FY 13 Projected Deficiencies

Prepared for the Appropriations Committee Hearing

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

The Office of Fiscal Analysis (OFA) is currently projecting $220.5 million in General Fund and $0.9 million in Transportation Fund state agency funding shortfalls. This differs from the Office of Policy and Management's (OPM's) projection of $190.9 million by a total of $30.5 million. The table below shows the level of funding needed by agencies as projected by OFA and OPM.

FY 13 Agency Estimated Deficiency Needs:
OFA to OPM Comparison (in millions)

Agency	OFA $	OPM $	Diff. $
Department of Social Services	190.9	190.9	0.0
Department of Corrections	20.0	0.0	20.0
Department of Emergency Services and Public Protection	9.5	0.0	9.5
Total General Fund	**220.5**	**190.9**	**29.6**
Department of Transportation	0.9	0.0	0.9
Total Transportation Fund	**0.9**	**0.0**	**0.9**
Total All Appropriated Funds	**221.4**	**190.9**	**30.5**

OFA's deficiency projections are based on a comparison between agencies' available funding and OFA's estimated agencies' 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 $221.4 million in deficiency appropriations or transfers from other areas to fund projected FY 13 costs. This assumes that $1.9 million in allotment holdbacks in the associated agencies (as a result of budgeted lapses) are not released by OPM. The deficiency amounts represent 3.1% of agencies' total FY 13 available funding, respectively.

The following table includes the agency's FY 13 appropriation, total level of available funding (less holdbacks plus any transfers for collective bargaining costs from the Reserve for Salary Adjustments account), estimated expenditures, and projected deficiency amount.

FY 13 Estimated Agency Deficiency Needs

Agency	Budgeted Appropriation $	Available Appropriation[1] $	Estimated Expenditures $	Deficiency without release of holdbacks	Deficiency with release of holdbacks
Department of Social Services	5,812,216,680	5,811,442,574	6,002,341,708	(190,899,134)	(189,055,254)
Department of Correction	618,949,296	621,185,947	641,230,124	(20,044,177)	(19,994,789)
Department of Emergency Services and Public Protection	151,569,768	154,175,180	163,714,509	(9,539,329)	(9,539,329)
Total General Fund				**(220,482,640)**	**(218,589,372)**
Department of Transportation	551,596,805	552,902,613	553,841,537	(938,924)	-
Total Transportation Fund				**(938,924)**	**-**
Total All Appropriated Funds				**(221,421,564)**	**(218,589,372)**

[1] Appropriation less budgeted lapses; plus transfers from the Reserve for Salary Adjustments account to cover the costs of collective bargaining agreements that were not otherwise provided in the agencies' budgets.

Detail on the Total Net Deficiencies - $221.4 million
(The following assumes that holdbacks will not be released by OPM.)

Department of Social Services (DSS) - $190.9 million

The agency's projected FY 13 budget shortfall is composed of:

- $62.5 million in Medicaid - Acute Care Services (This shortfall represents 4.6% of available account funds);
- $46.1 million in Medicaid - Professional Medical Care (5.7%);
- $25.9 million in Medicaid - Other Medical Services (3.9%);
- $13.0 million in Medicaid - Home and Community Based Services (2.7%);
- $39.6 million in Medicaid - Nursing Home Facilities (3.3%);
- $2.8 million in Medicaid - Other Long Term Care (1.6%); and
- $1.0 million in Medicaid - Administration and Adjustments (1.7%).

The $190.9 million shortfall in the Medicaid accounts is primarily due to: (1) optimistic assumptions underlying the original appropriation, (2) continued growth in caseload, and (3) an updated estimate for a federally mandated physician rate increase. This deficiency represents 4% of the available Medicaid funding.

The adopted budget included several savings initiatives that have yet to be fully implemented. These initiatives included a waiver to reduce the Medicaid for Low Income Adults (LIA) enrollment ($37.5 million), general utilization management under the new Administrative Service Organization (ASO) structure ($47.0 million), enhancing Medicaid recoveries from third-party payers ($20.0 million), and medication administration changes ($15.4 million). These delays have resulted higher than projected expenditures.

Additionally, the LIA population has continued its strong caseload increase, adding an additional 4,000 clients since June (a 5.0% increase), for a total population of 83,269 in September. The cost of these 4,000 clients represents an additional $30.0 million in expenditures.

Federal health care reform included a Medicaid rate increase for primary care physicians. Recent federal guidance has indicated that more physicians than originally anticipated may be impacted, resulting in an additional $12.7 million in FY 13 expenditures. This rate increase is 100% reimbursed by the federal government.

It should be noted that 50.0% of most Medicaid expenditures are reimbursed by the federal government. Therefore, the net budgetary impact of this deficiency is $89.1 million.

Department of Correction (DOC) - $20.0 million

The agency's projected FY 13 budget shortfall is composed of:

- $20.0 million in Personal Services.

The $20.0 million projected shortfall in the Personal Services account is primarily due to unachieved budgeted savings. This deficiency represents 5.2% of Personal Services appropriation. Based on current Personal Services spending, the agency will spend approximately 2.5% or $9.3 million less than the previous year (adjusted for an extra pay period in FY 12). In order to not exceed the appropriation, the agency would need to reduce spending by 7.3% or $30.6 million less than FY 12. Without a significant reduction in the current prison population, it is unlikely that the agency will meet the savings included in the budget.

Department of Emergency Services and Public Protection (DESPP) - $9.5 million

The agency's projected FY 13 budget shortfall is composed of:

- $9.5 million in Personal Services.

The $9.5 million projected shortfall in the Personal Services account is primarily driven by unachieved budget savings. This deficiency represents 8.2% of the original Personal Services appropriation. Based on the current Personal Services spending, the agency will spend approximately $1.4 million or 1.1% more than the FY 12 adjusted spending. In order to not exceed the appropriation, the agency would need to spend $10.6 million, or 8.4% less than the previous fiscal year.

Department of Transportation (DOT) - $939,000

The agency's project FY 13 budget shortfall is comprised of:

- $2.9 million in Other Expenses.

This shortfall is partially offset by lapsing funds of:

- $2.0 million in Rail Operations.

The shortfall in the Other Expense account is the result of applying past expenditure trends to the account, which includes expenses related to winter storms. The current projection assumes the five year average, which is approximately $54.2 million, will be spent this year. It should be noted that over 40.0% of the funds spent in this account occur between January and March related to winter storm clean up costs. Therefore, actual expenditures will be significantly contingent on the severity of the upcoming winter storm season. A ten year average estimates that Connecticut will experience nine storms after January 1st.

The table below shows the amount budgeted and the actual amount spent from the Other Expenses account for the last five fiscal years.

DOT – Other Expenses Account (in millions)

Fiscal Year	Budget $	Actual $
08	48.6	55.5
09	47.9	56.6
10	43.4	52.2
11	46.9	57.3
12	49.3	49.1

A projected lapse of $2.0 million in the Rail Operation account is the result of additional revenue from a 1.0% fare increase scheduled to take effect January 1, 2013. This is anticipated to result in a reduction in the rail subsidy needed to meet current operations. For FY 13, the budget includes $145.6 million to subsidize rail services.