

FY 17 Projected Deficiencies

Prepared for Appropriations Committee Hearing

November 18, 2016



OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building

Hartford, CT 06106 • (860) 240-0200

E-Mail: ofa@cga.ct.gov

www.cga.ct.gov/ofa

OFA STAFF

Neil Ayers, Director

Christine Ashburn, Section Chief

Sarah Bourne, Principal Analyst	Elementary Education, Office of Higher Education, Town Education Grants
Rachel Della Pietra, Principal Analyst	Children and Families, Public Health, Medical Examiner, Dept. of Veterans' Affairs
Christina Gellman, Principal Analyst	Banking, Dept. of Insurance, Dept. of Developmental Services, Teachers' Retirement, Dept. of Rehabilitation Services
Alan Shepard, Principal Analyst	Board of Regents for Higher Education, UConn, UConn Health Center, Consumer Protection,

Michael Murphy, Section Chief

Anne Bordieri, Associate Analyst	Energy Funds, Consumer Counsel, Transportation Fund, Transportation Bonding, Motor Vehicles, Dept. of Transportation, Soldiers, Sailors & Marines'
William Lederman, Principal Analyst	Budget Information System, Income Tax Modeling
Chris Wetzel, Principal Analyst	Dept. of Labor, Tax Policy & Revenue Analysis, Dept. of Revenue Services, Spending Cap
Evelyn Wisnieski, Associate Analyst	Economic Development, Housing, Culture and Tourism

Chris Perillo, Section Chief

Don Chaffee, Principal Analyst	Legislative Management, Emergency Services & Public Protection, Office of Governmental Accountability, Secretary of the State, State Personnel
Dan Dilworth, Associate Analyst	Office of Policy & Mgmt., Grants to Towns (PILOTS, Pequot), Municipal Funds, Federal Funds
Meghan Green, Analyst I	Dept. of Administrative Services, State Personnel, Statewide Issues
Marcy Ritsick, Principal Analyst	Environment, Agriculture, Agriculture Experiment Station, Council on Environmental Quality, Comm. on Human Rights & Opportunities

Rob Wysock, Section Chief

Jonathan Palmer, Associate Analyst	Military, Corrections, Budget Information System
Phoenix Ronan, Principal Analyst	Dept. of Insurance, Criminal Justice, Judicial, Public Defender, Probate
Emily Shepard, Principal Analyst	Dept. of Social Services, Mental Health and Addiction Services, Psychiatric Security Review Board, Office of Early Childhood
Holly Williams, Associate Analyst	State Comptroller, Dept. of Social Services, Office of Health Care Advocate, State Employee Fringe Benefits, Workers' Compensation

Administrative Staff

Laurie L. Wysock, Sr. Executive Secretary
Theresa Kelly, Senior Legislative Secretary
Lisa Kiro, Staff Assistant/Fiscal Note Coordinator

Legislative Office Building, Room 5200, Hartford, CT 06106

Phone: (860) 240-0200

E-Mail: ofa@cga.ct.gov; Web: www.cga.ct.gov/ofa

The following is provided to help the committee understand the level of deficiency funding that is needed for the current year.

The Office of Fiscal Analysis (OFA) is currently projecting \$54.3 million in General Fund state agency funding shortfalls. This differs from the Office of Policy and Management's (OPM) projection of \$29.5 million by a total of \$24.8 million. Please note that OPM is not reflecting their estimated \$9 million as a budgeted expense in the State Comptroller - Adjudicated Claims account. It is not included in their deficiency total of \$29.5 million. The following table displays the level of funding needed by agencies as projected by OFA and OPM.

**FY 17 Estimated Deficiency Needs OFA /OPM Comparison
(in millions)**

Agency	OFA \$	OPM \$	Difference \$
General Fund			
State Comptroller - Adjudicated Claims	20.8	-	20.8
Office of Early Childhood	16.8	13.5	3.3
Debt Service - State Treasurer	12.8	12.0	0.8
Public Defender Services Commission	3.6	3.7	(0.1)
Office of the Chief Medical Examiner	0.3	0.3	-
TOTAL	54.3	29.5	24.8

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.

Based on current data, state agencies will require \$54.3 million in deficiency appropriations or transfers from other areas to fund projected FY 17 costs. This assumes that \$4.6 million in allotment holdbacks in the associated agencies (as a result of budgeted lapses) are not released by OPM. The deficiency amounts represent 2.2% of these agencies' total FY 17 available funding, assuming all holdbacks are not released.

The following table includes the FY 17 appropriation, total level of available funding (less holdbacks), estimated expenditures, and projected deficiency amounts.

FY 17 Estimated Deficiency Needs¹ (in millions)

Agency	Budgeted Appropriation \$	Available Appropriation ² \$	Estimated Expenditures \$	Deficiency without release of holdbacks \$	Deficiency with release of holdbacks \$
General Fund					
State Comptroller – Adjudicated Claims	-	-	20.8	(20.8)	(20.8)
Office of Early Childhood	293.8	291.8	308.6	(16.8)	(14.8)
State Treasurer – Debt Service	2,063.1	2,063.1	2,075.9	(12.8)	(12.8)
Public Defender Services Commission	65.6	63.1	66.7	(3.6)	(1.2)
Office of the Chief Medical Examiner	5.9	5.8	6.1	(0.3)	(0.2)
TOTAL				(54.3)	(49.7)

¹Totals may not appear to add up due to rounding.

²Appropriation less budgeted lapses (holdbacks).

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

Detail on the Total Net Deficiencies of \$54.3 million
(The following assumes that holdbacks will not be released by OPM.)

Office of State Comptroller - Adjudicated Claims - \$20.8 million

The agency's projected FY 17 shortfall is comprised of \$20.8 million for the Adjudicated Claims account. The FY 17 Revised Budget did not include an appropriation for the account. Approximately \$18 million of the projected deficiency is for estimated payments for the SEBAC v. Rowland Settlement. The balance of the projected deficiency includes installment payments for previous settlements against the state. Approximately \$7.3 million of an estimated \$20.4 million of anticipated payments were paid in FY 16.

Office of Early Childhood - \$16.8 million

The agency's projected FY 17 budget shortfall is composed of:

- \$8.1 million in Birth to Three, and
- \$8.7 million in Care4Kids

The \$8.1 million projected shortfall in the Birth to Three account is primarily due to a continuation of the FY 16 deficiency as well as an increase in the number of children who require more intensive services.

The Birth to Three account experienced shortfalls over the past several years while under the Department of Developmental Services. After being transferred to the Office of Early Childhood (OEC), the account received a deficiency appropriation of \$6.3 million in FY 16. In addition, the average number of children receiving intensive services increased by 10.8% in general Birth to Three programs and 15.3% in Autism related programs. "Intensive" services are those more than 13 hours per month. Although the first 13 hours of service are currently covered within a fixed unit rate, those hours above 13 are paid on a "supplemental" (hourly) basis.

The \$8.7 million shortfall in the Care4Kids account is driven by increased caseload due to several factors. The state implemented program changes as a result of the federal reauthorization of the Child Care Development Fund (CCDF), including: (1) a 12 month period of eligibility regardless of changes that would have previously made the child ineligible, (2) three additional months of benefits after individuals are found ineligible due to income at redetermination, and (3) additional months of eligibility for job search activities. These changes essentially keep families on the program longer. While some program restrictions were put in place during the summer of 2016, caseload still increased by 704 members in August (an unanticipated and atypical increase for the time of year). At an average monthly subsidy of \$770, these individuals will cost approximately \$6.0 million in FY 17. In addition, the increased caseload has led to increased subsidy rates due to the structure of the SEIU contract for child care providers.

Office of the State Treasurer – Total Debt Service - \$13 million

Savings targets in the 2016-2017 Biennium produced a \$35 million deficiency in FY 16 and are expected to produce a \$13 million deficiency in FY 17. The anticipated \$13 million deficiency in FY 17 could be reduced to the extent that interest rates remain low relative to budgeted levels in the Treasurer's variable rate portfolio and the Treasurer is able to generate additional savings via the refunding (i.e., refinancing) of bonds at lower rates.

The October 2016 bond sale of \$650 million generated more savings in debt service than anticipated primarily due to bond premiums. In particular, the overall demand for bond premiums and the share of bond premiums allocated to FY 17 exceeded expectations and resulted in a much lower projected deficiency than previously reported by OFA.

Public Defender Services Commission - \$3.6 million

The agency's projected FY 17 budget shortfall is composed of:

- \$2.4 million in Personal Services;
- \$1.1 million in Assigned Counsel; and
- \$0.1 million in Expert Witnesses.

The Personal Services account is experiencing a projected deficiency of \$2.4 million. Available resources to the account are approximately \$5 million less than FY 16 actual expenditures. Though the agency has reduced its staff by 40 positions, including 17 from layoffs and 23 from attrition, the reduction is not anticipated to keep expenditures within the available resources.

The Assigned Counsel account is experiencing a projected deficiency of \$1.1 million. Available resources in FY 17 are \$3.1 million less than the FY 16 actual expenditures. While the agency has taken measures to reduce expenditures in this account, including assigning cases that previously would have been assigned counsel to staff attorneys for both criminal and child protection cases, the reductions are not anticipated to keep expenditures within the available resources.

The Expert Witnesses account is experiencing a projected deficiency of \$120,000. This is due to the agency's inability to meet a holdback of the same amount to this account. Funds in this account are used, in part, to support habeas cases. While on average expert witnesses costs for each case is approximately \$2,083, there are several cases anticipated in FY 17 to exceed the average cost.

Office of the Chief Medical Examiner - \$276,608

There is an anticipated deficiency in the Office of the Chief Medical Examiner (CME) of \$276,608. This includes a shortfall of \$244,174 in its Personal Services (PS) account and \$32,434 in its Other Expenses (OE) account. There has been a 56% increase in autopsies over two years (1,488 in 2014, 1,933 in 2015 and 2,327 in 2016). Agency funding in the FY 17 Revised Budget was reduced by approximately 9% from FY 16 actual expenditure levels. The PS account deficiency primarily reflects overtime expenses. Major cost drivers for OE are laboratory services/testing and body transportation.