

FY 14 Projected Deficiencies

Prepared for Appropriations Committee Hearing

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OFFICE OF FISCAL ANALYSIS

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

The Office of Fiscal Analysis (OFA) is currently projecting \$24.6 million in General Fund and \$0.6 million in Transportation Fund state agency funding shortfalls. This differs from the Office of Policy and Management’s (OPM’s) projection of \$20 million by a total of \$5.2 million. Since it is relatively early in the year, it is not uncommon to have different estimates of deficiency levels. This is because: 1) in entitlement or caseload driven accounts different, but equally reasonable assumptions, can yield different results and 2) deficiencies and restrictions on agency spending is managed by OPM throughout the year to reach budget targets. The following table displays the level of funding needed by agencies as projected by OFA and OPM.

**FY 14 State Agency Estimated Deficiency Needs OFA /OPM Comparison
(in millions)**

Agency	OFA \$	OPM \$	Diff. \$
Department of Education	9.0	9.0	-
Department of Administrative Services	6.7	8.0	(1.3)
Public Defenders	3.1	-	3.1
Department of Emergency Services and Public Protection	3.0	3.0	-
Department of Correction	1.4	-	1.4
Judicial Department	0.8	-	0.8
OSC - Adjudicated Claims	0.6	-	0.6
Total - General Fund	24.6	20.0	4.6
DAS - Workers' Compensation	0.6	-	0.6
Total - Transportation Fund	0.6	0.0	0.6
TOTAL - ALL APPROPRIATED FUNDS	25.2	20.0	5.2

OFA's deficiency projections are based on a comparison between the agency's available funding and estimated annual spending. Available funding is generally lower than the original appropriation level due to OPM holdbacks of funding to meet lapse targets.

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify eight agencies that require \$25.2 million in deficiency funding. However, if available holdback funding was to be released, this would reduce the amount required to \$19.7 million.

The following table includes the agency's FY 14 appropriation, total level of available funding (less holdbacks and plus any transfers for collective bargaining costs from the Reserve for Salary Adjustments account), estimated expenditures, and projected deficiency amount.

FY 14 Estimated Agency Deficiency Needs

Fund/Agency	Budgeted Appropriation \$	Available Appropriation ¹ \$	Estimated Expenditures \$	Deficiency without release of holdbacks	Deficiency with release of holdbacks
General Fund					
Department of Education	2,917,583,769	2,917,748,019	2,926,748,020	(9,000,001)	(8,065,928)
Department of Administrative Services	138,621,319	138,223,274	144,893,756	(6,670,481)	(5,879,171)
Public Defender Services Commission	61,371,589	61,384,748	64,463,924	(3,079,175)	(2,858,150)
Department of Emergency Services and Public Protection	173,324,812	173,919,376	176,968,240	(3,048,864)	(1,744,747)
Department of Correction	670,461,667	668,776,128	670,185,687	(1,409,558)	-
Judicial Department	515,680,696	515,204,879	516,063,194	(858,315)	-
State Comptroller - Adjudicated Claims	4,100,000	4,100,000	4,650,099	(550,099)	(550,099)
Subtotal				(24,616,493)	(19,098,096)
Transportation Fund					
Workers' Compensation Claims - DAS	6,544,481	6,544,481	7,135,018	(590,537)	(590,537)
Subtotal				(590,537)	(590,537)
TOTAL				(25,207,030)	(19,688,633)

¹Appropriation 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 each agency's deficiency needs appears on the next page.

Detail on the Total Net Deficiencies \$25.2 million

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

State Department of Education - \$9 million

The agency's projected FY 14 budget shortfall is composed of:

- \$9 million in Magnet Schools.

The \$9 million shortfall represents 3.3% of the FY 14 appropriation of \$265.5 million. The Magnet School account appropriation has increased by approximately \$23 million from FY 13 to FY 14, this represents a growth of approximately 8.6%. The projected shortfall in the Magnet School account is due to the following two factors: (1) Sections 123-126 of PA 13-247, which shifts the responsibility of magnet school tuition for preschoolers to SDE (approximately \$4.0 million); and (2) supplemental transportation costs for Sheff schools (approximately \$5.0 million.) It is anticipated that there will be an additional 2,200 students requiring transportation in FY 14 than in FY 13, which increased the cost of supplemental transportation.

The shortfall represents 0.3% of agency's total FY 14 appropriations.

Department of Administrative Services - \$6.7 million

The agency's projected FY 14 budget shortfall is composed of:

- \$7.8 million in Personal Services.

This shortfall is partially offset by \$1.1 million lapsing funds from the following accounts:

- \$141,500 in Management Services;
- \$9,800 in Loss Control Risk Management;
- \$2,200 in Employees' Review Board;
- \$3,500 in Surety Bonds for State Officials and Employees;
- \$4,700 in Refunds of Collections;
- \$183,000 in Rents and Moving; and
- \$783,700 in IT Services.

The projected shortfall of \$7.8 million in the Personal Services account (15.9% of appropriation) is due to the November 7, 2013 FAC approval of transferring \$8 million from Personal Services to the State Insurance and Risk Management Operations account. Funding was needed in the State Insurance and Risk Management Operations account as the state settled and paid two large automobile claims earlier this fiscal year. One claim involved a

State Trooper who hit a pedestrian in Shelton on May 29, 2010. This claimant was awarded \$9 million. In the second claim, there was a fatal traffic accident involving a UConn student and a student operated campus shuttle bus on March 22, 2011. This claim settled for \$6 million. The state is responsible for paying a \$4 million deductible on each claim. The \$7 million balance on these two claims will be covered by the state's insurance carrier.

Public Defenders - \$3.1 million

The agency's projected FY 14 budget shortfall is composed of:

- \$3.5 million in Assigned Council - Criminal; and
- \$254,000 in Assigned Council - Child Protection.

This shortfall is partially offset by lapsing funds of:

- \$660,000 in Personal Services; and
- \$45,000 in Expert Witnesses.

The projected shortfall in the Assigned Council accounts is due to a project to address a backlog of habeas cases and the implementation of a new billing system. The agency hired law firms with experience in addressing habeas cases in order to address a 400 case backlog, which in some instances had cases over a year old. The program successfully addressed the backlog, and now all habeas cases are assigned as they are received by the agency. Additionally, a new payment and billing system has accelerated payments made to attorneys, causing an increase in the volume of payments.

The projected shortfall is partially offset by projected lapses in Personal Services and Expert Witnesses that total \$705,000. The Personal Services lapse is due to delayed and canceled hiring of vacant positions.

Department of Emergency Services and Public Protection - \$3 million

The agency's projected FY 14 budget shortfall is composed of:

- \$3.2 million in Personal Services.

This shortfall is partially offset by lapsing funds of \$0.2 million in the following accounts:

- \$23,400 in Stress Reduction;
- \$53,600 in Workers Compensation Claims; and
- \$108,500 in Other Expenses.

The \$3.2 million projected shortfall in Personal Services (2% of the appropriation) arises

primarily from lower assessments on each casino for law enforcement services. PA 13-170 enabled the transition of law enforcement duties at each casino from DESPP to tribal police forces. While the timing of the transition of such duties is uncertain, the state has recently negotiated assessments with each tribe setting law enforcement reimbursements at \$1.2 million (\$600,000 per tribe) for FY 14. Tribal reimbursements totaled \$4.2 million in FY 13, \$4.7 million in FY 12, and \$7.2 million in FY 11. Given that DESPP staffing levels will not be correspondingly reduced, the lower assessment is anticipated to create a shortfall in Personal Services of approximately \$3 million. The remainder of the overall Personal Services shortfall (\$200,000) is attributable to anticipated overtime.

Department of Correction - \$1.4 million

The agency's projected FY 14 budget shortfall is composed of:

- \$1.4 million in Personal Services.

The \$1.4 million projected shortfall in the Personal Services (PS) account is primarily due to higher than expected utilization of overtime and unachieved budgeted savings. Based on current expenditure trends, the agency will spend approximately \$77.9 million on overtime in FY 14. Total PS expenditures for FY 14 are anticipated to be \$429.1 million, compared to the available funding in PS of \$427.7 million. The FY 14 budget included a Personal Services reduction of \$2.8 million associated with reduced overtime spending due to better management of sick time usage. So far this fiscal year, sick time usage has not declined over the previous year, resulting in unachieved savings.

Judicial Department - \$860,000

The agency's projected FY 14 budget shortfall is composed of:

- \$860,000 in Other Expenses.

The \$860,000 projected shortfall in Other Expenses (OE) represents 1.3% of the appropriation for the account. The shortfall is primarily due to unachieved savings in the FY 14 budget. The FY 14 budget included approximately \$2.6 million in general Other Expense reductions to the agency. Based on current expenditures the agency will achieve 70% of the Other Expenses reductions included in the budget.

Office of the State Comptroller - Adjudicated Claims - \$0.6 million

The agency's projected FY 14 budget shortfall is composed of:

- \$0.6 million in Adjudicated Claims.

The projected shortfall in the Adjudicated Claims account is due to higher than anticipated claims costs. The projected shortfall represents 12% of total FY 14 projected expenditures. 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 03, annual claims range from \$3.9 million to \$15.7 million, with a median annual claims cost of \$7.6 million.

DAS - Workers' Compensation Claims - \$0.6 million

The agency's projected FY 14 budget shortfall is composed of:

- \$0.6 million in Workers' Compensation Claims.

The projected shortfall in the Workers' Compensation Claims account within the Transportation Fund (this account supports the Departments of Motor Vehicles and Transportation), is due predominately to higher than anticipated medical claims cost this fiscal year. Total medical expenditures for FY 14, for the three month period July through September, are 52% higher than the same period in FY 13. The FY 14 shortfall represents 8.3% of total projected FY 14 expenditures. The FY 14 appropriation reflects a 2% increase over FY 13 expenditures.