

Budgeting for Results Commission

Compiled Recommendations

Results and Goals:

We have a draft of Results and Goals that have been worked on by Commissioners and we can use these suggestions to improve it. For the sub-goals, the question has been posed if the Commission should even address Sub-goals, or whether those should be created by the agencies and Governor's office. Below is a list of recommended changes to the Results draft.

Results Recommendations:

1. Additional Medicaid Result. The DHFS medical assistance budget — Medicaid, the Children's Health Insurance Program (CHIP), and related programs — should be separated from the rest of human services. In the enacted FY 2012 budget, medical assistance programs were significantly underfunded. However, since Medicaid is a federal entitlement program, spending cannot be controlled simply by reducing appropriations. Medicaid liabilities in a given year are determined by enrollment of eligible recipients, service utilization, and reimbursement rates for service providers. In the absence of substantive policy changes, the enacted budget will result in longer payment cycles for health care providers and more deferred liabilities. Consequently, Medicaid's share of the state budget will continue to grow. The costs of that growth should not be borne solely by other human services programs.

Another reason for treating Medicaid and CHIP separately from other human services programs is that federal matching funds cover a substantial share of the costs (50% for Medicaid and 65% for CHIP). This point also applies to some program areas outside DHFS. For example, developmental disability services and the Home Services Program in the Department of Human Services and the Community Care Program in the Department on Aging are largely funded through Medicaid. Aside from Medicaid and CHIP, federal grants are typically kept separate from the General Funds in most state agencies. (LJ)

2. State employee group insurance should be categorized as "mandatory" spending (together with pension contributions and debt service) or as part of government services. In the FY 2012 enacted General Funds budget, group insurance appears under both the Department of Healthcare and Family Services and the Department of Central Management Services. (LJ)
3. The "quality of life" category, which encompasses only three state agencies, should be eliminated. By themselves, these agencies (Department of Natural Resources, Illinois Historic Preservation Agency, and Illinois Arts Council) do not warrant designation as a major statewide priority. I would shift them to other categories (economic development, education, or government services). Enhancing quality of life is a goal of many areas of the state budget, including education, health care, human services, and public safety. (LJ)
4. The real meaning of Result 5, "Provide a high quality of life to residents could be better described as "Maintain high quality of cultural and environmental resources for residents and guests of Illinois." "Provide a high quality of life" is so vague as to be meaningless. (RM)

Budgeting for Results Commission Compiled Recommendations

5. The Department of Employment Security should be shifted from human services to economic well-being/development. (LJ)
6. The Illinois Violence Prevention Authority should be shifted from public safety to human services. If the Department of Juvenile Justice belongs in the human services category, then so does IVPA. (LJ)
7. Descriptors for goals/priorities should use the term “resident” rather than “citizen.” (LJ)
8. The descriptor for the “government services” category should be revised. The goal of “improved efficiency and stability of state government” is applicable to all state agencies, as well as to all other prioritized goals. (LJ)

Sub-goal Recommendations

1. The commission should postpone any further discussion of sub-goals until it has completed its mandated report. The commission’s purpose regarding identification of sub-goals is unclear. Are the sub-goals meant to be used for setting budget priorities — or just for defining statewide goals? Moreover, the formulation of sub-goals should be a “bottom-up” process, beginning with the relevant state agencies. (LJ)
2. In the education category, sub-goals should include objectives related to General State Aid to local school districts: establishing an adequate per-pupil foundation level and providing additional funding for school districts with high concentrations of low-income students. The education category should also specifically mention objectives related to early childhood education and to social-emotional learning. (LJ)
3. In regard to the human services category, none of the various drafts adequately addresses mental health, developmental disabilities, prevention and early intervention programs, or abused and neglected children. (LJ)
4. Sub-goals should involve objectives that can be realistically achieved through allocation of resources in the state budget. This would preclude sub-goals such as increasing median income, reducing crime rates, increasing retention rates of college students, improving workforce productivity, and many others. (LJ)
5. Measurable outcomes are often (but not always) appropriate. However, I would not recommend setting specific numerical targets, which can be used as a pretext for cutting programs that cannot possibly reach such targets. (LJ)

Budgeting for Results Commission Compiled Recommendations

6. Budgeting for results at the agency and program levels cannot work effectively unless the state eliminates the backlog of long-overdue bills. If service providers are to be held accountable for meeting goals or achieving results, then they must be paid in a timely manner. (LJ)
7. In Result 6, I feel strongly that we should list a subgoal of "Providing clear and accessible information to the citizens of Illinois about budgeting and results of state government". This is the ultimate goal of our commission, and it needs to be an ongoing priority for some part of State government. (RM)
8. Sub-goals should be measurable and should set a specific target in order to ensure accountability. (MP)

9. RESULT 1: Change in language

Goals and sub goals need to take into account our states increasing diversity. For example "Reducing the dropout rate is a laudable goal but that language doesn't specifically address the gap in high school completion rates among Latino, African American and White Students. A revised goal could be "reduce the dropout rate and eliminate the disparity in high school completion rates among Illinois' diverse student population." (Latino Policy Forum)

10. RESULT 1: Additional Sub Goal

Early childhood goals include preparing children to succeed in Kindergarten, setting a strong foundation for success in school and in life, while enabling parents to work or attend school to strengthen their family's economic self sufficiency. (Childrens Home and Aid)

11. RESULT 3: Additional Sub-Goal

Prevention programming must be a goal of the state of Illinois. Youth services, afterschool programming and youth violence prevention all increase positive outcomes for youth in school while reducing incarceration, homelessness and other costly negative outcomes. (Childrens Home and Aid)

Add language that encourages all-hazards emergency planning, especially among local units of government. This is important because planning has been shown to have a substantial mitigating effect against loss of life and the reduction of property damage. In addition, communities without an approved emergency plan are not eligible for federal disaster funds. Also, add language that encourages increased awareness among the civil population about the importance of being prepared for natural and technological disasters.

12. RESULT 3: Change in language

Illinois has adequate public safety mechanisms/infrastructure in place to protect the lives and property of residents. Goals: (Under the first bullet point), please add the term "sexual assault." I believe adding "sexual assault" appropriately reflects Illinois' strong commitment to rape victims and prevention education. (Illinois Coalition against Sexual Assault)

Budgeting for Results Commission Compiled Recommendations

13. RESULT 4: Additional Sub Goals

A robust and adequately funded system of community-based services and supports that meets the educational, health, and long-term care needs of persons with intellectual/developmental disabilities, mental illness, and substance use and dependencies. (Illinois Association for Rehabilitation Facilities)

14. Increased employment opportunities for persons with intellectual/developmental disabilities and mental illness. (Illinois Association for Rehabilitation Facilities)

15. Identify and address gaps in specialized service needs (nursing, psychiatry, dental care, etc.) and address the growing shortage of direct support professionals serving individuals with intellectual/developmental disabilities, mental illness, and substance use dependencies. (Illinois Association for Rehabilitation Facilities)

16. In order to align with integrated care coordination models, begin to shift from regulatory system focused on process and irrelevant data collection, to a streamlined and efficient regulatory system focused on outcomes. (Illinois Association for Rehabilitation Facilities)

17. RESULT 4: Additional Sub-Goals

Provide paid work opportunities for persons with developmental disabilities and mental illness in an environment of their choosing (Countryside Association for People with Disabilities)

18. Provide people with disabilities opportunities to live, recreate, and socialize and in accessible community of their choosing.

19. RESULT 4: Additional Sub –Goals

Child welfare goals must include not only reunification of children in foster care wherever appropriate but permanency through adoption or guardianship as well. It is also important to set goals to prevent foster care placement through intact family services to adequately meet the child welfare needs of Illinois. (Childrens Home and Aid)

20. RESULT 4 & 5: Change in Language

The Institute takes issue with Result 4 and 5. In result 4, Illinois assures that all residents, but particularly children, the elderly and disabled, are able to experience at least a minimal quality of life, yet in result 5 Illinois provides a high quality of life to residents. A society is judged based upon how it treats those most vulnerable, yet BFR suggests that children, the elderly and disabled should only be afforded a minimal quality of life. Please remove the word minimal from the document and the intent of the language. (Institute on Public Policy for People with Disabilities)

Allocation of Budget to Results

The Allocation section will focus on recommendations regarding the budget process generally. The report will make clear that the Commission believes that more time and study is necessary to make any

Budgeting for Results Commission

Compiled Recommendations

type of percentage recommendations, and that it may not be wise for the Commission to make recommendations in that level of detail. This section will be divided up into categories of process recommendations and Items for Further Review list. The sections can include Revenue Estimates, Allocation Decisions, Budget Transparency, and Budgeting for Results Process.

Revenue estimates

1. Allocations proposed by the Governor and enacted by General Assembly should be based on a common set of General Funds revenue estimates. The best approach would be establishing a process for arriving at a consensus revenue forecast. More than 20 other states use a consensus process. (LJ)
2. Short of instituting a consensus process, the General Assembly should follow current statutory provisions regarding revenue estimates. The Commission on Government Forecasting and Accountability Act specifies certain features of the budgetary process (25 ILCS 155/4):

“The Commission shall publish, at the convening of each regular session of the General Assembly, a report on the estimated income of the State from all applicable revenue sources for the next ensuing fiscal year and of any other funds estimated to be available for such fiscal year. The Commission, in its discretion, may consult with the Governor's Office of Management and Budget in preparing the report. On the third Wednesday in March after the session convenes, the Commission shall issue a revised and updated set of revenue figures reflecting the latest available information. *The House and Senate by joint resolution shall adopt or modify such estimates as may be appropriate. The joint resolution shall constitute the General Assembly's estimate, under paragraph (b) of Section 2 of Article VIII of the Constitution, of the funds estimated to be available during the next fiscal year*” (emphasis added). (LJ)

Allocation Decisions

1. Neither the Governor nor the General Assembly should formulate a budget with fixed, pre-determined shares for statewide prioritized goals (education, human services, public safety, etc.). Such an approach creates artificial silos and precludes tradeoffs and adjustments between major priorities. (LJ)
2. To the extent possible, decisions regarding allocation of available revenue should distinguish between state resources and federal resources and should also consider state resources outside the General Funds. (LJ)
3. When determining budget allocations, both the Governor and the General Assembly should consider the recent funding history of various agencies and programs. If we are serious about “budgeting for results,” then we must examine the *results* of allocation decisions, including previous and proposed budget cuts. Some examples:

Budgeting for Results Commission Compiled Recommendations

- a. In the State Board of Education budget, the FY 2012 appropriation for General State Aid is at its lowest level since FY 2007. The greatest impact will be on school districts that rely most on state funding — districts with the lowest amounts of property wealth per pupil and districts with the highest concentrations of low-income students.
 - b. The Early Childhood Block Grant (ECBG) funds preschool programs operated by local school districts and qualified community agencies, as well as developmental services for infants and toddlers. Since FY 2009, the combination of budget cuts and delayed payments to service providers has resulted in about 8,000 fewer children participating in state-funded pre-K programs. Additional cuts in FY 2012 cuts could mean a loss of preschool services for another 4,000 children.
 - c. Among all state agencies, the Department of Human Services has been hit hardest by the fiscal crisis of the past several years. Since FY 2009, there have been deep cuts in GRF grants for developmental disability services (22%), mental health services (36%), addiction treatment programs (38%), youth services (45%), and other program areas.
(LJ)
4. The refined Lewis proposal. The process for calculating the allocation of state funds across the six areas is a six step process:
- a. Determine total basic cost of proposed state functions addressing sub-goals via submissions from state agencies
 - b. Subtract revenues expected from federal, local or other sources
 - c. Allocate GRF or other state-controlled funds to all legally or contractually mandated functions, including pensions and debt, up to acceptable standards
 - d. Allocate GRF or other state-controlled funds to any remaining needs up to basic standards on “Survival” categories
 - e. Allocate GRF or other state-controlled funds to remaining “Growth” sub-goal categories in proportion to ROI value until equilibrium is attained accounting for marginal return rates on ROI, and so that every category pertaining to a formal sub-goal receives at least operational funding.
 - f. Provide at least base funding for existing “Amenity” category functions.
 - g. Aggregate funding for each sub-goal into the top-level Outcome categories
 - h. Calculate the proportions across the top-level Outcome categories (JL)
5. Another possible framework for allocation prioritization could be as follows:
- a. Those activities necessary to preserve public safety e.g., law enforcement, corrections, environmental regulations, etc
 - b. Those activities necessary to assure sufficient economic activity e.g., education, job training, roads and bridges, etc

Budgeting for Results Commission Compiled Recommendations

- c. Those activities that augment quality of life (SS)

6. The State should pay its full Medicaid payments each year and not delay them into the following year. By doing so, the State is not truly spending only the revenues it has available which is a critical component of the Budgeting for Results process. (PA)
7. Identify programs growing at rates unsustainable by revenue growth, focus first on controlling them. (SS)
8. For Medicaid, break growth rate calculations into GRF, other state funds, and federal. (SS)
9. For pension growth rate calculations, break into "normal cost" and "payments toward unfunded liability". (SS)
10. Break Medicaid out as separate when calculating current allocations. (SS)
11. The percentages of revenues traditionally allocated in the state budget to community service programs must necessarily increase for BFR to be successful. (Illinois Association for Rehabilitation Facilities)
12. IARF believes the evidence strongly necessitates an increased percentage of revenue allocation to community based programs in FY13. (Illinois Association for Rehabilitation Facilities)

Budget Transparency

1. The Governor's annual budget book should include:
 - a. clear and accessible summary data on revenues and expenditures in the front of the budget book, as well as in a separate executive summary;
 - b. itemized data on transfers into and transfers out of the General Funds;
 - c. itemized data on federal revenue sources for the General Funds;
 - d. identification of state and federal revenue sources for individual line items. (LJ)
2. At the end of each quarter, the Governor's Office of Management and Budget should release data on delayed payments to service providers by agency and line item for the current fiscal year and the previous fiscal year. (LJ)
3. All appropriations bills considered or approved by either chamber of the General Assembly should include summary data on amounts appropriated by agency and fund. (LJ)

Budgeting for Results Commission Compiled Recommendations

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

Budgeting for Results Process

1. Align House and Senate appropriations committees with the Governor's proposed Results. This will allow for more integration of the Budgeting for Results process. Also, as the BFR process moves forward appropriations committee alignment will be critical in facilitating the breakdown of silos between agencies. (RM and others)
2. The State should move slowly in implementing BFR. They emphasized that a rushed process could lead to many unintended consequences and shortcomings in the process later on. There is increased potential for effective change if the process is carried out deliberately and comprehensively. Testifiers put forth a few areas, where, if improved would increase collaboration amongst all parties and would further the chances of successfully implementing BFR. (Public Hearing)
3. *Increased intra and inter agency cooperation:* Relationships between providers and the state would be enhanced if intra and inter agency cooperation were to be improved. For example many providers cited excessive paper work and monitoring, often similar requirements for different agencies. There are many duplicative administrative processes' that could be eliminated. If the state could present a united front to providers there would be increased confidence in the state and external relationships would improve. (Public Hearing)
4. *Improved external provider and state relationships:* As mentioned above many providers are frustrated by having to deal with multiple agencies and duplicative processes. A system in which providers can easily interface with the state would be welcome. A few testifiers suggested the idea of an electronic document vault where they could submit their documents which could be accessed by various agencies. Another point expressed in the testimonies is the delay in payments to many providers. While BFR is not the best venue to address this, the Commission should be aware that the relationship between providers and the state is already strained due to these delayed payments. (Public Hearing)
5. In order for organizations and providers to effectively carry out BFR they need to be supplied with the appropriate tools. Suitable digital infrastructure will be necessary for organizations to monitor and quantify the types of outcomes the state is looking for. Cumbersome data collection and regulation without the proper tools will inhibit the success of BFR. (Public Hearing)
6. *Recognition that many providers already have performance measures and assess outcomes.* Instead of re-inventing the wheel the BFR commission could assess the adequacy of the current providers' performance measures and consider whether they could be applied to BFR. Aside from having their own performance based metrics many providers have to quantify outcomes in order to receive grants from foundations and endowments. As such performance measures are already present in their infrastructure. Many providers echoed the concern that BFR will not recognize any existing infrastructure and will force their own metrics upon organizations which may result in data collection beyond their capacity. (Public Hearing)

Budgeting for Results Commission Compiled Recommendations

7. Awareness of the unintended consequences of BFR. Specifically organizations were worried that if the goal is to achieve certain outcomes to receive funding then only those clients who can meet that goal will be serviced. Providers may serve higher functioning/easier to serve populations in order to achieve good outcomes. The goals and sub-goals need to reflect how outcomes relate to the actual quality of service, not just cost effectiveness. (Public Hearing)

8. Awareness of the challenges in Measuring Outcomes: Many individuals present at the hearings expressed concern over measuring human service type outcomes. Testifiers felt there was inherent difficulty in measuring prevention results; positive outcomes or the absence of a negative outcome. The success of BFR hinges on the allowing of diversity in process and in determining success. Furthermore there was concern over who would be determining success; would it be the state or the providers that work daily with these clients? Lastly many testifiers called upon the Commission to be cognizant of the diversity among social service agencies and the clients they serve. (Public Hearing)

Mandates

The thrust of this section will be the proposal to subject Statutory Transfers to the appropriations process. We would also like to include the report to propose some mandates for elimination.

Statutory Transfers

1. I would recommend the elimination of statutory transfers from the General Revenue Fund to the special state funds listed below. All programs and services that currently receive these transfers should instead be funded through the regular appropriations process.
 - a. Capital Litigation Trust
 - b. Coal Technology Development
 - c. Corporate HQ Relocation Assistance
 - d. Fair and Exposition
 - e. Illinois Standardbred Breeders
 - f. Illinois Thoroughbred Breeders
 - g. Lincoln Presidential Library
 - h. Live and Learn
 - i. Partners for Conservation
 - j. Tourism Promotion (LJ)

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

**Budgeting for Results Commission
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