

## Budgeting for Results

October 24, 2011

10:30am – 12:30pm

DHS 7<sup>th</sup> Floor Executive Conference Room, 401 S Clinton Chicago

OMB Conference Room, 621 Stratton Building, Springfield

### Commissioners Participating (Chicago):

*Senator Dan Kotowski, Chairman*

*Senator Pam Althoff*

*Cristal Thomas, Deputy Governor*

*Maria de Jesus Prado, Prado & Renteria*

*Larry Joseph, Voices for Illinois Children*

*John Kamis, Senior Advisor to the Governor*

*Jim Lewis, Chicago Community Trust*

*Lyle Logan, Northern Trust Bank*

*John Bouman, Sargent Shriver National Center on Poverty Law*

*Alex Rorke, Co-Chair, Governor's Economic Recovery Commission*

*Donna Sims Wilson, CastleOak Securities*

*Roger Myerson, University of Chicago*

*Carole Brown, Barclays Capital*

### Commissioners Participating (Springfield):

*Steve Schnorf, Budget Consultant*

*Kevin Semlow, Illinois Farm Bureau*

### Commissioners Participating (Telephone):

*Lieutenant Governor Sheila Simon*

*Representative Will Davis*

*Lyle Logan, Northern Trust Bank*

## 1. Welcome and Approve Minutes

Senator Kotowski brought the meeting to order. The minutes from October 6<sup>th</sup> and October 21<sup>st</sup> were both approved by the Commission.

## 2. Timeline

John Kamis quickly went over the timeline for the next week. Ideally the draft report will be ready to be looked over by Tuesday. A conference call will be scheduled for Friday so that Commissioners can vote on the report. In the meantime Commissioners can add comments, both of a substantive and stylistic nature on the SharePoint. Give the truncated time frame substantive comments will be more valuable.

## 3. Goals and Sub Goals

John Kamis quickly updated the group as to what was discussed at the Oct 21st meeting regarding sub goals, mainly that a 7<sup>th</sup> goal pertaining to healthcare was added.

## 4. Allocations

The Commission moved to discussing Allocations. As with the minutes from Oct 21<sup>st</sup> the minutes today will reflect which allocation recommendations the Commission discussed as the number correspondences to the Compiled Recommendations Document.

Allocation Decisions:

Recommendation #1: Predetermined, fixed shares for Results should not occur at the beginning of the budget process

- Commissioners debated whether this was a relevant recommendation at this time in the process. It was noted that the Commission was unable to discuss the allocation process in detail because the goals and sub goals had not yet been solidified. It was discussed that this year the allocation process will come from the bottom up, in that it will come from agencies first. The Commission will table this discussion until a later date.

Recommendation #2: To the extent possible, decisions regarding allocation of available revenue should distinguish between state resources and federal resources and should also consider state resources outside the General Funds.

- Adopted by Commission

Recommendation #4 C: Allocate GRF or other state-controlled funds to all legally or contractually mandated functions, including pensions and debt, up to acceptable standards.

- Some Commissioners questioned the use of the word “acceptable” There is a little concern over the use of the word acceptable in that it may limit amount of money appropriated. For example something may need to be funded at a certain level that others deem to be too high; it is above and beyond acceptable. Commissions removed the phrase, “up to acceptable standards”

Recommendation #6: The State should pay its full Medicaid payments each year and not delay them into the following year. By doing so, the State is not truly spending only the revenues it has available which is a critical component of the Budgeting for Results process.

- Commissioners debated some small changes to wording for this recommendation. It was concluded that this is a desired outcome but this will not be carried out until next fiscal year. The report should state that we recognize the full liability of Medicaid even if it’s not appropriated for and that we will come up with a plan and a program to make the full payments happen each year in the future. Recommendation adopted.

Recommendation #7: Identify programs growing at rates unsustainable by revenue growth, focus first on controlling them.

- Generally all Commissioners agreed with this recommendation with a few wording tweaks. The commission would like to emphasize that this is something we need to be cognizant of. Change the section on controlling to something like “evaluate for their efficacy” or “prioritize.”

Recommendation #8: For Medicaid, break growth rate calculations into GRF, other state funds, and federal.

- Commissions agreed to adopt this as it would add further transparency.

Recommendation #9: For pension growth rate calculations, break into "normal cost" and payments toward unfunded liability"

- Commissioners agreed to adopt this given a change in the language. Instead of “Break into” say, lay out numbers into normal growth and unfunded liability. Also it was suggested that the five pension funds be separated because the largest ones are very different and have different growth trajectories. All these changes were adopted by the Commission

Recommendation #10: Already adopted

Recommendation #11 and 12: Not adopted

Recommendation: Not in compiled recommendations document: Multi Year Budgeting  
It was suggested that some language be included in the report regarding the Commission reviewing of the feasibility of moving towards multiyear budgeting. Multiyear budgeting is relevant to BFR as it will allow for more accurate evaluation of metrics.

### **Budget Transparency**

Recommendation #1: The Governor’s annual budget book should include:

- a. clear and accessible summary data on revenues and expenditures in the front of the budget book, as well as in a separate executive summary;
  - b. itemized data on transfers into and transfers out of the General Funds;
  - c. itemized data on federal revenue sources for the General Funds;
  - d. Identification of state and federal revenue sources for individual line items. (LJ)
- All these recommendations were adopted except for D as it may be too difficult to get that data for D.

Recommendation #2: At the end of each quarter, the Governor’s Office of Management and Budget should release data on delayed payments to service providers by agency and line item for the current fiscal year and the previous fiscal year. (LJ)

- While this was discussed the Commission decided to table this conversation until a later date as it was unclear whether this would even fall under OMB’s responsibilities or the Comptroller.

Recommendation #3: All appropriations bills considered or approved by either chamber of the General Assembly should include summary data on amounts appropriated by agency and fund.

- The commission debated the feasibility of this, there is summary data made to the public after a bill is passed but some Commissioners would like to see the summary incorporated right into the bill. Commission approved this.

Recommendation #4: For each fiscal year, the General Assembly should pass a budget reconciliation resolution for the General Funds, which would include summaries of appropriations by state agency and total appropriations, as well as estimated revenues by major source.

- This was suggested as Illinois has no reconciliation process as they have in Congress. Some Commissioners commented that in fact there is a reconciliation process it is just never utilized.

### **Budgeting for Results Process**

Recommendation #1: Align House and Senate appropriations committees with the Governor's proposed Results. This will allow for more integration of the Budgeting for Results process. Also, as the BFR process moves forward appropriations committee alignment will be critical in facilitating the breakdown of silos between agencies.

- Commission members were concerned that to the public it may look like the Commission is requiring the Legislature to act a certain when in reality shifts like this occur all the time. Appropriation Committees change every two years. The Commission can recommend better aligning the appropriation committees with the results. There is concern that logistically this will be difficult to carry out. This was adopted.

Other Recommendations: Jennie will reformat the themes from the public hearings to make them action recommendations instead of themes.

### Mandates

Recommendation #2: Subjecting Statutory Transfers to the Appropriations process. The success of BFR requires a deep and periodic review of mandates and budget transfers to ensure that the budget process does not build on prior year base-line spending but take a realistic and periodic review of spending that is now required year after year to set priorities and fulfill the promise of BFR to deliver the greatest possible value to taxpayers in an atmosphere of scarce resources.

The Commission discussed whether or not to sunset statutory transfers. There were two schools of thought on this.

Some Commissioners felt strongly that statutory transfers should no longer be a protected class of payments and should be subjected the appropriations process. In a time of fiscal crises every payment needs to be reviewed, the appropriation committee is the best place for this to occur. Sun-setting these transfers is not blindly eliminating them, it allows groups to come and argue for why they should continue to receive funding, as appropriated by the General Assembly.

The other school of thought was that before the Commission agrees to do away with all Statutory Transfers the Commission should review the history and agreement behind each payment. The payments were each established for a reason, whether it was to secure federal funding etc, and this may be important to review. Some other payments, state aid for example, may have been leveraged because they were part of an automatic transfer.

### Mandates Process:

It was suggested that someone needs to take another look at the mandates as some programs on the list spend more money than is reflected in the document.