

Budgeting for Results Commission Meeting

January 27, 2012

JRTC 16th floor
100 West Randolph St.
Chicago, Illinois
1:00pm-3:00pm

Members in attendance:

Senator Kotowski
Lt Gov Sheila Simon
Kevin Semlow
Steve Schnorf
Donna Sims Wilson
Maria Prado
Carole Brown
John Bouman
Roger Myerson
Larry Joseph
Cristal Thomas
John Kamis
Alex Rorke

I. Approval of November and December Minutes

- a. Both the November and December minutes were approved.

II. BFR FY 2013 Budget Update- GOMB

- a. Operational Implementations
 - i. GOMB staff has implemented the use of charts. They find that this method helps people visualize the quantitative data that is being used in working with the departments' budgets.
 - ii. FY 2011 & 2012 the group introduced budgeting for results, where they have developed goals and outcomes. They are currently working on self identifications for agencies and putting the cumulative information in one place.
- b. Performance reporting
 - i. FY 2013 they will be focusing on performance reporting. The IT department will be building a new system. They are looking at new logic models where the focus is on outcome metrics. GOMB's system today is incapable of measuring performance and outcomes.
 - ii. Eventually they would like the office to be the backbone for quality public reports. IT will focus on two projects. 1) Enhancing the current system 2)

the integration of a new public facing site. The office is currently looking to build an external website to improve its performance reporting (Ex: Virginia website). The concern with this effort was the cost of building a new website, they are currently reaching out to see how much the cost would be to have a PHD or Graduate student complete the project verses outsourcing to a professional. It would be great if the Commission members identified people in the community and private sector that could assist with the site either financially or with resources.

c. Miscellaneous questions

It was brought to the attention of the Commission that HR 706, a shell bill for the house appropriation committee, doesn't separate human services from healthcare, per the recommendation of the Commission. The Council discussed the best way to address this and concluded that a letter sent to the Appropriation chairs and leadership and a targeted follow up over the phone call would be best. John Bouman offered to draft the letter.

III. Governor's Three Year Revenue Projections

The Commission continued discussion on the Governors three year budget projections. It was pointed out that transfers in are not fully included in these numbers. These numbers will be improved in a few weeks. Lottery and gaming are the biggest transfers in. The Commission discussed how it would be great if they could see what agencies fell under each expenditure category.

a. Follow up on questions:

The group would like to compare numbers with the Comptroller's office.

a. Recommendations:

- i. Sunshine on account payables
- ii. Implement a regular process of reporting invoices
- iii. Provide better estimates to the public

IV. Medicaid 5 Year Forecast

The Commission received a presentation from Mike Casey, Budget Director, Dept. of Health and Family Services.

Medicaid Discussion

The Commission began by discussing how these numbers function only if Medicaid spending is flat. While the expectation may be that Medicaid spending stays flat how realistic is that? The Commission discussed how the budget might look if Medicaid rate reform did not occur. OMB noted that these numbers had not been available to the public but that the Commission can be confident that OMB and Director Vaught are committed to rate reform. Some discussion was had around the current Medicaid figures. In FY 13 projected Medicaid growth is estimated at 5.4%, the estimated liability is around \$600

billion. (Please use these figures as a guide and contact OMB for official figures.) These figures will grow because the bills on hand grow as a result of paying shortages for that year plus the shortages for the previous years.

Discussion was had around whether it would be helpful to segregate certain dollars for the Medicaid program to help manage the payment cycle, also because the money primarily comes as a federal match. While the Commission discussed what might be the value in transferring funds verses a GRF supplemental amount to help manage payments it was discussed that it would be the same and have the same effect. The Commission would like to be able to see the costs of Medicaid in GFR and would like to see a breakdown of the sources of funding for Medicaid.

V. Pension Overview

Dan Hankiewicz, Pension Manager, COGFA provided a presentation on pensions.

Pension Discussion

The Commission moved the conversation to discussing pensions. The annual normal cost of pensions is 2.1 billion. The Commissioners discussed the spike in FY13. It was explained that the State University retirement system had some actuarial changes when they switched to a capped payroll. This had a big impact and drove up the SURS contribution while lowering payroll which boosted the contribution. The figures for FY13 would be less steep if this change had not occurred. TRS is undergoing an experience study and any adjustments they make may spike then numbers for 2014. It was noted that the figures which spiked do not include the debt services. It was asked if there is anything that could force them to comply with GASB 25 especially because if they did the change would be viewed favorably and rating agencies would see that positively. The Commission had a few follow up questions:

What impact does the new law have on total contributions?

What percent of employer contribution is going to normal cost? Dan noted that it is the spending on the pension system that's growing dramatically but not actually the cost of pensions. It's the only way to look honestly at the system.

It was stressed that pensions should be viewed in terms of what the cost is versus what we are spending on pensions. Similarly the debt service should be looked at separately as well.

VI. Wrap Up

Next meeting is February 17, 2012