FY 11 Projected Deficiencies

Prepared for Appropriations Committee Hearing

April 11, 2011

OFFICE OF FISCAL ANALYSIS
Room 5200, Legislative Office Building
Hartford, CT 06106 • (860) 240-0200
E-Mail: ofa@cga.ct.gov
www.cga.ct.gov/ofa

OFA STAFF

Alan Calandro, Director

Christine Ashburn, Section Chief

Sarah Bourne, Associate Analyst	Elementary Education, Dept. of Higher Education, Town Education Grants, School Construction
Jennifer Proto, Analyst II	State Employee Fringe Benefits - Pensions, State Comptroller, DAS, Statewide Personnel Issues/Collective Bargaining, Workers' Comp.
Alan Shepard, Principal Analyst	Constituent Units of Higher Education, Banking, Consumer Protection, Attorney General, Info. Technology Dept.
Rachel Welch, Associate Analyst	Children and Families, Public Health, Medical Examiner

Michael Murphy, Section Chief

Evelyn Arnold, Analyst II	Economic Development, Housing, Public Safety, Fire Prevention, Emergency Management & Homeland Security, Veterans' Affairs, Military
Don Chaffee, Principal Analyst	Budget Information System - Data Coordinator
William Lederman, Associate Analyst	Budget Information System, Income Tax Modeling
Linda Miller, Principal Analyst	Treasurer, Debt Service, Bonding, Public Works
Chris Wetzel, Associate Analyst	Tax Policy & Revenue Analysis, Dept. of Special Revenue, Dept. of Revenue Services, Spending Cap

Chris Perillo, Section Chief

Neil Ayers, Principal Analyst	Dept. of Social Services, Aging, UConn Health Center, Office of Health Care Advocate, Department of Insurance
Christina Gellman, Principal Analyst	Dept of Developmental Services, Teachers' Retirement, Serv. for the Blind, Deaf & Hearing Impaired, Results Based Accountability, Tobacco Health Trust Fund
Kerry Kelley, Principal Analyst	Office of Policy & Mgmt, Culture & Tourism, Workforce Competitiveness, Results Based Accountability, Labor
Marcy Picano, Associate Analyst	Environmental Protection, Agriculture, Legislative Agencies, Ag. Experiment Station, Environmental Quality
Phoenix Young, Analyst II	Elections, Ethics, Freedom of Information, Human Rights & Opportunities, Public Utility Control, Governor, Lt. Governor, Sec. of State, Citizens' Election Fund

Rob Wysock, Section Chief

Stephen Hunt, Analyst II	Judicial, Criminal Justice, Victim Advocate, Public Defender, Probate
Felix Planas, Principal Analyst	Transportation Fund, Motor Vehicles, Dept. of Transportation
Emily Shepard, Associate Analyst	Dept. of Social Services, Mental Health and Addiction Services, Psychiatric Security Review Board
Joan Soulsby, Principal Analyst	Corrections, Federal Funds, Municipal Analysis
Holly Williams, Analyst II	Dept. of Social Services (Health Care), State Employee Fringe Benefits - Health, Results Based Accountability

Administrative Staff

Laurie L. Wysock, Sr. Executive Secretary
Theresa Kelly, Senior Legislative Secretary
Lisa Kiro, Staff Assistant/Fiscal Note Coordinator

Legislative Office Building, Room 5200, Hartford, CT 06106
(860) 240-0200
E-Mail: ofa@cga.ct.gov
www.cga.ct.gov/ofa

The following is provided to help the committee understand the level of deficiency funding that is needed for the current year.

The deficiency bill before you, HB 6381, "AA Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2011," provides additional General Fund appropriations of $315.7 million to fund various agencies deficiency needs. However, these figures are based on out-dated projections.

OFA is currently projecting $306.8 million in General Fund and $4.3 million in Transportation Fund state agency funding shortfalls. This differs from OPM's 3/21/11 projection of $321 million (General Fund) by a total of $9.9 million.

The following table shows the level of funding needed by agencies as projected by OFA and OPM.

FY 11 Deficiency Projection Comparison			
Agency	**OFA 4/11**	**OPM 3/21**	**Difference**
Department of Administrative Services	$645,000	$600,000	$45,000
Office of the State Comptroller	600,000	430,000	170,000
Department of Public Works	6,700,000	6,400,000	300,000
Agriculture Experiment Station	-	220,000	(220,000)
Department of Agriculture	199,600	280,000	(80,400)
Department of Public Safety	6,200,000	8,000,000	(1,800,000)
Department of Mental Health & Addiction Services	60,798,000	60,000,000	798,000
Department of Social Services	225,900,000	232,000,000	(6,100,000)
Teachers' Retirement Board	68,000	200,000	(132,000)
Department of Correction[1]	-	8,000,000	(8,000,000)
Public Defender Services Commission	1,720,000	1,800,000	(80,000)
Child Protection Commission	2,550,000	2,600,000	(50,000)
Department of Administrative Services – Workers Compensation	500,000	500,000	-
Department of Public Health	889,600	-	889,600
Office of the Chief Medical Examiner	29,500	-	29,500
General Fund Total - Total Additional Requirements	**$306,799,700**	**$321,030,000**	**$(14,230,300)**
Department of Transportation	4,300,000	-	4,300,000
Transportation Fund - Total Additional Requirements	**4,300,000**	**-**	**4,300,000**
TOTAL	**$311,099,700**	**$321,030,000**	**$(9,930,300)**

[1] OFA is not reflecting a Department of Correction deficiency due to the release of $12 million in holdbacks.

OFA's deficiency projections, like OPM's, are based on a comparison between the agency's available funding and estimated full-year spending. Available funding is generally lower than the original appropriation level due to OPM Holdbacks of funding to meet lapse targets.

The following table shows the level of funding available (post-holdback) to affected agencies. Holdbacks for these agencies total $66.1 million. Other holdbacks may be released by OPM and would therefore reduce the level of deficiency funding required.

The following table includes the agency's original appropriation, total level of holdbacks, projected deficiency and the percentage of the deficiency compared to the available funding.

FY 11 State Agency Estimated Deficiency Needs ($ - millions)					
Agency	**FY 11 Approp.**	**Holdbacks**	**FY 11 Available**	**OFA Defic. 4/11/11**	**% of defic. to Available**
Department of Administrative Services	41.2	(3.1)	38.1	0.6	1.6%
Office of the State Comptroller	25.4	(1.5)	23.9	0.6	2.5%
Department of Public Works	54.7	(8.7)	46.0	6.7	14.6%
Department of Agriculture	4.5	(0.03)	4.5	0.2	4.5%
Department of Public Safety	158.9	(10.4)	148.5	6.2	4.2%
Department of Mental Health & Addiction Services	628.1	(17.5)	610.6	60.8	10.0%
Department of Social Services	5,160.9	(19.5)	5,141.4	225.9	4.4%
Teachers' Retirement Board	584.0	(0.4)	583.6	0.07	0.0%
Public Defender Services Commission	47.5	(0.3)	47.2	1.7	3.6%
Child Protection Commission	11.5	(0.03)	11.5	2.6	22.7%
Department of Administrative Services - Workers Compensation	26.2	0.0	26.2	0.5	1.9%
Department of Public Health	87.2	(4.3)	82.9	0.9	1.1%
Office of the Chief Medical Examiner	5.7	(0.3)	5.4	0.03	0.6%
Sub-Total General Fund	**6,835.8**	**(66.1)**	**6,769.7**	**306.8**	**4.5%**
Department of Transportation	516.9	0.0	516.9	4.3	0.8%
Sub-Total Transportation Fund	**516.9**	**0.0**	**516.9**	**4.3**	**0.8%**
Total All Funds	**7,352.7**	**(66.1)**	**7,286.6**	**311.1**	**4.3%**

Detail on each agency's deficiency needs appears on the next page.

TOTAL NET DEFICIENCIES (GF & TF) - $311.1 million

Department of Administrative Services - $645,000

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

- $1.4 million in Workers' Comp Administrator, and
- Offset by a $0.7 million lapse in Personal Services.

The gross deficiency of $1.4 million is offset by $0.7 million in the Personal Services account, resulting from delays in filling position vacancies. This lapse will reduce the deficiency via an anticipated Finance Advisory Committee (FAC) transfer. Of the $3.1 million in the agency's total FY 11 holdbacks, $1.4 million represents the account's portion of the Outside Consultant Contracts holdback.

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.

Office of the State Comptroller - $600,000

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

- $1 million in Other Expenses, and
- Offset by a $0.4 million lapse in Personal Services.

The gross deficiency of $1 million is offset by $0.4 million in the Personal Services account, resulting from delays in filling position vacancies and unanticipated unpaid leaves of absence. This lapse will reduce the deficiency via an anticipated Finance Advisory Committee (FAC) transfer. Of the $1.5 million in the agency's total FY 11 holdbacks, $1.2 million represents the account's portion of the Outside Consultant Contracts holdback. The net deficiency of $0.6 million is the result of multi-year contractual requirements, most of which support CORE-CT, the statewide financial and human resource management system.

Department of Public Works (DPW) - $6.7 million

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

- $3.2 million in Other Expenses,
- $2.8 million in Rents and Moving,
- $0.5 million in Property Management Services,

- $0.4 million in Facilities Design Expenses, and
- Offset by a $0.2 million lapse in Personal Services.

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 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 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.

Department of Agriculture (DAG) - $199,600

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

- $280,000 in Other Expenses,
- $24,100 in Personal Services, and
- Offset by a $104,500 lapse in WIC Program for Fresh Produce for Seniors Program.

The gross deficiency of $304,100 is partially offset by a projected lapse of $104,500 in the WIC Program for Fresh Produce for Seniors Program. There is an available balance in the WIC account because a timing delay in getting new vouchers printed resulted in lower program participation in FY 11.

The Other Expenses (OE) shortfall ($280,000) results from higher than budgeted costs. The FY 10 and FY 11 OE appropriation is approximately 50% less than the OE level in FY 09.

The Personal Services shortfall of $24,100 results from higher than budgeted accrual payout costs.

The WIC lapse will reduce the OE deficiency through an anticipated Finance Advisory Committee (FAC) transfer.

Department of Public Safety - $6.2 million

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

- $4.9 million in Other Expenses,
- $2.1 million in Fleet Purchase, and
- Offset by a $840,000 lapse in Workers' Compensation Claims.

The gross deficiency of $7 million is offset by $840,000 million in the Workers' Compensation Claims account, resulting from the savings attributable to average monthly payments in FY 11 falling below budgeted levels. Actual monthly claims payments are expected to average around $366,000 per month for FY 11 which is below the average appropriated funding of $428,000 per month. The monthly average through February of 2011 was $306,800.

The $4.9 million shortfall in Other Expenses 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 of the holdback. This represents a 17% decrease from the FY 10 actual OE expenditure to the FY 11 available funds for OE.

The $2.1 million shortfall in Fleet Purchases results from a contract savings holdback that 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. As of February $3.4 million of the $3.6 million available has been expended in this account.

Department of Mental Health and Addiction Services - $60.8 million

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

- $5.3 million in Other Expenses,
- $60.2 million in General Assistance Managed Care, and
- Offset by $4.7 million lapsing funds in Personal Services, Behavioral Health Medications, Workers' Compensation Claims, and Home and Community Based Services.

The gross deficiency of $65.5 million is offset by $1.9 million in the Personal Services account resulting from unfilled vacancies, and $1.9 million in Behavioral Health Medications resulting from efforts to distribute less expensive, generic medications, and ensuring more individuals are fully utilizing entitlements to cover pharmaceutical costs. The deficiency is also offset by $0.2 million in Workers' Compensation Claims due to reduced claims, and $0.7 million in Home and Community Based Services due to lower that budgeted costs.

The Other Expenses shortfall ($5.3 million) is due to an inability to fully achieve the application of a $14.8 million total holdback to the account, which represents 40% of the $36.7 million Other Expenses FY 11 appropriation. The shortfall in General Assistance Managed Care ($60.2 million) is due to higher than budgeted caseload and utilization for the Medicaid Low-Income Adult (MLIA) population and the transition of fiscal responsibility for additional services from the Department of Social Services. 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 62,084 in February (an increase of 38.7%).

Department of Social Services - $225.9 million

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

- $253 million in Medicaid,
- $18.1 million in Other Expenses,
- $0.7 million in the Supplemental Assistance accounts, and
- $0.2 million in the State Food Stamp Supplement.

These shortfalls are partially offset by projected lapses of:

- $19.3 million in the Connecticut Home Care program,
- $11.4 million in Temporary Family Assistance,
- $6.9 million in Child Care Services,
- $2.9 million in ConnPACE,
- $2.5 million in Personal Services,
- $1 million in the HUSKY B program, and
- $2.2 million in the Charter Oak program.

<u>Shortfalls</u>
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 24,395 (a 6.6% 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 62,084 in February (an increase of 38.7%).

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 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 primarily to the OPM holdback of $18.5 million. Should this holdback be released, this shortfall would be eliminated.

The shortfalls in the Supplemental Assistance 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.

Lapses

The Connecticut Home Care program has a projected lapse of $19.3 million. Enrollment in this program decreased significantly when a 15% cost sharing requirement was imposed in January 2010. The FY 11 budget included funds necessary to reduce this cost sharing requirement to 6%; however enrollment has not subsequently grown at the pace originally projected to result from this policy change.

The lapses in the Temporary Family Assistance (TFA) program ($11.4 million) and HUSKY B program ($1 million) is due to lower than anticipated enrollment. TFA enrollment fell 3.8% from 21,128 cases to 20,316 cases in the last year, and HUSKY B enrollment fell 3.3% from 15,386 cases to 14,885 cases during that same period.

The lapse in Child Care Services ($6.9 million) is due to suspending enrollment in the higher income portion of the program. The lapse in Charter Oak ($2.2 million) is due to lower enrollment. The revised FY 11 budget increased premiums for existing members, and suspended cost sharing for new enrollees.

Costs under the ConnPACE program continue to decline as clients transition to benefits under the federal Medicare Savings program, resulting in a lapse of $2.9 million. The Personal Services account has a projected lapse of $2.5 million due to slower-than anticipated refills of vacant positions.

Teachers' Retirement Board - $68,000

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

- $174,000 in Other Expenses, and
- Offset by a $106,000 lapse in Personal Services.

The agency's gross deficiency of $174,000 is the result of a shortfall in the Other Expenses (OE) account due to unanticipated expenses of $523,000 related to identity theft protection for members required as a result of the loss of an encrypted flash drive. The following actions have already occurred in OE to enable the agency to make payments related to identity protection expenses: the OE hold back of $369,762 was released and a Finance Advisory Committee (FAC) transfer of $100,000 from Personal Services (PS) was approved in March. The PS lapse of $106,000 will reduce the OE deficiency through an anticipated FAC transfer.

This results in a net deficiency of $68,000. Funding in PS is available as a result of three unanticipated vacancies.

Public Defender Services Commission - $1.7 million

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

- $1 million in Special Public Defenders - Non Contractual,
- $0.85 million in Expert Witnesses,
- $0.27 million in Other Expenses, and
- Offset by a $0.4 million lapse in Personal Services.

The gross deficiency of $2.12 million is offset by $0.4 million in the Personal Services account, resulting from savings realized from leaves of absences and the delay in filling positions and the collection of client reimbursements[1] in the approximate amount of $100,000. This lapse will reduce the Expert Witnesses and Other Expenses deficiencies via an anticipated Finance Advisory Committee (FAC) transfer.

The Special Public Defenders - Non Contractual account shortfall ($1 million) is a result of greater than expected case assignments and billed hours, in addition to $546,000 in FY 10 obligations carried forward into the current fiscal year; Expert Witnesses ($0.85 million) is due to costs for services of psychiatric and forensic professionals required in the defense of capital felony cases; Other Expenses ($0.27 million) account is due to increased overall caseload, which has forced increased expenditures on the printing of legal briefs, postage, record storage and mileage reimbursement.

The projected net deficiency of $1.7 million represents 3.62% of the agency's FY 11 gross appropriation of $47.5 million.

Child Protection Commission - $2.6 million

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

- $2.4 million in Contracted Attorneys, and
- $0.15 million in Personal Services.

The Contracted Attorneys account shortfall ($2.4 million) 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

[1] Refunds of current year expenditures are generated through the collection of a $25 fee from clients once a case is accepted by the Public Defender's Office. The fee is considered to be a reimbursement of public defender services and is not required in order for indigent clients to obtain services.

attorneys were certified as Certified Child Welfare Specialists, bringing the total number of attorneys compensated at the hourly rate of $75 to 81 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.

The Personal Services shortfall ($0.15 million) is a result of an anticipated Finance Advisory Committee (FAC transfer) of the agency's fourth quarter Personal Services appropriation, totaling $0.15 million, to cover part of the deficiency in the Contracted Attorneys account.

The projected net deficiency of $2.6 million represents 21.8% of the agency's FY 11 gross appropriation of $11.5 million.

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

The Workers' Compensation Claims account has a projected net deficiency of $0.5 million, which represents 1.9% of its FY 11 revised appropriation of $26.2 million. The deficiency is the result of two factors: a rollout of the FY 10 deficiency; and an increase in medical costs.

The Department of Administrative Services Workers' Compensation account is responsible for the workers' compensation claims costs for 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.

Department of Public Health - $889,600

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

- $1 million in Personal Services,
- $1 million in Other Expenses,
- $56,800 in Local and District Health Departments, and
- Offset by approximately $1.2 million in combined lapses in Children's Health Initiatives, Breast and Cervical Cancer Detection and Treatment (BCCDT), Medicaid Administration, Community Health Services, and School Based Health Clinics.

The gross deficiency of $2.1 million is offset by $1.2 million in various accounts. The Personal Services shortfall ($1 million) is the result of higher than budgeted costs; Other Expenses ($1 million) is due to a holdback of more than 50% of its appropriated budget ($4 million); and Local and District Health Departments is due to a town entering an existing district health department during the year.

Lapses

The Children's Health Initiatives has a projected lapse of $350,600 primarily due to the elimination of childhood lead poisoning contracts funded under this account in FY 10. It should be noted that there is a separate Childhood Lead Poisoning account under DPH that provides services such as case management, investigation oversight, and community outreach for children under the age of 16 years.

The BCCDT projected lapse of $16,500 is due to the total contracted amount in this account is slightly less than the funds available. The Medicaid Administration account projected lapse of $249,195 is due to three unfilled vacancies and one position budgeted at full-time that was subsequently reduced to part-time.

The Community Health Services projected lapse of $144,000 is due to the agency limitting the value of FY 11 contracts under this account to FY 10 actual expenditure levels ($6,399,331) in anticipation of a shortfall in the X-Ray Screening and Tuberculosis (TB) account. Funding of $442,690 was transferred to the TB account via a January 2011 Finance Advisory Committee action.

The School Based Health Clinics projected lapse of $412,592 is a result of the issuance of contracts that, in total, do not utilize the full amount of funding available in the account.

Office of the Chief Medical Examiner - $29,500

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

- $213,000 in Other Expenses, and
- Offset by $183,600 in combined lapses in Personal Services, Medicolegal Investigations, and Equipment.

The shortfall in Other Expenses ($213,000) is due to higher than budged costs in laboratory supplies, hazardous waste disposal, and minor equipment.

The lapse in Personal Services ($160,000) is due to unfilled vacancies (processing technicians and a toxicologist); Medicolegal Investigations ($22,900) reflects the shift from utilization of Assistant Medical Examiners to in-house investigators; and Equipment ($600) is due to total expenditures projected at a lower level than was budgeted.

Department of Transportation (Transportation Fund) - $4.3 million

The agency's anticipated gross deficiency of $4.3 million is the result of a shortfall in the Personal Services (PS) account. This shortfall is due to the February and April Finance Committee Action (FAC 2011-09 and 2011-12) to offset a shortfall in the snow and ice removal account which was depleted by the severity of this year's winter storms.