

Budgeting for Results Commission

Friday, June 28, 2013

10:00am – 11:30am

James R. Thompson Center, 100 W. Randolph, 2nd floor, Room 2-025
State Capitol, 2nd and Monroe, 2nd floor, Governor's Video Conference Room, Room 205

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

Minutes

Chicago: Representative Will Davis, Larry Josephs, John Kamis, Senator Dan Kotowski, Roger Myerson, Maria de Jesus Prado, Jason Saul, Kevin Semlow, Cristal Thomas

Springfield: Steve Schnorf

Phone: Carole Brown, Jim Lewis, Lyle Logan, Donna Simms Wilson

I. Welcome and Introductions – Sen. Kotowski

Chair called for introductions in Chicago, Springfield, and on the phone. Senator Kotowski noted that the Blackhawks parade was taking place this morning and had caused travel challenges for some participants in Chicago.

a. Announcement of Co-chair

Chair welcomed Steve Schnorf as new BFR Commission Co-chair.

II. Review and Approval of Minutes from April 2013 – Sen. Kotowski

Chair called for edits or additions to minutes from April Commission meeting. Minutes approved with minor corrections.

III. Overview of BFR Legislation – Kristen Clark, Governor's Office

Chair introduced Kristen Clark, legislative liaison for the Governor's Office, to provide an overview of BFR related legislation from the past legislative session. She welcomed sponsors to add their comments as well. She noted that a summary document was included in the handouts.

Kristen began with HB2 (Bellock) which creates a Commission to develop a uniform set of rules is aimed at establishing unified standards for grants. Group is to be composed of twelve representatives appointed by the Governor. Recommendations are due by January 2014. Bill does not impact formula grants.

She continued with HB1682 (Kay) which requires a report of the aggregate amount of any bills held at a state agency on or previous to June 30 be reported to the Comptroller by October 1, 2013 and each year after. The Comptroller must then post the aggregate dollar amount of these bills on a public website.

Next she discussed HB2947 (Drury) which includes the contents of the Governor's introduced budget and requires the budget to contain a section indicating whether there is a projected budget surplus or deficit for general funds in the current fiscal year, or whether the current fiscal year's general funds project is projected to be balanced. The section must present this information in a numerical table format and by way of a narrative description and must include information for the proposed upcoming fiscal year, the current fiscal year, and 2 years prior to the current fiscal year. Additionally, these estimates must specifically and separately identify any non-recurring revenues.

She continued with HB2955 (Drury) requiring the Governor's Office of Management and Budget to publish the State budget for the coming fiscal year to its website within 60 days of its enactment.

Next Kristen discussed SB1621 (Kotowski) which repeals or makes permissive several unfunded or unduly burdensome mandates. She noted that this legislation is a result of recommendations made by the Budgeting for Results Commission in its 2012 report.

Lastly, she mentioned SB2106 (Althoff) which requires the BFR Commission to create a budget transparency working group comprised of members of the Commission to ensure Illinois' budgeting process is transparent and publicly accessible. The group will make recommendations to this end and report its findings no later than January 1, 2015. Cristal noted that the Commission hopes to work closely with Senator Althoff in seeing through the work of this group. Larry Joseph volunteered to participate in this group.

The Commission discussed the focus of this group, transparency and accountability. Senator Kotowski noted that much of the owed money is caught up and being paid within 30-60 days. He also noted that changes to the Medicaid system have also helped in reducing the delay in payments. He went on to describe changes that were made to the group health plan and budget projections among other things to provide a clearer understanding of the budget and to reduce the backlog of bills.

IV. Overview of Budget –Ben Winick, Office of Management and Budget

Ben Winick provided a brief overview of the state budget. FY13 ends with revenue of \$33.3B which is higher than original estimates. Appropriations for FY 13 ended at about \$30.5B with an additional \$5B in various transfers including statutory transfers and transfers for debt service to bring spending to about \$35.3B. Included in these spending estimates are items over appropriations or additional transfers to balance out the liabilities that were carried from previous fiscal years including \$1.5B to reduce the

backlog of State's Medicaid program from about \$2B to \$500M to close out FY13. Over \$300M to eliminate backlog for Department of Aging and over \$200M for the Department of Human Services (DHS) and the Division for Alcohol and Substance Abuse within DHS. Additionally, about \$800M in revenue is going to pay down the bills at the Comptroller. State ended FY12 at about \$5B in bills and we expect to close out FY13 with about \$4.2B.

In FY 14 anticipate about \$35.6B in revenue expected with total appropriated spending including pensions being \$30.6B total spending. Indicating the administration is looking forward to FY14 and hope to pay down backlog at the Department of Aging, Department of Human Services, or the Department of Health and Family Services.

Key accomplishments this year included:

- Expansion of Medicaid which is in line with the Affordable Care Act and the President's agenda. This enables the State to provide health care to thousands of Illinois residents. Additionally, from the State's perspective, this is also an important move because many programs that were 100% state funded will have a greater coverage under the federal Medicaid program.
- With support of Senator Kotowski & Representative Davis, State was able to provide significant increases in the budget for education. There is an additional \$100M going toward education however General State Aid payments unfortunately continue to be prorated.

Ben then invited questions from the Commission. A question was asked regarding the use of one time revenue to pay back due bills vs. underappropriations. Ben noted that Aging received appropriations needed to maintain the program with the aim of full funding for FY14. He noted that group health is more complicated and that there are a number of changes to the new contract that result in significant reductions for the program. \$350M surplus used to pay down group health bills made FY13 appropriation higher than FY14 appropriation. A significant backlog continues.

Discussion around the appropriations and payments to various programs followed. It was recommended that those with more specific concerns follow up with the Governor's Office of Management and Budget offline.

V. Feedback on Integrating BFR into Budgeting Process

a. Legislative Appropriations Process - Sen. Kotowski

Senator Kotowski noted that the plan is that in the Y1 outcomes are developed. In Y2 data models are built and Y3 data is collected. He went on to explain that the Senate used BFR forms which were developed to help have evidence based discussion focused around outcomes. He also noted that some House Committees used these forms as well. He went on to point out that in many way this

budget cycle reflected where a lot of this data is for example early childhood education, higher education, etc. He was pleased with the progress towards collecting data and information.

Cristal noted that she looks forward to continuing to work with the House to make progress towards the adoption of BFR. John Kamis relayed that the House is becoming more familiar with BFR and gaining a better sense of what it is aiming to accomplish. Representative Davis concurred that great progress has been made.

b. Executive Budget Process - Greg Wass, Office of Management and Budget (GOMB)

Greg noted that the biggest task in the coming year is to begin to change the culture of state government towards a focus on results and seeing through the shift from incremental budgeting to a performance based budgeting process. He also noted that the 2015 budgeting process is to be much more informed about BFR. He went on to provide an overview of the plans.

1. GOMB will be beginning performance meetings this fall with agency directors and Chief Results Officers (CROs), a vital step in moving from outputs to outcomes.
2. Focus on one outcome area with robust outcome data as a pilot.
3. Agency budget requests this fall will have to identify the program contribution to outcomes and include cost per outcome.
4. Employ an evaluation methodology which emphasizes how each program contributes to the outlined outcomes.

Commission discussed possible challenges and additional considerations associated with specific programs and types of services.

VI. Update on Pilot – Greg Wass – Office of Management and Budget

a. Update on Discussion of Advisory Committee

Greg provided a brief update on the Pilot Advisory Committee. The Committee met in May to discuss methodology and integrating agency data collection. He noted that there was general agreement by the group to move forward with a pilot. Part of the discussion focused on how to determine cost per outcome. He reiterated that the goal is to pick one area to explore for the pilot. Education has been discussed as a possibility based on the amount of data available which lends itself to this type of analysis.

Senator Kotowski inquired about the status of the pilot. Greg noted that foundations are supportive of this concept but the grant making cycle was also an important consideration. He noted that a timeline was being developed with this in mind. Cristal added that the methodology must be refined and staff must be trained and that these steps require resources. Jason added that a methodology exists but that refinement is needed. Senator Kotowski

inquired about when funding was expected. Jason responded that momentum is growing and conversation with potential donors is ongoing.

Senator Kotowski asked about a deep dive on one smaller program using existing data. Greg noted that the goal was to analyze multiple programs for the sake of learning ensuring the scalability of what is developed. Cristal reiterated the importance of vetting and validating the methodology we move forward with to avoid needing to back track upon scale up. With foundation support, the goal is improve and implement the process and methodology. Senator Kotowski emphasized the public and media appetite for better understanding the budgeting process and emphasized this opportunity to help the public to better understand the budgeting for results process.

Greg went on to outline some of the next steps. There was discussion of the next steps including seeking resources, integrating data into methodology, training budget analysts, and implementing the pilot.

Bob Goerge, member of the Pilot Advisory Committee, joined by phone.

VII. Public Hearings – Tasha Green Cruzat, Office of Management and Budget

a. Public Hearing (16th floor, Room 16-503 JRTC) – Friday, June 28, 1:00pm

Cristal was noted that the commission will hold six public hearings over the course of the summer. These hearings will take place around the state with the first one being scheduled to immediately follow today's Commission meeting. The goal is to engage a diverse cross section of stakeholders around defining success, developing an appropriate set of robust metrics, and enhancing communications. She noted that the Implementation Team would like for each Commissioner to participate in at least one non-Chicago hearing.

Tasha announced dates under consideration for the public hearings and encouraged Commissioners to confirm their availability for specific dates to assist with the planning. Senator Kotowski noted that this information had been shared via email as well.

VIII. Other Business

Next Meeting: Friday, August 30, 2013, 10am

IX. Adjourn