BUDGETING FOR RESULTS COMMISSION

3rd Annual Report

November 1, 2013

GOVERNOR PAT QUINN

STATE OF ILLINOIS

A Letter from the Co-Chairs

November 1, 2013

To the Honorable Governor and Members of the General Assembly:

On behalf of the Budgeting for Results Commission, we are pleased to submit to you our third annual report. We thank you for your ongoing commitment to improving the State's budgeting process. Like you, the Commission is working to ensure that public funds are invested wisely to provide quality services that meet the needs and advance the priorities of Illinoisans.

Since the establishment of the Commission in 2010, we have together made considerable progress towards developing a more accessible and responsible state budget including the use of program performance data during the appropriations process, expanding public reporting of state agency performance information, and increasing the number of opportunities for residents to inform state spending.

In addition to providing an introduction to Budgeting for Results and a detailed status update on the implementation of previous recommendations, the attached report also outlines next steps offered by the Commission to drive transparency, efficiency, and the effective use of taxpayer dollars. We thank you in advance for your consideration and we look forward to continuing to work together to ensure the economic and fiscal stability of the State of Illinois.

Sincerely,

State Senator Dan Kotowski   Steve Schnorf
Co-Chair   Co-Chair

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Introduction

According to the enabling statute, Budgeting for Results (BFR) is "a method of budgeting where each priority must be justified each year according to merit rather than according to the amount appropriated for the preceding year" (Public Act 96-958). In practice, BFR should move the state budget process towards measuring the contributions of each government program to a set of statewide priority outcomes and making investment decisions to optimize the achievement of those outcomes.

Result Area	Statewide Outcome	Definition
Education	Improve School Readiness and Student Success for All	Increase percentage of Illinoisans equipped with skills and knowledge needed for postsecondary and workforce success.
Economic Development	Increase Employment & Attract, Retain and Grow Businesses	Close the opportunity gap in Illinois by ensuring the labor force has the skills necessary to meet the needs of employers and maximize earning potential. Increase business investment and entrepreneurship in Illinois.
Public Safety	Create Safer Communities	Reduce incidents of death, violence, injury, exploitation and fraud.
	Improve Infrastructure	Improve the condition of infrastructure to protect citizens and support commerce.
Human Services	Meet the Needs of the Most Vulnerable	Ensure all residents—but particularly children, the elderly, and persons with disabilities—are able to experience a quality life by meeting basic living needs, and providing protection from abuse and discrimination.
	Increase Individual and Family Stability and Self-Sufficiency	Reduce demand on the human service system by providing services to help individuals and families better support themselves.
Healthcare	Improve Overall Health of Illinoisans	Lower health care costs by improving the health of Illinoisans.
Environment and Culture	Strengthen Cultural & Environmental Vitality	Strengthen and preserve our natural, historic, and cultural resources to make Illinois a more attractive place for people to visit, live and work.
Government Services	Support Basic Functions of Government	Improve the basic infrastructure of state government and provide the tools necessary to operate more efficiently and achieve statewide outcomes.

Budgeting for Results combines features from program budgeting, performance management, and zero-based budgeting. It challenges the traditional, incremental approach to budgeting that is partly at fault for the State's continued fiscal stress. To give a sense of the scale of implementing performance management and performance-based budgeting at the State of Illinois, here are a few facts about BFR and state government:

- There are nine statewide priority outcomes, as identified by the Governor and the Commission
- State agencies have defined over 400 distinct programs across state government
- There are more than 60 agencies under the Governor
- There are approximately 50,000 state employees
- The State's total annual budget from all sources exceeds $60 billion

Since the Budgeting for Results Commission's last report in November 2012, the State has made significant progress in implementing Budgeting for Results. This report details the progress made in a number of areas, recommendations for further improvement, and planned next steps. The following are some of the highlights:

- Agencies were directed by the Governor's Office of Management and Budget (GOMB) to name high-level agency liaisons to BFR, known as Chief Results Officers (CROs). The CROs were brought in as a group for two in-person training sessions in Chicago and Springfield, and were engaged on multi-agency outcome teams to identify BFR indicators down to the program level.
- The Illinois Senate instituted a new BFR questionnaire for agency appropriation hearings.
- The Illinois Performance Reporting System was developed in-house by GOMB to allow state agencies to input performance indicators and update program performance data quarterly.
- The BFR Commission held six public hearings around the state to gather public testimony on the usefulness of performance-based budgeting.
- State budget staff met in Chicago with their counterparts from 15 other states, convened by the National Association of State Budget Officers, to discuss progress to date on, and lessons learned from, their performance-based budgeting initiatives. Over the past ten years, performance budgeting has increasingly become the norm, as states work to make the most effective use of available financial resources.

Progress Report

Implementing Performance Management

Budgeting for Results represents a significant culture change not only for state agencies but also state leadership. As with any major organizational change, an effective change management strategy is critical to project success.

To foster change management at the agency level, each agency has established a Chief Results Officer or CRO. The CRO is tasked with responsibility for his or her agency's performance management and change management within their agency. The CRO has played an integral part in the successes in the past year.

With help of the CROs, the State of Illinois has streamlined and further defined the statewide outcomes. Currently there are nine outcomes within the seven result areas of Education, Economic Development, Public Safety, Human Services, Healthcare, Environment and Culture, and Government Services (see table above and Appendix III). Each agency defined their programs and aligned them with the statewide outcomes. This allowed the State to display the operating budget by BFR outcome for the first time and view operations across state outcomes instead of the traditional silos of state agencies.

During the FY 2014 budget process, the Illinois Senate for the first time incorporated an "agency outcomes form" that collected available program performance information from state agencies in advance of their appropriations hearings (see Appendix V). While BFR indicators and data collection had not yet been implemented statewide, the data collected with this form did help appropriations committee members better understand agency programs and performance in the context of the statewide outcomes.

Budgeting for Results Indicators

Quantitative measures of program outcomes are critical to the success of Budgeting for Results. Currently, state agencies collect a vast amount of data, but current metrics tend to measure activities or outputs rather than outcomes. The key focus of BFR is to measure a quantitative impact of each program on achieving one of the nine statewide priority outcomes.

Over the past year, Governor's Office of Management and Budget (GOMB) staff engaged the agency Chief Result Officers and other stakeholders to define indicators to enable monitoring of progress towards statewide priorities. At the highest level, impact-level indicators were identified. These indicators are often influenced by factors beyond the direct control of state agencies. Outcome-level indicators were then developed to better understand how state agencies and groups of programs contribute to changes in the impact-level indicator. Lastly, program-level indicators were identified to capture the contribution of individual programs to statewide outcomes. This structure will allow the State to better evaluate the efficiency and effectiveness of programs while continuing to monitor progress towards the broader goals in a given result area.

Illinois Performance Reporting System

The Illinois Performance Reporting System (IPRS), the State's system for reporting program performance based on the indicators outlined above, includes three components. The components are the data collection, data analysis, and data presentation systems. From fall 2012 through spring 2013, the Governor's Office of Management and Budget technology team designed, developed, and deployed the data collection component of IPRS. System design, architecture, and programing were all completed in-house at GOMB.

The data collection component of IPRS is a web-based, data collection and storage database. The database allows agencies to report programmatic level data to GOMB on a regular basis. The data collection module allows agencies to provide detailed programmatic information obtained from agency program logic models. In addition, IPRS allows agencies to track spending with each program, allowing GOMB to tie spending to programmatic outcomes more efficiently and effectively.

For the first time, state agencies were asked to develop a catalog of their agency programs in preparation for the FY 2014 budget. Additionally, GOMB, in conjunction with state agencies, worked to tie line item spending to individual programs. Agencies also worked to develop initial performance metrics for each program identified in the FY 2014 budget. It is against these metrics that agencies are required to collect data over the course of FY 2014. It is this data that will populate the data collection database over the course of FY 2014.

In May 2013, agency CROs received extensive training from GOMB on the various aspects of the data collection system. This training was presented to give the CROs and their agencies the tools necessary to populate IPRS with the necessary program data and to begin collecting and reporting data with the start of the first quarter of the new fiscal year, which began on July 1, 2013.

Over the course of the first quarter of FY 2014, state agencies collected performance data against their initial performance metrics. As of October 15, 2013, agencies began to report their first quarter data via IPRS. Agencies will continue the cycle of collecting and reporting this data throughout FY 2014. This process will build a base of raw performance data, which will be analyzed to identify program performance over time and discern trends. As the indicators and data are refined it is the State's intention to make them available through a public-facing website.

Stakeholder Engagement

Public engagement is of utmost concern to the Governor and General Assembly in implementing Budgeting for Results. Prioritizing how scarce resources are spent should be a transparent process that represents a general consensus on the overall direction of the State. Therefore, an effective BFR process requires a high degree of engagement with the public. The BFR enabling statute of 2010 and 2011 (see Appendix II) requires that two public meetings be held during each year's BFR outcomes-setting process, one in Chicago and one in Springfield. The Commission's 2013 BFR public engagement efforts included six public hearings across the state, held in the following locations:

□ Chicago – Thompson Center
□ Collinsville – Illinois Department of Transportation
□ Marion – Marion Regional Office Building
□ Moline – Western Illinois University
□ South Holland – South Suburban College
□ Springfield - Illinois Department of Transportation

Over the course of the six hearings, written and oral testimony was taken from over 100 participants (see Appendix IX). Copies of the written testimony are included in Appendix XI and are available on the BFR website at http://www2.illinois.gov/gov/budget/Pages/BFR-testimony.aspx. Topics presented and discussed at the hearings included but were not limited to:

□ An update and overview of BFR key accomplishments
□ An overview of BFR Timeline
□ Activities in which stakeholders are engaged in preparation for BFR
□ Feedback on enhancing communication with stakeholders around BFR
□ Suggestions for advancing/enhancing Commission recommendations

Out of the six hearings conducted, one hearing was dedicated specifically for the general public at large to obtain feedback that focused on the following:

□ What are the most important functions of government to you?
□ How do you determine whether government is doing a good job providing a service?
□ Do you have recommendations for the Commission on continuing to enhance this process?
□ How can we better communicate with you about BFR and the budgeting process?

A summary of recommendations made during the public hearings is attached as Appendix X.

In addition to the six public hearings held in 2013, Governor's Office and state agency staff engaged with funders, providers, advocates and other stakeholders on several occasions to discuss the goals and progress of BFR. The Social Services Advisory Council, an advisory body to the Illinois Department of Human Services, established a BFR subcommittee that is assisting with the development and validation of BFR measures and data. The Boeing Foundation hosted a half-day conference at their Chicago headquarters for representatives from state and local government, community-based organizations, foundations and academia, to present case studies and discuss approaches to outcomes-based funding, including development of common measures. Finally, BFR implementation team members met individually with a number of legislators in their district offices, with community-based organizations and with statewide advocacy groups to discuss principles and strategies for BFR.

Mandates Review

One of the tasks established in the statute (15 ILCS 20/50-25) for the Budgeting for Results Commission is to "review existing mandated expenditures and include in its [November 1st] report recommendations for the termination of mandated expenditures." In 2012, several of the Commission's 2012

recommendations for mandated expenditures were drafted in Senate Bill 1621 and passed by both chambers.   Public Act 98-0044 eliminated or modified sixteen different mandates for six different agencies (see Appendix VII).

In 2013, the Budgeting for Results Mandates Subcommittee asked agencies to review a list of thousands of funds and mandates compiled by the Governor's Office of Management and Budget in 2011. They were asked to revise that list to only include mandates that they were comfortable modifying or eliminating. Agencies were also given the opportunity to suggest changes to, or the repeal of, mandates that were not included on the 2011 list. Specifically, the Subcommittee asked agencies to recommend the modification or elimination of duplicative, outdated, or overly burdensome mandates. Agencies were asked to fill out a detailed form for each recommendation for the elimination or modification of a mandate.

The Budgeting for Results Mandates Subcommittee met in late September 2013 to conduct an initial review of agency recommendations for the elimination or modification of mandates.   The Mandates Subcommittee's recommendations (see list in Appendix VIII) include mandates that were approved by the Subcommittee for action after an initial review, additional conversations with agencies, or feedback from state legislators. The mandates approved by the Subcommittee were adopted unanimously by the full BFR Commission on October 25, 2013.

Commission Recommendations

As prescribed in statute, the Commission is charged with "setting forth recommendations with respect to the Governor's proposed outcomes and goals" to the Governor and General Assembly by November 1 of each year. Since its establishment in 2010, the Commission has issued two sets of comprehensive recommendations addressing various aspects of the Budgeting for Results process.   These recommendations are outlined in detail in the 2011 and 2012 reports (see Appendix VI).

Over the past three years, both the executive and the legislative branches have made important strides towards achieving the recommendations put forth in previous reports. For the purposes of keeping the focus on recommendations still needing to be addressed, in 2013 the Commission decided to consolidate outstanding recommendations by category and report on the progress to date for each. The consolidated recommendations, which also reflect the feedback received during the public hearings and via web comments, appear in the following section as "Key Recommendations." Additional information on the status of implementation in many of these areas is also available in the Progress Report section of this report.

Key Recommendations and Progress Updates

Budget Allocation
Key Recommendations:
- The Commission recommends that policymakers avoid establishing artificial silos or fixed, pre-determined shares for major policy areas at the beginning of the budget process. The process for allocation of resources should maintain flexibility for adjustments between major statewide priorities to enhance the achievement of relevant policy objectives.
- Policymakers should acknowledge that resource allocation decisions cannot be determined by performance evaluation or return on investment alone; in some instances, allocation priorities must involve responsible value judgments.
- In implementing BFR, the State should account for challenges in measuring outcomes, in particular the challenges of measuring the absence of a negative outcome and in quantifying results of prevention programs.
- The Commission recommends that the State remain cognizant of the potential unintended consequences of BFR, such as service vacuums as providers may target easier to serve populations.

Update: The State's approach to BFR has been modified since its original formulation to distinguish it from similar programs in other states (e.g., Budgeting for Outcomes). Originally, based on these prior models, BFR was contemplated as a somewhat simplistic tool to determine available resources and have agencies "bid" for funding based on overall state priorities and individual program performance.

Programs that fell "above the line" would be funded, and others would have to wait for the next fiscal year allocation.

Over the past two years, the approach has shifted to one in which performance data obtained through BFR is expected to be used to inform the budgeting process, from the Governor's proposed budget through legislative appropriations. The focus, especially in the past year, has been on the identification of appropriate outcome-level and program-level indicators and on establishing a performance culture in state agencies. There has been a consistent message to agencies to incorporate data they already use for managing their operations into BFR, and to use the information developed for BFR to help in the day-to-day management of their agencies.

Interactions with service providers, other stakeholders, and other states have emphasized that data alone, in a vacuum, cannot tell the whole story about service levels or the need for programs. BFR clearly needs to be more than just a simple, one-size-fits-all approach to evaluating programs. To be useful as a policy tool, it will need to incorporate information about populations served, long-term outcomes, interactions between programs, and external evidence.

Revenue and Funds

Key Recommendations:
- Budget allocations should be based on reliable and evidenced-based revenue estimates.
- The State should consider a consensus process for revenue estimates, similar to practices in other states.
- To the extent possible, decisions regarding allocation of available resources should distinguish between state and federal revenue sources within the General Funds and within "Other State Funds."
- Budget decisions should consider surplus state revenue outside the General Funds.
- The history, intent, and current need of all statutory budget transfers should be evaluated, and funding through statutory transfers should be subject to the annual appropriations process.

Update:
- In the FY 2014 budget process, the General Assembly began with revenue estimates from the Commission on Governmental Forecasting and Accountability (CGFA), which has statutory responsibility for preparing revenue estimates for the General Assembly. Legislators subsequently used these estimates to account for a projected surplus in the Income Tax Refund Fund.   The process of adopting CGFA's revenue estimates and making appropriate, evidence-based modifications represents a positive step forward.
- In the Governor's introduced FY 2014 budget, it was proposed that review of expenditures include statutory transfers from the General Funds to other state funds. (In the past, the amount for most transfers has been automatic in the absence of a change in the relevant statute. The Governor's FY 2014 proposed budget included restricting some of the transfers to their prior year levels.)

- The General Assembly passed and the Governor signed legislation requiring the Governor's Office of Management and Budget to prepare a detailed annual report on all transfers from the General Funds in the previous fiscal year and estimated transfers in the current and next fiscal years. The legislation also specifies that the General Assembly "shall consider the report in the appropriations process." (Public Act 98-0024)

Transparency

Key Recommendations:

- As improving transparency in the budget process is a core goal of Budgeting for Results, clear and accessible summary data on revenues, expenditures, and transfers should be included in the Governor's annual budget book, other reports to the General Assembly and public, as well as all appropriation bills considered by either chamber of the General Assembly.
- The annual economic and fiscal policy report prepared by the Governor's Office of Management and Budget should include projected revenues, expenditures, and liabilities for three years based on current law and policies. To give some indication about the adequacy of projected revenues under current law, a report should include projections of expenditures that are estimated from recent expenditure trends separately from the revenue projections.

Update: The BFR Commission and GOMB continue to take strides to make budget data available to the public in an easily accessible and user-friendly manner.

- GOMB made the detailed FY 2014 budget data found in the Budget Book available online through the State's open data website at data.illinois.gov.
- GOMB has, for the first time, posted online data for the enacted FY 2014 state budget.
- As a result of legislation passed by General Assembly in May 2013 and signed by the Governor (Public Act 98-0580), the Budgeting for Results Commission has established a new working group on budget transparency. The working group will report its findings by January 1, 2015.

Fiscal Planning

Key Recommendations:

- The State should establish a long-term fiscal planning process based on projected liabilities and revenues, with special attention paid to the growth rate of Medicaid, the normal cost and "unfunded liability" payments for the state pension system, as well as all other state programs that may be growing at financially unsustainable rates.
- Planning and analysis should take into account spending commitments that are incurred separately from legislative appropriations in a given fiscal year.

Update: Illinois has taken several steps to identify, quantify, and manage programs with potentially unsustainable growth.

- In June 2012, Governor Quinn signed legislation (Public Act 097-0689) designed to reduce Medicaid liabilities to fit available funding sources, through changes in program eligibility and service coverage, utilization controls, and adjustments to provider reimbursement rates.
- This legislative package phased out the long-term practice of balancing the state budget by pushing Medicaid bills into the next fiscal year.
- The FY 2013 and FY 2014 enacted budgets included funding to pay down outstanding liabilities. GOMB projects that deferred liabilities ("Section 25" liabilities) for Medicaid across all state agencies will be eliminated by the end of FY 2014.

In spring 2013, the legislature passed Senate Bill 179 (Public Act 97-0694), which created the position of the State Actuary and required the State's pension systems to specifically identify the systems' projected normal costs to the State for each fiscal year.

The enacted state budget for FY 2013 set aside $1 billion to reduce outstanding Medicaid liabilities. In spring 2013, the General Assembly passed supplemental appropriations bills (HB 206 and HB 207) to pay down deferred liabilities in the Department of Healthcare and Family Services, Department on Aging, and Department of Human Services, as well as for state employee group health insurance.

BFR Implementation
Key Recommendations:
- The State should work to establish a streamlined implementation process for BFR, which takes into account best practices from other jurisdictions that have successfully implemented performance-based budget systems.
- The Commission encourages the legislature and state agencies to more closely align their appropriations and business processes with BFR in order to break down silos, communicate more effectively with stakeholders, and better determine where efficiencies can be achieved.

Update: One mechanism used to streamline the BFR implementation process was the designation of agency Chief Results Officers (CROs). CROs are high-level personnel in each agency who are responsible for implementing BFR and coordinating change management within their agency.

GOMB staff met in summer 2013 with their counterparts from 15 other states, convened by the National Association of State Budget Officers (NASBO), to discuss progress to date on, and lessons learned from, performance-based budgeting initiatives. Performance budgeting has been practiced by some states for more than ten years, but no state attending the daylong meeting was completely satisfied that their approach produced a true performance-driven budget. Illinois will continue its interaction with NASBO and other states that are implementing outcomes-based budgeting.

The BFR Commission and GOMB continue to work with the General Assembly to integrate BFR into the appropriations process. The spring 2013 legislative session saw the incorporation of BFR concepts and data into the discussion and debate to a greater extent than anytime previously. Examples of BFR

integration into the appropriations process include the agency outcomes form utilized by the Senate Appropriations Committees to gather information from agencies for use when making budget decisions. Additionally, during appropriations committee hearings in the House, legislators asked agencies to explain how certain programs achieve the results and outcomes identified in the Governor's budget.

Stakeholder Engagement

Key Recommendations: The BFR Commission and the State should engage and communicate with relevant stakeholders throughout the duration of the BFR process through public websites, social media, outreach to legislators, and public hearings held at times and places that enable the largest and most diverse public participation possible.

Update: The BFR Commission is committed to engaging stakeholders in the budgeting process. The BFR statute requires the Commission hold at least two annual public hearings. In 2013, six public hearings were held in Chicago, South Holland, Quad Cities, Marion, the Metro East area, and Springfield. Moreover, stakeholders can provide input to the Budgeting for Results Commission on the Commission's website: budgetingforresults.illinois.gov. The Commission also solicits stakeholder input at its meetings, which are open to the public.

BFR Commissioners and GOMB staff have met with key stakeholder groups, including legislators, to discuss and solicit feedback on the BFR implementation process.

A user-friendly website, found at budget.illinois.gov, was established during FY 2013.   The site includes electronic copies of current and prior year budget books and presentations, as well as a BFR Commission resources page with documents from Commission hearings. In addition the site offers members of the public the opportunity to submit comments and ideas about BFR implementation and to take a survey ranking statewide result areas.

As detailed in the Progress Report section, Governor's Office and state agency staff engaged with other funders, providers, advocates and other stakeholders on several occasions to discuss the goals and progress of BFR. This included meetings with the Social Services Advisory Council, representatives from state and local government, community-based organizations, foundations, and academia. BFR implementation team members met individually with legislators, community-based organizations and statewide advocacy groups to discuss BFR.

Some agencies have used social media to increase awareness of BFR and BFR-related activities. For example, DHS has used their Facebook page to alert providers and community partners about BFR related meetings and developments. The State will continue to expand the use of social media over the coming year.

Reporting Requirements and Efficiency

Key Recommendations:

- The State should work to eliminate redundancies in information collected and streamline reporting requirements to improve efficiency and reduce the burden on community-based providers.
- To reduce redundancy in information collected for BFR, the state should take into account metrics and data currently collected by providers.
- State agencies should also work with private partners to develop capacity-building and technical assistance plans to help grantees adapt to Budgeting for Results.

Update:

- In the past year, the State has made strides to streamline business processes and lessen the reporting burden on community-based providers. For example, the Department of Human Services is leading a Management Improvement Initiative Committee (MIIC) to implement recommendations across the five state human services agencies that should result in greater efficiencies for not only state agencies, but also the community-based providers working on the State's behalf.
- On July 1, 2013, Governor Quinn signed HB 2 (Public Act 98-0047) which creates the Illinois Single Audit Commission. The Commission will apply the same concept behind MIIC to the ten largest grant-making agencies in the state to streamline the grant-making process across all state agencies.
- The Illinois Human Services Commission will also be addressing simplification and consistency in state business processes through its role as an advisory board to the Illinois Framework project, a multi-year effort to simplify and standardize health and human services agency business processes and technology.
- The State continues to work to identify areas where business processes can be streamlined to conserve resources and lessen burdens on community-based providers. As GOMB continues to reinforce a shift towards statewide goals rather than agency or program-specific metrics, it is encouraging agencies to work with providers to determine the most meaningful performance metrics for outcomes reporting and outcomes-based contracting. A consistent theme of these discussions is to use metrics and data for BFR that are already collected and reported and used for internal management purposes by state agencies and providers.

Information Technology

Key Recommendations:

- The Commission urges the State to make the necessary investments in technology and data infrastructure to support an outcomes-driven budget and evaluate program performance.
- The Commission urges the State to increase access to appropriate digital and technological infrastructure needed by providers to monitor and quantify results.

Update: In FY 2013 GOMB developed and implemented the Illinois Performance Reporting System (IPRS). IPRS is a web-based portal that allows for the collection of program-level performance information. It serves as a central repository for program information as well as program performance data elements. In the future it will provide the data source from which a public-facing performance website will pull information to display to the public, increasing budgetary transparency.

Two enterprise-level technology projects currently underway bear mention with regard to performance data and provider access. First, the State is in the third year of planning and implementation for the Illinois Framework project. This project will establish and build out a statewide enterprise business and technology architecture for health and human services.

Second, the State has begun preliminary work on an Enterprise Resource Planning (ERP) project, which is expected to take several years and will replace existing, siloed agency-level budgeting, purchasing, payroll and accounting systems with a single system providing these services to all the agencies under the Governor. When implemented, the ERP system is expected to produce vast improvements in the state's administrative processes and information including a "single view of the supplier" and a "single view of the customer" across state agencies—improvements that will directly benefit providers.

Next Steps

As summarized in this report, the implementation of Budgeting for Results in Illinois is moving forward on several fronts, including organizational development, stakeholder engagement, business process changes, metric development, and systems implementation. Over the next twelve months, BFR is expected to become a more visible and useful tool in the state's annual cycle of budgeting, appropriations and fiscal control. The BFR Commission and the Governor's Office and agency staff will continue to expand stakeholder engagement and budget transparency. The IPRS system will be built out further to include a public facing component and refinements for internal utilization. Finally, early 2014 will see the initial results of a pilot currently underway to develop a statewide methodology for measuring program-level impacts.

Stakeholder Engagement

Some agencies have made efforts to incorporate BFR into their interactions with stakeholders, including members of the community, advocates, and providers. The Department of Human Services created a BFR Task Force of the Social Services Advisory Committee to engage with advocates, providers, and other funders to help with identifying BFR indicators and developing procedures for collecting performance information. GOMB staff has engaged on a limited basis with providers and members of the community to discuss the purpose, scope and timetable for BFR. But the State can do a better job in FY 2014 across all of the result areas in working with these stakeholders, as well as with other units of government in Illinois, in communicating the purpose of BFR and incorporating more stakeholder input into the development of outcome measures and use of performance data in the budget process. For FY 2014, the Governor's Office will work with state agencies to develop more opportunities to collaborate with partners and other stakeholders on BFR.

The BFR Commission will continue their efforts in engaging stakeholders through public hearings and other activities that will garner information that will be helpful in making decisions around metric development, collecting and reporting of information, and ensuring a meaningful feedback loop. For FY 2014, members of the Commission have expressed an interest in having more interactive public meetings (such as a town hall format) and providing more accessible materials to explain BFR. In preparation for public hearings, staff can engage more closely with community-based organizations and other stakeholders to encourage participation.

In addition to the public hearings, opportunity for comments and recommendations are welcome anytime on the BFR web site at http://www2.illinois.gov/gov/budget/Pages/BFR-comments.aspx. Commission meetings are open to the public to attend, and Commission meeting materials and reports are available online at http://www.budgetingforresults.illinois.gov.

Data Collection and Analysis

The focal point of the State's data collection and analysis efforts is the Illinois Performance Reporting System. The technological components of IPRS are the data collection, data analysis, and data presentation modules. Each component is being developed independently but with an eye toward efficient integration into the IPRS system as a whole.

The first component of IPRS is the data collection system. The data collection system was developed and implemented over the course of calendar years 2012 and 2013 (for a full discussion of data collection system development and deployment, see the Illinois Performance Reporting System section of this report). The data reported in the data collection module of IPRS is in a raw form. The data needs to be validated and analyzed before it can be considered valid and reliable for informing budgetary decisions.

The first level of analysis of the raw data collected in the data collection module of IPRS will be conducted by GOMB analysts with support from their agency partners. In many instances this review may reveal that the measures and data collected do not adequately reflect the program's contribution toward the selected statewide outcome. It may be necessary to refine the measure in question, or create new measures. In some instances, it may be necessary to reorganize or redefine agency programs to more accurately align activities with outcomes. In real world application it may take multiple iterations of this process to completely align programs and their measures with statewide outcomes. In order to facilitate enhanced analysis of program data, it will be necessary to deploy technological solutions such as statistical analysis software. These enhancements will allow IPRS to improve data and trend analysis processing time. The data analysis component of IPRS will require the acquisition or development of additional software components.

The final component of IPRS is data presentation. To increase transparency it is necessary to give stakeholders and the public in general the most up-to-date and comprehensive information possible on the performance of state government in achieving results. GOMB is working to work to develop a performance data website. As more data on program performance becomes available through the data collection component of IPRS, it will need to be analyzed and shared with the public through the website. To complete the task of creating the website, GOMB will require additional technical capacity and resources. In September 2013, GOMB entered the first phase of the procurement process to secure the services of a web developer to build, test and launch the public website. It is anticipated that the first phase of the website will be online in late spring 2014, with more components to follow.

Program Impact Methodology – Pilot Project

The Chicago Community Trust and the John D. and Catherine T. Macarthur Foundation have agreed to provide initial funding for a pilot to develop a common methodology for evaluating state programs for BFR. The pilot will focus on the education result area and will review data provided by state agencies on a portfolio of 50 programs across the state's major education agencies and other agencies that have responsibility for education related programs. The programs were selected by GOMB in collaboration with the state agency Chief Results Officers.

The consultants selected by the foundations will be adapting an evidence-based analytical model that enables funders to measure common outcomes and aggregate results. The model includes benchmarking, predictive modeling, and portfolio analysis. The evaluation will leverage metrics such as program reach, cost, design, and existing evidence base. Based on data provided by the state agencies, the consultants will complete an evaluation of each of the 50 programs and conduct an aggregate analysis. The analysis should include insights into the program portfolio by focusing on key metrics including confidence level, expected outcomes, and cost per outcome.

If the pilot is successful at demonstrating a methodology that can be applied across state government, it is expected that GOMB will work with agencies to adopt this approach and roll it out over time to the remaining result areas. The pilot project began in October 2013 and is expected to be completed in early 2014.

FY 2015 Budget and Appropriations Process

In FY 2015 the Governor's Office of Management and Budget continues its efforts to shift Budgeting for Results from being a mere component of the budget process to become the framework by which budgetary decisions are made. Agencies will be expected to apply Budgeting for Results principles in preparing their budget requests, using available data to propose funding reductions or increases. In addition, the Governor's Budget will feature selected state agency initiatives that reflect a commitment to Budgeting for Results by achieving measurable outcomes or saving taxpayers money by allocating resources in a more efficient manner.

GOMB, in conjunction with state agencies, will evaluate the first two quarters of FY 2014 data to determine if agency program and measures properly align with statewide results and outcomes. Although the two quarters of performance data collected in FY 2014 are not sufficient to base budgetary allocation decisions on, this data should serve as a general guide to help decision makers determine how best to deploy resources.

Appendices available online at:

http://www2.illinois.gov/gov/budget/Pages/results.aspx