BUDGETING FOR RESULTS COMMISSION

2nd Annual Report

November 1, 2012

GOVERNOR PAT QUINN

STATE OF ILLINOIS

A Letter from the Chairman

November 1, 2012

To the Honorable Governor and Members of the General Assembly:

On behalf of the Budgeting for Results Commission, I am happy to share with you our second annual report. Over the past year, we have taken several steps to ensure the successful implementation of this historic spending reform law. We have:

- Refined the recommendations from the first report through public hearings, Commission meetings and our website;
- Worked with the Governor's Office of Management and Budget to ensure relevant and useful data are available regarding the state budget and state finances;
- Formed a Mandates Committee to work with state agencies to identify wasteful spending and programs that don't work so we can get rid of them while focusing on and enhancing programs and projects that produce results; and
- Developed new recommendations offering additional guidance on ways to support effective and transparent outcomes-based budgeting.

In this report you will find detailed descriptions of these efforts as well as other initiatives underway as we progress toward full implementation of the Commission's recommendations.

We look forward to our continued work with the Governor and the General Assembly to ensure the state is responsive and responsible with the resources with which it has been entrusted.

In addition, we are eager to engage the State Budget Crisis Task Force which — in collaboration with the Institute for Government and Public Affairs at the University of Illinois — recently produced a report providing thoughtful and in-depth analysis of Illinois' complex fiscal situation including a number of possible remedies.

We welcome the opportunity to work together to restore both public confidence in state government and fiscal health to Illinois. Thank you in advance for your consideration of our second annual report.

Sincerely,

Senator Dan Kotowski
Chairman, Budgeting for Results Commission

Table of Contents

Budgeting for Results Commission

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State Senator

Hon. Heather Steans
State Senator

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Senior Program Officer, Chicago Community Trust

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The Commission wishes to thank the Chicago Community Trust for their generous support for Budgeting for Results implementation in 2012.

Introduction

In 2010 and 2011, Governor Quinn signed PA 96-958 and PA 96-1529 (see Appendix II) into law codifying Budgeting For Results (BFR), a historic spending reform act requiring the State of Illinois to institute a results-based budgeting process that will end the practice of funding programs based on prior budgets. By requiring the State to live within its means and focus on performance, BFR will transform the way that state officials, legislators – and the public – prioritize, think about and implement the State's budget. Going forward, the State will fund only those programs that can demonstrate effectiveness and help achieve stated outcomes and goals.

Many private companies and not-for-profit organizations have long employed data-driven, results-based budgeting to improve performance by clearly defining and aligning objectives within and across organizations. A number of state and local governments also have adopted some version of performance-based budgeting. Budgeting for Results will help Illinois state agencies set priorities, meet their goals and deliver the best possible value to taxpayers.

The appointed Budgeting for Results Commission, a bi-partisan commission comprising elected officials, business leaders, public advocates and distinguished academics, was charged with providing recommendations on how to improve Illinois' budget process and ensure that State resources are spent on those programs that are most effective at delivering results. In its second year, the Commission has worked to advocate for and implement the recommendations from the first report. These recommendations established a framework for the State to move forward with budget reform.

Pursuant to the statue, by November 1 of each year, "the Commission shall submit a report to the Governor and the General Assembly setting forth recommendations with respect to the Governor's proposed outcomes and goals." The Commission has engaged stakeholders, state agencies, providers, advocates, and the Governor's Office of Management and Budget to identify the factors that influence desired outcomes, to produce goals that are attainable and hold real value for the budget process, and to open a dialogue for developing a model measuring performance metrics and setting spending priorities.

While the Commission has been able to make substantive recommendations to implement Budgeting for Results successfully, there is still work to do. The Commission will continue to meet throughout the coming year and will pay close attention to the Governor's budget process, the legislative appropriations process, and the implementation of Budgeting for Results. The Commission may issue supplements to this report during the year as it receives additional testimony and input.

Commission Recommendations

Status of 2011 Recommendations

Each year, by statute, the Budgeting for Results Commission is to make recommendations to the Governor and General Assembly on how to improve the State of Illinois' budget process and ensure that State resources are spent on those programs that are most effective at delivering results. In its first report dated November 1, 2011, the Commission made 22 recommendations in the areas of results and goals, budget allocation, mandates and budget transfers, and implementation strategies. Over the course of the past year, the Governor, General Assembly, and the Commission have taken action on all of the 2011 recommendations, to either fully implement, partially implement, or obtain additional information needed to determine appropriate action. The following is a list of the 2011 recommendations, with actions taken to date to implement or respond to each recommendation.

Results and Goals Recommendations

2011 - 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 recommended an updated result stated as follows: "All Illinois residents have access to quality affordable health care." This new result appeared in the Governor's FY 13 budget book.

2011 - 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:** The Commission recommended an updated result stated as follows: "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.

2011 - 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.

2011 - 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 Natural, Cultural, and Environmental Resources): 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

2011 - 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: For** FY 12, the House and Senate adopted revenue estimates that differed by $1.1 billion. For FY 13, both chambers adopted the same revenue estimate, which was $221 million below the estimate from the Governor's Office of Management and Budget (GOMB) and $271 million lower than the estimate from the Commission on Government Forecasting and Accountability (COGFA).

2011 - 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 Funds.

> **Update:** The General Assembly paid close attention to the availability of federal funding sources this past legislative session but additional work needs to be done to distinguish among types of revenue available.

2011 - 7: The State should 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 BFR.

> **Achieved:** Governor Quinn signed a package of 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 13 and $100 million for FY 14 and each fiscal year thereafter. The plan, if followed, will fully appropriate the Medicaid liability for each year.

2011 - 8: The growth rate for Medicaid should be analyzed separately for expenditures from the General Revenue Fund (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:** HFS has presented a five-year forecast of projected Medicaid liabilities and the anticipated resources available for the program. In the future, HFS will present both total anticipated liabilities of the entire program as well as liabilities broken out by the General Revenue Fund, Other State Funds, and Federal Funds.

2011 - 9: State programs growing at financially unsustainable rates should be closely evaluated for effectiveness, and long-term sustainability of those programs found to be effective should be achieved by controlling costs or securing adequate new funding sources.

> **Update:** In his 2012 Budget Address, Governor Quinn identified two programs/systems that are growing at unsustainable rates: pensions and Medicaid. 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 identify and explore options for addressing programs growing unsustainably.

2011 - 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 (PA 97-0694) created the position of the State Actuary and required the state's pension systems to specifically identify the systems' projected normal cost to the State for that fiscal year.
>
> SB 538, which addressed the normal costs associated with pensions, was also introduced during the legislative session but was not passed.

2011 - 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.

For the first time, GOMB included a Budgeting for Results table in the FY 13 budget book to provide detailed information on program level spending. 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 http://budget.illinois.gov. On the budget website, the public can find the latest news on budget actions taken by the Governor, 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.

2011 - 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 transfers 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. The Commission encourages GOMB to provide summary data at the front of the FY 14 Budget Book.

2011 - 13: All appropriations bills considered or approved by either chamber of the General Assembly should 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 does not provide a summary identifying the sources of revenue when making an appropriation.

Mandates and Budget Transfers Recommendations

2011 - 14: The history, intent, and current need of all statutory budget transfers should be evaluated. In most instances, funding through statutory transfers should be subject to the annual appropriations process. Exceptions would include revenue-sharing 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:** Last fall, the General Assembly passed legislation to cap certain statutory transfers. Further caps on these transfers were part of the Governor's introduced budget, but they were not adopted by the General Assembly for FY 13.

Implementation Strategy Recommendations

2011 - 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 FY14 budget and FY15 budget processes.

2011 - 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 communicate with stakeholders in the budgeting process. Public hearings were held in Carbondale, Chicago, and Springfield during September and October 2012. Moreover, stakeholders can provide input to the Budgeting for Results Commission on the Commission's website: http://budgetingforresults.illinois.gov. The Commission also solicits stakeholder input at 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 via social media.

2011 - 17: Strive for increased intra-agency and inter-agency cooperation as a means to eliminate redundancies in information collected from providers for applications, monitoring, 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 (CRV) Technology Team created a stable and secure system for human services providers to submit documents required by multiple agencies with which they interact. The CRV went live on July 1, 2012, and over 1,000 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. Agencies have communicated with their providers about the CRV, signed the intergovernmental agreement, trained their audit staff, and developed coordinated communication plans.

2011 - 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:** Agencies continue to improve their stakeholder communication process in order to ensure that decisions are effectively communicated during the budget process.

2011 - 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 and currently has several key initiatives related to necessary data and technology upgrades underway.

2011 - 20: Consult with providers about existing performance metrics found within their infrastructure. Many organizations evaluate outcomes, for their own use and for foundations and endowments that support them. 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 agencies to continue the dialogue with providers about the most meaningful performance metrics during the process of outcomes-based contracting.

2011 - 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 agencies and stakeholders to develop appropriate outcomes and metrics which accurately represent the intent of the program.

2011 - 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. As many organizations provide intangible products, it may be difficult to calculate their outcomes and measure their progress.

> **Update:** The Commission will seek ways to allow for flexibility in the process as well as diverse ways of measuring success.

New Recommendations for 2012

In addition to the recommendations put forward by the Commission in its first annual report, over the course of the year the Commission developed 18 new recommendations for the consideration of the Governor and General Assembly. While some of these recommendations reiterate or amplify those made in the original report, others represent new opportunities for enhancing an outcomes-driven budgeting process. Similar to last year, recommendations are grouped into categories as follows: public engagement, implementation, budget allocation, legislative, and future planning.

Public Engagement Recommendations

2012 – 1: The Commission should have more public hearings over the next year and make a concerted effort to proactively engage a broad range of stakeholders in all seven of the BFR Result Areas; this should include holding hearings after regular business hours and using new outreach methods to inform stakeholders about hearings.

2012 – 2: GOMB should establish a user-friendly, publicly accessible website that includes materials from Commission hearings, the BFR table from the annual budget, and performance measures and outcomes to the program level.

2012 – 3: State agencies and stakeholders should utilize social media and existing communications with their customers and members to further engage the public in BFR.

2012 – 4: Where appropriate, agencies should utilize existing advisory committees or establish committees to engage stakeholders on budgeting for results, including obtaining input on statewide outcomes, program outcomes, strategies and metrics.

Implementation Recommendations

2012 – 5: The Commission urges the State to invest in necessary investments in technology and data infrastructure to support an outcome-driven budget and evaluate program performance.

2012 – 6: State agencies, in cooperation with private partners, should develop capacity-building and technical assistance plans to help grantees adapt to the Budgeting for Results process.

2012 – 7: During the next year, the Commission should research the staffing patterns of states with similar size and demographics to Illinois that have the best evidence-based budgeting for results systems and develop recommendations for staffing to successfully implement BFR in the state agencies, GOMB and the legislative appropriations staff.

2012 – 8: GOMB and relevant state agencies should review the information that the State currently collects from providers and other agents and eliminate duplicative, unnecessary, or unhelpful reporting in an attempt to reduce administrative burden for both agencies and providers.

2012 – 9: The Commission should develop a mechanism to collect feedback on government services that are delivered directly by state agencies in addition to those provided through grants or contracts.

2012 – 10: State agencies should assess and consider the actual costs of achieving a desired outcome when determining funding amounts.

Budget Allocation Recommendations

2012 – 11: The Commission recommends that the Governor and General Assembly acknowledge that the allocation of resources cannot be determined by performance evaluation or return on investment alone. Decisions about funding priorities must involve responsible value judgments and recognition of the probable and actual results of funding decisions.

2012 – 12: Budget allocations by both the Governor and the General Assembly should be made based on reliable and evidence-based revenue estimates. The Commission will examine consensus revenue practices in other states to recommend a similar process for Illinois.

2012 – 13: The process for allocation of resources should maintain flexibility for adjustments between major statewide priorities in order to enhance the achievement of relevant policy objectives. Policymakers should avoid establishing artificial silos or fixed, pre-determined shares for major policy areas at the beginning of the process.

Legislative Recommendations

2012 – 14: The General Assembly should make changes to the appropriations and budget approval process to ensure the intent of the BFR statute is fully realized.

2012 – 15: The General Assembly should incorporate Budgeting for Results into orientation for new legislators.

Future Planning Recommendations

2012 – 16: The State should establish a long-term fiscal planning process based on projected liabilities and revenues to make sure they are compatible with projected spending in priority areas.

2012 – 17: GOMB is required to annually submit an economic and fiscal policy report to the General Assembly outlining the long-term economic and fiscal policy objectives of the State, and the "economic and fiscal policy intentions" for the next three fiscal years. The Commission recommends that the GOMB report also present projected revenues, expenditures and liabilities for three years based on current law and policies.

2012 – 18: The state budget process should address the problem of liabilities or spending commitments (e.g., pension obligations, medical assistance, state employee group insurance) that are or have been incurred separately from legislative appropriations in a given fiscal year. For example, in the absence of a separate legislative action, Medicaid liabilities accrue regardless of whether funding is appropriated.

Progress Report

Implementing Performance Management

Accountability for performance is a key tenet of Budgeting for Results, and represents a significant culture change not only for state agencies but also state leadership. As with any major organizational change, an effective change management strategy is critical to project success. Therefore, the Administration recognized the importance of beginning to foster a performance culture as early as possible.

Beginning in July 2012, the Deputy Governor, Budget Director, GOMB senior team members and analysts, and Deputy Chiefs of Staff began holding regular Budgeting for Results performance meetings with agencies to review agency expenditures, issues, and performance measures and data. These meetings provide a forum for refining program goals/metrics, determining agency contributions to statewide outcomes, and tracking agency-level implementation of budgeting for results.

Throughout July, August, and September, the groups met to discuss performance measures and budget related issues a single agency at a time. Agencies from all seven Budgeting for Results areas were selected to participate in this first round of meetings. In calendar year 2013, the format will shift to a schedule of meetings with several agencies at once, organized by result area. This will give the Governor's team and the agencies the ability to identify opportunities to work across agency and result boundaries to produce positive impacts and make progress toward achieving statewide outcomes.

Results Teams

Strategy mapping, sometimes referred to as cause and effect mapping, is a process used in BFR to identify the underlying causes or factors that drive a desired outcome and to inform decisions about what investments to make to achieve those outcomes. There are three main steps to strategy mapping: (1) identify desired outcomes/results; (2) create strategy mapping teams around each result; and (3) conduct a cause and effect analysis for each outcome.

To help the State think strategically about how to structure goals in the seven result areas, the Budgeting for Results Implementation Team[1] partnered with the Chicago Community Trust and the Government Financial Officers Association (GFOA) to convene seven results teams aligned to the BFR outcome areas including:

- Economic Development
- Education
- Government Services

[1] The BFR Implementation Team was established in 2012 and includes Commission members, the ex-officio Commission member, the Budget Director, and GOMB staff. Its functions include preparing for Commission meetings and public hearings, drafting the annual report and recommendations based on direction from the Commission, reporting on performance management meetings with state agencies, reviewing Results Teams deliverables, and evaluating agency program logic models.

- Healthcare
- Human Services
- Public Safety
- Quality of Natural, Cultural, and Environmental Resources (formerly Quality of Life)

Each strategy mapping team consisted of seven to ten members, including state agency representatives, service providers, advocacy groups, members of the philanthropic and business communities, and researchers with expertise in their assigned issue areas. These teams met regularly between July and September 2012 to discuss evidence-based research in their topic areas in preparation for developing strategy maps outlining key components for achieving BFR goals.

Teams developed strategy maps for each result area that included evidence-based primary and secondary causal factors and key strategies for pursuing each goal (see strategy maps in Appendix IV). They also prepared reports to accompany the maps and provide additional detail.

In September, each team presented its recommendations to an Implementation Team made up of the Deputy Governor, Budget Director, GOMB senior staff and two members of the BFR Commission. The presentations included the draft strategy maps and team recommendations. Following the presentations, teams incorporated feedback from the Implementation Team into the final drafts of their reports and strategy maps. Final reports were submitted to GFOA at the end of September, and will be used by the BFR Implementation Team in FY 13 to refine the State's goals and sub-goals, and identify additional factors that drive program-level and overall outcomes.

By looking broadly at the factors that drive a desired outcome, strategy mapping is a promising tool for helping break down programmatic silos and address an often-stated concern that state agencies and service providers are held accountable for outcomes even when they don't control all of the factors that affect that outcome.

Logic Models

In 2012, GOMB began one of the key infrastructure components of the Budgeting for Results process, program logic modeling. The goal of the program logic model process is to have all state agencies under the authority of the Governor complete a logic model for each agency program. The logic model process is essential to the success of BFR because the logic model allows GOMB to align agency programs with State-level results and goals, as well as providing the necessary base of information about a program to inform the metric development process.

A logic model is a method of conceptualizing and visually displaying a program's activities, goals, and outcomes, usually on one page. Although the format of logic models can vary, there are certain components that are common to all logic models. The first component is an inventory of the "inputs" into the program. Inputs are the time, money, personnel and resources that are necessary to allow a program to function to its full potential and achieve its goals. The next component is the list of activities performed throughout the course of the program that relate to the program's ability to reach its goals.

The final component is a discussion of the initial- and long-term outcomes of the program. The outcomes are the lasting impact, or change in the community or the state, fostered by the program.

The logic model process for state agencies has two distinct components: the agency program inventory and the program logic model. The first step in the logic model development process is the completion of the agency program inventory. For the four decades prior to implementation of Budgeting for Results in Illinois, state agencies have classified their appropriations and spending in terms of budget line items, not programs. During the period in which line items were emphasized in budgeting, it has been difficult to determine how lines translate into actual agency activities and programs. The transition from an emphasis on line items to programs is essential to the success of the performance management and performance evaluation elements of BFR, due to the fact that it is nearly impossible to measure the performance of a line item. However, it is possible to measure the performance of a program. The first task that state agencies had to complete this year was creating an inventory of the programs they administer. Once the inventory was completed, the programs were then able to be linked to agency line items during the FY 14 budget development process, which began in late September 2012 and will continue through February 2013.

The next step in the logic modeling process was to provide the training necessary for state agency employees to complete a logic model for each of the programs identified in the agency's program inventory. Although many state employees are familiar with performance management concepts, logic modeling was a new concept to most. In order to ensure that state agency employees had the necessary training to complete their assigned tasks, with the assistance of the Chicago Community Trust, GOMB engaged the services of the Government Finance Officers Association (GFOA) to help develop and conduct a training program for agency representatives. Starting in late May through early June, training was conducted in Springfield and Chicago for over 90 representatives from 45 agencies. Representatives from GOMB and GFOA were on hand to introduce the logic modeling concept, and provide hands-on training and concrete examples of best practices for constructing logic models. The training was provided in a train-the-trainer format, whereby agency representatives were taught skills to take back to their colleagues. This enabled GOMB to disseminate knowledge wider and deeper into the agencies than would have otherwise been possible.

After receiving the training, the agencies embarked on the process of constructing a logic model for each program in their inventory. As the agencies constructed their logic models, representatives from GOMB were available to provide resources and guidance to agencies as needed. The logic development phase of the process continued from late June through mid-October, when the completed program inventories and logic models were submitted to GOMB for final review. The program inventories and logic models will be a valuable resource during the FY 14 budget development process, and will provide the foundation upon which to build future BFR reforms.

Stakeholder Engagement

Public engagement is of utmost concern to the Governor and General Assembly in implementing Budgeting for Results. Prioritizing how scarce resources are spent should be a transparent process that represents a general consensus on the overall direction for state government. Therefore, an effective BFR process requires a high degree of engagement with the public. The BFR enabling statute of 2010 and 2011 (see Appendix II) requires that two public meetings be held during each year's BFR outcomes-setting process, one in Chicago and one in Springfield. In addition, the regular meetings of the Commission are subject to the State's Open Meetings Act, which requires public posting of a meeting notice and agenda including time, date, and location at least 48 hours in advance of each meeting.

The Commission's 2012 BFR process included three public hearings, one in Chicago (Thompson Center) and one in Springfield (State Capitol) per statute, and a third held on the campus of Southern Illinois University in Carbondale. Over the course of the three hearings, written and oral testimony was taken from nearly 30 participants. A full list of participants by location is provided in Appendix V.

Copies of the written testimony are included in Appendix VI and are available on the BFR website at http://www2.illinois.gov/gov/budget/Pages/BFR-testimony.aspx.

In addition to the on-site notices of the Commission's public meetings and conference calls, notices are also posted online in advance of the meetings with applicable call-in information at http://www2.illinois.gov/gov/budget/Pages/BFR-meetings.aspx.

The BFR Commission made several recommendations on improving the stakeholder engagement process. As implementation proceeds, state agencies will utilize existing and new strategies to make sure stakeholders are fully informed of, and have adequate opportunity to provide input to, the process of establishing goals and metrics.

Statutory Mandates Review

To fulfill the statutory charge of the Budgeting for Results legislation to propose the elimination of mandates, the Commission created a Mandates Committee to work with state agencies to identify unnecessary, duplicative, or overly burdensome statutory requirements to which Agencies are subject. This Committee communicated with five agencies with the goal of identifying mandates for proposed elimination. Those agencies were: Department of Commerce and Economic Opportunity (DCEO), Department of Professional and Financial Regulation (DFPR), Department of Public Health (DPH), Department of Transportation (IDOT), and the Illinois Emergency Management Agency (IEMA).

The Mandates Committee engaged in a review of the proposed mandates by agencies. The mandates listed below were those submitted by the five agencies which either have costs associated with their compliance or result in audit findings. Each mandate includes the rationale for elimination offered by the agencies. The Mandates Committee will use the next year to engage additional agencies in this exercise in its effort to continue to reduce wasteful spending of taxpayer money.

1. Eliminate Unnecessary or Outdated Boards and Commissions

Recommendation: Eliminate Prairie State 2000 Authority

Agency: Department of Commerce and Economic Opportunity

Mandate: <u>20 ILCS 4020/</u> – This statute created a job training agency called the Prairie State 2000 Authority. The Prairie State 2000 Authority is governed and operated by a Board of Directors consisting of the State Treasurer, the Director of Commerce and Economic Opportunity and the Director of Employment Security, or their respective designees, as ex officio members.

Agency Explanation: Obsolete. The Prairie State 2000 Authority has not been operational or funded since the transfer of job training programs to DCEO in FY04.

Recommendation: Eliminate Outdated Recycling Board

Agency: Department of Commerce and Economic Opportunity

Mandate: <u>20 ILCS 605/605-75</u> – Establishes a "Keep Illinois Beautiful" (KIB) board and requires DCEO Director to serve as Chair and to appoint other members. The law also requires DCEO to assist communities with planning and implementation of plans.

Agency Explanation: Obsolete. This law originally was created to be housed in the Lieutenant Governor's office, but duties were subsequently transferred to DCEO. All of the goals and purposes for this law where already being advanced and accomplished by DCEO's existing recycling and waste reduction initiatives. Funding for this program was cut in 2005 and no KIB board has been appointed or met since that time. It is notable that local KIB affiliates are eligible to apply under the Illinois Recycling Grants Program so they would not be harmed if this language was eliminated.

Recommendation: Eliminate the Duplicative Illinois Stroke Task Force

Agency: Department of Public Health

Mandate: 20 ILCS 2310-372 created the Illinois Stroke Task Force

Agency Explanation: The task force was convened in 2004. Meetings were scheduled for three times a year, from June 9, 2005 through June 11, 2010. Meetings were conducted and minutes taken. Attendance started waning in 2009, with the last quorum achieved in June 2009. No meetings of the task force were held in 2011 and 2012. IDPH contacted all members (past and current) to identify the level of interest in reconvening the task force in the fall of 2011. A response rate of less than ten percent was received and the program decided to seek legislative repeal of the task force requirement.

The Illinois Stroke Advisory Subcommittee was formed August 18, 2009 by Public Act 96-514. The Subcommittee, under the guidance of the OPR EMS Program is meeting every other month as they work to establish stroke designations and to address stroke care issues in the state of Illinois. Several members of the Illinois Stroke Task Force have been asked to serve on the Illinois Stroke Advisory Subcommittee, making the task force duplicative and an unnecessary use of Department resources. The State Stroke Advisory Subcommittee is a standing advisory body within the State Emergency Advisory Council Medical Services. The council and subcommittee are administered by the IDPH Office of Preparedness & Response, EMS Division.

Recommendation: Replace the Expired Health Data Task Force with an Advisory Board

Agency: Department of Public Health

Mandate: DPH would like to amend 20 ILCS 2310/2310-367 to revamp and replace obsolete provisions regarding the Health Data Task Force.

Agency Explanation: The work covered under the current statute has expired as of 2011. Under this proposal the task force would be reconstituted and renamed to become a Director-appointed advisory board, focused on Department health data issues but also including state health data issues as needed. The Board would be subject to the Open Meetings Act and stakeholders would attend as guests and occasional participants. The purpose of the Board would be to review, manage and share data issues, and develop or enhance strategies and mechanisms.

2. Modify or Eliminate Unnecessary or Outdated Programs and Requirements

Recommendation: Eliminate the Telephone Book Recycling Program

Agency: Department of Commerce and Economic Opportunity

Mandate: 20 ILCS 1105/3 (e) – This statute requires the Department to develop a program designed to encourage the recycling of outdated telephone directories and the printing of new directories on recycled paper. The Department is to work in conjunction with printers and distributors of telephone directories distributed in the State to provide them with any technical assistance available in their efforts to procure appropriate recycled paper. The Department is also to encourage directory distributors to pick up outdated directories as they distribute new ones, and assist any distributor who is willing to do so in finding a recycler willing to purchase the old directories and in publicizing and promoting with citizens of the area the distributor's collection efforts and schedules.

Agency Explanation: Outdated. From 1990-1993 in cooperation with the Illinois Department of Central Management Services (CMS), the Department's Division of Recycling worked with printers and distributors of telephone directories and with recyclers to encourage recycling of these books. In 1990, CMS's I-Cycle program was able to implement recycling of outdated Centrex directories in state government and in 1993 implemented recycling of Ameritech and McLeod directories.

Furthermore, telephone directories are now commonly recycled with "mixed paper" throughout Illinois. In addition, publishers commonly print directories on recycled content paper.

Recommendation: Eliminate Requirement that a Bank Must File a Notice with the Department of Its Intent to Establish a Subsidiary

Agency: Department of Financial and Professional Regulation

Mandate: The Banking Act (205 ILCS 5/12) requires a bank to file a notice with DFPR of its intent to establish a bank subsidiary.

Agency Explanation: DFPR seeks to modify this requirement to eliminate notices of subsidiaries formed solely for the purpose of holding property for Debts Previously Contracted. DFPR has no power to approve or deny the subsidiary being formed so DFPR is not losing any regulatory authority.

Recommendation: Eliminate Verification of Recording of Savings Banks' Certificates of Mergers

Agency: Department of Financial and Professional Regulation

Mandate: The Savings Bank Act (205 ILCS 205/8006) requires savings banks to record Certificates of Mergers in the Office of Recorder of Deeds in every county in which the bank has a physical office. DFPR must verify that the recording has taken place.

Agency Explanation: DFPR seeks to eliminate the mandate as it has no practical value and is outdated. DFPR posts announcements of mergers on its web site and the bank has an economic incentive to let its customers know the merger has taken place.

There is a potential future cost savings as additional staff will eventually be necessary due to the growing number of subsidiaries formed as the result of the foreclosure crisis. DFPR does not expect any negative reaction to this mandate elimination.

Recommendation: Repeal Requirement for Reporting of Truck Weight Impacts

Agency: Department of Transportation

Mandate: 625 ILCS 5/15-115) requires the Department to report the effects of increased truck weights from 73,280 lbs. to 80,000 lbs. on designated roadways on IDOT's existing inventory. This report must be submitted every three years to the General Assembly.

Agency Explanation: Since 1983, most of IDOT's existing inventory has been reconstructed or replaced with facilities designed to handle 80,000 lb. loads. Thus, continued reporting provides minimal, if any, value while taxing the Department's limited resources. (Note: report preparation requires input from the Bureau of Materials and Physical Research, the Bureau of Bridges and Structures, the Central Bureau of Design and Environment, the Division of Traffic Safety, the Central Bureau of Budget and Fiscal Management, and the Central Bureau of Operations.) No opposition to the elimination of this mandate is anticipated.

Recommendation: Eliminate Unnecessary Reporting Requirements by SIC Code

Agency: Illinois Emergency Management Agency, Illinois Department of Employment Security

Mandate: The Chemical Safety Act (430 ILCS 45/1 *et seq*.) requires IDES to provide IEMA with an annual list of regulated facilities by SIC code.

Agency Explanation: The report is unnecessary for IEMA to comply with the Act and difficult for IDES to generate. Both agencies believe this reporting requirement offers no real value.

3. Make Some Currently Mandated Expenditures Permissive

Recommendation: Make Permissive the Community Economic Development Project

Agency: Department of Commerce and Economic Opportunity

Mandate: 30 ILCS 750/9-4.5 – The Small Business Development Act mandates the Department to select five communities through a competitive process and provide technical assistance in developing a comprehensive economic development project.

Agency Explanation: Currently unfunded and not operational. The Department is undergoing a compliance examination by the Office of the Auditor General and this has been identified as a preliminary material finding. This mandate should not be part of the Build Illinois Small Business Loan Program Act as that Act relates to business finance, and is duplicative of other DCEO programs and so should be repealed.

Recommendation: Make Permissive Grants to Industrial Development Agencies

Agency: Department of Commerce and Economic Opportunity

Mandate: 20 ILCS 605/605-345 (was 20 ILCS 605/46.67), which requires DCEO to provide pollution control industry incentives**.**

Agency Explanation: Unproductive. DCEO has authority and programs to assist all types of businesses, but does not have any funding to assist just pollution control industry-related businesses. This provision should be repealed. This statute is the subject of current audit testing and DCEO anticipates the auditors will identify this as a preliminary material finding.

Mandate: 30 ILCS 720/3 – Requires that requires DCEO make matching grants to industrial development agencies which are or may be engaged in planning and promoting programs designed to stimulate the establishment of new or enlarged industrial, commercial and manufacturing enterprises.

Agency Explanation: Unfunded. This program has never been funded and is likely never to be funded, so it should be repealed. (Note the language of this Act uses both "may" and "shall".)

Recommendation: Eliminate Unfunded Mandate to Provide Budget and Appropriation Support to Local Governments

Agency: Department of Commerce and Economic Opportunity

Mandate: 50 ILCS 330/5 - The Department is mandated to formulate and approve forms and procedures for local government budgets and appropriation ordinances. It further requires the Department to appoint a committee to assist in carrying out the purpose of this Act.

Agency Explanation: Unfunded. The Department is unable to provide technical assistance and support to local governments per this Act due to budget and staffing constraints.

Recommendation: Change State Reporting Period Timeline for Federal Stimulus Tracking Act

Agency: Department of Transportation

Mandate: 30 ILCS 270/5 requires the Department to submit a monthly report to the General Assembly on its spending of the federal stimulus money provided pursuant to the American Recovery and Reinvestment Act of 2009.

Agency Explanation: This report duplicates the reporting required by the federal government. It more than doubles the workload for department staff because the state reporting requirements seeks different information. The hours of staff time could be used much more productively. There are no known opponents to the elimination of this mandate.

4. Redirect Funding Streams for Improved Efficiency

Recommendation: Make Permissive Agency Staffing of Program and Allow for Direct Appropriation to Current Program Administrator

Agency: Department of Commerce and Economic Opportunity

Mandate: The Department is mandated to provide staff for and administer a program specific to rural communities.

Agency Explanation: Unfunded. Due to budget and staffing constraints, it is impractical for the Department to administer this program directly.

While the Department remains committed to the intent of the legislation—supporting development in rural communities—due to budget and staffing constraints, the Department does not have the capacity to administer this program directly. Making the staffing mandate permissive would allow for the program to continue to be supported by Western Illinois University through the annual $160,000 appropriation from the Agricultural Premium Fund. To further reduce unnecessary administrative burdens, the Department recommends that the grant be appropriated directly to Western Illinois University's Rural Affairs Office as opposed to the Department for redistribution.

Recommendation: Make All Transportation Revenue Sharing Transfers Directly from the State and Local Sales Tax Reform Fund

Agency: Department of Transportation

Mandate: Currently, all revenue sharing payments from the State and Local Sales Tax Reform Fund are disbursed by the Department of Revenue, except for the payment to the Madison County Mass Transit District, which is routed through the Downstate Public Transportation Fund and paid from an appropriation to the Department of Transportation. This money is not an operating assistance grant, which is the intended purpose of the Downstate Public Transportation Fund, but is actually a form of revenue sharing from the State's Sales Tax.

Agency Explanation: This proposal would amend 30 ILCS 105/6z-17 by putting the Department of Revenue in charge of all payments from the State and Local Sales Tax Reform Fund, including the payment to Madison County. There would be a reduction of an annual appropriation of $1.3 million to the Department from the Downstate Public Transportation Fund which is derived from the state and local sales tax.

This would also eliminate the need to create, submit and track twelve vouchers annually.

There is no anticipated opposition from agencies. This is not money that is intended for distribution to the participants in the Downstate Public Transportation Fund, although they have been receiving a marginal benefit as these cash transfers from the State and Local Sales Tax Reform Fund are not subject to the same delays that the GRF transfers experience.

5. Change Notice Requirements from Mailings to Online

Recommendation: Allow Rules under the CILA, RLRA, and SFA to Be Posted Online; Require the Department to Mail Copies of the Rules to Anyone Who Requests Them

Agency: Department of Financial and Professional Regulation

Mandate: The Consumer Installment Loan Act (205 ILCS 670/22), Payday Loan Reform Act (815 ILCS 122/4-30(a), and Sales Finance Act (205 ILCS 660/13) require DFPR to print all rules and mail copies to all licensees for each statute above.

Agency Explanation: All DFPR rules are available on the website. It is outdated to have to mail hard copies of rules to all licensees.

Recommendation: Allow IEMA to Furnish Rules Online; Mail Copies if Needed

Agency: Illinois Emergency Management Agency

Mandate: The Illinois Emergency Management Act (20 ILCS 3305/18(b) requires IEMA to furnish all Governor's rules, orders and regulations to each emergency services and disaster agency.

Agency Explanation: All of the above information is available online.

Next Steps

For the next phase of Budgeting for Results, the Implementation Team will focus on developing measurable statewide outcomes for each of the seven Results Areas, and map how state agencies and programs contribute to those outcomes. Based on research and engagement with agencies, a common set of statewide outcomes will be defined and developed into a standardized taxonomy that will serve as the backbone of the BFR process. This organizing framework will help ensure that decision making will be outcomes-driven. Standardizing the outcomes also ensures that the metrics developed are designed to measure an agency or program's contribution to statewide outcomes rather than measuring programs based on their own stated objectives. As BFR is fully implemented over the next few years, GOMB will be able to use common outcomes to allocate budget resources, benchmark program performance and identify best practices and efficiencies across state agencies.

Developing Budgeting for Results Metrics

State agencies collect a vast amount of data, but current metrics tend to measure outputs rather than outcomes. Under BFR, it is the State's intention to institute program metrics that measure the impact of programs on achieving state outcomes.

Through the process of developing logic models, agencies have identified the various components that comprise each program, including resources, activities, and the various output measures that are currently collected. With that information in hand, GOMB staff and BFR consultants will engage with the agency program staff to identify performance measures that more accurately reflect the program's contribution toward meeting the State's prioritized outcomes. This process will be more complex for those agencies that use providers, contractors or grantees to deliver state services, and they will need to gather performance data from these external entities. In keeping with the goal of ongoing public engagement with BFR, agencies will be encouraged to establish a public process for gathering input from providers and stakeholders in developing performance metrics and making refinements as needed.

Once new outcome-oriented performance measures are established, the data collected will be entered into the Budgeting for Results Performance Reporting System (see below), where it can be analyzed and used to inform policy decisions.

State grantees and providers currently track and report a variety of metrics for their state, federal government and foundation-funded programs. Since these reporting requirements place an administrative burden on grantees, the goal should be to make sure state agencies are measuring what matters. Agencies will be asked to review the data they collect, streamline reporting requirements, and eliminate duplicative or otherwise unnecessary metrics that do not contribute to evaluating program outcomes.

Data Collection and Analysis

GOMB is in the process of developing a Performance Reporting System (PRS) to begin collecting the data needed to inform Budgeting for Results. Current performance reporting solutions lack sufficient analytic capacity and user-friendly interfaces to meet BFR needs. To provide sufficient data collection, analysis and reporting support for BFR, GOMB determined it would need to develop and implement a new performance reporting solution.

PRS is composed of two primary components:

- PRS Data Collection and Analysis
- PRS Data Presentation

During 2012, GOMB worked to develop and implement the data collection portion of the Performance Reporting System. The data collection system is a SharePoint-based data gathering solution that will allow for better collection and analysis of data. In August 2012, GOMB engaged program staff from the Illinois Department of Human Services (DHS) to test a version of the system. Based on the feedback provided, the system was revised to improve the user interface. The revised data collection system went online in late October. DHS is the first agency to start the process of migrating their agency performance metrics into the PRS data collection system. During the remainder of 2012 and 2013 every state agency under the authority of the Governor will transfer its performance data into PRS. The deadline for the completion of this process is November 1, 2013. In 2013, GOMB plans to incorporate analytic capacity into PRS to allow for improved data and trend analysis. These enhancements will likely require the acquisition or development of additional software components for PRS.

The second component of PRS is data presentation. To increase transparency it is necessary to give stakeholders and the public in general the most up-to-date and comprehensive information possible on the performance of state government in achieving results. In 2013 GOMB will continue to work to develop a performance data website (modeled after Virginia Performs, http://vaperforms.virginia.gov/). As more data on program performance becomes available through the data collection component of the PRS, it will be shared with the public through the website. To complete the task of creating the website, GOMB will require additional technical capacity and resources. A potential solution that GOMB is exploring is crowdsourcing the site development, drawing on the talents of programmers and designers from within and outside of government.

Stakeholder Engagement

The Commission's 2012-2013 recommendations for public engagement will result in additional opportunities for public hearings and testimony, and better coordination of public hearings with specific results areas. Recognizing the amount of personal time that Commissioners voluntarily contribute during the annual process of goals and outcomes setting, the Implementation Team has recommended that the Commission move to a bi-monthly meeting schedule from the current monthly schedule, and increase the number of public hearings, make some of them results-area specific, hold the hearings at the end of the workday if possible, and spread them out over the course of the year.

The BFR website (see discussion under Data Collection and Analysis above) can also be an effective tool for stakeholder engagement if—in addition to presenting BFR program outcome metrics—it can be extended to provide the capability for public input. The GOMB/external website developers should apply open data/open government standards in the development of appropriate tools for public engagement, and should comply with the State's emerging open data standards, the State's own open data site, http://data.illinois.gov, and Executive Order 2012-3 that prescribes state standards and requirements for increasing transparency and disclosure over the web.

The website may be an effective venue for reducing the complexity of the "crosswalk" between Budgeting for Results program requests and the State's traditional line-item budget. As a refinement of the BFR table published in the FY 13 budget book, presenting the underlying data in an open data format on the BFR website for FY 14 would allow for improved analysis and understanding of the financial structure of state government on both a program and line item basis.

Three-Year Implementation Plan

The table below presents a "going forward" plan for implementing Budgeting for Results and embedding it into the State's regular annual budgeting process. Over the next three years, the BFR process will continue to evolve as we move from the conceptual infrastructure phase to the implementation phase. It is expected that outcomes and measures will stay constant so that benchmark data can be developed and agencies can establish clear track records of performance. We also expect that as measurement becomes more centralized and normalized, the burden on agencies and providers will be substantially lessened and the quality of the data will be substantially improved. This is only the beginning of the possibilities for greater value, efficiency and impact that are achievable through Budgeting for Results.

Fiscal Year	FY 13	FY 14	FY 15
Key Concept	Measurable Outcomes	Performance Targets	Value and Performance
Activities	The key objective for BFR in FY 13 will be to standardize a set of State-wide, measurable outcomes for all agencies and providers. These outcomes will be validated with agencies and providers to ensure alignment, and then finalized. For each of its	In FY 14, BFR will develop and standardize common performance measures for all statewide outcomes. These measures will be research-based leading indicators of a program's contribution to the desired outcomes. BFR will validate these measures	In FY 15, we will have more robust data on program performance and more refined performance measures. The State will also be in a position to evaluate agencies budget requests based on comparative benchmarks and past performance.

	programs, an agency will identify a primary outcome from the State's taxonomy. This will allow GOMB to measure the "cost per outcome" on a program by program basis, and also at an aggregate level. With this data, GOMB can benchmark cost per outcome and identify opportunities for program synergies and cost reduction.	with agencies and providers to ensure that they are practical and relevant. Once these measures have been finalized, we will collect baseline data on all state programs. We will also work with all agencies to set performance targets for each of the measures that relate to their programs. This will enable GOMB to evaluate the "expected return" on investments in various outcomes and make informed budgeting decisions based on relative contributions to priority outcomes. The State will also be in a position to make BFR data actionable by using benchmark data to identify opportunities for program efficiencies and innovations.	There may be even greater opportunities for significant cost savings through greater agency coordination, eliminating program redundancies, sharing best practices and encouraging innovation. At this stage of BFR, the primary focus will be on maximizing the value of programs and initiatives and reducing the cost per outcome.
Major Deliverables	• A common, statewide outcomes framework • All agency programs identified by a primary outcome • All agencies and programs measured on a cost per outcome basis	• Common, statewide performance measures Baseline performance data on all programs • Projected ROI for programs • Opportunities for cost savings and program efficiencies	• State-wide benchmarks by performance measure • Predictive modeling for priority outcomes • Increased agency value and performance

Conclusion

The Budgeting for Results Commission remains committed to partnering with the Governor, the General Assembly, and the residents of Illinois to continue to identify strategies for improving the transparency and accountability of the State's budgeting process. Through ongoing dialogue with legislators, state agencies, and stakeholders, the Commission aims to promote the efficient and effective use of all available sources of revenue. Budgeting for Results presents a unique opportunity to return the State of Illinois to fiscal well-being while reinstating public confidence in state government.