

Budgeting for Results

October 31, 2011

1:00 – 2:00 PM

Teleconference Meeting

Member Participants:

Chairman: Senator Dan Kotowski, State Senator

Commissioners:

Sheila Simon, Lieutenant Governor
Senator Pamela Althoff, State Senator
Representative William Davis, State Representative
Representative Kent Gaffney, State Representative
John Bouman, President, Sargent Shriver National Center on Poverty Law
Carole Brown, Managing Director, Barclays Capital
Maria de Jesus Prado, President, Prado and Renteria
Larry Joseph, Director, Budget and Tax Policy, Voices for Illinois Children
Jim Lewis, Senior Program Officer, Chicago Community Trust
Alex Rorke, Co-Chair, Governor's Economic Recovery Commission
Jose Sanchez, CEO and President, Norwegian American Hospital
Steve Schnorf, Budget Consultant
Kevin Semlow, Director of Legislative Affairs, Illinois Farm Bureau

Executive Appointments:

John Kamis, Senior Advisor to the Governor

Cristal Thomas, Deputy Governor

Meeting:

I. Call to Order

Chairman Kotowski called the meeting to order at 1:04 PM. He explained that the purpose of the meeting was to vote on the November report.

II. Approval of the Minutes

Minutes from October 24th were approved. Minutes from the October 28th meeting incorrectly stated that the Commission agreed to remove all quality adjectives from the Results. In fact, the Commission had only agreed to remove the words "high" and "adequate" from the Results list. The October 28th minutes were approved with this change. The Oct 24th mins were not approved, they will be voted on at the next meeting.

III. Changes to the Last Draft of the November Report

Process: Commissioners agreed to allow John Kamis to explain the recent changes to the draft of the report.

John Kamis explained that Governor's Staff incorporated Commissioners' recommendations into the report. Technical changes were automatically incorporated, while substantive changes were underlined.

A. Introduction:

The majority of changes in the Introduction were semantic improvements.

B. Framework:

Governor's Staff reordered paragraphs and added a short title to each of the Results. These changes were intended to improve the flow of the report. The language itself was not changed, but instead, the paragraphs were reordered.

- Recommendation 1: Governor's Staff eliminated one sentence at the request of GOMB. The intent of this change was to avoid the impression that additional Medicaid reform was unnecessary or that the seventh result solves Medicaid problems. Commissioners agreed to change the word "priority" to "result," so that the recommendation reads: "Establish a seventh result to acknowledge the importance of ensuring that all Illinois residents have access to quality, affordable health care, and to recognize medical assistance distinct from the human service goals."
- Recommendation 4: Governor's Staff added brief descriptions to each of the results.

C. Budget Allocations:

The introduction to this section remains the same, but references to survival, growth, and amenities were removed from the Allocations Framework. Additionally, the return-on-investment language was qualified with the words "where applicable." The Commission agreed that the new wording worked because the Commission did not discuss breaking-out allocations into survival, growth, and amenities, and the Commission acknowledges that testing for return-on-investment might not always be appropriate.

- Recommendation 5: This change in wording came from GOMB. Revenue estimates need to be included in state bond documents. GOMB was concerned that introducing a negotiated revenue number that does not reflect revenue estimates could jeopardize the credibility of state bonds. GOMB is comfortable with making consensus on one revenue number only applicable to the General Assembly.

Some Commissioners expressed four concerns with this change. First, they believed that this would pull the Governor out of the process of arriving at a single revenue estimate. Second, they thought that other states have a similar process in place whereby both the Governor and the General Assembly agree on one revenue number and it does not jeopardize their state bonds. Third, they explained that revenue estimates change before and after the state issues bonds. Fourth, they feared that this change would allow the budget to be based on a hypothetical revenue number. The Commission decided to consider new language for this recommendation at the end of the conference call.

- Recommendation 7: Governor's Staff added one word in the last sentence: "projected." Governor's Staff explained that this change was not necessary but served to clarify the Medicaid language. The Commission debated whether this language would affect the lapse of late bills and decided that this language would not affect the lapse of late bills. Ultimately, the Commission chose to include a statutory reference to the Medicaid Reform legislation in the recommendation and to keep the word "projected" in the last sentence.

Commissioners debated whether language about paying back bills received inclusion in the report. Accordingly, Commissioners also considered whether their duties encompassed providing recommendations on how Illinois can escape its current budget crisis of \$5 billion in unpaid bills. Commissioners decided that part of their duties includes suggesting ways that Illinois can eradicate its current budget crisis. They agreed to include a reference to an addendum in the next steps section of the report. This addendum will be completed within the first 60

days of the report and will address how Illinois can deal with its liabilities and existing bills. *NOTE: The recommendation for an addendum was eliminated by the addition of language in the report (See paragraph two under F. Miscellaneous).*

- Recommendations 9 and 10: Governor's Staff reworded these recommendations to make them clearer.

D. Mandated Expenditures:

This section was originally titled "Spending Mandates." The section title was changed to be consistent with the BFR statute. Additionally, Governor's Staff cleaned up the language of the three-step process in this section of the report. Commissioners decided to change the paragraph beginning with the phrase: "Aside from mandates that arrive from federal laws or regulations from court orders." They deleted the third and fourth sentences in this paragraph to avoid repetition.

- Recommendation 14: Governor's Staff indicated that the changes in this section were meant for clarification purposes. Some Commissioners expressed the concern that the difference in language between the added and stricken sentences is, conceptually, miles apart. Governor's Staff confirmed that the Governor is comfortable with the changes.

E. Implementation Strategies:

Governor's Staff explained that a new introductory paragraph was added to aid the transition from the previous section and to provide context for this section. This new paragraph mostly explains what GOMB has done to implement BFR.

F. Miscellaneous:

Commissioners then decided to revisit the Revenue Issue on page 9 of the draft. They decided to add the following sentence to the first sentence under Recommendation 5: "This recommendation builds on P.A. 96-1529, which calls for the Governor's introduced and the enacted budget to be based on revenue projections solely from existing revenue sources." Some Commissioners questioned the content of "existing revenue sources." It was decided that statute states that "existing revenue sources" include anything passed by the legislature and available for signature by the Governor, including anticipated federal funds. The new language was approved by the Commission.

Commissioners moved to the Next Steps portion of the Allocations Section. They debated whether or not to include a sentence explaining why Illinois currently has a bill backlog. Commissioners decided not to include an explanation of why Illinois has a bill backlog. Additionally, Commissioners considered whether to specify to whom the State owes bills for fear of being insufficiently inclusive. It was established that the entire backlog is not owed to providers; instead, some of the bill backlog is owed to the state government. Lastly, the Commission revisited the earlier conversation about whether it was within its purview to tell the General Assembly, the Governor, and GOMB how to eliminate the budget deficit. The Commission agreed that eliminating the deficit is crucial to determining how much revenue the State has available to allocate to debt reduction, outstanding liabilities, and to the results, goals, and sub-goals. The Commission decided to include the following language under the Next Steps portion of the Allocations Section: "Further, the Commission will examine ways to address the State's outstanding liabilities to the extent allowed under Budgeting for Results."

Commissioners lastly decided to address Next Steps on page 12 of the draft, after recommendation 14. The Commissioners agreed to add “and statutory transfers” after “evaluated mandated expenditures” in the sentence that begins with: “The Commission and GOMB.”

IV. Approval of the November Report

Commissioners confirmed that only technical changes had been made to the remainder of the report.

John Bouman stated that he would vote “yes” on the previous minutes, “yes” on the last minutes as amended,” and “yes” on the report. Steve Schnorf moved to adopt the report. Larry Joseph seconded Steve’s motion.

A. Final changes:

On page 7 of the draft, in the fourth paragraph, the phrase “not just General Revenue funds” in the first sentence was changed to: “not just the General Funds.” Additionally, the issue of including BFR definitions in the Appendices was raised.

B. Votes

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| Senator Althoff: <u>Y</u> | Larry Joseph: <u>Y</u> | Jose Sanchez: <u>Y</u> |
| John Bouman: <u>Y</u> | Chairman Kotowski: <u>Y</u> | Steve Schnorf: <u>Y</u> |
| Carole Brown: <u>Y</u> | Jim Lewis: <u>Y</u> | Kevin Semlow: <u>Y</u> |
| Alderman Burns: <u>NP</u> | Lyle Logan <u>Yes by email</u> | Lt. Governor Simon: <u>Y</u> |
| Representative Davis: <u>Y</u> | Senator Munoz: <u>NP</u> | Donna Sims Wilson: <u>Yes by email</u> |
| Representative Gaffney: <u>Y</u> | Roger Myerson: <u>Yes by email</u> | |
| Maria de Jesus Prado: <u>Y</u> | Alex Rorke: <u>Y</u> | |

With a vote of 17 yes, 0 no, and 0 present, the report was finalized and recommended for presentation to the Governor and the General Assembly. (Two Commissioners were not present, and two of the Commissioners [Cristal Thomas and John Kamis] were non-voting members.)

C. Commissioner and Staff Appreciation

Chairman Kotowski thanked the Governor’s Office for all of their hard work with the BFR Commission and thanked Commissioners for their time, effort, and dedication to the State of Illinois. He believes that the Commission’s report will make a significant difference, and he is excited for additional meetings over the next year. John Kamis thanked Commissioners for their patience throughout the process.

V. Next Steps

Jennie Sutcliffe will email Alderman Burns, and Senator Munoz copies of the report and ask them to vote.

The Commission will wait until the Spring Session Calendar comes out before scheduling the next 2-3 meetings.