



House Bill 6438

**AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR
THE FISCAL YEAR ENDING JUNE 30, 2021**

**Appropriations Committee
April 13, 2021**

Good morning Representative Walker, Senator Osten, Representative France, Senator Miner and members of the Appropriations Committee. My name is David Pajak and I am the Director of Insurance and Risk Management for the Department of Administrative Services. Thank you very much for giving us the opportunity to provide testimony in support of **House Bill 6438, An Act Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2021** and the deficiency appropriation to DAS.

I am here to request your support for HB 6438. Specifically, DAS is in need of additional funds from the Special Transportation Fund for State Insurance and Risk Management Board (or "SIRMB") operations.

SIRMB was consolidated into the Department of Administrative Services in 2009, but by statute, it retains its own independent decision-making authority. DAS's appropriated budget includes both General Fund and Special Transportation Fund line items specifically for SIRMB operations.

At the time this legislation was drafted, the SIRMB had a projected shortfall in its General Fund account because it was anticipated that a large number of claims would resolve either by settlement or by trial. However, it is now clear that those claims will not resolve by the end of FY21 because of the slowdown in the courts due to COVID, and therefore, a shortfall in the SIRMB General Fund account is no longer anticipated.

Although the deficiency in the SIRMB General Fund account has been resolved, a new deficiency in the SIRMB Special Transportation Fund account has appeared. There were three changes in the STF account which resulted in this projected shortfall: (1) an unanticipated premium increase for a Bus Liability policy renewal, (2) an unanticipated premium increase for the CT Rail Liability policy renewal, and (3) some large bus liability claim settlements that were outside of the Board's standard projections. As of

today, DAS believes it will need a deficiency appropriation of \$1 million for SIRMB's STF account for FY21.

For FY21, General Fund appropriations for SIRMB Operations totaled \$12,239,855; and STF appropriations for SIRMB Operations totaled \$8,934,370. These monies pay for the following:

- premiums associated with policies purchased by the State to insure against losses;
- claims and judgments issued against the State for losses that occur within self-insured deductible amounts;
- payment of the insurance broker and Third Party Administrator, which is responsible for managing the state's liability claims, and
- other administrative costs.

The SIRMB is a pay-as-you-go operation that is not permitted to maintain reserves.

We understand that OPM is working with the Committee and OFA to update the bill to reflect the changing deficiency needs of agencies, including DAS and the SIRMB, since OPM's last letter of March 19, 2021. We are happy to assist in that effort.

Thank you for your consideration of this request. I have staff here from DAS and we are available to answer any additional questions you may have.