



# House of Representatives

General Assembly

**File No. 673**

January Session, 2007

Substitute House Bill No. 7076

*House of Representatives, May 1, 2007*

The Committee on Appropriations reported through REP. MERRILL of the 54th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 2007.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (*Effective from passage*) The following sums are  
2 appropriated for the purposes herein specified for the fiscal year  
3 ending June 30, 2007.

T1	GENERAL FUND	\$
T2		
T3	LABOR DEPARTMENT	
T4	Other Expenses	300,000
T5		
T6	DEPARTMENT OF PUBLIC HEALTH	
T7	Personal Services	1,000,000
T8		
T9	DEPARTMENT OF MENTAL HEALTH AND	
T10	ADDICTION SERVICES	
T11	Personal Services	2,400,000
T12	Other Expenses	1,200,000

T13	Nursing Home Screening	41,811
T14	AGENCY TOTAL	3,641,811
T15		
T16	PUBLIC DEFENDER SERVICES COMMISSION	
T17	Special Public Defenders - Non-Contractual	650,000
T18		
T19	TOTAL -	5,591,811
T20	GENERAL FUND	

4       Sec. 2. (*Effective from passage*) The amount appropriated to the Labor  
5 Department for Workforce Investment Act in section 11 of public act  
6 05-251, as amended by section 1 of public act 06-186, is reduced so that  
7 the total amount appropriated to Labor Department for Workforce  
8 Investment Act is \$25,895,848 for the fiscal year ending June 30, 2007.

9       Sec. 3. (*Effective from passage*) (a) The sum of \$78,189 appropriated to  
10 the Department of Mental Retardation in section 11 of public act 05-  
11 251, as amended by section 1 of public act 06-186, for Personal Services,  
12 shall be transferred to the Department of Mental Health and Addiction  
13 Services, for Nursing Home Screening.

14       (b) The sum of \$1,271,811 appropriated to the Department of Mental  
15 Retardation in section 11 of public act 05-251, as amended by section 1  
16 of public act 06-186, for Personal Services, shall be transferred to the  
17 Department of Mental Health and Addiction Services, for Workers'  
18 Compensation.

19       (c) The sum of \$728,189 appropriated to the State Comptroller-  
20 Fringe Benefits in section 11 of public act 05-251, as amended by  
21 section 1 of public act 06-186, for Employers Social Security Tax, shall  
22 be transferred to the Department of Mental Health and Addiction  
23 Services, for Workers' Compensation.

24       (d) The sum of \$700,000 appropriated to the State Comptroller-  
25 Fringe Benefits in section 11 of public act 05-251, as amended by  
26 section 1 of public act 06-186, for Employers Social Security Tax, shall  
27 be transferred to the Department of Mental Health and Addiction  
28 Services, for Behavioral Health Medications.

29       Sec. 4. (*Effective from passage*) The sum of \$10,000,000 appropriated to  
30 the Department of Social Services in section 11 of public act 05-251, as  
31 amended by section 1 of public act 06-186, for Medicaid, shall be  
32 transferred to the Department of Correction, for Personal Services.

33       Sec. 5. (*Effective from passage*) The sum of \$3,400,000 appropriated to  
34 the Department of Social Services in section 11 of public act 05-251, as  
35 amended by section 1 of public act 06-186, for Medicaid, shall be  
36 transferred to the Department of Correction, for Inmate Medical  
37 Services.

38       Sec. 6. (*Effective from passage*) (a) The sum of \$600,000 appropriated  
39 to the Department of Social Services in section 11 of public act 05-251,  
40 as amended by section 1 of public act 06-186, for Medicaid, shall be  
41 transferred to the Department of Correction, for Other Expenses.

42       (b) The sum of \$1,028,189 appropriated to the Department of Public  
43 Safety in section 11 of public act 05-251, as amended by section 1 of  
44 public act 06-186, for Personal Services, shall be transferred to the  
45 Department of Correction, for Other Expenses.

46       (c) The sum of \$671,811 appropriated to the Department of  
47 Education in section 11 of public act 05-251, as amended by section 1 of  
48 public act 06-186, for Charter Schools, shall be transferred to the  
49 Department of Correction, for Other Expenses.

50       Sec. 7. (*Effective from passage*) (a) The sum of \$328,189 appropriated  
51 to the Department of Education in section 11 of public act 05-251, as  
52 amended by section 1 of public act 06-186, for Charter Schools, shall be  
53 transferred to the Department of Administrative Services, for Workers'  
54 Compensation Claims.

55       (b) The sum of \$271,811 appropriated to the State Comptroller-  
56 Fringe Benefits in section 11 of public act 05-251, as amended by  
57 section 1 of public act 06-186, for Employers Social Security Tax, shall  
58 be transferred to the Department of Administrative Services, for  
59 Workers' Compensation Claims.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section

**APP**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** Cost, see explanation below

**Municipal Impact:** None

**Explanation**

Passage of this bill would appropriate \$5.6 million and transfer \$19.1 million from various state agency accounts to cover \$24.7 million in state agency deficiency needs for FY 07.

The bill reduces the Labor Department's Workforce Investment Act appropriation for FY 07 by \$1.4 million from \$27.3 million to \$25.9 million. This reduction is technical in nature and is being done to match the actual amount of federal funds that were received by the state for this program which is appropriated through the General Fund.

As a result of the adjustments indicated above, the bill eliminates the remaining room under the spending cap and places the FY 07 budget at the full amount allowed by the cap.

**The Out Years**

The ongoing impact of these deficiencies has been considered and amounts have been included within the 2007-2009 biennial budget as favorably reported by the Appropriations Committee on 4/12/07 in accordance with estimated needs.

## Deficiency Needs as of 4/12/07

### General Fund:

Labor	300,000
Public Health	1,000,000
DMHAS	6,420,000
DOC	15,700,000
PDSC	650,000
Workers' Comp. - DAS	<u>600,000</u>
Totals	24,670,000

### Projected FY 07 General Fund Deficiencies as of April 12, 2007

Department of Labor	FY 07 Deficiency Amount \$300,000
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The Department of Labor has a projected net deficiency of \$300,000, which represents .5% of its FY 07 appropriation of \$66.1 million. This assumes that a Personal Services holdback of \$87,390 and an Other

Expenses holdback of \$31,066 are not released. If the holdbacks were released, an estimated remaining deficiency of \$181,544 million would result.

The projected deficiency of \$300,000 is due to an increase in board fees. Mediation and Arbitration Board fees increased in accordance with Section 20 of Public Act 05-3, June Special Session. Funds to cover these fees were not included in the FY 07 budget.

<b>Department of Public Health</b>	<b>FY 07 Deficiency Amount \$1,000,000</b>
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The Department of Public Health has a projected net deficiency of \$1 million (net of transfer of lapses identified to date from other agency accounts) resulting from higher than budgeted expenditures for Personal Services due primarily to a realignment of staff work effort from federal to state funded activities. It should be noted that the \$1 million deficiency amount anticipates that that Personal Services and Other Expenses holdbacks totaling \$358,275 will be released for agency use.

<b>Department of Mental Health and Addiction Services</b>	<b>FY 07 Deficiency Amount \$6,420,000</b>
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The Department of Mental Health and Addiction Services has a projected net deficiency of \$6.4 million, which represents 1.3% of its FY 07 appropriation of \$509.2 million. This assumes that a Personal Services holdback of \$1,720,863 and an Other Expenses holdback of \$843,386 are not released. If the holdbacks were released, an estimated remaining deficiency of \$3.9 million would result.

Of the projected deficiency of \$6.4 million, the Personal Services account has a \$2.8 million projected shortfall due to overtime costs and

projected staffing needs at inpatient facilities. The Workers' Compensation account has a projected shortfall of \$2 million. The Behavioral Health Medications account has a projected deficiency of \$0.7 million due to the continued increases in prices for behavioral medications. The Other Expenses account has a projected \$1.8 million shortfall due to unanticipated telephone installation and repairs. In addition to these deficiencies, the Other Expenses account also has a projected deficiency of \$1 million due to increased fuel and electricity costs at DMHAS facilities. It is anticipated that the energy shortfall will be funded through the OPM-Energy Contingency account. Finally, the Grants for Mental Health Services account has a projected shortfall of \$0.6 million due to the anticipated implementation of the 18% limit on A&G cost centers for private providers.

<b>Department of Correction</b>	<b>FY 07 Deficiency Amount</b> <b>\$15,700,000</b>
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The Department of Correction has a projected net deficiency of \$15.7 million, which represents 2.5% of its FY 07 appropriation of \$617.3 million. This assumes that a Personal Services holdback of \$2,810,525 and an Other Expenses holdback of \$1,854,917 are not released. If the holdbacks were released, an estimated remaining deficiency of \$11 million would result.

The \$15.7 million deficiency occurs in three areas: Personal Services (\$10 million), Other Expenses (\$2.3 million), and Inmate Medical Services (\$3.4 million).

The majority of the PS deficiency is due to staffing and overtime costs associated with supervising an increasing incarcerated population. The current offender population in January 2007 was 19,275, up approximately 1,155 incarcerated inmates from January 2006. Overtime costs in FY 07 are currently projected at \$61.7 million, which is \$10.1 million higher than that of FY 06. The PS deficiency

assumes an anticipated transfer from the Reserve for Salary Account (RSA) for non-ERIP accruals of \$2.0 million and an anticipated transfer from RSA of \$1.9 million to cover collective bargaining costs.

The shortfall in Other Expenses is driven by operational demands on food, clothing, bedding, and other related living supplies. Additionally, an estimated \$2.9 million is related to increased energy costs. It is anticipated that the energy shortfall will be funded through the OPM-Energy Contingency Fund.

The shortfall in Inmate Medical Services is due to increased expenses related to an increasing offender population, staffing for mental health care, and collective bargaining adjustments.

<b>Public Defender Services Commission</b>	<b>FY 07 Deficiency Amount \$650,000</b>
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The Public Defender Services Commission has a projected deficiency of \$650,000, which represents 1.3% of its FY 07 General Fund appropriation of \$51 million. This assumes that an estimated lapse in Personal Services of \$79,000 is not transferred to partially cover the \$650,000 gross deficiency, and that the Personal Services holdback of \$223,460 and the Other Expenses holdback of \$33,524 are not released. If the Personal Services lapse was transferred and the holdbacks were released, an estimated deficiency of \$314,016 would result.

The deficiency results from an expected shortfall in the Special Public Defenders - Non-Contractual account because the number of case assignments and billed hours are greater than budgeted. These Special Public Defenders represent clients in about 2,000 new felony, habeas and appellate matters each year. They are typically assigned to these cases when it is determined that a conflict of interest prohibits representation by an Assistant Public Defender employed by the state.

<b>Workers' Compensation Claims - Department of Administrative Services</b>	<b>FY 07 Deficiency Amount \$600,000</b>
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The Workers' Compensation Claims account has a projected net General Fund deficiency of \$600,000, which represents 3.1% of its FY 07 appropriation of \$19.1 million.

The projected deficiency is attributable to significant increases in medical and indemnity costs in the months of July and August, largely as the result of an increase in costly surgeries of prior year claims.

**FY 07 Deficiency Appropriations  
General Fund**

**Section 1:**

**Department of Labor**

Other Expenses 300,000

**Department of Public Health**

Personal Services 1,000,000

**Department of Mental Health and Addiction Services**

Personal Services 2,400,000

Other Expenses 1,200,000

Nursing Home Screening 41,811

Agency Total 3,641,811

**Public Defender Services Commission**

Special Public Defenders - Non-Contractual 650,000

<b>Total - General Fund Deficiency Appropriations<sup>1</sup></b>	<b>5,591,811</b>
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**FY 07 Deficiency Transfers**

<sup>1</sup> Section 2 reduces the Labor Department's Workforce Investment Act appropriation for FY 07 by \$1,391,811 from \$27,287,659 to \$25,895,848.

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 General Fund

	<u>From</u>	<u>To</u>
<b>Sec. 3:</b>		
<b>(a) Department of Mental Retardation</b>		
Personal Services	78,189	
<b>Department of Mental Health and Addiction Services</b>		
Nursing Home Screening		78,189
<b>(b) Department of Mental Retardation</b>		
Personal Services	1,271,811	
<b>Department of Mental Health and Addiction Services</b>		
Workers' Compensation		1,271,811
<b>(c) State Comptroller - Fringe Benefits</b>		
Employers Social Security Tax	728,189	
<b>Department of Mental Health and Addiction Services</b>		
Workers' Compensation		728,189
<b>(d) State Comptroller - Fringe Benefits</b>		
Employers Social Security Tax	700,000	
<b>Department of Mental Health and Addiction Services</b>		
Behavioral Health Medications		700,000
<b>Sec. 4:</b>		
<b>Department of Social Services</b>		
Medicaid	10,000,000	
<b>Department of Correction</b>		
Personal Services		10,000,000
<b>Sec. 5:</b>		
<b>Department of Social Services</b>		
Medicaid	3,400,000	
<b>Department of Correction</b>		
Inmate Medical Services		3,400,000
<b>Sec. 6:</b>		
<b>(a) Department of Social Services</b>		
Medicaid	600,000	
<b>Department of Correction</b>		
Other Expenses		600,000
<b>(b) Department of Public Safety</b>		
Personal Services	1,028,189	
<b>Department of Correction</b>		

Other Expenses	1,028,189
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**(c) Department of Education**

Charter Schools	671,811
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**Department of Correction**

Other Expenses	671,811
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**Sec. 7:****(a) Department of Education**

Charter Schools	328,189
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**Workers' Compensation Claims - DAS**

Workers' Compensation Claims	328,189
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**(b) State Comptroller - Fringe Benefits**

Employers Social Security Tax	271,811
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**Workers' Compensation Claims - DAS**

Workers' Compensation Claims	<u>271,811</u>
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<b>Total - General Fund Deficiency Transfers</b>	<b>19,078,189</b>
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<b>Total - General Fund Deficiency Appropriations &amp; Transfers <sup>2</sup></b>	<b>24,670,000</b>
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<sup>2</sup> DMHAS deficiencies total \$6,420,000 and are covered by \$3,641,811 in appropriations and \$2,778,189 in transfers. Department of Correction deficiencies total \$15,700,000 and the Workers' Compensation Claims - DAS deficiency totals \$600,000 and both of these deficiencies are covered by transfers only.

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**OFA Bill Analysis**

sHB 7076

**AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 2007.**

**SUMMARY:**

The bill largely provides appropriations and transfers funds from various state agencies to cover deficiencies in six state agencies and accounts.

Please refer to the fiscal note for a more detailed explanation of the bill's changes.

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Appropriations Committee

Joint Favorable Substitute

Yea 50    Nay 1