

Budgeting for Results Commission

Friday, January 25, 2013

10:00am – 12:00pm

James R. Thompson Center, 100 W. Randolph, Suite 15-200, Lt. Governor's Video Conference Room
Stratton, S. Spring, Room 414, Lt. Governor's Video Conference Room

Dial-in 888-494-4032 Access Code 6371670294#

Minutes

Chicago: Carole Brown, John Bouman, John Kamis, Jim Lewis, Senator Dan Kotowski, Roger Myerson, Jason Saul, Cristal Thomas, Donna Sims Wilson

Springfield: Steve Schnorf

Phone: Representative Will Davis, Kevin Semlow, Lt. Governor Sheila Simon

I. Welcome and Introductions

Chairman welcomed Commissioners and guests and thanked Commissioners and guests for joining.

II. Review and Approval of Minutes

Minutes from the previous from October 26, 2012 meeting were reviewed and approved as presented.

III. Discussion of Three Year Budget Projection – Ben Winick, Office of Management and Budget

Ben Winick provided a copy of the FY14 – FY16 three year budget projection prepared by the Governor's Office of Management and Budget (OMB). He explained that OMB projections were based on the Governor's intentions for the budget moving forward. He indicated that based on these plans, OMB anticipates modest revenue growth during the next three fiscal years. He also noted that expenditures appear by the seven Result Areas.

Chairman Kotowski inquired about the reasoning behind the presentation of information. Specifically, he was interested in the listing of pension costs under the Education result area as opposed to including them in Government Services with pension and benefit costs associated with other public employees. The Chairman suggested that the presented approach may be appropriate if the pension costs listed were for normal costs of current employees but not if they reflect pension liabilities from past employees. Larry Joseph suggested listing all pension costs separate from Result Area expenditures.

Commissioners also posed questions about what type of information should be provided in the budget forecasts. Deputy Governor Cristal Thomas noted that there is a difference between a projection based on a

continuation of current spending and outstanding liabilities and one which reflects the Administration's intention to work towards a balanced budget in the coming years. Commissioners reiterated their interest in both sets of information being made publicly available.

IV. Presentation on State Budget Crisis Task Force Report – Richard Dye and David Merriman, Institute for Government and Public Affairs (IGPA) at the University of Illinois

Chairman welcomed guest presenters. Presenters recognized colleagues and research partners. Guests presented on the challenges and opportunities facing the state with respect to its budget. Presenters noted that the larger report was prepared by State Budget Crisis Task Force with the support of the MacArthur Foundation. The information provided in the report was based on national spending models. IGPA worked in collaboration with the Task Force of the on the Illinois section which was released in October 2012.

The presenters began by sharing six major threats to fiscal sustainability identified by the Task Force, all of which they believe applied to Illinois, including: 1) Medicaid Spending Growth 2) Federal Deficit Reduction 3) Underfunded Retirement Promises 4) Narrow, Eroding Tax Bases and Volatile Tax Revenues 5) Local Government Fiscal Stress 6) State Budget Laws and Practices that Hinder Fiscal Stability and Mask Imbalance. They continued by highlighted actionable steps provided in the Task Force Fiscal Toolkit. More detailed data for specific recommendations in the Tool Kit were described. Specifically presenters noted that providing revenue projections and budget forecasts that span a period of several years would be beneficial for planning and better understanding the impact of policies over time. Also, they pointed out that examining and providing data on the allocation of all funds as opposed to just General Funds would provide a clearer picture of the budget and available revenue sources. Presenters entertained questions around what types of expenditures and revenues were included in the data presented on the slides.

Chairman thanked guests for joining the Commission to share their findings. Presenters thanked Chairman and Commission for the invitation to share their work and praised the Commission for engaging in a robust dialogue about the difficult issues facing the state.

V. Update on Implementation of BFR – Greg Wass, Office of Management and Budget

Greg Wass provided an update on the state's effort to implement BFR including an overview of work around performance measures and data, the budget book, and the appropriations process. His presentation also included a table featuring result areas, statewide outcomes, and outcome definitions. Key updates included the designation of Chief Results Officers, the timeline for the development of performance indicators, and incorporation of BFR into the budget book as well as the appropriations process.

Commissioners recommended that information on the budget by Result Area should be provided should be expanded to include non-GRF funds as well. They also engaged in discussion around whether or not pension costs should be included in the Education category echoing concerns raised earlier in the meeting.

Commissioners were pleased with progress the Administration has made on implementation of BFR to date and indicated that they look forward to receiving future updates.

VI. Discussion of 2013 Public Hearings – Tasha Cruzat, Office of Management and Budget

Tasha Cruzat introduced herself as a new member of the BFR team and provided an overview of plans for public hearings this year. She indicated that based on the Commission’s recommendations there were plans to increase the number of public hearings from three to six. She also noted that in addition to Carbondale, Chicago, and Springfield, hearings would likely take place in the Metro East, Peoria, and Quad Cities areas.

Chairman Kotowski expressed an interest in holding one or more hearings in the evening and outside of downtown in order to make them more accessible. The Chair also recommended broader outreach to ensure diverse representation of stakeholders.

Tasha indicated that more information on the first hearing would be provided via email to better assess Commissioners availability.

VII. Review of 2012 Recommendations – Senator Kotowski

Chairman indicated that the Commission would revisit this item at a later meeting due to a lack of time at today’s meeting.

VIII. Adjourn

Chairman thanked Commissioners and guests for their participation.

Commission is scheduled to reconvene on Friday, February 22, 2013 from 10am to noon, location to be determined.