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Kevin Lembo
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WRITTEN TESTIMONY
Kevin Lembo
State Comptroller

Concerning
HB 5034 AA Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2014

March 25, 2014

Senator Bye, Representative Walker, Senator Kane, Representative Miner, and members of the Appropriations Committee:

As you may know, the Office of the State Comptroller (OSC) has been included in this bill because of a deficiency in the statewide Adjudicated Claims account, which typically exceeds the levels set forth in the state budget. As I have testified on previous occasions, this account is not one for which expenditures can be easily predicted or controlled and consequently need to be included in this bill.

The $6.2 million that is included in section one of the bill is for the Capitol City Economic Development Authority (CCEDA) settlement.

I would also like to provide information regarding the lapses that are in section two. First, there are a number of factors driving the lapses in the Higher Education Alterative Education System (ARP) appropriation in recent years:

1. Higher Education General Fund Allotment Reductions: In Fiscal Years 2012 and 2013, the higher education units received less than the full amounts in their General Fund appropriations. These allotment reductions for salaries had a corresponding impact on fringe benefits associated with these accounts, including ARP retirement paid out of the OSC appropriation.

2. Higher ARP Fringe Benefit Rate: The ARP fringe benefit rate has increased from 8.18% in FY 2012 to 9.17% in FY 2013 to 11.20% in FY 2014. A higher fringe benefit rate results in more recoveries that are deposited into the ARP appropriation lowering the expenditure total.

3. Transfers from ARP to SERS: Employee transfers from ARP retirement to SERS would reduce expenditures charged to the ARP appropriation as well.

Regarding the lapse for the Employers Social Security Tax, we believe that it could be the result of fewer positions being charged to the General Fund as well as some positions that were budgeted for the full fiscal year, but were filled for only part of the year.

I urge the committee's support and thank you for your consideration.