

Budgeting for Results Commission Meeting

November 18, 2011

9:30 – 10:30 AM

Chicago: Room 16-145 James R. Thompson Center

Springfield: Room 205 State House

Member Participants:

Chicago:

Senator Dan Kotowski, Chairman
Carole Brown
John Kamis
Larry Joseph
Jim Lewis
Roger Myerson
Alex Rorke
Donna Sims Wilson
Cristal Thomas

Springfield:

Steve Schnorf

Teleconference:

Lieutenant Governor Shelia Simon
Representative William Davis

Meeting:

A. Welcome and Approval of the Minutes from the October 24, 2011 Meeting and the October 31, 2011 Meeting

Chairman Kotowski called the meeting to order at 9:40 AM. He explained that, although the Commission has more work to complete, its first report will make a significant impact on the budget process this year. Chairman Kotowski outlined the structure of the meeting: introductions, approval of the minutes, updates on the budget, and a plan for the upcoming year.

The Commissioners unanimously approved the minutes from the October 21st and 24th meetings.

B. Update on Report Release and Distribution

Commissioners addressed potential ways to publicize the November report and draw attention to the Commission's work on BFR. Commissioners want to reach out to new groups to inform them about BFR. They discussed the possibility of briefing influential private organizations so that the public knows about the Commission and its work. Commissioners also considered the possibility of inviting organizations like the Civic Federation and the news media to comment on the BFR process at a Commission meeting. Lastly, Commissioners addressed the possibility of

contacting the State Budget Crisis Task Force at the Institute of Government at the University of Illinois and making the Chair aware of the Commission and its work. The Commission concluded that it needed to develop a communication and outreach strategy. Governor's Staff will work on a strategic outreach plan and enact it within the next month.

Additionally, Commissioners debated a timeline for BFR implementation. Now that the Commission has issued its first report, however, Governor's Staff believes that a timeline for BFR implementation should receive renewed consideration. An implementation plan would assist the Commission in securing the assistance of organizations in the foundation community like the Donor's Forum, which would like to see a plan of implementation before providing assistance to implement BFR. The Commission agreed to have the Governor's Staff develop a revised timeline for BFR implementation over the next couple of weeks.

Commissioners further considered the possibility of encouraging the Governor to present the Commission's recommendations in front of the news media. Some Commissioners believe that the Governor should strongly support the BFR plan of implementation.

NOTE: Some Commissioners pointed out the ambiguous link to the November report on the BFR website. John Kamis stated that Governor's Office Staff would correct this link in order to clearly identify the report on the BFR website.

C. Budget Update

Chairman Kotowski updated the Commission on the status of state budget negotiations. The House Leaders have been holding meetings to address funding shortfalls for mental health services, transitional housing, indigent burials, and transportation funding, among other items. As a result of these meetings, they have reached a tentative agreement. Four main components contributed to the legislators' ability to reach this agreement: (1) they accepted the Governor's \$100 million reduction in government (especially education); (2) they did not accept the Governor's Medicaid reductions; (3) they took money from the Healthcare Provider Relief Fund to generate additional funding from the federal government; and (4) they addressed the transfers out and made over \$60 million in reductions. Items removed from the transfers out ranged from the Public Utilities Fund, to the Workers' Compensation Fund, to the University of Illinois Hospitals and tourism funding. Removing transfers out will require statutory changes.

As a result of this tentative budget agreement, between \$300-310 million will be returned to the state budget. This number represents no increase over the budget cap of \$31.2 billion. All of the money that will be reinserted into the state budget comes from reductions in spending. The legislative leaders believed that it was important to reallocate funds to the fundamental needs that Illinois residents cannot live without. The reallocated funds will not address the educational funding shortfall (\$230 million) or the Medicaid shortfall (\$1 billion in delayed payments). This tentative compromise was a bipartisan effort in both the House and the Senate.

Chairman Kotowski concluded his budget update by stating that it was a credit to the BFR Commission that the legislature addressed the transfers out. He proceeded to explain how legislators considered the transfers out by stating that legislators went through every item and

discussed its function. For instance, the Capital Litigation Fund will no longer be needed because Illinois abolished the death penalty. Chairman Kotowski stated that the Commission has the opportunity to offer addendums and influence the budget. Items for the Commission to consider in its addendums include an agreed upon revenue number and items that will place additional cost pressures on the budget (such as pensions). Chairman Kotowski encouraged the Commission to develop a plan to continue to exercise its impact on the state budget process.

Discussion:

- Outstanding Pension Liabilities: Members first questioned the state's pension liabilities. Representatives from GOMB explained that they have been vetting different pension numbers and have not found the \$1 billion liability increase to be inaccurate. Some Commissioners believe that the underlying assumption for pension liabilities has changed: with fewer employees, the funds receive fewer contributions.
- Reallocation of Existing Revenues: Meeting attendees then questioned the total amount of reallocations. Senator Kotowski explained that the \$310 million refers to the total amount in reductions that were put back into the budget. The \$310 million represents the amount that was restored to the state budget. Senator Kotowski stated that the legislature did not accept the Governor's cuts to Medicaid. The \$310 million resulted from cuts to transfers out and manipulation of the Healthcare Provider Relief Fund. Legislators agreed to use the \$120 million in the Healthcare Provider Relief Fund to churn federal dollars and produce \$280 million for the state.
- Healthcare Provider Relief Fund: Meeting attendees questioned the purpose of the Healthcare Provider Relief Fund. Commissioners established that moneys in the Fund pay for Medicaid. Hospital assessment funds are deposited into the Fund, and the Fund is used to draw down Medicaid.

D. Discuss Next Steps for Commission

Commissioners examined the "Next Steps" document. This document contained four categories of next steps for the Commission to consider: (1) Results, Goals, and Sub-goals; (2) Allocations; (3) Mandates; and (4) Other Topics.

- Results, Goals, and Sub-goals: Commissioners agreed to reconfigure the Results, Goals, and Sub-goals document to reflect the new Health Care Result. Additionally, they decided to have agency directors attend the next BFR meeting in order to discuss agency recommendations on Results, Goals, and Sub-goals. Agency feedback will assist Commissioners in further refining the Goals and Sub-Goals.
- Allocations: Commissioners consented to work with GOMB and the legislature in order to determine which programs are growing faster than revenues (as opposed to inflation). The Commission will also ask for GOMB's assistance in providing recommendations to address hyper-growth in program areas. The Commission will further examine ways to address Illinois' outstanding accumulated liabilities in the context of BFR.

- Mandates: Commissioners decided to establish a sub-committee to review the state's 1700 mandates and submit recommendations to the full Commission with their findings. The Commission will request that each state agency provide a list of unduly burdensome or unnecessary mandates to the sub-committee. Commissioners will establish a hearing for outside recommendations on proposed mandates for elimination.
- Other Topics: Commissioners discussed BFR best practices and the development of a BFR strategic plan. Some Commissioners want to address budget transparency in future meetings. Additionally, some Commissioners questioned how the closure of state facilities will impact state programs and the anticipated amount of revenue that the state could receive in FY 12 if it paid all of its Medicaid bills. Governor's Staff will follow up on these items with Commissioners. Finally, Commissioners decided to consider the state's outstanding liability in terms of BFR as the first item at the next meeting.

Follow-Up Items: Governor's Staff will develop a strategic communication plan within the next month. Additionally, John Kamis will send out a list of follow-up items to Commissioners before the end of the day. Commissioners should feel free to add any items to this list. Commissioners will also determine which topics they want to address at the December meeting. The Commission will likely meet once per month over the next year.

E. Adjourn

The BFR Commission meeting ended at approximately 10:45 AM.