

House of Representatives, March 20, 1998. The Committee on Appropriations reported through REP. DYSON, 94th DIST., Chairman of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 1998.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. The following sums are  
2 appropriated for the purposes herein specified for  
3 the fiscal year ending June 30, 1998:

4 GENERAL FUND	
5	\$
6 ETHICS COMMISSION	
7 Other Expenses	7,500
8 DEPARTMENT OF PUBLIC WORKS	
9 Other Expenses	1,000,000
10 OFFICE OF THE MEDICAL EXAMINER	
11 Other Expenses	100,000
12 DEPARTMENT OF MENTAL RETARDATION	
13 Other Expenses	5,027,000
14 DEPARTMENT OF SOCIAL SERVICES	
15 Medicaid	67,400,000
16 Temporary Assistance to Families	15,200,000

17	AGENCY TOTAL	82,600,000
18	BOARD OF EDUCATION AND SERVICES	
19	FOR THE BLIND	
20	Other Expenses	580,000
21	Equipment	330,000
22	AGENCY TOTAL	910,000
23	MISCELLANEOUS APPROPRIATIONS	
24	ADMINISTERED BY THE COMPTROLLER	
25	REFUNDS OF PAYMENTS	
26	Other Expenses	1,940,000
27	SUNDRY PURPOSES	
28	Other Expenses	7,000,000
29	STATE EMPLOYEES HEALTH SERVICE COST	
30	Other Expenses	10,000,000
31	TOTAL - MISCELLANEOUS APPROPRIATIONS	
32	ADMINISTERED BY THE COMPTROLLER	18,940,000
33	TOTAL - GENERAL FUND	\$108,584,500
34	CONSUMER COUNSEL AND PUBLIC	
35	UTILITIES CONTROL FUND	
36		\$
37	OFFICE OF THE CONSUMER COUNSEL	
38	Other Expenses	160,000
39	TOTAL - CONSUMER COUNSEL AND	
40	PUBLIC UTILITIES CONTROL FUND	\$160,000

41 Sec. 2. Of the amounts appropriated to the  
 42 Board of Education and Services for the Blind in  
 43 section 1 of this act, up to \$500,000 of the  
 44 amount appropriated for other expenses and up to  
 45 \$330,000 of the amount appropriated for equipment,  
 46 shall not lapse on June 30, 1998, and such funds  
 47 shall continue to be available for agency moving  
 48 costs during the fiscal year ending June 30, 1999.

49 APP COMMITTEE VOTE: YEA 42 NAY 0 JFS

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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**FISCAL IMPACT STATEMENT - BILL NUMBER sHb 5022**

STATE IMPACT                    Cost, see below  
MUNICIPAL IMPACT                None  
STATE AGENCY(S)                Various

	Current FY	1998-99	1999-2000
State Cost	:108,584,500	:General Fund :	:
(savings)	: 160,000	:Consumer Counsel/DPUC :	:
	:	: Fund :	:
St Revenue	: 25,000,000	:Federal Reimbursement :	:
(loss)	:	:General Fund :	:
Net St Cost	:	:	:
(savings)	:	:	:
Municipal	:	:	:
Impact	:	:	:

**EXPLANATION OF ESTIMATES:**

Explanations of each item are presented below. It should be noted that the OFA projected a General Fund surplus for 1997-98 of \$343.2 million on January 30, 1998. That estimate included additional appropriations projected at \$94,660,000.

Additional federal reimbursements of \$25 million are anticipated to result from the Medicaid deficiency.

The calculation of the spending cap for 1997-98 (based on interpretations of the statutory spending cap),

including these deficiencies, as well as appropriations contained in other legislation already enacted or favorably reported by the Appropriations Committee, shows the revised budget to be under the cap by \$34.9 million.

Regarding the balanced budget provisions of the constitutional amendment, OFA revenue projections for all appropriated funds are \$524.2 million above original estimates, and thus can accommodate the additional appropriations provided by this bill.

An explanation of each deficiency follows:

<u>Agency/Explanation</u>	<u>Amount</u>
<b>State Ethics Commission</b>	<b>\$ 7,500</b>

It is anticipated that the State Ethics Commission will experience a \$7,500 deficiency in the Other Expenses (OE) account. The expected shortfall is the result of 1) the previous practice of the business office to carryover bills, and 2) the delay of payments causing previously appropriated funds to lapse. The Commission has partially offset some of the deficiency through cost savings measures in the OE account, however, a shortfall of \$7,500 remains. It should be noted the Commission incurred a discretionary expenditure of \$3,000 for food and non-alcoholic beverages for an anniversary reception after the deficiency in the OE account was apparent.

<b>Department of Public Works (DPW)</b>	<b>\$ 1,000,000</b>
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The Department of Public Works (DPW) is expected to run a total net deficiency of about \$1.0 million in their Other Expenses account. Total gross deficiencies of \$1.8 million are partially offset by surpluses of \$800,000 in two accounts: 1. The Thames River Campus account, \$700,000 and 2. The Rents and Moving account, \$100,000. These funds will be transferred by FAC action to cover some of the shortfalls in other DPW accounts. It should be noted that FAC transfer # 98-13 already transferred \$350,000 from the Thames account to cover

part of a deficit in the Norwich Campus Management account.

The following 6 items account for the \$1.8 million gross deficiency. 1. Funding in the amount of \$500,000 was removed from the DPW FY '98 budget from savings anticipated from renegotiating energy rates from ENI, which provides the Capitol District heating and cooling. Negotiations between DPW and ENI have not been successful in reducing rates. 2. The Altobello Campus was transferred from the Department of Children and Families with no funding. FY '98 maintenance costs are estimated at \$400,000. 3. The Norwich Hospital campus requires another \$350,000. The DPW budget assumed that there would be no tenants at this facility. Seven non-profit agencies currently occupy buildings at the Norwich campus. 4. An additional \$200,000 is required for the Seaside Regional Center. The DPW budget assumed that this property would be sold by January 1, 1998. 5. The DPW budget assumed that the employees at the Fairfield Hills campus could be laid off when the power plant was closed. Budget language concerning the Early Retirement Incentive Plan has prevented the lay off of these employees. The cost is \$200,000. 6. DPW has contracted for DP Systems services because they could not get approval to fill the vacant position. The cost is \$150,000.

**Office of the Medical Examiner** \$ 100,000

The projected deficiency is due to increased facility and maintenance services of some \$87,000, higher data processing costs (\$15,000), and additional death investigations beyond budget estimates (\$48,000). For FY 98, funds were appropriated based on an estimated investigation of 6,880 cremations. It is now estimated that the agency will be investigating 7,405 cremations this fiscal year. This is an increase of 525 cases, or 7.6% over the budget estimates. Since the estimates were submitted in early February, some \$50,000 in Personal Services funds have become available for transfer, which will reduce the amount of the deficiency to \$100,000.

**Department of Mental Retardation** \$ 5,027,000

The Department of Mental Retardation is expected to run a deficiency of approximately \$5,027,000 in the Other Expenses account. This shortfall is mainly due to a FY 98 budget reduction of \$4,700,000 (25%) in this account. The department does anticipate a \$352,000 savings in the Other Expenses account due to closure of group homes and consolidation of state services. However, this savings is more than offset by approximately \$500,000 in additional costs relating to Southbury Training School litigation including special counsel and expert witnesses. Approximately \$184,000 in unbudgeted technological and telecommunication requirements will also contribute to the projected shortfall.

**Department of Social Services** **\$ 82,600,000**

This \$82.6 million projected deficiency in DSS results from the Medicaid program and the Temporary Assistance to Families program.

**Medicaid** **\$ 67,400,000**

The appropriation estimate for Medicaid expenditures assumed significant cost savings in three areas: 1) pharmacy; 2) home health care; and 3) managed care. These three areas account for nearly two-thirds of the expenditures on Medicaid health services (excluding long-term care expenditures). In the first half of FY 98, savings in these areas have not been achieved. Pharmacy expenditures have continued to rise despite legislative actions aimed at controlling the growth in spending. Recently approved co-payments for prescriptions may have an impact in the final three quarters of the current fiscal year, however the account is estimated to be \$39.5 million over the appropriation. Other cost reduction efforts related to implementation of the AIM computer system have not had an appreciable impact. Competitive bidding of pharmaceutical services, a cost containment strategy proposed by the executive branch and approved by the legislature, has not been implemented. Similar efforts concerning the provision of transportation services for Medicaid clients have been delayed, and thus have not had an impact on first quarter spending.

There has also been a delay in competitive bidding for Medicaid managed care from October 1, 1997 to April 1, 1998. To date, the average capitation rate has remained steady over the past six months and enrollment has risen. This adjustment is estimated to increase Medicaid expenditures by \$46 million.

There has also been increased spending in home health care. Two services are covered by this category of expenditures: clients in need of care when being discharged from a hospital and clients at risk of going into a nursing home. The latter services are part of those provided by the Connecticut Home Care Program. Through direction of the legislature, the Department of Social Services reopened the Connecticut Home Care Program to reduce the waiting list of clients. At the end of the last fiscal year, the program served 5,120 clients. As of January '98, the program served 8,112 clients, an increase over budget act estimates of 7,000. Also contributing to this deficiency may be a higher than expected caseload for home health care services for clients being discharged from a hospital. A breakdown between the two types of claims is not available. These expenditures will require careful review by the department, the Office of Policy and Management, and the Office of Fiscal Analysis if they continue to rise at their current pace.

It should be noted that the Medicaid deficiency has been increased due to a \$19.6 million transfer out of this account by action of the FAC at its March, 1998 meeting (FAC #98-19). This transfer covered anticipated deficiencies of \$12.5 million in the General Assistance program and \$6.6 million in the Connecticut Pharmaceutical Assistance Contract for the Elderly (ConnPACE) program, along with several smaller program deficiencies. The deficiency in the General Assistance program was due to higher than anticipated medical claims associated with the state takeover of towns GA programs. The ConnPACE deficiency is due primarily to unrealized budgeted savings.

The Medicaid deficiency is offset by a modest projected surplus in several other Medicaid categories of expenditures. However, even those accounts with early surpluses may be affected by increased financial pressure during the remaining months of the fiscal year.

It should be noted that overall Medicaid expenditure growth between actual FY97 and estimated FY98 remains very low at 2.4 percent.

Temporary Family Assistance (TFA) \$ 15,200,000

The appropriation estimates for the Temporary Family Assistance program assumed that the recent trend of declining caseloads would continue even prior to the first clients reaching the end of their time limits. However, there has been a slight increase in the caseload during the first quarter of FY 98. This has resulted in expenditures in excess of those originally anticipated. The 21-month time limit on TFA benefits effected the first clients as of November 1. The continuing impact of the time limits on caseloads will have a significant effect on program expenditures for the remaining fiscal year.

**Board of Education and Services for the Blind** \$ 910,000

The agency is requesting deficiency funding related to the relocation of its state-owned headquarters in Wethersfield and its leased-space Industries for the Blind facility in West Hartford. These would be moved to a leased facility in Windsor. This deficiency request consists of \$490,000 for moving expenses and \$330,000 for new workstations and other equipment. It also includes \$90,000 to pay for one month of operating expenses this fiscal year for the new headquarters. The Governor's budget adjustments for FY 1998-99 recommends additional funding of \$1,145,800 for annualized operating costs and moving costs for these facilities and for the agency's other Industries for the Blind facility in West Haven which is anticipated to be relocated to New Haven. Total one-time moving costs and expenses for all three facilities would be \$1.3 million. Total additional on-going operating expenses would be \$.85 million.

Section 2 of the bill allows a major portion these funds to be carried forward into FY 99 if not expended in the current fiscal year.

**Miscellaneous Appropriations Administered by the Comptroller****Refunds of Payments** **\$ 1,940,000**

The Refunds of Payments account is anticipating a deficiency of \$1,940,000 as the result of a refund of the same amount due the United States Department of Agriculture (USDA). The USDA asserted that its regulations regarding school breakfasts and lunches were not fully adhered to by the State and requested a reimbursement for overpayment. This resulted in a court case over the repayment covering FY 1992-93. The State was unsuccessful in this case and \$841,534 plus accrued interest has been paid as an adjudicated claim through the Comptroller's Office. The amount to be paid from this account reflects the remaining fiscal years of exposure through FY 1994-95.

**Sundry Purposes** **\$ 7,000,000**

An appropriation of \$7,000,000 would permit the State Comptroller to eliminate the deficits in the Education Excellence Trust Fund (\$2,532,299); Nautilus Committee Loan Fund (\$2,000,000); and the Public Works Service Fund (\$2,459,071). These obsolete funds have no current income sources and no means to eliminate the negative balances. The State Comptroller has indicated that this appropriation will permit these three funds to be closed. The following background information is provided on the three funds:

Education Excellence Trust Fund

The Educational Excellence Trust Fund was established pursuant to PA 85-554. A total of \$371.9 million was transferred from the General Fund surplus in the fiscal years '85, '86, and '87. The fund was authorized to keep its investment earnings. The fund terminated operations at the end of fiscal year '89 with a deficit of \$12.3 million, the result of shortfalls in anticipated investment income. PA 89-251 transferred \$8 million to the fund from the Residential Property Tax Relief Fund, leaving a deficit of \$4.3 million. Refunds of grant payments from towns have since reduced the deficit to \$2.5 million, where it has remained since fiscal year '92.

Nautilus Committee Loan Fund

Special Act 83-17 (June Special Session) authorized \$2,000,000 of bonding to provide a loan to the Connecticut Nautilus Committee for the purpose of berthing the USS Nautilus in Connecticut. The fund was established to account for the proceeds of the bonds and the payment of the loan. The Bond Commission allocated the \$2 million that was placed in the fund and subsequently loaned to the Nautilus Committee. The loan was eventually repaid and the repayments were deposited in the General Fund with the assumption that the General Fund would pay the debt service on the bonds.

The problem arose in the fund because the bonds were never issued and therefore the fund has a cash deficit of \$2 million resulting from the loan payment. When the Treasurer went to issue the bonds for this project, they were informed by the state's bond counsel that bonds could not be issued for a loan that had been repaid. This resulted in an unusual situation because the bonds remain authorized and allocated but cannot be issued.

Public Works Service Fund

The Department of Public Works (DPW) provides technical assistance to other State agencies in the preparation of the design and funding requests for capital projects. These positions are funded out of Bond Funds. Due to problems in the design and construction of various buildings, and due to cost overruns in the actual construction, DPW was not recovering all of its costs from the Bond Funds, resulting in a negative balance in the Public Works Service Fund. No further expenditures have been made out of this account since 1991. At that time the account was over \$10.2 million in deficit. Since that time, DPW was able to recover some funds directly from bonded projects, and also increased their Bond Fund charges to new projects for a short time, in order to reduce the deficit to the current amount. The State Auditors have recommended that an appropriation be made to eliminate this deficit and close out the account.

**State Employees Health Service Cost**

**\$ 10,000,000**

Funding is required for payment to Anthem Blue Cross and Blue Shield of Connecticut as part of an agreement between Anthem and the State Comptroller that would maintain for fiscal year 1998-99 the current health insurance rates for active and retired state employees and keep the Rate Stabilization Reserve (RSR) cap at \$53.3 million. Prior to this payment, the RSR is approximately \$30 million negative at this time which has been confirmed by recent audit.

**Total - General Fund** **\$108,584,500**

**FY 98 Projected Non-General Fund Deficiencies Consumer  
Counsel and Public Utilities Control Fund**

**Office of Consumer Counsel** **\$ 160,000**

The Office of Consumer Counsel (OCC) is expected to experience a \$160,000 shortfall as a result of a partial disposition in *Olgin v. Weicker*. A deficiency appropriation will fund attorneys' fees and a payment to the plaintiff.

**1997-98  
SUMMARY OF PROJECTED DEFICIENCY APPROPRIATIONS**

Agency/ Acct.	1997-98 Orig. Approp.	Projected Deficiency	% Deficiency Is of Orig. Approp.
<b>Ethics Commission</b>	<b>\$624,107</b>	<b>\$7,500</b>	<b>1.2</b>
Other Expenses	84,412	7,500	8.9
<b>Dept. of Public Works</b>	<b>34,896,055</b>	<b>1,000,000</b>	<b>2.9</b>
Other Expenses	16,110,613	1,000,000	6.2

<b>Office of the Medical Exam.</b>	<b>4,279,705</b>	<b>100,000</b>	<b>2.3</b>
Other Expenses	1,540,405	100,000	6.5
<b>Dept. of Mental Retardation</b>	<b>532,782,758</b>	<b>5,027,000</b>	<b>0.9</b>
Other Expenses	15,777,536	5,027,000	31.9
<b>Dept. of Social Services</b>	<b>3,217,413,765</b>	<b>82,600,000</b>	<b>2.6</b>
Medicaid	1,936,360,300	67,400,000	3.5
Temporary Asst. to Families	28,655,752		
Temporary Asst. to Families-TANF	250,000,000	15,200,000	5.5
<b>Board of Educ. and Services for the Blind</b>	<b>13,798,081</b>	<b>910,000</b>	<b>6.6</b>
Other Expenses	943,977	580,000	61.4
Equipment	0	330,000	-
<b>Misc. Approps. Admin. by the Comptroller</b>			
<b>Refunds of Payments</b>			
Other Expenses	450,000	1,940,000	431.1
<b>Sundry Purposes</b>			
Other Expenses	0	7,000,000	-
<b>State Employees Health Service Cost</b>			
Other Expenses	180,507,300	10,000,000	5.5
<b>General Fund Total-Net</b>	<b>\$9,342,249,779</b>	<b>\$108,584,500</b>	<b>1.2</b>
<b>Consumer Counsel and Public Utility Control Fund</b>			

Office of the  
Consumer

Counsel	\$1,643,152	\$160,000	9.7
Other Expenses	383,224	160,000	41.8

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**OFA BILL ANALYSIS**

sHB 5022

**AN ACT CONCERNING DEFICIENCY APPROPRIATIONS FOR THE  
FISCAL YEAR ENDING JUNE 30, 1998**

**SUMMARY:** This bill provides additional funds to various agencies to meet obligations in the current fiscal year. It also provides for the carry-forward of funds appropriated to the Board of Education and Services for the Blind (BESB) into the 1998-99 fiscal year.

**EFFECTIVE DATE:** Upon Passage

**FURTHER EXPLANATION:** The fiscal note provides detailed descriptions of each additional appropriation item.

**COMMITTEE ACTION**

Appropriations Committee

Joint Favorable Substitute  
Yea 42      Nay 0