FY 19 Projected Deficiencies

Prepared for the
Appropriations Committee Hearing

November 13, 2018

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

Michael Murphy, Section Chief

Anne Bordieri, Associate Analyst	Transportation Fund, Transportation Bonding, Motor Vehicles, Dept. of Transportation, Soldiers, Sailors & Marines'
Eric Michael Gray, Principal Analyst	Treasurer, Debt Service, Dept. of Labor, Bonding, School Construction
William Lederman, Principal Analyst	Budget Information System, Income Tax Modeling & Projections, State Personnel Data
Chris Wetzel, Principal Analyst	Dept. of Labor, Tax Policy & Revenue Analysis, Dept. of Revenue Services, Spending Cap
Evelyn Wisnieski, Principal Analyst	Economic Development, Culture and Tourism, Sales Tax, Health Provider Tax

Chris Perillo, Section Chief

Don Chaffee, Principal Analyst	Legislative Management, Comm. on Women, Children & Seniors, Comm. on Equity and Opportunity, Auditors, Dept. of Administrative Services, State Personnel
Rachel Della Pietra, Principal Analyst	Children and Families, Public Health, Medical Examiner
Christina Gellman, Principal Analyst	Banking, Dept. of Developmental Services, Teachers' Retirement, Dept. of Rehabilitation Services
Meghan Green, Analyst I	Office of Governmental Accountability, Secretary of the State, Comm. on Human Rights & Opportunities
Marcy Ritsick, Principal Analyst	Environment, Agriculture, Agriculture Experiment Station, State Library, Attorney General

Alan Shepard, Section Chief

Sarah Bourne, Principal Analyst	Elementary Education, Office of Higher Education, Town Education Grants, ECS
Dan Dilworth, Associate Analyst	Office of Policy & Management, Municipal Grants, ECS
Anthony Naples, Analyst I	Emergency Services & Public Protection, Municipal Grants, Town Education Grants, ECS, Energy Funds, Consumer Counsel
Janelle Stevens, Principal Analyst	Board of Regents for Higher Education, UConn, UConn Health Center, ECS

Rob Wysock, Section Chief

Mike Ericson, Analyst II	Dept. of Consumer Protection, Dept. of Veterans' Affairs, Military, Corrections
Michelle Parlos, Analyst II	Budget Information System, Dept. of Insurance, Dept. of Healthcare Advocate, Housing
Phoenix Ronan, Principal Analyst	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, Principal Analyst	State Comptroller, Dept. of Social Services, State Employee Fringe Benefits, Workers' Compensation

Administrative Staff
Theresa Kelly, Administrative Assistant II
Kelly Callahan, 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 Appropriations Committee understand the level of deficiency funding that is anticipated to be required this fiscal year to support state agency operations.

The Office of Fiscal Analysis (OFA) is currently projecting $46.6 million in General Fund state agency funding shortfalls. This differs from the Office of Policy and Management's (OPM) projection of $54.6 million[1] by $8 million. Additionally, both OFA and OPM project additional funding requirements for the Office of the State Comptroller's Adjudicated Claims account, which may be payable out of the resources of the General Fund, consistent with past practice. OFA estimates Adjudicated Claims will require an additional $20 million in funding, while OPM estimates that $15 million is needed. The following table reflects the level of funding that is needed by various agencies this fiscal year, as projected by OFA and OPM.

Figure I. FY 19 Estimated Deficiency Needs: OFA /OPM Comparison
In Millions of Dollars

Agency	OFA	OPM	Difference
General Fund			
Department of Correction	31.9	27.0	4.9
Office of Early Childhood[2]	-	14.0	(14.0)
Dept. of Mental Health and Addiction Services	6.6	5.0	1.6
Dept. of Children and Families	5.8	5.8	-
Dept. of Emergency Services and Public Protection	2.0	2.5	(.5)
Office of the Chief Medical Examiner	0.4	0.3	0.1
TOTAL	**46.6**	**54.6**	**(8.0)**
State Comptroller – Adjudicated Claims	20.0	15.0	5.0
Additional Requirements	**20.0**	**15.0**	**5.0**

[1]OPM's October 19, 2018 Letter to the Comptroller
[2]It is anticipated that OPM's deficiency estimate for the Office of Early Childhood will be revised.

OFA's deficiency projections are based on a comparison between the agency's available funding and estimated annual spending.

Based on current data, state agencies will require $66.6 million in deficiency appropriations, or transfers, from other areas to fund projected FY 19 costs. This assumes that $1.7 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 these agencies' total FY 19 available funding, assuming all holdbacks are not released.

The following table includes the FY 19 appropriation, total level of available funding (less holdbacks), estimated expenditures and projected deficiency amounts.

Figure II. FY 19 Estimated General Fund Deficiency Needs[1]
In Millions of Dollars

Agency	Budgeted Appropriation	Available Approp.[2]	Estimated Expenditures	Deficiency without release of holdbacks	Deficiency with release of holdbacks
Department of Correction	575.7	593.7	625.6	(31.9)	(31.9)
State Comptroller – Adjudicated Claims	-	-	20.0	(20.0)	(20.0)
Dept. of Mental Health and Addiction Services	599.6	606.5	613.0	(6.6)	(5.5)
Dept. of Children and Families	768.5	776.2	782.0	(5.8)	(5.8)
Dept. of Emergency Services and Public Protection	182.6	182.9	184.9	(2.0)	(1.3)
Office of the Chief Medical Examiner	6.3	6.4	6.8	(.4)	(.4)
TOTAL	**2,132.7**	**2,165.7**	**2,232.3**	**(66.6)**	**(64.9)**

[1]Totals may not appear to add up due to rounding.
[2]The Available Appropriation is comprised of the Budgeted Appropriation less budgeted lapses (holdbacks), plus transfers from the Reserve for Salary Adjustment (RSA) account and Private Provider COLA allocations.

Detail on the Net Deficiencies/ Additional Funding Requirements

(The following assumes that holdbacks will not be released by OPM.)

Department of Correction - $31.9 million

The Department of Correction (DOC) is projected to have a year-end deficiency of $31.9 million resulting from shortfalls of $15.9 million in the Personal Services account (PS), $1.2 million in the Other Expenses account (OE) and $14.7 million in the Inmate Medical Services account. DOC's FY 19 available PS resources are 1% less than its FY 18 expenditures. DOC was required to take on additional unanticipated staff from the Department of Children and Families due to the closure of the Connecticut Juvenile Training School (CJTS). CJTS was officially closed on 4/12/18. New staff account for approximately $5 million of PS expenditures, with approximately $4 million going towards positions that most likely would not have been filled during FY 19 otherwise.

OE is projected to have a $1.2 million deficiency as it is unable to meet its appropriation reduction. Compared to FY 18, the appropriation for this account decreased 5.4%, while anticipated expenditures have decreased 1%. Furthermore, DOC has witnessed higher electricity rates and air conditioning utilization due to hot weather.

The Inmate Medical Services account is projected to have a $14.7 million deficiency as it is unable to meet its appropriation reduction and has incurred increased overtime costs. The primary factors contributing to increased overtime are inadequate staffing levels and difficulties filling open positions. The transfer of Inmate Medical Services from UConn Healthcare to DOC resulted in numerous vacancies. Transition costs and carry-forward expenses from UConn Healthcare also contributed to the deficiency.

Office of State Comptroller – Adjudicated Claims – $20.0 million

The projected shortfall in the Adjudicated Claims account is $20 million. The FY 19 Revised Budget did not include an appropriation for the account. Approximately $8.6 million has been expended to date. Approximately $6.3 million of the projected shortfall (31.3%) is for payment of a settlement reached at the end of FY 18 and $6.5 million (32.5%) is related to the SEBAC v. Rowland settlement. The balance is for projected payment of other claims and related expenditures.

Department of Mental Health and Addiction Services – $6.6 million

The agency's projected FY 19 budget shortfall is comprised of: $7 million in the Personal Services account, $1.5 million in the Other Expenses account, $1.1 million in the Professional Services account, and $1.2 million in the Workers' Compensation Claims account. This shortfall is partially offset by $4.3 million lapsing funds from the following accounts: $250,000 in the TBI Community Services account, and $4 million in the Home and Community Based Services account.

The $7 million projected shortfall in the Personal Services account (3.8% of the total FY 19 available appropriation) is primarily due to: (1) higher than budgeted overtime costs of approximately $1.8 million, primarily at Connecticut Valley Hospital (CVH), and (2) increased staffing and associated costs at CVH ($2.8 million), Whiting Forensic Hospital ($850,000), and the regional centers ($1.6 million).

The Other Expenses account shortfall of $1.5 million (6.5% of the total FY 19 available appropriation) is due to increased expenditures to support security and safety upgrades at CVH. In addition, the available appropriation is approximately $1.7 million below FY 18 total expenditures of $24.9 million.

The $1.1 million shortfall in Professional Services is primarily associated with contracted medical services. This represents 9.8% of the total FY 19 available appropriation. The available appropriation is approximately $2 million below FY 18 total expenditures of $13.2 million.

The $1.2 million shortfall in Workers' Compensation Claims represents 10.5% of the total FY 19 available appropriation. The available appropriation is approximately $2.4 million below FY 18 total expenditures of $13.8 million.

Lower than budgeted expenditures are leading to an estimated lapse of approximately $250,000 in the TBI Community Services account and $4 million in the Home and Community Based Services account. This represents 2.9% and 16.8% of the total FY 19 available appropriations, respectively.

Department of Children and Families - $5,808,610
A net deficiency of $5.8 million (less than one percent of the agency's available FY 19 appropriation) is projected across a variety of Department of Children and Families accounts. This is primarily due to two factors: (1) support for clinical interventions and other services, totaling approximately $4.1 million, for non-delinquent youth at risk for involvement in the juvenile justice system; and (2) the 2017 Revised Juan F. Exit Plan, which requires adequate social worker staffing to oversee abused and neglected children, as well as community-based programming to address service needs to achieve Exit Plan outcome measures.

Department of Emergency Services & Public Protection - $2,000,000
The Department of Emergency Services and Public Protection (DESPP) is projected to have a shortfall of $2 million in the Personal Services account. In the first quarter of this fiscal year, DESPP spent $2.2 million (27%) more on overtime expenses than in the same period last fiscal year. A contributing factor to the increase in overtime expenses is the spike in retirements that the agency experienced in FY 18. Last year, there were approximately 100 retirements within the agency, almost double what is anticipated

annually. In total, there are currently 955 sworn officers out of a previous 1,200, a shortfall that leads to shifts paid in overtime instead of normal pay.

Office of the Chief Medical Examiner - $392,663

A $392,663 deficiency is anticipated in the Personal Services account (PS). PS expenditures are impacted by overtime and unbudgeted salary increases that were approved by the Commission on Medicolegal Investigations (CGS Sec. 19a-401) for the Chief Medical Examiner and the Deputy Chief Medical Examiner (an approximate 20% increase, or a total of $112,000 for both positions, from FY 18 to FY 19). Overtime is required to cover essential shifts as CME's caseload continues to grow. Between 2012 and 2017, cremations increased by 26%, autopsies increased by 70%, and drug deaths increased by 290%.

Of Note: Other Appropriated Funds

The Department of Banking (DOB), the Insurance Department (DOI), the Department of Housing (DOH), and the Workers' Compensation Commission (WCC) have projected deficiencies in their industry funds as a result of technical adjustments. These adjustments are related to the fringe benefit recovery rate for fringe benefits, and indirect overhead appropriations that were not made as part of the FY 19 Revised Budget. The resulting net deficiency projected for each agency/fund is as follows: (1) DOB /Banking Fund: $415,423, (2) DOI/Insurance Fund: $178,911, (3) DOH/Insurance Fund: $18,860, and (4) WCC/Workers' Compensation Fund: $949,287.