

As of February 25, 2020, the Office of Fiscal Analysis is projecting \$106.9 million in state agency General Fund shortfalls. The following table reflects the level of funding that is anticipated to be needed by various agencies from the General Fund this fiscal year.

FY 20 General Fund Estimated Deficiency Needs

In Millions of Dollars

| Agency | Deficiency |
|--|--------------|
| State Comptroller - Adjudicated Claims | 40.0 |
| Office of the State Comptroller - Fringe Benefits | 22.2 |
| Department of Correction | 18.0 |
| Department of Social Services | 14.9 |
| Department of Emergency Services and Public Protection | 5.8 |
| Department of Mental Health and Addiction Services | 4.9 |
| Department of Administrative Services - Workers' Compensation Claims | 0.7 |
| TOTAL | 106.9 |

Numbers may not add due to rounding.

A description of each of these deficiencies is provided below.

Office of State Comptroller - Miscellaneous — \$40 million

The agency’s projected FY 20 shortfall of \$40 million is in the Adjudicated Claims account. The FY 20 and FY 21 Budget did not include an appropriation for this account and \$32.8 million has been expended for adjudicated claims in FY 20 to date. An additional \$6.5 million is needed for payment of a settlement, reached at the end of FY 18, whose payment terms were finalized in FY 20. The balance of the shortfall is related to projected payments for other claims.

Office of the State Comptroller- Fringe Benefits — \$22.2 million

The agency’s FY 20 projected shortfall of approximately \$22.2 million is primarily result of the following: \$1.4 million in the SERS Defined Contribution Match account, \$2 million in the Employers’ Social Security Tax account, and \$42.6 million in the State Employees’ Health Service Cost account. The shortfall in these accounts is partially offset by lapses in the following accounts: \$3 million in the Other Post-Employment Benefits account, \$2.5 million in the Unemployment Compensation account, \$7.5 million in the Retired State Employee Health Service Cost account, and \$11 million in the Higher Education Alternate Retirement Program account.

The shortfall in the SERS Defined Contribution Match account is due to expenditures being 47% greater per pay period than assumed in the budget. The shortfall in the Employers’ Social Security Tax account is due to payroll trends running 1% higher than assumed in the budget. The FY 20 appropriation is approximately \$550,000 (less than 1%) less than FY 19 expenditures.

The shortfall in the State Employees’ Health Service Cost account is predominately due to the

allocation of a \$33.3 million holdback to the account, which results in available funding being only 1.7% greater than FY 19 expenditures (growth in the prior biennium was 4%).

The agency's shortfall is largely offset by available funding in the Higher Education Alternate Retirement System (ARP) account due to projected General Fund expenditures for the ARP program being \$11 million less than anticipated in the budget. The FY 20 projected ARP expenditures of \$11 million are anticipated to be covered by FY 19 carryforward and not FY 20 appropriated funds. Expenditures are less than assumed in the budget predominately due the finalization of ARP transfers effective January 18, 2019.

Department of Correction — \$18 million

The Department of Correction (DOC) is projected to have a deficiency of \$18.0 million, resulting from shortfalls of \$2.6 million in Other Expenses (OE) and \$15.4 million in Inmate Medical Services (IMS). FY 20 available OE resources are 3.5% less than its FY 19 expenditures. DOC is also experiencing an increase in various utility related accounts (natural gas, water, and sewage), food and beverage, and clothing along with an increase in premise repairs and maintenance supplies that are used to maintain and repair the aging infrastructure at its facilities.

The IMS account is projected to have a \$15.4 million deficiency primarily due to staffing and pharmaceutical costs. The agency is trying to fill over 100 medical positions. It is covering for these unfilled positions with overtime and temporary staff. The cost of pharmaceuticals continues to increase at the same time as the inmate population is aging, requiring more and costlier care.

Department of Social Services — \$14.9 million

The Department of Social Services (DSS) is projected to run a net deficiency of \$14,940,733. A \$30 million shortfall in the Medicaid account (approximately 1.1% of the appropriation) is primarily due to higher than anticipated expenditures for (1) pharmacy (as well as lower rebates), and (2) inpatient and outpatient hospital services. Shortfalls are also anticipated in the HUSKY B (\$400,000) and State Administered General Assistance (SAGA) (\$750,000) line items due to higher expenditure trends.

The shortfalls are partially offset by lapses totaling \$16.2 million in several accounts primarily due to caseload trends. The \$2.2 million lapse in Old Age Assistance and \$3.5 million under Aid to the Disabled reflect caseload levels being more than 7% below this same period in FY 19. Temporary Family Assistance and the Connecticut Home Care Program continue to see lower than budgeted monthly expenditures and enrollment resulting in lapses of \$2.5 million and \$3 million, respectively. In addition, the Personal Services lapse of \$3 million is the result of slower than anticipated hiring, while the Other Expenses lapse of \$2 million is due to lower than budgeted expenditures. The \$31,102 lapse in the Hospital Supplemental Payments line item reflects the expenditure of the amount specified in Exhibit 6 of the hospital settlement agreement.

Department of Emergency Services and Public Protection — \$5.8 million

The agency's projected shortfall is comprised of a \$5.8 million deficiency in the Personal Services account. Overtime expenses within the agency continue to rise as the department experiences above-average retirements. There were 100 retirements within Department of Emergency Services and Public Protection (DESPP) in FY 19, and there have been approximately 70 to date this fiscal year. With more vacancies, existing troopers are required to fill existing shifts. Compared to the first two quarters of FY 19, overtime expenses are up \$2.4 million (14.5%) in FY 20 over the same period. Retirements have also cost DESPP \$1.5 million in vacation and sick time payouts this fiscal year.

Department of Mental Health and Addiction Services — \$4.9 million

The projected deficiency in the Department of Mental Health and Addiction Services is due to shortfalls in several accounts. The shortfall in the Other Expenses account (\$1,500,000) is due to unbudgeted contract costs and anticipated expenditures to support attorney services for pending litigation, as well as facility maintenance costs. In addition, FY 20 available funding is approximately 5.6% below FY 19 expenditures. The Professional Services account shortfall (\$1,600,000) reflects costs for contracted doctors while the agency recruits for full-time staff (primarily Psychiatrists). The shortfall in Workers' Compensation Claims account (\$1,000,000) is primarily due to FY 19 expenses that will be paid in FY 20. The Discharge and Diversion account shortfall (\$1,000,000) reflects the needs of clients placed in the community. The agency's deficiency is partially offset by a \$200,000 lapse in the Home and Community Based Services account.

Department of Administrative Services - Workers' Compensation Claims — \$700,000

The agency's projected FY 20 deficiency of \$700,000 is predominately the result of medical trends being higher than anticipated in the budget. Average monthly medical expenditures are 43% higher than were experienced in FY 19 while average monthly indemnity benefits are only 1% higher than the prior fiscal year. Total FY 20 estimated expenditures are 9% higher than anticipated in the budget.