



# Office of Fiscal Analysis

FY 25 DEFICIENT AGENCIES

February 25, 2025

As of February 25, 2025, the Office of Fiscal Analysis is projecting **\$535.24 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 25 General Fund Estimated Deficiency Needs

In Millions of Dollars

Agency	Deficiency \$
Department of Social Services	287.1
State Comptroller - Fringe Benefits	81.6
Department of Correction	39.2
State Comptroller - Miscellaneous	37.9
Department of Mental Health and Addiction Services	34.0
Connecticut Technical Education and Career System	14.6
Judicial Department	10.28
Teachers' Retirement Board	8.0
Department of Housing	7.7
Department of Administrative Services	5.0
Department of Emergency Services and Public Protection	4.85
Department of Developmental Services	3.35
Department of Economic and Community Development	0.37
Department of Revenue Services	0.3
Public Defender Services Commission	0.3
Military Department	0.29
Agricultural Experiment Station	0.25
Department of Veterans' Affairs	0.15
<b>TOTAL</b>	<b>535.24</b>

A description of each deficiency is provided below.

### Department of Social Services - \$287.1 million

A projected deficiency of \$287.1 million reflects the net impact of shortfalls in several accounts totaling \$308.6 million that are partially offset by lapses totaling \$21.5 million. The Medicaid shortfall (\$300 million) is driven by expenditure trends that have continued since FY 24, including higher than budgeted hospital and pharmacy costs, Medicare Part D clawback payments, as well as costs associated with health coverage for undocumented children, which are the primary reason for the lapse in HUSKY B (\$11.5 million) where such funding was

originally budgeted. The shortfalls in State Administered General Assistance (\$4.9 million), Aid to the Disabled (\$2.8 million), and Old Age Assistance (\$900,000) are due to both increased caseloads and higher than budgeted costs per case. Lapses are reflected in Temporary Family Assistance (\$6.5 million), primarily driven by lower than budgeted caseload, as well as Personal Services (\$2 million), the Connecticut Home Care Program (\$1 million), and Community Services (\$500,000).

#### **Office of the State Comptroller – Fringe Benefits - \$81.6 million**

A projected \$81.6 million deficiency is due to shortfalls in several accounts which are partially offset by lapses. The anticipated deficiencies are: (1) \$69.8 million in Higher Education Alternative Retirement (ARP) resulting from a change in the accounting of a policy enacted by PA 23-204, the FY 24 and FY 25 Budget; (2) \$34 million in Retired State Employee Health Service Cost resulting from rate increases due to several factors including the plan's population growth and performance; (3) \$17 million in Other Post Employment Benefits resulting from a decrease in ARP and SERS recovery rates; (4) \$6.1 million in Employers Social Security Tax; and (5) \$35,000 in Pensions and Retirements – Other Statutory. These deficiencies are partially offset by lapses within several accounts: (1) \$32.6 million in State Employees Health Service Cost; (2) \$8.5 million in SERS Defined Contribution Match; (3) \$2.2 million in State Employees Retirement Contributions; (4) \$1 million in Unemployment Compensation; and (5) \$1 million in Insurance – Group Life.

#### **Department of Correction - \$39.2 million**

A projected net deficiency of \$39.2 million includes deficiencies of \$18.8 million in Other Expenses, \$18.5 million in Inmate Medical Services, and \$6.5 million in Personal Services, along with a few lapses. The Inmate Medical Services and Other Expenses deficiencies are due to increased costs for utilities, food, and pharmaceutical and medical supplies, as well as a higher inmate population count. The population count at this time last year was 10,638, while the population count as of 2/13/2025 is 11,092 (an increase of 4.3%). The Personal Services deficiency is due to expected above average overtime usage and accumulated leave payments. These deficiencies are partially offset by projected lapses of \$3.2 million in Community Support Services and \$1.4 million in Board of Pardons and Paroles.

#### **Office of the State Comptroller – Adjudicated Claims - \$37.9 million**

There is a projected deficiency of \$37.9 million. No FY 25 appropriation was made for this account. Through February 21, approximately \$14.4 million has been expended. An additional \$23.5 million is anticipated pending approval by the General Assembly.

#### **Department of Mental Health and Addiction Services - \$34 million**

A projected deficiency of \$34 million reflects the impact of shortfalls in various line items. The Personal Services shortfall (\$15.5 million) is the result of higher than budgeted staff and

overtime costs as the agency works to fill vacancies. The shortfall in Other Expenses (\$9 million) is due to higher than budgeted costs for utilities, maintenance, and food costs at DMHAS facilities. The Professional Services shortfall (\$7 million) reflects the continued use of contracted doctors and nurses, and the shortfall in Behavioral Health Medications (\$2.1 million) reflects higher costs for medications. The Discharge and Diversion shortfall (\$400,000) is the result of higher than anticipated discharge costs.

#### **Connecticut Technical Education and Career System - \$14.6 million**

A \$14.6 million deficiency is projected across Other Expenses (\$12.6 million) and Personal Services (\$2 million) due to higher than anticipated special education costs. The percentage of special education students enrolled in CTECS has increased from 10.3% of total enrollment in FY 19 to 17.1% of total enrollment in FY 24. As a result of this increase, CTECS has incurred additional contractual costs (resulting in increased OE costs) and hired additional special education staff (resulting in increased PS costs). Prior to FY 25, CTECS was using federal funding to cover a portion of these increased costs.

#### **Judicial Department - \$10.28 million**

A projected deficiency of \$10.28 million reflects the impact of shortfalls in various line items. The Other Expenses deficiency (\$5.7 million) is due to increased costs for software, other IT expenses, utilities, and postage.

The Personal Services shortfall (\$3.6 million) is primarily due to an increased number of judicial appointments. In 2024, there were 22 new, unbudgeted appointees.

There are also projected deficiencies of \$700,000 in the Juvenile Justice Outreach Services, \$150,000 in the Alternative Incarceration Program, and \$130,000 in Board and Care for Children-Short-term and Residential accounts due to increased costs for contracted services.

#### **Teachers' Retirement Board - \$8 million**

A projected \$8 million net deficiency is due to a \$9.7 million shortfall in Retirees Health Service Cost resulting from premium increases in the Medicare Advantage Plan beginning January 1, 2025. This is partially offset by lapses within several accounts: (1) \$1.6 million in Municipal Retiree Health Insurance Costs resulting from enrollment; (2) \$70,000 in Other Expenses; and (3) \$50,000 in Personal Services.

#### **Department of Housing - \$7.7 million**

A projected deficiency of \$7.7 million reflects the impact of shortfalls in two line items. Most of this deficiency (\$7.5 million) is in the Housing/Homeless Services account due to increased rents associated with the Rental Assistance Program (RAP). As of 2/20/2025, expenditures from this account total \$61 million. This is expected to grow to approximately \$96 million by the end

of the fiscal year. Expenditures in this account have increased significantly in recent years. In FY 24, expenditures in this account totaled approximately \$98 million. Expenditures were \$91.5 million in FY 23 and \$80.5 million in FY 22.

There is also a projected shortfall of \$200,000 in the Personal Services account due to personal services expenses associated with closing out the federal grant for UniteCT.

#### **Department of Administrative Services - \$5 million**

The projected deficiency of \$5 million reflects the net impact of \$6 million in deficient accounts and \$1 million in a lapsing account. The Personal Services (\$4.5 million) deficiency is due to an increase in staffing which may be mitigated through turnover as the year progresses. The Other Expenses (\$1 million) deficiency is primarily due to increases in energy costs including electricity. The Workers' Compensation Administrator account deficiency (\$500,000) is due to increased contractual costs. The Rents and Moving account (\$1 million) lapse is due to carryforward funds provided to the account that are not anticipated to be needed.

#### **Department of Emergency Services and Public Protection - \$4.85 million**

A projected deficiency in the Personal Services account of \$4.85 million is primarily due to an increased number of employees. Since the FY 24 and FY 25 Budget was passed in 2023, DESPP's full-time employee population has increased from 1,337 to 1,411 (an increase of 5.5%). A Personal Services holdback of \$1,058,000 contributes to the agency deficiency.

#### **Department of Developmental Services - \$3.35 million**

An overall agency net deficiency of \$3.35 million is anticipated, with a \$7 million shortfall in the Personal Services (PS) account and \$1.2 million shortfall in the Other Expenses (OE) account. The shortfall in PS is due to current and anticipated hires. There is a \$19.7 million PS holdback also contributing to the deficiency. The shortfall in OE is due to higher than anticipated vehicle and utility costs. Partially offsetting these shortfalls are projected lapses of \$4.5 million in the Behavioral Services Program account due to the timing of several initiatives and \$350,000 in the Supplemental Payments for Medical Services account based on census levels.

#### **Department of Economic and Community Development - \$371,000**

The net projected deficiency of \$371,000 is due to a \$1 million deficiency in the Capital Region Development Authority account that is offset by \$629,000 lapses across other accounts. The \$1 million deficiency is due to a revenue shortfall in the operations of the XL Center. The offsetting lapses include \$500,000 in the Various Grants account for the Food Desert Tax Abatement program which has not yet been established, as well as additional lapses projected in the Office of Workforce Strategy (\$75,000), Office of Military Affairs (\$50,000), and Manufacturing Growth Initiative (\$4,000) accounts.

#### **Division of Public Defender Services - \$300,000**

There is a projected net deficiency of \$300,000. There is a shortfall of \$1.3 million in the Personal Services account due to attorney parity salary increases which occurred in FY 24. The deficit is partially offset by an estimated lapse of \$1,000,000 in the Assigned Counsel account.

**Department of Revenue Services - \$300,000**

A projected net deficiency of \$300,000 consists of a shortfall in Personal Services (PS) of \$500,000 which is partially offset by a \$200,000 lapse in Other Expenses. The deficiency in PS is due to current and anticipated hires. A PS holdback of \$5 million contributes to the agency deficiency.

**Military Department - \$290,000**

There is a projected deficiency of \$290,000 from a shortfall in Personal Services (PS) of \$180,000 and Other Expenses (OE) of \$110,000. The deficit in PS is due to higher rates of state active duty for the National Guard, and the deficit in OE is being driven by higher than anticipated utility, repair/maintenance, and premise services costs.

**Agricultural Experiment Station - \$250,000**

There is a projected deficiency in the Personal Services account of \$250,000. The Personal Services shortfall is related to increased paid hours for P-4 staff members and accrual payouts for retirees.

**Department of Veterans Affairs- \$150,000**

A projected deficiency of \$450,000 in the Other Expenses account is due to higher than anticipated expenses in a variety of areas, with especially high costs in laundry services and drugs and pharmaceuticals. This deficiency is partially offset due to projected lapses in the Veterans Opportunity Pilot (\$150,000) and Headstones (\$150,000) accounts.