

TESTIMONY PRESENTED TO THE APPROPRIATIONS COMMITTEE
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Testimony Regarding House Bill No. 5034

AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE
FISCAL YEAR ENDING JUNE 30, 2014

Good morning Senator Bye, Representative Walker and distinguished members of the Appropriations Committee, and thank you for the opportunity to offer testimony regarding House Bill 5034, An Act Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2014.

On March 20th, my office issued its latest monthly forecast which projects that the General Fund will end the fiscal year with an operating surplus of \$504.9 million. I should note that April is a very significant month for personal income tax collections, and while we believe that our projections are relatively conservative, the scope of the actual surplus will not be known until the April collections are tallied. As part of the \$504.9 million General Fund surplus, OPM is projecting that expenditures will, in the aggregate, be \$79.4 million below the budget plan. This figure is composed of \$123.5 million in lapsing appropriations, offset by additional requirements totaling \$44.1 million, which are the subject of today's hearing. In the Special Transportation Fund, we are forecasting deficiencies of \$13.3 million, and that the fund balance will be \$160.9 million on June 30, 2014.

We are currently projecting additional requirements in seven agencies:

1. Department of Administrative Services. A shortfall of \$8.0 million is projected in the agency's Personal Services account, attributable to the settlement of two large claims against the state which were paid earlier this fiscal year from the State Insurance and Risk Operations account. In November, the Finance Advisory Committee approved a transfer of funds from Personal Services to enable the agency to make timely

settlement payments, thus shifting the shortfall from the Insurance and Risk Operations account to Personal Services.

2. Department of Administrative Services – Workers’ Compensation. The agency’s Workers’ Compensation program will have a shortfall of \$2.8 million in the General Fund and \$0.8 million in the Special Transportation Fund due to rising claims costs.
3. Department of Emergency Services and Public Protection. A total shortfall of \$4.4 million is projected. Three million nine hundred thousand dollars of the shortfall is in Personal Services due to a reduction in casino reimbursements negotiated with the Pequot and Mohegan tribal governments and rising overtime costs, and \$500,000 is in Other Expenses as a result of rising utility and gas costs and payment for assistance from the Pennsylvania and Rhode Island National Guard related to the February 2013 snowstorm.
4. Department of Transportation. In the Special Transportation Fund, the Department of Transportation is expected to be over budget by \$10 million. Of this sum, \$7 million is due to winter storm costs, while \$3 million is the net cost, after other offsetting factors, attributable to the New Haven line power failure and the May 2013 derailment. Earlier this month, the Finance Advisory Committee approved a transfer from Personal Services to Other Expenses to enable timely payments of storm-related bills, thus shifting that portion of the shortfall to Personal Services.
5. Department of Education. A net shortfall of \$17.7 million is expected in the Magnet Schools account as a result of increased enrollment, unbudgeted costs from legislation requiring the state to pay for preschool tuition, and to supplemental transportation costs for the *Sheff* settlement.
6. Public Defender Services Commission. The agency’s assigned counsel costs are anticipated to exceed budgeted levels by \$4.9 million due to capital case costs, efforts to retire the *habeas corpus* case backlog, and one-time costs to catch up on bills from the prior year. The Finance Advisory Committee approved a transfer earlier this month that shifts the shortfall to Personal Services.
7. Office of the State Comptroller. A General Fund shortfall of \$6.2 million is anticipated in the Adjudicated Claims account due to the anticipated settlement of several claims against the state. In addition, a fringe benefit shortfall of \$2.5 million is anticipated in the Special Transportation Fund as a result of higher than budgeted costs for employee healthcare.
8. Office of the Chief Medical Examiner. A net \$100,000 shortfall is projected in Other Expenses due to laboratory testing costs.

In addition to these deficiencies, we are closely monitoring a potential shortfall in the Department of Correction's Personal Services account. Our current projections are that the planned transfer from the Reserve for Salary Adjustments account of approximately \$6.7 million in order to support the payout of retirement accruals as well as costs related to the collective bargaining agreement with the Correctional Supervisors union will reduce the shortfall to a level that can be managed through release of holdbacks and/or Finance Advisory Committee action. However, we will continue to monitor these expenditures and may need to revise the deficiency bill accordingly.

In conclusion, please note that the deficiencies described today are based on the best information available at this time. The proposed deficiency bill represents shortfalls as we projected them back in January. As is the case each session, this bill will require amendment to reflect updated deficiency projections. The Office of Policy and Management stands ready to work with this committee and the Office of Fiscal Analysis in crafting any revisions to the bill that may be necessary.

I would like to again thank the committee for the opportunity to present this testimony. I know that you have invited agencies to provide more in-depth information regarding these projected shortfalls, but I am happy to answer any questions you may have.