

FY 14 Deficiency Funding

Sections 41 - 44 of PA 14-47, the FY 15 Revised Budget, makes various FY 14 appropriation increases and reductions that results in a Transportation Fund increase of \$1 million offset by a General Fund reduction of \$1 million. These sections reduce, by \$9 million, the amount by which the FY 14 budget is under the spending cap. This is due to a \$9 million reduction of appropriations in Debt Service, which is exempt from the spending cap, and a commensurate increase in areas that are subject to the spending cap. The FY 14 budget is under the spending cap by \$9.4 million; with passage of the act, the FY 14 budget would be under the spending cap by approximately \$400,000. The table below shows the changes in agency appropriations contained in these sections.

FY 14 Deficiency - Changes in Appropriations (in millions)

Agency	\$ Amount
General Fund Increases:	
Department of Administrative Services	8.0
Department of Emergency Services and Public Protection	4.8
Department of Economic and Community Development	3.0
Office of the Chief Medical Examiner	0.1
Department of Education	10.4
Public Defenders	6.7
OSC - Adjudicated Claims	6.2
DAS - Workers' Compensation	2.8
Total - General Fund (GF)	42.0
General Fund Reductions:	
Department of Social Services (Medicaid)	(43.0)
Net GF Impact	(1.0)
Transportation Fund Increases:	
Department of Transportation	13.7
State Comptroller - Fringe Benefits (Active Health)	1.5
DAS - Workers' Compensation	0.8
Total - Transportation Fund (TF)	16.0
Transportation Fund Reductions:	
Department of Motor Vehicles	(2.0)
Department of Transportation	(4.0)
Debt Services - State Treasurer	(9.0)
Total - Transportation Fund (TF)	(15.0)
Net TF Impact	1.0
TOTAL - All Funds Impact	-

Below includes the explanation of the General Fund agency's deficiency appropriations needs:

Department of Administrative Services - \$8 million

The FY 14 deficiency appropriation is composed of:

- \$6.5 million in Personal Services and
- \$1.5 million in State Insurance and Risk Management.

The total Personal Services deficiency of \$7.6 million (15.5% of appropriation) is due to the November 7, 2013 FAC approval transferring \$8 million from Personal Services to the State Insurance and Risk Management Operations account. Funding was needed in the State Insurance and Risk Management Operations account as the state settled and paid two large automobile claims earlier this fiscal year. One claim involved a State Trooper who hit a pedestrian in Shelton on May 29, 2010. This claimant was awarded \$9 million. In the second claim, there was a fatal traffic accident involving a UConn student and a student operated campus shuttle bus on March 22, 2011. This claim settled for \$6 million. The state is responsible for paying a \$4 million deductible on each claim. The \$7 million balance on these two claims will be covered by the state's insurance carrier. This shortfall is partially offset by \$1.1 million lapsing funds from the following accounts: \$783,700 in IT Services, \$183,000 in Rents and Moving, and \$153,500 in other various accounts.

The deficiency of \$1.5 million in the State Insurance and Risk Management Operations account (12% of appropriation) is due to additional claims that are due before the end of FY 14.

Department of Emergency Services and Public Protection - \$4.8 million

The FY 14 deficiency appropriation is composed of:

- \$3.9 million in Personal Services,
- \$500,000 on Other Expenses and
- \$400,000 in Workers' Compensation Claims.

The \$3.9 million deficiency in Personal Services arises, in part, from lower assessments on each casino for law enforcement services. PA 13-170 enabled the transition of law enforcement duties at each casino from DESPP to tribal police forces. The state negotiated assessments with each tribe setting law enforcement reimbursements at \$1.2 million (\$600,000 per tribe) for FY 14. Tribal reimbursements totaled \$4.2 million in FY 13, \$4.7 million in FY 12, and \$7.2 million in FY 11. Given that DESPP staffing levels were not correspondingly reduced, the lower assessment created a shortfall in Personal Services of approximately \$3 million. The remainder of the overall Personal Services shortfall (\$900,000) is attributable to unbudgeted overtime.

The \$500,000 deficiency in Other Expenses is driven primarily by payments made to several state National Guards under the Emergency Management Assistance Compact for work during the February 2013 snow storm. DESPP has paid approximately \$390,000 in FY 14 for such services. The Workers' Compensation Claims shortfall is due to aggressive budgeting assumptions and higher than anticipated claims costs.

Department of Economic and Community Development - \$3 million

The FY 14 deficiency appropriation is composed of:

- \$3 million in Capital Region Development Authority.

The deficiency in the Capital Region Development Authority account is due to the lease agreement between the state and the City of Hartford regarding the XL Center. The Capital Region Development Authority (CRDA) negotiated a new ten year lease agreement with the City of Hartford effective July 1, 2013. The lease provides up to \$3 million in rent payments in both FY 14 and FY 15 and up to \$2.6 million per year thereafter from net operating revenue from the facility.

The state appropriates funding to CRDA, a quasi-public state agency, to provide supplemental support of its administrative and operational costs which include the administration of the XL Center. Prior to this new agreement, the former Connecticut Development Authority (now Connecticut Innovations, Inc.) leased the facility from the City of Hartford on behalf of the state for over 20 years.

Office of the Chief Medical Examiner - \$0.1 million

The FY 14 deficiency appropriation is composed of:

- \$100,000 in Other Expenses.

The deficiency in Other Expenses (OE) is due to increased cost associated with body transport (a contracted service) and toxicology laboratory services resulting from a backlog of cases. On 10/18/13, CME reported that families had to wait five to six months for issuances of final death certificates due to in-house toxicology laboratory shortages. It should be noted that PA 14-47, the FY 15 Revised Budget, includes budget adjustments in FY 15 to support the toxicology annualized costs.

State Department of Education - \$10.4 million

The FY 14 deficiency appropriation is composed of:

- \$10.4 million in Magnet Schools.

At the May 1, 2014 FAC meeting, \$9.6 million was transferred from various accounts to the Magnet School account to offset the \$19 million deficiency. The overall magnet deficiency represents 7.2% of the FY 14 appropriation of \$265.5 million. The Magnet

School account appropriation has increased by approximately \$23 million from FY 13 to FY 14; this represents a growth of approximately 8.6%. The deficiency in the Magnet School account is due to the following three factors: (1) increased enrollment and corresponding transportation costs of \$6.4 million; (2) prekindergarten tuition payments of \$5.4 million; and (3) supplemental transportation payments of \$7.2 million. PA 14-47, the FY 15 Revised Budget includes FY 15 budget adjustments to support the magnet school annualized cost.

Public Defenders - \$6.7 million

The FY 14 deficiency appropriation is composed of:

- \$4.9 million in Personal Services and
- \$1.8 million in Expert Witnesses.

The deficiency in the Personal Services account is due to an early release of a portion of this account's fourth quarter allotment in order to allow a FAC transfer from this account to the Assigned Counsel accounts.

The shortfall in the Assigned Counsel – Criminal account is due to: (1) eliminating the backlog of approximately 400 habeas cases by hiring law firms with expertise in address these cases, which has resulted in approximately \$2.2 million of the projected shortfall in this account, and (2) a new payment and billing system that has accelerated payments made to attorneys by up to four months, which has resulted in approximately \$2.4 million of the projected shortfall in this account. PA 14-47, the FY 15 Revised Budget, includes \$875,000 in FY 15 to support annualized costs in the Assigned Counsel – Criminal account.

In addition, approximately \$300,000 of the early released allotment was used to transfer funds to the Assigned Counsel – Child Protection account. These funds were necessary due to two main factors: (1) this account carried over \$698,000 in child protection attorney bills from FY 13 to FY 14, and (2) the number of child protection cases is anticipated to grow from 8,320 in FY 13 to more than 10,000 cases in FY 14.

The deficiency of \$1.8 million in the Expert Witness account is due to the unexpected payment of an expert witness. The billing submitted for the expert witness was for services rendered from 2008-2013 on behalf the *In Re Racial Disparities in Death Penalty Cases*.

Office of the State Comptroller - Adjudicated Claims - \$6.2 million

The FY 14 deficiency appropriation is composed of:

- \$6.2 million in Adjudicated Claims.

The deficiency in the Adjudicated Claims account is due to higher than anticipated claims costs and the recent settlement between the state and Capital Properties for \$6.2 million. The shortfall represents 62% of total FY 14 projected expenditures. It should be noted FY 12 was the first year the Adjudicated Claims account received an appropriation. Claims were previously funded out of the resources of the General Fund. Since FY 03, annual claims range from \$3.9 million to \$15.7 million, with a median annual claims cost of \$7.6 million.

DAS - Workers' Compensation Claims - General Fund - \$2.8 million

The FY 14 deficiency appropriation is composed of:

- \$2.8 million in Workers' Compensation Claims.

The deficiency in the Workers' Compensation Claims account within the General Fund (this account supports General Fund agencies without a separate workers' compensation appropriation), is primarily due to the following factors: (1) increased utilization of services, (2) employees remaining on workers' compensation longer, and (3) increasing medical expenditures. The following table reflects average monthly expenditure and claims trends for the General Fund account for the period July through March for FY 13 and FY 14.

Average Monthly Workers' Compensation Claims - GF

	FY 13 \$	FY 14 \$	Change
Number of Claims	375	398	6.1%
Cost Per Claim	2,417	2,599	7.5%
Total Indemnity Costs	1,028,896	1,161,567	12.9%
Total Medical Costs	1,078,538	1,048,045	-2.4%

The deficiency in this account is approximately 8.8% of total FY 14 estimated expenditures. PA 14-47, the FY 15 Revised Budget, includes \$2.8 million in FY 15 to support the annualized workers' compensation costs.

Below includes the explanation of the General Fund agency's available funding:

Department of Social Services - \$43 million

The reduction to the FY 14 appropriation is composed of:

- \$43 million in Medicaid.

Funding is available due to a one time transfer of \$67 million between the Disproportionate Share-Medical Emergency Assistance (DSH) account and the Medicaid account. The transfer was the result of the reconciliation of the net appropriation of the Medicaid account which took place in the biennial budget.

Below includes the explanation of the Transportation Fund agency's deficiency appropriations needs:

Department of Transportation (DOT) - \$13.7 million

The FY 14 deficiency appropriation is composed of:

- \$7 million in Personal Services,
- \$2.1 million in Other Expenses,
- \$4 million in Bus Operations and
- \$600,000 in ADA Para-transit Program.

The \$7 million deficiency in the Personal Services account is driven by the March 6, 2014 Finance Advisory Committee (FAC) transfer of \$7 million from Personal Services to Other Expenses. This transfer was to cover a shortfall in the Other Expenses account due to higher than budgeted storm related costs for snow and ice removal. The Department of Transportation's (DOT) snow and ice removal budget is based on an average of 12 storms per year, and to date there have been approximately 15 storms. Due to winter storm costs, funding was needed for the following reasons: (1) higher than average storm costs for material and contractual services, (2) increased fuel usage to supply the 84 fuel facilities used by all state agencies and (3) equipment maintenance and repair of the department's fleet. Currently, 248 of DOT's 632 truck fleet, or 39% are past the 12 year useful lifecycle.

The \$4 million deficiency in the Bus Operations account is driven by: (1) a \$1 million unbudgeted claim related to a fatality that was settled in June 2013 and (2) higher than anticipated expenditure trends. The \$600,000 deficiency in ADA Para-transit Program account is also due to higher than anticipated expenditure trends.

The \$2.1 million deficiency in the Other Expenses account is driven by: (1) \$1.8 million in unbudgeted information technology costs and (2) higher than budgeted storm related costs for snow and ice removal.

Office of the State Comptroller - Fringe Benefits - \$1.5 million

The FY 14 deficiency appropriation is composed of:

- \$1.5 million in State Employees' Health Service Costs.

The deficiency in the State Employees' Health Service Costs account within the Special Transportation Fund is due to medical claims costs (including pharmacy) being 3.4% higher than anticipated for employees of the Departments of Transportation and Motor Vehicles. Average monthly expenditures for the period July through April are 16.2% higher than the same period in FY 13.

DAS - Workers' Compensation Claims - Transportation Fund - \$0.8 million

The FY 14 deficiency appropriation is composed of:

- \$0.8 million in Workers' Compensation Claims.

The deficiency in the Workers' Compensation Claims account within the Special Transportation Fund (this account supports the Departments of Motor Vehicles and Transportation), is primarily due to the following factors: (1) increased utilization of services, (2) employees remaining on workers' compensation longer, and (3) increasing medical expenditures. The shortfall in this account is approximately 13.2% of total FY 14 estimated expenditures. PA 14-47, the FY 15 Revised Budget, includes \$800,000 in FY 15 to support the annualized workers' compensation costs.

The following table reflects average monthly expenditure and claims trends for the Special Transportation Fund for the period July through March for FY 13 and FY 14.

Average Monthly Workers' Compensation Claims - TF

	FY 13 \$	FY 14 \$	Change
Number of Claims	49	50	1.7%
Cost Per Claim	2,527	2,474	-2.1%
Total Indemnity Costs	269,812	294,862	9.3%
Total Medical Costs	349,107	411,659	17.9%

Below includes the explanation of the Transportation Fund agency's available funding:

Department of Transportation (DOT) - \$4 million

The reduction to the FY 14 appropriation is composed of:

- \$4 million in Pay As You Go Transportation Projects.

Funding is available in the Pay As You Go Transportation Projects account due to slower than anticipated expenditure trends. Funding of \$2 million was transferred as part of the March 6, 2014 Finance Advisory Committee (FAC) meeting to the Other Expenses account to cover costs related to higher than budgeted storm related costs for snow and ice removal. Subsequently, the Department of Transportation received \$2 million in Federal Highway funds that were used for pay as you go transportation projects such as inspection of local bridges between 6' and 20' in length.

Department of Motor Vehicles (DMV) - \$2 million

The reduction to the FY 14 appropriation is composed of:

- \$1.5 million in Personal Services and
- \$500,000 in Other Expenses.

Funding is available in the Personal Services account due to delays in hiring 41 positions which has resulted in lower than anticipated expenditures. Funding is available in the Others Expenses account due to slower than anticipated expenditure trends.

Debt Services - Treasurer - \$9 million

The reduction to the FY 14 appropriation is composed of:

- \$9 million in Debt Services.

Funding is available due to: (1) the Special Tax Obligation (STO) bond issuance that was scheduled for October 2013 was delayed until November 2013 and (2) the assumed interest rate for the issuance was 6.00% and the actual interest rate was 3.67%.