

## FY 16 Deficiency Funding

Sections 31 and 32 of PA 16-2 May Special Session (the revised FY 17 budget) made various FY 16 appropriation increases and reductions that resulted in no net impact to the General Fund. The General Fund increases of \$66.4 million were offset by reductions in appropriations to various agencies and accounts.

The table below shows the changes in agency appropriations contained in PA 16-2 MSS:

### FY 16 Deficiency - Changes in Appropriations (in millions)

Agency	FY 16 \$
<b>General Fund Increases:</b>	
Office of the Chief Medical Examiner	.5
Office of Early Childhood	6.3
Public Defender Services Commission	4.6
State Treasurer - Debt Service	35.0
State Comptroller - Miscellaneous	20.0
<b>Total - General Fund Increases</b>	<b>66.4</b>
<b>General Fund Reductions:</b>	
Legislative Management	(2.0)
Department of Developmental Services	(11.8)
Department of Mental Health & Addiction Services	(5.6)
State Comptroller - Fringe Benefits	(47.0)
<b>Total - General Fund Reductions</b>	<b>(66.4)</b>

**Section 31** increased the General Fund appropriations to various agencies and accounts by \$66.4 million in FY 16. Below are the explanations of agency's deficiency appropriations needs:

#### Office of the Chief Medical Examiner (CME) - \$465,000

The agency's projected FY 16 budget shortfall is composed of:

- \$225,000 in Personal Services (PS), and
- \$240,000 in Other Expenses (OE).

The \$225,000 shortfall in PS represents 4.7% of the FY 16 appropriation in the account. The \$240,000 shortfall in OE represents 17.9% of the FY 16 appropriation in the account. The shortfall in PS predominantly reflects overtime expenses. Expenditures in OE are projected to be 28.7% greater in FY 16 (\$1.6 million) than in FY 15 (\$1.2 million). Primary cost drivers for OE are laboratory services, body transportation, and medical supplies. CME's overall caseload continues to rise. From FY 14 to FY 15, autopsies increased by more than 33% from 1,488 to 1,993. Current projections for FY 16 place a

two-fiscal-year increase in autopsies at over 58%. The Office is open 24 hours a day, every day of the year. It is charged to investigate all human deaths that fall into the following categories: 1) violent (whether apparently homicidal, suicidal, or accidental), 2) sudden, or unexpected, that are not caused by a readily recognizable disease, 3) under suspicious circumstances, 4) related to disease resulting from employment, 5) related to disease that might constitute a threat to public health, and 6) the bodies of the deceased to be cremated.<sup>2</sup>

### **Office of Early Childhood (OEC) - \$6.3 million**

The agency's projected FY 16 budget shortfall is composed of:

- \$6.3 million in Early Intervention

The \$6.3 million projected shortfall (25.5% of the FY 16 appropriation) in the Early Intervention account, commonly known as Birth to Three, is due to several factors: (1) underfunding of the Birth-to-Three program over the past three years, (2) an increase in the number of children served, and (3) an increase in the number of children requiring more intensive services.

The Early Intervention account expenditures have been increasing over the past three years, from \$35.4 million in FY 13 to \$42.1 million in FY 15. This has resulted in a transfer of funding from other accounts (via an FAC transfer) to cover the shortfalls. In FY 13, Department of Developmental Services (DDS) transferred \$497,000 from the Employment Opportunities and Day Services to the Early Intervention account to support the Birth-to-Three program, while in FY 15 DDS transferred \$2.9 million from Personal Services. The FY 16 and FY 17 Budget transferred the Birth-to-Three Program from DDS to OEC. The amount transferred to OEC for the reallocation of the program did not include supplemental funds to cover the full program costs. Additionally, the FY 16 expenditure requirements include \$500,000 in unpaid FY 15 invoices, resulting in a total cost of \$3.4 million over budget.

The number of children in the Birth-to-Three program has also increased above original projections by 2.1% or an average increase of 115 children per month, resulting in a cost of approximately \$1.8 million.

The number of children requiring intensive services (primarily those diagnosed with an autism spectrum disorder) has also increased by 9.5% or an average increase of 40 children per month, resulting in a cost of approximately \$1 million.

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<sup>2</sup>There is a \$150 fee for this investigation and the associated certificate, which is usually handled through the funeral director of the family's choice. The revenue from the fee (\$2.3 million in FY 15) is deposited into the General Fund.

## **Public Defender Services Commission - \$4.6 million**

The agency's projected FY 16 budget shortfall is composed of:

- \$2.5 million in Personal Services
- \$2.0 million in Assigned Counsel; and
- \$0.1 million in Expert Witnesses.

A total projected shortfall of \$4.6 million is due to a deficiency of \$2.5 million (5.7% of the appropriation) in the Personal Services account, \$2.0 million (9.1% of the appropriation) in the Assigned Counsel account, and \$0.1 million (3.3% of the appropriation) in the Expert Witnesses account.

The Personal Services deficiency of \$2.5 million is due to the agency's inability to meet the assigned deficit mitigation amount of \$2.5 million in this account. In addition to the deficit mitigation reduction, the Personal Services account also included a holdback of \$562,000.

The Assigned Counsel deficiency of \$2.0 million is due to: (1) an increase in child protection cases (\$1.2 million); and (2) an increase in habeas cases (\$820,000). In child protection cases, the Division of Public Defender Services is required to provide counsel for all children whose parents are deemed indigent and for any party where the court orders counsel. In FY 14 there were a total of 8,364 child protection cases (697 per month) and in FY 15 there were a total of 10,307 cases (859 per month). It is anticipated that there will be a total of approximately 12,000 cases in FY 16. From July through October of FY 16 they have averaged approximately 1,203 cases each month. While the number of child protection cases has increased significantly since FY 14, the funding level has remained the same at \$7.6 million. Child protection cases are assigned to outside counsel and are paid through the Assigned Counsel account at a flat rate of \$500 per case (attorneys can also petition for an hourly rate). The estimated 3,600 additional cases in FY 16 will require approximately \$1.2 million in additional funding.

In addition to the deficiency due to the child protection increases, PA 12-115, *An Act Concerning Habeas Reform*, reduced the time in which a habeas petition can be filed, and resulted in an influx of habeas petitions received by the agency. Habeas petitions have doubled since the legislation passed. Previous to the legislation, the agency averaged 25 petitions per month, or 300 per year. Since the legislation passed, the agency has averaged 50 petitions per month, or 600 per year. In FY 16 to date, the agency has been averaging approximately 54 petitions per month, or 648 per year. The cost per case can vary significantly depending on the complexity of the appeal but on average costs approximately \$11,000 per case. The additional 48 cases in FY 16 will require approximately \$820,000 additional funding in FY 16.

Funds in the Expert Witnesses account are used, in part, to support habeas cases, which have increased significantly, as explained above. The cost per case is, on average, approximately \$2,083 per case.

#### **Office of the State Treasurer - General Fund Debt Service - \$35 million**

The agency's projected FY 16 budget shortfall is composed of:

- \$35 million in Debt Service.

The projected \$35 million shortfall in the General Fund Debt Service account is due to a lower level of premium income related to the issuance of General Obligation bonds. This shortfall represents 2.4% of the FY 16 appropriation. The FY 16 budget included a reduction of \$142.8 million below the level requested by the Office of the State Treasurer primarily due to the anticipated receipt of premiums on bond issuances in the current fiscal year. Throughout the year, net premiums realized on issuances have not achieved budgeted levels.

#### **Office of the State Comptroller - Miscellaneous - \$20 million**

The agency's projected FY 16 budget shortfall is composed of:

- \$20 million in Adjudicated Claims.

The projected shortfall in the Adjudicated Claims account is due to higher than budgeted normal claims costs, including four, \$4.2 million settlements against the state for individuals who were wrongly incarcerated (totaling \$16.8 million). Average normal claims experience over the past 10 years, after adjusting for large settlements, has been approximately \$8 million annually. Normal claims experience for FY 16 is projected to be \$11.2 million, \$7.1 million greater than the historical \$4.1 million appropriation.

The total FY 16 appropriation included \$20.8 million for FY 16 settlement costs associated with the State Employees' Bargaining Agent Coalition (SEBAC) versus the State (commonly referred to as the Rowland settlement).

**Section 32** of PA 16-2 MSS reduced General Fund appropriations to various agencies and accounts by \$66.4 million in FY 16. The following provides additional detail on the appropriation reductions.

#### **Legislative Management - \$2 million**

Funding is reduced in the following account:

- \$2 million in Personal Services

Funding is available in the Personal Services account due to holding nonpartisan positions vacant, savings from employee turnover, and continuing the practice of releasing most of the sessional assistant clerks two weeks after the Joint Favorable deadline while maintaining caucus savings.

### **Department of Developmental Services (DDS) - \$11,800,000**

Funding is reduced in the following account:

- \$11,800,000 in Personal Services.

Turnover, in combination with a hiring freeze, contribute to a projected \$10,000,000 lapse in Personal Services. As of the end of March 2016, there are approximately 185 full-time funded vacancies in DDS.

### **Department of Mental Health and Addiction Services - \$5.6 million**

Funding is reduced in the following account:

- \$5.6 million in Personal Services

Funding is available in the Personal Services line item due to the partial release of the holdback of \$7.5 million.

### **Office of the State Comptroller - Fringe Benefits - \$47 million**

Funding is reduced in the following accounts:

- \$30 million in Retired State Employees Health Service Cost;
- \$8.6 million in Employers' Social Security Tax;
- \$6.5 million in Higher Education Alternative Retirement System; and
- \$1.9 million in Unemployment Compensation.

Funding is available in the Retired State Employees' Health Services Cost account due to expenditures and population being less than budgeted. The budget assumed a 6% increase in population, however actual growth is trending closer to 3%. In addition projected Medicare Part B premium increases of approximately 51.9% (an increase of approximately \$54 per Medicare member per month did not materialize, the actual increase was 16.1% (or approximately \$17 per Medicare member per month)).

Funding is available in the Employers' Social Security Tax due to statewide payroll information reflecting lower than anticipated hiring and other personnel costs across state agencies funded by the General Fund. Average General Fund social security trends are 3.4% less than anticipated.

Funding is available in the Higher Education Alternate Retirement System predominately due to the distribution of General Fund funded employees and expenditures being less than was anticipated, due to a shift to funding SERS higher education employees versus ARP employees out of the General Fund.

Funding is available in the Unemployment Compensation due to average monthly unemployment benefit costs being 30.4% less than anticipated (average month benefits are \$424,960).