



OFFICE OF THE GOVERNOR

Budgeting for Results Commission

Conference Call to Adopt Recommendations and Update

October 18, 2012 12:00-2:00

October 19, 2012 10:00-12:00

Conference Number: 888-494-4032

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AGENDA

- 1. Budgeting for Results 2012 Report Recommendations**
- 2. Budgeting for Results 2011 Status Update**

Potential BFR Commission Recommendations for the November 2012 Report (10/11/12)

Public Engagement

1. The BFR Commission should make a concerted effort over the next year to proactively engage stakeholders in all seven of the BFR Result areas, including obtaining input on statewide outcomes, program outcomes, strategies and metrics.
2. The BFR Commission should have more public hearings over the course of the next year, including public hearings held after regular business hours to encourage broader participation.
3. GOMB should establish a user-friendly, public-facing website that includes materials from BFR Commission hearings, the BFR table from the annual budget, and performance measures and outcomes to the program level.
4. The BFR Commission needs to develop a mechanism to collect feedback on government functions that are not delivered through grants/contracts but directly from government (i.e. local DHS and IDES offices, etc.).
5. State agencies and stakeholders should utilize social media and existing communications with their customers and members to further engage the public in BFR.
6. The BFR Commission should engage legislators to ensure that they are fully informed about BFR by opening a dialogue to encourage leadership while setting priorities and implementing goals

BFR Implementation

7. The Governor and General Assembly should explore necessary investments in technology and data infrastructure to support an outcome-driven budget and evaluate program performance, including a full cost benefit analysis of available options.
8. State agencies, in cooperation with private partners/funders, should develop a plan to help grantees build capacity for BFR.
9. GOMB, DHS, and other state agencies should review the information the State currently collects from providers and other agents and eliminate duplicative, unnecessary or unhelpful reporting in an attempt to harmonize communication between agencies and providers.

Budget Allocation

10. The Governor and General Assembly should establish a process to identify spending priorities to avoid BFR becoming a "value-less" model.
11. The Commission should analyze processes other states employ to reach a consensus revenue estimate in comparison to the different estimates generated by the Governor, COGFA, and General Assembly.
12. After agreeing on state budget priorities for the Fiscal Year, the General Assembly should approve revenue allocation to programs that support those priorities, and adjust spending based on achievement of program objectives.

13. The State should assess the need for and real costs of achieving a desired outcome when determining funding amounts.
14. The Governor and General Assembly should evaluate appropriations or allocations based on priorities of outcomes the State wants to purchase and how effective programs are at achieving those outcomes, rather than historic expenditure levels.

Mandates

15. .

Future Planning

16. The Commission recommends the State establish long-term fiscal planning to ensure revenue matches future spending priorities.
17. The Commission recommends the State lower expenditures that are growing unsustainably, such as the pension liability that is consuming the State's budget.

PROGRESS REPORT

Status of 2011 Recommendations

Results and Goals Recommendations

Recommendation 1: 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. Separating costs will provide greater transparency to spending on Medicaid and spending on other human service activities. The newest Result area recommended is:

All Illinois residents have access to quality affordable health care.

Achieved: The Commission established the following result: “All Illinois residents have access to quality affordable health care.” This new result appeared in the Governor’s FY 13 budget book.

Recommendation 2: The Commission recommends amending the descriptor of the Result for public safety. The Commission feels that protecting bodily safety is an important facet of ensuring public safety. The descriptor for public safety will read as follows: Illinois has adequate public safety mechanisms and infrastructure in place to protect the lives, safety and property of residents.

Achieved: This result now reads: “Illinois has adequate public safety mechanisms and infrastructure in place to protect the lives, safety and property of residents.” This change appeared in the Governor’s FY 13 budget book.

Recommendation 3: The Commission felt that the descriptor of the Result for quality of life should be revised to better reflect the result the State is trying to achieve. A better descriptor of this Result would be: Illinois maintains a quality of cultural and environmental resources for residents and visitors.

Achieved: The new wording, “Quality of Natural, Cultural, and Environmental Resources,” will appear in the Governor’s FY 14 budget book.

Recommendation 4: The Commission adopts these seven Results:

Result 1 (Government Services): Illinois state government operates efficiently, effectively and transparently.

Result 2 (Education): Illinois has a quality education system that provides equal opportunity for growth for all Illinois students.

Result 3 (Economic Development): Illinois’ economy provides sufficient opportunities for residents to achieve economic well-being.

Result 4 (Public Safety): Illinois has adequate public safety mechanisms and infrastructure in place to protect the lives, safety and property of residents.

Result 5 (Healthcare): All Illinois residents have access to quality affordable health care.

Result 6 (Human Services): Illinois assures that all residents, but particularly children, the elderly and disabled, are able to experience a quality life.

Result 7 (Quality of Life): Illinois maintains a quality of cultural and environmental resources for Illinois residents and visitors.

Achieved: The Commission adopted these seven result areas for the November 2011 report, and they appeared in the Governor's FY 13 budget book. The seven result areas will also appear in the Governor's FY 14 budget book.

Budget Allocation Recommendations

Recommendation 5: Allocations proposed by both chambers of the General Assembly should be based on a common set of General Funds revenue estimates. This recommendation builds on Public Act 96-1529 which calls for the Governor's introduced and the enacted budget to be based on revenue projections solely from existing revenue sources.

Update: Historically, revenue estimates produced by the Commission on Government Forecasting and Accountability (COGFA) and Governor's Office of Management and Budget (GOMB) do not differ by a significant amount. For FY 13, COGFA used a revenue estimate of \$33.99 billion. GOMB's FY 13 revenue estimate was slightly lower at \$33.94 billion. For purposes of comparison, COGFA and GOMB's FY 12 revenue estimates differed by \$171 million. The House and Senate adopted an FY 13 revenue estimate of \$33.7 billion for FY 13. GOMB's FY 13 estimate differed from the General Assembly's by approximately \$240 million. Even though COGFA and GOMB have different revenue estimates, the General Assembly has formally adopted its revenue estimate through resolution the past two fiscal years.

Recommendation 6: 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 Revenue Funds (GRF).

Update: The General Assembly paid close attention to the availability of federal funding sources this past legislative session. However, Other State Funds have dedicated revenue sources and purposes outlined in statute, and Federal Funds must be allocated towards specific programs and purposes designated by the federal government. Consequently, the State does not have a great amount of flexibility in allocating funding outside of the General Revenue Funds.

Recommendation 7: The Commission recommends that the State develop a plan to fund its full Medicaid liability each year as required by the Medicaid reform statute (Public Act 096-1501) rather than delaying payments into the following year. By not fully appropriating projected Medicaid liabilities, the State is spending beyond its available resources, which is counter to a critical component of the BFR process.

Achieved: Governor Quinn signed five Medicaid Reform bills on June 14, 2012. One of these bills, Senate Bill 3397 (P.A. 97-0691), provides an incremental plan for reducing the liability that can be carried over into the next fiscal year. Central to the plan are caps on the amount of annual unpaid Medicaid bills received and recorded by the Department of Healthcare and Family Services on or before June 30th of a particular fiscal year that may be paid by the Department from future fiscal year Medicaid appropriations. The caps are \$700 million for FY 2013 and \$100 million for FY 2014 and each fiscal year thereafter.

Recommendation 8: The growth rate for Medicaid should be analyzed separately for expenditures from the GRF and expenditures from other State and federal funds. Medicaid growth rate calculations should be segregated into GRF, Other State Funds, and federal funds.

Update: The presentation of Medicaid in GOMB's three-year budget projections focuses on the GRF impact of Medicaid costs. [Should we mention plans to distinguish between growth in GRF and growth in Federal Funds moving forward?]

Recommendation 9: State programs growing at financially unsustainable rates should be closely evaluated for effectiveness and efficiency. Long-term sustainability of those programs found to be effective should be achieved by controlling costs or securing adequate new funding sources.

Update: GOMB has identified at least three systems that are growing at unsustainable rates: pensions, Medicaid, and corrections. As previously stated, Medicaid Reform was signed into law in 2012. Additionally, the Governor convened a Pension Reform Working Group and developed a plan to stabilize State pension systems. The Governor's Office and GOMB will continue to explore options for addressing overcrowding at correctional facilities. Efforts to identify other programs growing unsustainably are ongoing.

Recommendation 10: Calculate and report both the normal cost and "payments toward unfunded liability" components of the pension liability for each of the State's five pension systems.

Update: Senate Bill 179 (P.A. 97-0694) created the position of the State Actuary and required the State's pension systems to specifically identify the System's projected State normal cost for that fiscal year.

Recommendation 11: Improve transparency in the budgeting process, as it is a core goal of Budgeting for Results.

Update: The BFR Commission and GOMB continue to take strides to make budget data available to the public in an easily accessible and user friendly manner.

One innovation is the addition of the Budgeting for Results Table to the FY 13 budget book. For the first time since the advent of BFR, GOMB tied spending to the program level and displayed it for the public. In the same table, GOMB linked agency programs to the seven statewide result areas. GOMB is in the process of making the raw budget data found in the Budget Book available on-line through the state's open data website at: <http://data.illinois.gov>.

GOMB has also made budget documents more accessible to the public through our budgeting website: <http://budget.illinois.gov>. On the website, the public can find the latest news on budget actions taken by Governor Quinn, as well as budget documents, reports, and information on the Budgeting for Results Commission.

GOMB continues to update its performance reporting system, which will capture data from programs at the state agency level. Ultimately, data from the performance reporting system will be made available to the public through a user-friendly website.

Recommendation 12: The Governor's annual budget book should include:

1. Clear and accessible summary data on revenues and expenditures in the front of the budget book, as well as in a separate executive summary
2. Itemized data on transfers into and out of the General Revenue Funds
3. Itemized data on federal revenue sources for the General Revenue Funds

Update: A Budgeting for Results table was included in the Governor's FY 13 Budget Book. GOMB continues to enhance the accessibility and transparency of data available in the annual Budget Book in accordance with the Commission's recommendations.

Recommendation 13: Commission recommends that all appropriations bills considered or approved by either chamber of the General Assembly include summary data on amounts appropriated by agency and fund.

Update: GOMB currently develops a summary for each appropriations bill that it introduces. This summary includes the total appropriations by General Revenue Funds, Other State, and Federal Funds. At this time, the General Assembly is not statutorily required to provide a similar summary identifying sources of revenue for an appropriation.

Mandates and Budgeting Transfers Recommendations.

Recommendation 14: The history, intent and current need of all statutorily required budget transfers should be evaluated. Following a review, transfers which do not meet the threshold for requiring an automatic transfer of funds may be subject to the annual appropriations process. Instances where statutory transfers are likely necessary would include revenue-sharing agreements with units of local government, transfers to debt services funds, transfers to revolving funds, and cash low transfers. The Commission will review the budget transfers as part of the current and future fiscal years to evaluate the effectiveness of this approach.

Update: The BFR Commission established a Mandates Subcommittee to inform the General Assembly's discuss around statutory mandates by developing a set of recommendations for improving the statutory transfers process. These recommendations will be included in the 2012 Commission report.

Implementation Strategies Recommendations

Recommendation 15: Align the legislative appropriations process and executive agencies with the BFR result areas, to the degree practicable. This will enable legislators and the public to better understand overlaps in agency mission, to break down silos among agencies and to better determine where efficiencies can be achieved.

Update: As this recommendation was made during the second year of the 97th General Assembly, it could not be implemented. However, the Governor's Office and GOMB will consider this recommendation when working with the 98th General Assembly on the FY 14 budget and FY 15 budget processes.

Recommendation 16: Engage and communicate with relevant stakeholders throughout the duration of the Budgeting for Results process.

Update: The BFR Commission holds annual public hearings to engage stakeholders in the budgeting process. Three public hearings were held in Carbondale, Chicago, and Springfield during September and October 2012. Additionally, stakeholders can provide comments to the Budgeting for Results Commission on the Commission's website: <http://budgetingforresults.illinois.gov>. The Commission also solicits stakeholder input at many of its monthly meetings.

Additional public hearings will be held next summer and the Commission is working to expand its outreach to encourage public participation. An interactive website is being designed so that interested parties can access the state budget and communication with stakeholders can be accomplished through multiple social media outlets.

Recommendation 17: Strive for increased intra-agency and inter-agency cooperation as a means to eliminate redundancies in provider applications, reporting and other relevant records. Eliminating duplicative processes and streamlining administrative requirements will improve relationships between State government and community-based providers.

Update: The Central Repository Vault/Technology Team created a stable and secure system for human services providers to submit documents required by multiple state agencies with which they interact. The CRV went live on July 1, 2012, and over 100 providers have requested access to the site to date. Participating agencies include the Department of Aging, Department of Human Services, Department of Children and Family Services, Department of Healthcare and Family Services, and Department of Public Health. These state agencies have communicated with their providers about the CRV, trained their audit staff, and developed coordinated communication plans.

Recommendation 18: Work with agencies to make appropriate plans to adopt new budgeting procedures and communicate those procedures to outside stakeholders. A streamlined process of implementation originating at the State level will help providers interface with the State in a timely and resource efficient manner.

Update: State agencies continue to improve their stakeholder communication process in order to ensure that decisions are effectively communicated during the budget process.

Recommendation 19: Increase access to appropriate digital and technological infrastructure needed by providers to monitor and quantify results. Given the importance of accurate and relevant data in the BFR process, the use of proper IT tools will enhance the quality of measured results and prevent cumbersome data collection.

Update: The State has initiated the process of updating its infrastructure with respect to certain human service agencies.

Recommendation 20: Consult with providers about data and outcomes based metrics currently being collected on state funded programs. GOMB should consider assessing the adequacy of these outcomes for their applicability to the Budgeting for Results process to reduce duplicative data collection.

Update: Discussions with providers about existing performance metrics occur annually at the Commission's public hearings. As GOMB continues to reinforce a shift towards statewide goals rather than agency or program specific metrics, it will encourage State agencies to continue the dialogue with providers about the most meaningful performance metrics during the process of outcomes-based contracting. .

Recommendation 21: Remain cognizant of the potential unintended consequences of Budgeting for Results. As funding becomes more closely linked to organizational abilities to demonstrate outcomes, a vacuum may be created in which providers target easier-to-serve populations to achieve better outcomes, while the most challenging client populations are not served. The Commission will work to ensure that the goals and outcomes reflect actual quality of service as well as cost-effectiveness.

Update: BFR Commissioners will continue to engage state agencies and stakeholders to develop appropriate outcomes and metrics which accurately represent the intent of the program.

Recommendation 22: Account for the challenges in measuring outcomes. There are inherent difficulties in attempting to measure the absence of a negative outcome and in quantifying results for prevention programs. Moreover, the

activities of many organizations provide intangible products or may produce long term benefits not immediately available for measure, making it difficult to calculate their outcomes and measure their progress.

Update: The Commission will seek ways to allow for flexibility in process and diverse ways of measuring success.