall commitments.

The Commission's report will be written by Bob Kettlewell. Commissioners will comment on a draft before its finalization. Commissioners are encouraged to work with Bob Kettlewell in constructing portions of the report.

III. Results, Goals, Sub-Goals

- Review Updated Draft

The Commission examined the revised language of OMB's "results, goals, and sub-goals" document (previously, the "outcomes, results, and sub-goals" document). OMB staff incorporated Commissioners' comments into the document. Staff explained that results, goals, and sub-goals comprise one component of BFR and that a goal is not needed for every function of state government. Also, the results, goals, and sub-goals document is "living" in the sense that it will change over time in accordance with the state. Agencies will have the opportunity to review this document in order to ensure that the goals are measurable and relevant. The Commission will come to an agreement on the goals and sub-goals by November 1st. Some Commissioners had three immediate recommendations on the goals and sub-goals: (1) separating medical assistance (i.e., Medicaid) from Human Services; (2) eliminating the "Quality of Life" result because it only encompasses three agencies; and (3) allocating natural resources to different results.

Commissioners discussed how Illinois' Medicaid liabilities are determined by enrollment. As a result, state Medicaid liabilities will increase next year and will be even more underfunded because of the General Assembly's deferred liability. Additionally, Medicaid can "crowd out" other state spending. By treating Medicaid (and pensions) separately within the budget, other items within Human Service agencies (and other state agencies) can be spread out across the budget, and Medicaid will not "cannibalize" spending in other areas of an agency's budget. A unified Medicaid budget would not replace any agency budgets but would provide the legislature with an idea of its federal obligations. The Commission agreed that it should attempt to identify all programs with significant budgets that will grow at faster rates than state revenues. These growing programs will limit the discretion of the Governor and the legislature because they will expand beyond state revenues and ultimately drive the budget process. The Commission also decided to consider identifying programs that will grow faster than the rate of inflation because they will consume more and more of the state budget.

Commissioners also debated the "Quality of Life" result (number 5), the transparency of BFR (number 6), and quality education (number 1) on the "results, goals, and sub-goals" document. They agreed that the Quality of Life result needs better definition and should be restructured. Communication and transparency in BFR should be ensured through a webpage that explains how the BFR process works in Illinois. Members debated whether they should quantify goals through percentages and deadlines. Agencies will provide the majority of quantifiers and deadlines on sub-goals. Some members wanted to address educational issues directly by decreasing the drop-out rate instead of increasing the percentage of children receiving their high school diplomas. Other members countered that the Commission should not specify sub-goals because it is

not clear how a percentage or deadline specification will drive the budget process at the macro level. Commissioners decided to address the general results, receive feedback from state agencies on sub-goals, and move forward from there.

Commissioners further debated economic well-being (number 2) and minimal quality of life (number 4). Within result number 4, points 1, 3, 4, and 5 were medical, but point 2 (shelter) was not. The Commission determined that shelter is essential to being a human being. There was a debate between shelter belonging to the mentally-ill, homeless population or belonging to members of the middle-class facing foreclosures. Some members thought that wanting to own a home constitutes a quality of life issue. Commissioners decided to send out a new draft of results, goals, and sub-goals for feedback. Commissioners will receive weekly feedback via e-mail, until a web location becomes available for collecting and sharing feedback.

IV. Allocations

The group considered whether it needed to finish results, goals, and sub-goals before moving onto the allocations process, or whether the allocations process could occur separately from the results, goals, and sub-goals work.

V. Public Hearings

a. Dates

A public hearing will be held in Springfield on October 11th from 11:00 AM to 1:00 PM, and a public hearing will be held in Chicago on October 12th at 2:00 PM. The next BFR Commission meeting will occur on October 6th from 2:00-4:00 PM.

b. Framework

The Commission will have background on Budgeting for Results available at the public hearings and will designate areas for public feedback prior to the hearings.

c. Participants

The Commission will use a variety of resources to reach out to the public. These include: legislative staffs, public postings, listservs, press, the Spending Reform Committee, and the Human Services Commission.

VI. Next Steps

Commission members will submit their comments on the “results, goals, and sub-goals” document to Staff.