FY 13 Deficiency Funding

Section 62 of PA 13-184, the FY 14 and FY 15 Budget, results in an increase of $142 million to the General Fund in FY 13. The FY 13 Revised Budget was under the spending cap by $142.2 million. Passage of the $142 million in increased FY 13 appropriations included in the act results in the FY 13 budget being under the spending cap by approximately $0.2 million. The following table shows the changes in agency appropriations contained in the act.

Increased General Fund Appropriations

Agency	FY 13 $
State Comptroller	1,200,000
State Comptroller - Adjudicated Claims	4,900,000
Department of Emergency Services and Public Protection	13,800,000
Department of Mental Health and Addiction Services	12,500,000
Department of Social Services	86,500,000
Department of Correction	23,100,000
TOTAL	**142,000,000**

Section 63 and 64 of the act includes the following deficiency related provisions: (1) requires deficiency appropriations for the Adjudicated Claims account to be carried forward into FY 14 for claims which may settle late in the fiscal year, and (2) allows the Comptroller to transfer funds among Medicaid accounts prior to closing the current fiscal year which could prevent funding in certain Medicaid accounts from lapsing or other accounts ending the year deficient.

An explanation of the increase to appropriations of $142 million is provided below.

Office of the State Comptroller (OSC) - $1.2 million

The agency's FY 13 deficiency is composed of:

- $600,000 in Personal Services and
- $600,000 in Other Expenses.

The deficiency in the Personal Services (PS) account is due to the following two factors: (1) PA 12-1 of the December Special Session (the FY 13 deficit mitigation) included $829,549 in savings in PS (3.8% of the appropriation), of this total the agency was unable to achieve $370,000, and (2) increased number of individuals that have submitted retirement requests which required accrued payouts of approximately $230,000.

The deficiency in the Other Expenses account is due to the following: (1) the savings of $170,901 (5% of the appropriation) included in PA 12-1 of the December Special Session (the FY 13 deficit mitigation) was not achieved, and (2) the agency was unable to attain the targeted savings due to relatively inflexible costs. For example, the upgrade and on-going maintenance costs associated with the CORE-CT accounting system as well as postage costs. The FY 13 Revised Budget was $400,000 below historical spending levels.

Office of the State Comptroller – Adjudicated Claims - $4.9 million

The agency's FY 13 deficiency is composed of:

- $4.9 million in Adjudicated Claims.

The deficiency in the Adjudicated Claims account is due to: (1) higher than anticipated claims costs, (2) a recent settlement between the US Department of Education and the State Department of Education ($1.5 million), and (3) a pending class action settlement against the Department of Correction (approximately $3.3 million). 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 00, annual claims range from $3.9 million to $15.7 million, with a median annual claims cost of $7.6 million.

Department of Emergency Services and Public Protection (DESPP) - $13.8 million

The agency's FY 13 deficiency is composed of:

- $13.8 million in Personal Services.

The $13.8 million deficiency in Personal Services (PS) is primarily driven by several factors: (1) overtime spending, (2) the use of more temporary staff than budgeted, and (3) a transfer to address a deficiency in the Other Expense (OE) account. The overtime spending can be attributed to several issues including: aggressive budget assumptions, winter storms, and the Sandy Hook Elementary School incident. The Sandy Hook incident alone consumed over $1 million of overtime for the department, 7% of the total PS deficiency. Beyond overtime costs, the department has used more temporary staff than originally budgeted. During FY 13, several vacancies, including the Legal Director, have been filled using temporary worker retirees. In addition, at its May 2013 meeting, the Finance Advisory Committee approved a transfer of $2.5 million from PS to OE in response to a shortfall in that account; thereby increasing the PS shortfall by $2.5 million.

Department of Mental Health and Addiction Services (DMHAS) - $12.5 million

The agency's FY 13 deficiency is composed of:

- $12.5 million in General Assistance Managed Care.

The General Assistance Managed Care deficiency is a result of the state not receiving a proposed waiver to limit eligibility for the Medicaid Low Income Adult (MLIA) population. The FY 13 Revised Budget included savings in DMHAS of $12.5 million associated with reducing the asset limit, counting family income and assets for qualified dependents, and imposing limits on certain medical services.

Department of Social Services (DSS) - $86.5 million

The agency's FY 13 deficiency is composed of:

- $80.5 million in Medicaid - Acute Care Services and
- $6 million in Personal Services.

The $86.5 million deficiency reflects a June 2013 Finance Advisory Committee (FAC) transfer that off-set a shortfall of approximately $233.2 million (predominantly in several Medicaid accounts) which assumed the release of $119.7 million in holdbacks as well as lapses totaling $27 million.

The shortfall in the Medicaid - Acute Care Services account is primarily due to: (1) optimistic assumptions underlying the original appropriation, and (2) continued growth in caseload.

The adopted budget included several savings initiatives that are not anticipated to be 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 million), enhancing Medicaid recoveries from third-party payers ($20 million), and medication administration changes ($15.4 million). These delays have resulted in higher than projected expenditures.

Additionally, the LIA population has continued its strong caseload increase, adding approximately 11,700 additional clients since June 2012 (a 14.8% increase), for a total population of 91,000 in June 2013.

The $6 million shortfall in Personal Services is primarily due to additional hiring and overtime associated with increased caseloads and modernization efforts.

Department of Correction (DOC) - $23.1 million

The agency's FY 13 deficiency is composed of:

- $24.1 million in Personal Services.

This shortfall is partially offset by lapsing funds of:

- $1 million in Inmate Medical Services.

The $24.1 million projected shortfall in the Personal Services (PS) account is primarily due to unachieved savings related to policy initiatives in the FY 13 Revised Budget. The agency reduced Personal Service spending by a total of $21 million from FY 12 to FY 13, or 45% of the total $46.2 million savings target.

The $46.2 million in revised budgeted savings included SEBAC savings and the following four major policy initiatives: (1) house arrest for certain offenders, (2) risk reduction credits, (3) intensive probation, and (4) restructuring time off for correctional officers. Central to the savings assumptions related to these initiatives was the reduction in prison population of 3,750 inmates starting in FY 12. Since the start of the FY 12, the prison population has declined by approximately 1,250 inmates, or 2,500 fewer than necessary to achieve the assumed savings.

The $24.1 million deficiency is offset by a projected $1.0 million lapse in the Inmate Medical Services accounts. The lapse is due to a delay in hiring and lower than projected pharmacy costs.