KEVIN LEMBO
STATE COMPTROLLER

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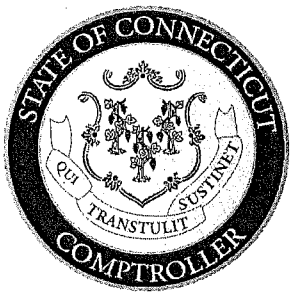

STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
55 Elm Street
Hartford, CT 06106

WRITTEN TESTIMONY
Kevin Lembo
State Comptroller

Concerning
Governor's Bill 6825 An Act Making Deficiency Appropriations and Addressing the Deficit for the Fiscal Year Ending June 30, 2015

April 21, 2015

Good afternoon Senator Bye, Representative Walker, Senator Kane, Representative Ziobron and Members of the Committee:

For the record, I am State Comptroller Kevin Lembo, and I am here this afternoon to discuss Governor's Bill 6825 *An Act Making Deficiency Appropriations and Addressing the Deficit for the Fiscal Year Ending June 30, 2015.*

The Office of State Comptroller (OSC) has been included in this bill because of forecasted deficiencies in the Miscellaneous and Fringe Benefits accounts in the General and Special Transportation Funds.

As you may recall, my office received $51 million less than it requested for its fiscal year 2015 appropriation for the Fringe Benefits account. At that time, my office anticipated a number of pressures on that account that included higher than normal trend in retirements of Department of Corrections (DOC) employees who were part of a large hiring effort 20 years ago and are now aging into retirement eligibility, a general increase in the over-65 population, and a reduction in subsidies for the Employee Group Waiver Program (EGWP), which is a federal reimbursement program that allows us to take advantage of Medicare Part D for prescription drugs.

While not as large as originally predicted, my office's expectations proved to be correct and these cost pressures on the account have led to the need for $30 million in our mid-term budget adjustment.

We are addressing this shortfall by requesting through FAC the amount of $13 million to be transferred from the surpluses of other Miscellaneous and Fringe Benefits accounts to the Retiree Health Care account and respectfully requesting $17 million through this legislation.

(over)

This bill provides $15 million to my office for the Fringe Benefits accounts. However, a change in vendor effective July 1 for the deferred compensation program for state employees and retirees has required my office to make the final payment from the ARP account to the current vendor (VOYA) earlier to ensure a seamless transition to the new vendor (Prudential). This payment leaves OSC with $2 million less available to FAC payments out of the Fringe Benefits accounts. After discussing this with OPM, we are respectfully requesting the bill be amended to include this additional money.

Additionally, the statewide Adjudicated Claims account is once again on track to exceed 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. This year, there is a larger number of claims settled and after consultation with the Attorney General's office and OPM, my office is requesting an additional $8.5 million to be added to the bill to cover these claims.

Finally, the Special Transportation Fund is anticipating a $3 million deficit for fiscal year 2015 in its fringe benefit account due largely to the severe winter weather. The increased overtime costs for Department of Transportation employees and the shift of employees paid for by other grant funds to the Special Transportation Fund for snow removal resulted in a higher than anticipated spending in fringe benefit costs.

We are addressing this $3 million shortfall by requesting through FAC that the amount of $660,000 be transferred from available surpluses of other fringe benefit accounts into the Transportation Fund and respectfully requesting the amount of $2,340,000 to be included in this bill.

Thank you for your time. I am happy to answer your questions.