Projected FY 11 Agency Deficiencies

Appropriations Committee Hearing
November 15, 2010

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Summary

Based on current data, state agencies will require $171.4 million in deficiency appropriations or transfers from other areas to fund projected FY 11 costs. This assumes that $79.6 million in allotment holdbacks (as a result of budgeted lapses) are ultimately released by OPM. The deficiency amounts represent 2.5% and 20.0% of agencies' total General Fund and Special Transportation Fund FY 11 appropriations, respectively, assuming all holdbacks are released.

However, when compared to agency reduced allotment levels (no release of holdbacks), agency needs total $234.3 million in the General Fund and $1.3 million in the Special Transportation Fund.

OFA and OPM deficiency projections are relatively similar and differ by $2.3 million in total, although there are larger individual differences in DSS and DMHAS.

The majority of the shortfall (79%) is occurring in the Department of Social Services, primarily in the Medicaid account.

A financial summary is provided in Table I and an OFA/OPM comparison summary is provided in Table II.

Descriptions and detail on each agency's deficiency follow the tables.

Table I: FY 11 State Agency Estimated Deficiency Needs ($ - millions)*					
Agency	FY 11 Approp.	Holdbacks	Est. Def. Amount	Est. Def. Less Holdbacks	% of Approp.
Dept. of Social Services	5,160,991,338	19,506,512	184,982,756	165,476,244	3.2%
Dept. of Mental Health & Addiction Services	628,115,707	17,541,350	16,084,784	-	0.0%
Dept. of Correction	650,798,573	19,967,139	12,528,740	-	0.0%
Dept. of Public Safety	158,881,308	10,381,329	6,716,098	-	0.0%
Dept. of Public Works	54,726,594	8,738,887	6,343,239	-	0.0%
Child Protection Commission	11,468,166	26,332	2,850,000	2,823,668	24.6%
Public Defender Services Commission	47,542,492	336,842	2,045,000	1,708,158	3.6%
Dept. of Administrative Services- W.C. Administrator	41,193,344	3,143,767	1,354,683	-	0.0%
Dept. of Administrative Services- Workers' Compensation	26,206,154	-	1,416,000	1,416,000	5.4%
Dept. of Administrative Services- Workers' Compensation (STF)	6,700,783	-	1,339,000	1,339,000	20.0%
Total General Fund	**6,779,923,676**	**79,642,158**	**234,321,300**	**171,424,070**	**2.5%**
Total Special Transportation Fund	**6,700,783**	**-**	**1,339,000**	**1,339,000**	**20.0%**

*All agencies are GF, except where otherwise noted

Table II: FY 11 State Agency Deficiency Needs OFA-OPM Comparison ($ - millions)			
Agency	OFA	OPM (10/20)	Diff.
Department of Social Services	184,982,756	172,500,000	12,482,756
Department of Mental Health & Addiction Services	16,084,784	28,400,000	(12,315,216)
Department of Correction	12,528,740	12,000,000	528,740
Department of Public Safety	6,716,098	8,400,000	(1,683,902)
Department of Public Works	6,343,239	6,400,000	(56,761)
Child Protection Commission	2,850,000	2,600,000	250,000
Public Defender Services Commission	2,045,000	2,100,000	(55,000)
Dept. of Administrative Services- Workers' Compensation	1,416,000	1,000,000	416,000
Dept. of Administrative Services- W.C. Administrator	1,354,683	-	1,354,683
Total General Fund	**234,321,300**	**233,400,000**	**921,300**
Dept. of Administrative Services- Workers' Compensation	1,339,000	-	1,339,000
Total Special Transportation Fund	**1,339,000**	**-**	**1,339,000**

Detail on Agency Deficiencies[1]

Department of Social Services (DSS) - $185.0 million

The agency's projected FY 11 budget shortfall is composed of:

- $177.4 million in Medicaid;
- $18.1 million in Other Expenses;
- $4.5 million in Child Care Services;
- $2.0 million in the Supplemental Assistance accounts;
- $1.6 million in Charter Oak;
- $1.1 million in ConnPACE; and
- $0.2 million in the State Food Stamp Supplement.

These shortfalls are partially offset by projected lapses of:

- $10.4 million in Temporary Family Assistance;
- $6.5 million in the Connecticut Home Care program;
- $1.6 million in Personal Services;
- $1.0 million in the HUSKY B program; and
- $0.5 million in Housing and Homeless Services.

SHORTFALLS

The Medicaid shortfall is primarily due to continued caseload increases as well as adopted savings assumptions that have not been achieved. Over the past year, the HUSKY A program has seen caseload growth of 27,212 (a 7.6% increase). The new Medicaid Low Income Adults (MLIA) category, formerly State Administered General Assistance clients, has seen enrollment grow from 44,752 in April, when the program was converted, to 53,302 in September (an increase of 19.0% in six months).

The FY 11 Medicaid budget also had significant savings assumed for converting the HUSKY A program to an administrative services organization model ($76.7 million) and for managing the care of the fee-for-service Aged, Blind and Disabled population ($60.0 million). As it does not appear that the department will implement these policies prior to the end of the fiscal year, it is unlikely that these savings will be achieved.

The $18.1 million shortfall in Other Expenses is due to the OPM holdback of $18.5 million. Should this holdback be released, this shortfall would be eliminated.

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[1] The sum of individual agency projection figures in the detail section varies from the financial tables due to rounding.

The shortfalls in the Child Care Services, Supplemental Assistance, Charter Oak and State Food Stamp Supplement accounts are all due to caseload growth in excess of what was originally projected. Demand for these entitlement programs has remained strong due to persistently weak economic conditions. The department has announced that enrollment in the highest income, and non-entitlement, band of the Child Care Services program would be closed effective November 6, 2010. This action may partially mitigate the projected shortfall.

Caseloads in the ConnPACE program continue to decline as clients transition to benefits under the federal Medicare Savings program. However, the rate of decline is below the original projection, resulting in the estimated $1.1 million shortfall. Overall, expenditures in this program have declined from $32.0 million in FY 08 to a projected $10.6 million in FY 11.

LAPSES

Despite current economic conditions, enrollments in the Temporary Family Assistance (TFA) and HUSKY B programs have fallen. TFA enrollment fell 3.0% from 19,528 cases to 18,932 cases in the last year, and HUSKY B enrollment fell 5.0% from 15,665 cases to 14,891 cases during that same period. These enrollment reductions have resulted in the projected lapses noted above.

The Connecticut Home Care program has a projected lapse of $6.5 million. Enrollment in this program decreased significantly when a 15.0% cost sharing requirement was imposed in January 2010. The FY 11 budget included funds necessary to reduce this cost sharing requirement to 6.0%, however enrollment has not subsequently grown at the pace originally projected to result from this policy change.

The Personal Services account has a projected lapse of $1.6 million due to slower-than-anticipated refills of vacant positions.

Department of Mental Health and Addiction Services (DMHAS) - $16.1 million

The agency's projected FY 11 budget shortfall is composed of:

- $13.0 million in General Assistance Managed Care;
- $4.7 million in Other Expenses; and
- Offset by $1.6 million in lapsing funds in the Behavioral Health Medications account.

This assumes that various holdbacks totaling approximately $ 17.5 million are not released.

The deficiency in the General Assistance Managed Care account is due to higher than expected caseload growth in the Medicaid Low Income Adults (MLIA) population. The new MLIA category, formerly State Administered General Assistance clients, has seen enrollment grow from 44,752 in April, when the program was converted, to 53,302 in September (an increase of 19.0% in six months).

The deficiency in the Other Expenses account is due to an inability to fully achieve the application of a $14.8 million total holdback to the account, which represents 40.0% of the $36.7 million Other Expenses FY 11 appropriation.

The $1.6 million lapse in the Behavioral Health Medications account is a result of the agency's efforts to distribute less expensive, generic medications to patients, and ensuring more individuals are fully utilizing entitlements to cover pharmaceutical costs.

Department of Correction (DOC) - $12.5 million

The agency's projected FY 11 budget shortfall is composed of:

- $11.9 million in Other Expenses;
- $0.7 million in Workers Compensation; and
- $0.2 million in Legal Services to Prisoners;
- Offset by $0.3 in lapsing funds under various accounts.

The shortfall in Other Expenses is due to an inability to achieve a reduced adjusted appropriation. It should be noted that the FY 11 adjusted appropriation (after the imposition of holdbacks totaling $16.4 million) is approximately $9.2 million less than the amount expended by the DOC for Other Expenses in FY 10.

The shortfall in Workers' Compensation Claims results from an inability to achieve an appropriation that is $2.2 million lower than the amount expended by the DOC on Workers' Compensation Claims in FY 10.

The shortfall in Legal Services to Prisoners results from the inability to achieve a budgeted lapse for outside consultant contracts while maintaining mandated services.

These shortfalls are partially offset by projected lapses in the Children of Incarcerated Parents ($0.1 million) and Community Support Services ($0.2 million) accounts.

The original FY 11 budget provided $700,000 for the DOC's Children of Incarcerated Parents account. However, the revised FY 11 budget moved half of this amount to the Judicial Department and inadvertently left the remainder under DOC. The Finance Advisory Committee approved the transfer of $240,000 from the remainder to another

DOC line item at its 10/7/10 meeting, thus leaving an unobligated balance of $110,000 under the Children of Incarcerated Parent's account. No commitments have been made against these funds.

The lapse under the Community Support Services account is attributable to delays in implementing privately operated residential services due to siting issues.

Department of Public Safety (DPS) - $6.7 million

The agency's projected FY 11 budget shortfall is composed of:

- $4.5 million in Other Expenses; and
- $2.9 million in Fleet Purchase;
- Offset by a $740,000 lapse in Workers' Compensation Claims.

The deficiency assumes that a bottom-line holdback of $6.0 million is not released.

The $4.5 million shortfall in Other Expenses (OE) is due to the inability to achieve a reduced appropriation and maintain holdback savings. In FY 10, DPS expended $26.9 million in OE; in FY 11, $22.3 million is available net the holdback. This represents a 17.0% decrease from the FY 10 actual OE expenditure to the FY 11 available funds for OE.

The $2.9 million shortfall in Fleet Purchase results from a contract savings holdback which cannot be achieved. DPS leases vehicles from the Department of Administrative Services (DAS) through monthly payments over a 48-month period. In FY 10, DPS expended $6.6 million in the Fleet Purchase account; in FY 11, $3.6 million is available net the holdback. It is anticipated that DPS will not be able to pay DAS fleet invoices going forward beginning in December if a portion of the $3.4 million Fleet Purchase holdback is not released.

A projected $740,000 lapse in Workers' Compensation Claims is attributable to average monthly payments in FY 11 falling below budgeted levels. Actual monthly claims payments are expected to average around $366,500 per month for FY 11 which is below the average appropriated funding of $428,000 per month. The monthly average for the first quarter of FY 11 was $306,000.

Department of Public Works (DPW) - $6.3 million

The agency's projected FY 11 budget shortfall is composed of:

- $3.0 million in Rents and Moving;
- $2.7 million in Other Expenses;
- $0.4 million in Property Management Services; and
- $0.4 million in Facilities Design Expenses;
- Offset by a $0.2 million lapse in Personal Services.

The Rents and Moving deficiency is due to a $2.9 million holdback. The agency is unlikely to achieve significant savings in this account because it primarily funds fixed costs such as lease payments.

The Other Expenses deficiency is mainly the result of: (1) payment of an unanticipated $0.5 million contractor's claim, and (2) higher-than-anticipated operating and utility costs at state-owned buildings in Hartford.

The Property Management Services deficiency is due to the agency's assumption of care and control of Cedar Crest Hospital from DMHAS.

The Facility Design deficiency is due to a reduction in the number of projects that have received funding through the State Bond Commission. As a result, more administrative expenses are being charged to the General Fund rather than to bond-funded accounts associated with capital projects.

These deficiencies will be partially offset by a lapse of $0.2 million in the Personal Services account.

Child Protection Commission (CPC) - $2.9 million

The agency's projected FY 11 budget shortfall is composed of:

- $2.9 million in Contracted Attorneys.

This assumes that various holdbacks totaling approximately $26,332 are not released.

The deficiency in the Contracted Attorneys account is a result of the CPC replacing a flat fee compensation rate for contracted attorneys with an hourly rate payment system of $40 or $75. These rate increases went into effect in 2008 in an effort to provide an improved rate of compensation to their contracted attorneys. In the Spring of 2010, an additional 40 attorneys were certified as Certified Child Welfare Specialists, bringing the total number of attorneys compensated at the hourly rate of $75 to 81 (out of a total of 228 attorneys currently contracted by the CPC). For

illustrative purposes, if each of these attorneys had a caseload of 50, and worked 40 hours per case, the additional cost would be $150,000 per attorney.

It should be noted that the CPC has unilateral authority to change how they compensate their contracted attorneys, including the rate they are paid and any increases or decreases to that rate.

Public Defender Services Commission (PDS) - $2.0 million

The agency's projected FY 11 budget shortfall is composed of:

- $990,000 in Special Public Defenders – Non Contractual;
- $798,000 in Expert Witnesses; and
- $257,000 in Other Expenses.

This assumes that various holdbacks totaling approximately $336,842 are not released.

The projected deficiency in the Special Public Defenders - Non Contractual account is a result of higher-than-expected case assignments and billed hours, in addition to $546,000 in FY 10 obligations carried forward into the current fiscal year.

The projected deficiency in the Expert Witnesses account is related to costs for the services of psychiatric and forensic professionals required in the defense of capital felony cases.

The projected deficiency in the Other Expenses account is related to the increased overall caseload, which has forced increased expenditures on the printing of legal briefs, postage, record storage and mileage reimbursement. The number of cases per attorney has consistently been above the recommended level of 450 to 500 set by the Public Defender Commission. On average, caseloads per attorney have increased from 514 in 2009 and 527 in 2010 to a projected 529 per attorney in 2011.

These deficiencies will likely continue unabated due to the increased caseload for public defenders and high costs associated with capital, habeas and appellate cases.

Department of Administrative Services (DAS) - $1.4 million

The agency's projected FY 11 budget shortfall is composed of:

- $1.4 million in Workers' Compensation Administrator.

This assumes that various holdbacks totaling $3.1 million are not released; if the Outside Consultant Contracts holdback were released, DAS would not incur an account deficiency.

The deficiency is the result of contractual 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- General Fund- Workers' Compensation Claims - $1.4 million

The projected deficiency is the result of two factors: (1) a rollout of the FY 10 deficiency and (2) an increase in medical costs. The FY 11 Revised Budget included an additional $1.5 million in the General Fund to annualize a portion of the FY 10 deficiency in the Workers' Compensation Claims Account. The projected net deficiency represents approximately 5.0% of the total FY 11 revised appropriation. The FY 11 revised appropriation was approximately $1.0 million less than actual FY 10 General Fund expenditures.

Funding within the Department of Administrative Services Workers' Compensation Claims General Fund account is used to pay the workers' compensation claims costs for state employees in 77 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, and Mental Health and Addiction Services. These agencies have their own Workers' Compensation Claims accounts.

Department of Administrative Services- Special Transportation Fund- Workers' Compensation Claims- $1.3 million

The projected deficiency is the result of two factors: (1) a rollout of the FY 10 deficiency and (2) an increase in medical costs. The FY 11 Revised Budget included an additional $1.5 million in the Special Transportation Fund to annualize a portion of the FY 10 deficiency in the Workers' Compensation Claims Account. The projected net deficiency represents approximately 20.0% of the total FY 11 revised appropriation. The FY 11 revised appropriation was approximately $2.0 million less than actual FY 10 Special Transportation Fund expenditures.

Funding within the Workers' Compensation Claims Special Transportation Fund Account is used to pay workers' compensation claims for the Department of Transportation and the Department of Motor Vehicles.