FY 12 Projected Deficiencies

Prepared for Appropriations Committee Hearing

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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 5015, "AA Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2012," results in no net increase to the General or Transportation Funds. The increases in appropriations to the General Fund (GF) of $7.6 million and to the Transportation Fund (TF) of $1.8 million are both offset by corresponding reductions. However, these figures are based on the Governor's February projections.

OFA is currently projecting $105.0 million in GF state agency funding shortfalls. This differs from OPM's March 20, 2012 projection of $109.3 million by a total of $4.3 million. The following table displays the level of funding needed by agencies as projected by OFA and OPM.

FY 12 State Agency Estimated Deficiency Needs OFA/OPM Comparison (in millions)

Agency	HB 5015[1] $	OFA $	OPM (3/20) $	Diff. OFA/OPM $
OSC - Fringe Benefits	-	91.7	100.0	(8.3)
Judicial Department	-	3.5	-	3.5
OSC - Miscellaneous - Adjudicated Claims	2.1	3.5	3.5	-
Teachers' Retirement Board	2.4	2.2	2.2	-
Public Defender Services Commission	2.5	1.7	1.6	0.1
Department of Emergency Services and Public Protection	-	1.3	1.8	(0.5)
Department of Energy and Environmental Protection	0.6	0.8	-	0.8
Division of Criminal Justice	-	0.2	-	0.2
Office of the Chief Medical Examiner	-	0.1	0.2	(0.1)
Total General Fund (GF)	**7.6**	**105.0**	**109.3**	**(4.3)**
OSC - Fringe Benefits	1.8	-	-	-
Total Transportation Fund (TF)	**1.8**	**-**	**-**	**-**
Total All Funds	**9.4**	**105.0**	**109.3**	**(4.3)**
Reduce GF Appropriations in HB 5015:				
Department of Children and Families - Personal Services	(7.6)	-	-	-
Reduce TF Appropriations in HB 5015:				
Department of Transportation - Rail Operations	(1.8)	-	-	-
TOTAL	**-**	**105.0**	**109.3**	**(4.3)**

[1] Section 5 of HB 5015 allows for the unexpended FY 11 carry forward in the Reserve for Salary Adjustments account to lapse in FY 12 and not be carried forward into FY 13. This results in additional available funds to offset shortfalls in the General Fund. OFA is currently projecting $83.7 million and OPM is projecting $90.0 million available carry forward funds to lapse in the RSA account.

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

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify nine agencies that require $105.0 million in GF deficiency funding. However, if available holdback funding were to be released, this would be reduced to two agencies requiring $5.4 million in deficiency funding. The following table displays the level of funding available (pre- and post-holdback) to affected agencies.

FY 12 Estimated Agency General Fund Deficiency Needs

Agency	Budgeted Appropriation $	Available Appropriation[1] $	Estimated Exp. $	Deficiency without release of holdbacks $	Deficiency with release of holdbacks $
State Comptroller - Fringe Benefits	2,213,861,926	1,910,176,238	2,001,859,384	(91,683,146)	-
Judicial Department	511,419,613	480,856,837	484,383,264	(3,526,427)	-
State Comptroller – Miscellaneous - Adjudicated Claims	4,000,000	4,000,000	7,500,000	(3,500,000)	(3,500,000)
Teachers' Retirement Board	792,027,161	791,745,682	793,945,110	(2,199,428)	(1,917,949)
Public Defender Services Commission	64,655,475	61,810,370	63,475,591	(1,665,221)	-
Department of Emergency Services and Public Protection	172,588,839	164,792,289	166,058,289	(1,266,000)	-
Department of Energy and Environmental Protection	78,295,740	72,554,750	73,354,750	(800,000)	-
Division of Criminal Justice	52,399,228	49,348,979	49,540,380	(191,401)	-
Office of the Chief Medical Examiner	6,199,848	5,203,098	5,304,120	(101,022)	-
TOTAL				**(104,932,645)**	**(5,417,949)**

[1] Appropriation less budgeted lapses.

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

Detail on the Total Net GF Deficiencies - $105.0 million
(The following assumes that holdbacks will not be released by OPM.)

Office of the State Comptroller - Fringe Benefits (OSC) - $91.7 million

The agency's projected FY 12 General Fund budget shortfall is composed of:

- $28.3 million in State Employees Retirement Contributions and
- $90.0 million in Retired State Employees Health Service Cost.

These shortfalls are partially offset by $26.6 million in projected lapses, composed of:

- $19.4 million in Employers Social Security Tax,
- $4.9 million in Higher Education Alternative Retirement System, and
- $2.3 million in Unemployment Compensation.

The projected deficiency in the State Employees Retirement Contributions account is due to a revised actuarial estimate of the State's annual required contribution to the State Employees Retirement Fund that incorporates the changes resulting from the Revised 2011 SEBAC Agreement, the impact of FY 11 market changes, and a significant level of retirements through October 2011.

The projected deficiency in the Retired State Employees Health Service account is due to an inability to fully achieve the application of a $111.1 million holdback to the account, which represents approximately 20.0% of the $565.1 million FY 12 appropriation. The inability to fully achieve the holdback is likely the result of various factors, including (1) higher than expected claims expenditures, and (2) higher than expected number of employees retiring.[1] The state is projected to spend approximately 11.0% more on retiree health costs than in FY 11.

The projected lapses in the Employers Social Security Tax account and Higher Education Alternative Retirement System account are due to a reduction in the number of state employees and not refilling vacancies. The projected lapse in the Unemployment Compensation account is due to lower than expected claims costs.

[1] On average 1,000 employees retire annually. As of February 2012, 2,362 employees have retired in FY 12 (a 136% increase over the annual average). Approximately 80.0% of those retirees are not yet Medicare eligible and therefore the state is their primary insurer. On average it costs the state approximately twice as much to provide health coverage for non-Medicare eligible retirees than Medicare eligible retirees.

Judicial Department (JUD) - $3.5 million

The agency's projected FY 12 budget shortfall is composed of:

- $930,000 in Personal Services and
- $2.6 million in Other Expenses.

The $930,000 projected shortfall in the Personal Services account is due in part to: (1) greater payments for accrued leave than originally anticipated, and (2) increased costs due to four pay periods with increases (annual increments and general wage) to unionized employees prior to the signing of the Revised 2011 SEBAC agreement. In addition, the agency received a rescission of $250,000 to this account, which contributed to the shortfall.

The $2.6 million projected shortfall in the Other Expenses (OE) account is due primarily to the implementation of a $3.3 million rescission. The majority of OE costs to the agency are associated with rent and utilities.

Office of the State Comptroller - Miscellaneous (OSC) - $3.5 million

The agency's projected FY 12 budget shortfall is composed of:

- $3.5 million in Adjudicated Claims.

The projected deficiency in the Adjudicated Claims account is due to higher than anticipated claims costs. It should be noted that until FY 12 this account did not previously receive an appropriation, but was funded out of the resources of the General Fund. Since FY 97, expenditures have ranged from a low of $3.9 million to a high of $15.7 million, with a 15-year average of $8.1 million.

Teachers' Retirement Board (TRB) - $2.2 million

The agency's projected FY 12 budget shortfall is composed of:

- $2.4 million in Retirees Health Service Costs.

This shortfall is partially offset by $200,000 in lapsing funds, composed of:

- $60,000 in Personal Services and
- $140,000 in Other Expenses.

The $2.4 million shortfall in the Retirees Health Service Costs account is due to higher than anticipated enrollment in the retiree health insurance program offered by the TRB. The account was originally budgeted based upon approximately 17,000 participants. Actual

enrollment for FY 12 is now estimated to be 1,600 members higher for a total enrollment of approximately 18,600.

The projected lapse in Personal Services is due to unanticipated vacancies. The projected lapse in Other Expenses is due to lower than expected expenditures.

Public Defenders Services Commission (PDS) - $1.7 million

The agency's projected FY 12 budget shortfall is composed of:

- $275,000 in Personal Services,
- $76,000 in Other Expenses,
- $412,000 in Special Public Defenders – Contractual,
- $706,000 in Special Public Defenders – Non Contractual, and
- $230,000 in Expert Witnesses.

These shortfalls are partially offset by projected lapses of $35,000 in various accounts.

The $275,000 shortfall in the Personal Services account is due to the implementation of a rescission of $246,000. The projected deficiency in the Other Expenses (OE) account of $76,000 is due to increased caseloads, including capital, appellate, and habeas cases, which have created increased expenditures for various OE expense items, including printing of legal briefs, record storage, mileage reimbursement, and others.

The projected shortfalls of $412,000 in the Special Public Defenders – Contractual and $706,000 in the Special Public Defenders – Non Contractual accounts are due to implementation of a new billing system that allows for more timely payment of bills. In the past, there has been a three-month processing backlog of special public defender bills.

The projected deficiency of $230,000 in the Expert Witnesses account is related to costs for services of psychiatric and forensic professionals required in the defense of capital felony cases. The average total cost for expert witnesses in a capital case is $4,500. The total cost for the Cheshire home invasion capital case for expert witnesses in FY 12 was $240,000.

The projected shortfall is partially offset by a projected lapse of $35,000 in various accounts including the Training and Education, Assigned Counsel – Contractual, and Family Contracted Attorneys accounts. These lapses are due, in part, to a decreased usage of per diem attorneys by the Public Defenders Services Commission. The number of per diem attorneys used by the agency was reduced by 19 (from 31 to 12 attorneys) as part of an effort to reduce the agency's expenditures.

Department of Emergency Services and Public Protection (DESPP) - $1.3 million

The agency's projected FY 12 budget shortfall is composed of:

- $1.5 million in Other Expenses.

This shortfall is partially offset by $242,000 in Workers' Compensation Claims.

The $1.5 million shortfall in Other Expenses is due to higher than anticipated costs for gasoline. The projected shortfall is partially offset by a projected lapse of $242,000 in the Workers' Compensation Claims. The projected lapse is based on current expenditure trends.

Department of Energy and Environmental Protection (DEEP) - $800,000

The agency's projected FY 12 budget shortfall is composed of:

- $800,000 in Environmental Conservation.

The shortfall in Environmental Conservation (EC) is due to debris removal costs associated with Winter Storm Alfred in October, 2011. DEEP hired the state's debris removal contractor to remove hazardous material at various state park and forest locations. State costs were $3.2 million, and of this amount 75.0% or $2.4 million was reimbursed by the Federal Emergency and Management Administration (FEMA), leaving a shortfall of $800,000.

Division of Criminal Justice (DCJ) - $191,500

The agency's projected FY 12 budget shortfall is composed of:

- $350,000 in Other Expenses.

These shortfalls are partially offset by projected lapses of:

- $16,500 in Training & Education and
- $142,000 in Medicaid Fraud Control.

The $350,000 projected shortfall in the Other Expenses account is due, in part, to higher than anticipated costs for gasoline. The agency's FY 11 appropriation was $2.8 million and actual expenditures were approximately $2.4 million. The FY 12 appropriation is $2.1 million.

Office of the Chief Medical Examiner (CME) - $101,000

The agency's projected FY 12 budget shortfall is composed of:

- $154,000 in Other Expenses (OE).

This shortfall is partially offset by $53,000 in lapsing funds, composed of:

- $27,000 in Personal Services and
- $26,000 in Medicolegal Investigations.

The $101,000 anticipated OE deficiency is primarily a result of increased costs associated with laboratory and body transport services. Also contributing to the deficiency are employee mileage reimbursement, general office supply, and local/long distance telephone service expenses. Current FY 12 OE expenditures are projected at $838,000. This is $87,000 more than the five year OE expenditure average (FY 07 - FY 11) for CME and 92.5% of its budgeted OE appropriation. Of the agency's total $893,000 in FY 12 holdbacks, $221,000 is in the OE account.

CME's shortfall is offset by two lapses in its Personal Services ($27,000) and Medicolegal Investigations accounts ($26,000), resulting in a net agency deficiency of $101,000.