

FY 10 Projected Deficiencies

Prepared for Appropriations Committee Hearing

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OFA is currently projecting \$285.1 million in state agency deficiency requirements. This differs from OPM's latest projection of \$149.6 million. Although the difference between the two projections is significant (\$135.5 million), OFA's projections assume that no holdbacks would be released by OPM (the release of holdbacks is a discretionary decision of OPM). It is unclear at this time to what extent OPM has decided to release holdbacks to cover the shortfalls in agency budgets. Holdbacks for these agencies total \$329.4 million which is higher than OFA's or OPM's deficiency estimates.

The following table illustrates the differences by agency including the original appropriation and total level of holdbacks. Following the table, a description of the factors in each agency's deficiency (as projected by OFA) is provided.

FY 10 State Agency Estimated Deficiency Needs (\$ - millions)

Agency	Orig. Approp.	Holdbacks	OFA 3/23 Defic. Amount	OPM 3/22 Defic. Amount	OFA-OPM Difference
Public Works	\$ 54.7	\$ 9.3	\$ 5.9	\$ 5.9	\$ -
Public Safety	170.4	26.1	6.8	10.4	(3.6)
Public Health	88.0	6.7	5.4	4.7	0.7
Developmental Services	1,002.2	31.8	3.7	3.8	(0.1)
Mental Health & Addiction Services ¹	609.0	31.1	7.6	6.7	0.900
Social Services	5,066.5	35.6	176.5	98.8	77.7
Correction	694.1	37.2	14.2	8.9	5.3
Comptroller - Fringes Benefits	1,966.8	128.3	56.0	-	56.0
Revenue Services	72.9	12.2	1.5	0.325	1.2
Administrative Services	43.2	3.9	1.3	0.383	0.920
Administrative Services - Workers Comp	24.7	0.0	2.5	2.5	-
Commission on Culture and Tourism	18.1	1.1	0.478	-	0.478
Chief Medical Examiner	6.0	0.7	0.136	-	0.136
Human Rights and Opportunities	6.8	1.0	0.250	0.22	0.030
Protection and Advocacy for Persons with Disabilities	2.7	0.15	0.063	0.063	-
Veterans Affairs	7.0	1.8	0.457	0.600	(0.140)
Office of the Victim Advocate	0.3	0.021	0.034	0.034	-
Department of Agriculture	0.2	0.0	0.240	0.240	-
Sub-Total General Fund	\$ 9,833.6	\$ 327.0	\$ 283.1	\$ 143.6	\$ 139.5
Administrative Services- Workers Comp (Transportation Fund)	5.2	-	2.0	2.0	-
Department of Transportation	492.6	2.4	-	4.0	(4.0)
Total All Funds	\$ 10,331.4	\$ 329.4	\$ 285.1	\$ 149.6	\$ 135.5

TOTAL NET DEFICIENCIES (GF & TF) - \$285,141,158

Department of Public Works - \$5,900,000

The agency's projected FY 10 budget shortfall is composed of:

- \$1.9 million in Other Expenses,
- \$2.3 million in Rents and Moving,
- \$1.5 million in Property Management Services and
- \$0.7 million in Facilities Design Expenses.

¹ FY 10 appropriation includes Disproportionate Share expenditures budgeted in DSS

These deficiencies will be partially offset by a small lapse \$0.5 million in the Personal Services account, for a net lapse of \$5.8 million. The deficiencies are a result of anticipated savings associated with operating efficiencies and renegotiation of office space leases that the agency is unlikely to achieve in FY 10.

The Facilities Design Expenses account funds the agency's oversight of the planning, design and construction of state buildings as well as the provision of technical assistance to all state-managed institutions. The Property Management Services account supports the agency's administration of the operation, maintenance and security of state-owned occupied and vacant buildings. The Rents and Moving account finances the agency's efforts to assist state agencies in determining their space requirements, leasing real property and expediting physical moves into new office space.

Department of Public Safety - \$6,835,000

The agency's projected FY 10 budget shortfall is composed of:

- \$3.3 million in Fleet Purchase,
- \$2.5 million in Other Expenses and
- \$1.1 million in Workers Compensation Claims

The shortfall in Fleet Purchase is due to the application of a \$3.3 million contract savings holdback to the account that cannot be achieved. DPS leases vehicles from the Department of Administrative Services (DAS) through monthly payments to DAS over a 48-month period (after which DPS continues to pay a nominal administration and insurance fee to DAS). The account is currently in deficiency and as such DPS is unable to pay DAS fleet invoices; it is unclear if this will result in agency vehicles being removed from service. The release of the \$3.3 million holdback would allow DPS to cover invoice and other fleet-related costs through the end of the fiscal year.

The shortfall in Other Expenses is due to an inability to fully achieve the application of a \$9.3 million total holdback to the account, which represents 31.1% of the \$30.0 million Other Expenses FY 10 appropriation. Holdbacks applied to this account include a contract savings holdback (\$5.3 million), a Department of Information Technology (DoIT) lapse holdback (\$3.3 million), and an Other Expenses general holdback (\$737,839).

The shortfall in Workers' Compensation Claims is due to higher than budgeted average monthly claims payouts. Actual and projected monthly claims through the fiscal year have averaged \$311,679, though funding for average monthly claims in the amount of \$287,000 was appropriated. If a contract savings holdback of \$777,529 is released, a projected \$0.3 million total shortfall in the account exists assuming this claims payout trend continues.

Department of Public Health - \$5,434,288

The agency's projected FY 10 budget shortfall is composed of:

- \$2.0 million in Personal Services,
- \$2.5 million in Other Expenses and
- \$0.9 million in Community Health Services

The Personal Services shortfall is due to greater than budgeted staffing expenses. The Other Expenses deficiency is primarily attributable to costs associated with maintaining: 1) current operations at the state laboratory and 2) on-line licensing system vendor costs. The Community Health Services deficiency is due to the transfer of \$920,500 out of this account (see below) to cover a shortfall in the X-Ray Screening and Tuberculosis account. The release of the \$5,434,288 million in holdbacks (totaling \$6.7 million) would allow the agency to cover these shortfalls through the end of the fiscal year.

Expenses in the X-Ray Screening and Tuberculosis account included a payment backlog of more than \$300,000 for tuberculosis care and more than \$600,000 in additional invoices anticipated by the end of the fiscal year (DPH is the payer of last resort for persons with tuberculosis in the state). Funding for the X-Ray Screening and Tuberculosis account was reduced by \$379,900 (50%) in FY 10 in anticipation of an increase in federal reimbursement for tuberculosis payments due to enhanced information sharing between the Department of Social Services (DSS) and DPH. To date, federal reimbursements have not replaced the funding reduction in this account. \$920,500 from the Community Health Services was approved for transfer to the X-Ray Screening and Tuberculosis account by the Finance Advisory Committee on the January 14, 2010.

Department of Developmental Services - \$3,700,000

The agency's projected FY 10 budget shortfall is composed of:

- \$1.3 in Other Expenses,
- \$.5 million in Voluntary Services Program,
- \$2.0 million in Workers Compensation Claims,
- \$6.7 million in Early Intervention Services
- Offset by \$6.8 million lapse in Personal Services, PILOT for Autism Services and Rent Subsidy Program

The gross deficiency of \$10.5 million is offset by \$6.3 million in the Personal Services account resulting from the savings associated with the conversion of services in group homes and \$.2 million in PILOT for Autism Services due to lower than planned utilization and \$.3 million in Rent Subsidy Program due to lower than budgeted energy

costs. These lapses will reduce other deficiencies via an anticipated Finance Advisory Committee (FAC) transfer.

The Other Expenses shortfall (\$1.3 million) is resulting from higher than budgeted costs; Voluntary Services Program (\$.5 million) due to unbudgeted caseload growth; Workers' Compensation Claims (\$2.0 million) due to higher than budgeted monthly claims; and Early Intervention (\$6.7 million) due to unbudgeted caseload growth, increase in service hours paid at the supplemental rates and the anticipated delay in the implementation of increased parent fees and insurance reimbursement.

Department of Mental Health and Addiction Services - \$7,600,000

The agency's projected FY 10 budget shortfall is composed of:

- \$7.9 million in Other Expenses,
- \$2.0 million in Discharge and Diversion Services,
- \$2.0 million in Professional Services and
- \$2.0 million in General Assistance Managed Care
- Offset by \$6.3 million lapse in Personal Services & Behavioral Health

The gross deficiency of \$13.9 million will be offset by the anticipated lapse of \$5.2 million in the Personal Services account, \$1.0 million in the Behavioral Health Medications account, and \$43,000 in the Nursing Home Screening Program account, that will result in a \$7.6 million net deficiency.

The shortfall in Other Expenses is due to an inability to achieve a reduced adjusted appropriation. The Professional Services deficiency is a result of an increased use of contracted medical services. The Discharge and Diversion Services deficiency is a result of providing community support for inpatient clients discharged due to the closure of inpatient psychiatric beds at Cedarcrest Hospital. The General Assistance deficiency is a result of higher than expected caseload growth.

Department of Social Services - \$176,500,000

The agency's projected FY 10 budget shortfall is composed of:

- \$150.0 million in Medicaid,
- \$10.5 million in Other Expenses,
- \$9.9 million in ConnPACE,
- \$8.5 million in Charter Oak
- \$6.4 million in Connecticut Home Care,
- \$4.1 million in Temporary Family Assistance and
- \$3.4 million in HUSKY B
- Offset by \$17.1 million lapse (Child care Subsidies & SAGA)

Given the economic climate, DSS has seen greatly increased caseloads under many of its programs. Over the past year, caseloads have risen in Medicaid (6.7%), Temporary Family Assistance (8.4%), state funded home care (6.9%), and SAGA Medical (19%), among others.

The DSS shortfall is primarily in the Medicaid account (\$150 million). In addition to the strong caseload growth mentioned above, the FY 10 budget included significant savings (\$102.9 million) related to managing the fee-for-service population, implementing special needs plans, and reducing the HUSKY Program's managed care rates. Given the late passage of the budget as well as the complexities of implementing these policies, it is unlikely that the full savings will be achieved in FY 10.

Additionally, the deficiencies in Other Expenses (\$10.5 million), ConnPACE (\$9.9 million), Charter Oak (\$8.5 million), Connecticut Home Care (\$6.4 million), Temporary Family Assistance (\$4.1 million) accounts and HUSKY B (\$3.4 million) are largely due to caseload changes noted above, but are also impacted by the late implementation of certain savings initiatives assumed in the budget. In particular, a slower than budgeted changeover from ConnPACE to Medicare Savings Plans has resulted in the ConnPACE deficiency. The Other Expenses deficiency recognizes the difficulty the department may have in meeting the \$26.2 million in holdbacks for that account.

These deficiencies are partially offset by projected lapses in the Child Care Subsidies (\$12.9 million) and State Administered General Assistance (SAGA) (\$4.2 million) accounts. The Child Care Subsidies surplus is related to a temporary enrollment closure of the higher income, non-entitlement portions of the program. Under SAGA, the budget included appropriations for higher provider rates, contingent on the Federal government approving a waiver to include SAGA members in the Medicaid program. As the department has not yet sought this waiver in light of the ongoing federal health care reform efforts, these higher rates have not been implemented.

Department of Correction - \$14,200,000

The agency's projected FY 10 budget shortfall is composed of:

- \$11.8 million in Other Expenses,
- \$7.0 million in Workers Compensation, and
- Offset by \$4.5 million lapsing funds under various account.

The shortfall in Other Expenses is due to an inability to achieve a reduced adjusted appropriation. It should be noted that the FY 10 appropriation, (prior to the imposition of holdbacks totaling \$19.5 million) was approximately \$0.9 million less than the amount expended by the DOC for Other Expenses in FY 09.

The shortfall in Workers' Compensation Claims is primarily due to medical expenditures that are higher than expected. It should be noted that the FY 10 appropriation level is \$1.7 million lower than the amount expended by the DOC on Workers' Compensation Claims in FY 09.

Lapses are projected under the following accounts due to delays in implementing newly budgeted initiatives: Distance Learning (\$0.2 million); Children of Incarcerated Parents (\$0.7 million); Mental Health Alternative Incarceration Centers (\$0.1 million); and Community Support Services - for residential sex offender programming (\$0.8 million). Additional lapses are projected under Personal Services (\$2.5 million) due to staff attrition and reduced overtime usage, and the Board of Pardons and Parole account (\$0.2 million) due to the effects of the hiring freeze.

Fringe Benefit Account - Retired State Employees Health Service Cost - \$56,000,000

The gross deficiency of \$56.0 million represents the retiree health costs of the approximately 3,900 employees who participated in the Retirement Incentive Program (RIP). The appropriation for this fringe benefit account was not previously adjusted to reflect these costs in the budget (PA 09-3 JSS).

Department of Revenue Services - \$1,500,000

The deficiency of \$1.5 million in the Other Expenses account is due to maintaining ongoing contractual obligations. The contracts support the department's Integrated Tax Administration System (ITAS) and other information systems.

Department of Administrative Services - \$1,314,068

The deficiency of \$1.3 million in the Workers' Compensation Administrator account is due to the agency's inability to achieve the contracted savings holdback. The deficiency results from the agency maintaining current contract requirements with the workers' compensation third party administrator. The Workers' Compensation Administrator account provides funding for the third party administrator contract for workers' compensation claims administration and medical case management.

Department of Administrative Services - Workers' Compensation Claims - \$2,500,000

The deficiency of \$2.5 million in Workers' Compensation Claims is the result of three factors: a rollout of the FY 09 deficiency; increases in medical and indemnity costs; and several catastrophic medical claims. Funding within the Department of Administrative Services Workers' Compensation Claims account is used to pay the workers' compensation claims costs for state employees in 84 agencies that do not receive a direct appropriation. This includes, the legislative branch, the judicial branch and all executive

branch agencies except the Departments of Correction, Public Safety, Children and Families, Developmental Services, Mental Health and Addiction Services, and the Department of Transportation/Department of Motor Vehicles Special Transportation Fund. These agencies have their own Workers' Compensation Claims accounts.

Commission on Culture and Tourism - \$478,059

The \$478,059 deficiency is attributable to Personal Services and is due to greater than budgeted staffing expenses. The FY 10 appropriation (\$2.7 million) was \$1.2 million below the FY 09 appropriation (\$3.9 million), and was unable to be met with a commensurate reduction in staff. It is estimated that the agency's Personal Services needs through the end of the year will be \$2.8 million while \$2.3 million is available.

Office of the Chief Medical Examiner - \$135,743

The agency's anticipated gross deficiency of \$209,989 is the result of a shortfall in the Other Expenses (OE) account. This shortfall is slightly offset by a projected lapse in the Personal Services (PS) account of \$74,496. This results in a net deficiency of \$135,743 in the OE account.

The lapse in PS is due to a delay in filling the Deputy Chief Medical Examiner position, vacant due to a retirement. The deficiency in OE is due to higher than budgeted expenses in that account, including body transport services, motor vehicle rental, gas, medical supplies, and hazardous waste disposal.

Commission on Human Rights and Opportunities - \$250,000

The agency's projected FY 10 budget shortfall is composed of:

- \$150,000 in Personal Services
- \$100,000 in Other Expenses

The Personal Services (PS) shortfall (\$150,000) results from the agency having a PS budget that was close to the actual needs for the agency before any holdback or lapses were applied. CHRO was appropriated approximately \$6.0 million PS and had a total of \$506,498 reduced due to adjustments.

The Other Expenses shortfall (\$100,000) is due to adjustments made to the OE budget that were unachievable given current operations. The OE appropriated budget was \$728,152 but net holdback and lapses, the agency had \$221,654 available for FY 10. The total expenditures in FY 09 were \$717,456.

Office of Protection and Advocacy for Persons with Disabilities - \$63,000

The Personal Services shortfall (\$63,000) results from the agency having a PS budget that was close to the actual needs for the agency before any holdback or lapses were applied. The OPA was appropriated \$2,289,521 but had \$2,223,523 net adjustments.

Office of the Victim Advocate - \$34,000

The agency's anticipated deficiency of \$34,000 is the result of a shortfall in the Personal Services account. This projection is a result of greater than budgeted staffing expenses. If \$20,500 in holdbacks were released, the agency would still have a deficiency of \$13,500 in the Personal Services account.

Department of Veterans Affairs - \$457,000

The shortfall of \$747,000 in Other Expenses (OE) is the result of appropriation adjustments, fixed cost expenditures, and cost saving measures. The actual expenditure for OE in FY 09 was \$7.4 million. The original appropriation to OE in FY 10 was \$7.0 million but reductions totaling \$1.8 million resulted in an adjusted allotment of \$5.2 million. The shortfall in OE is partially offset by a projected \$290,000 lapse in the agency's Personal Services line item.

Department of Agriculture - \$240,000

The Other Expenses (OE) shortfall of \$240,000 is due to higher than budgeted expenses. The agency's FY 10 appropriation of \$400,000 was approximately 50% lower than their FY 09 OE appropriation of \$797,601. The department's actual FY 09 OE expenses were \$777,274.

Transportation Fund - Department of Administrative Services - Workers' Compensation Claims - \$2,000,000

The \$2.0 million shortfall in the Department of Administrative Services' (DAS) Workers' Compensation Claims account in the Transportation Fund is driven by significant increases in medical costs, which on average have cost the state \$200,000 more per month than over the same period last year.