

Analysis of Finance Advisory Committee Meeting Items

February 2, 2017 Agenda



OFFICE OF FISCAL ANALYSIS

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FAC 2017-01 State Comptroller - Fringe Benefits

Account	Original Appropriation	Prior Policy Actions ¹	Proposed FAC Transfer		Available Funding Post FAC Action
			FROM (Decrease)	TO (Increase)	
State Employees Health Service Cost	693,865,044	-	(4,000,000)	-	689,865,044
Unemployment Compensation	6,348,001	-	-	4,000,000	10,348,001
TOTAL - General Fund			(4,000,000)	4,000,000	

Funding is available for transfer from this account due to the following:

- **State Employees Health Service Cost** - Personnel reductions across state agencies due to layoffs and attrition has caused a decrease in the active employee health population and therefore a surplus in this account. The active employee population assumed in the budget is greater than the number of active employees currently covered by the state health plan by approximately 1,500 (53,300 compared to 51,800). Average per pay period expenditures from the appropriation are 7.2% less than assumed in the budget (\$24.8 million compared to \$26.7 million).

Funding is needed in this account due to the following:

- **Unemployment Compensation** - Personnel reductions across state agencies due to layoffs has caused a deficiency in this account. The average monthly benefit payments are almost double the amount assumed in a budget (approximately \$530,000 compared to \$1 million). Based on historical experience, monthly benefit payments are anticipated to reduce slightly in the second half of FY 17 as employees transition off of unemployment compensation benefits.

Deficiency Issues:

This policy action is expected to eliminate the deficiency in the Unemployment Compensation account.

¹ Prior policy actions may include holdbacks (forced lapses), and transfers.

FAC 2017-02 Military Department

Account	Original Appropriation	Prior Policy Actions ¹	Proposed FAC Transfer		Available Funding Post FAC Action
			FROM (Decrease)	TO (Increase)	
Personal Services	2,863,407	(41,684)	(130,000)	-	2,691,723
Other Expenses	2,242,356	(22,423)	-	70,000	2,289,933
Honor Guards	326,329	(9,790)	-	60,000	376,539
TOTAL - General Fund			(130,000)	130,000	

Funding is available for transfer from this account due to the following:

- **Personal Services** - PA 15-244 Section 218 transferred \$90,000 from the Community Investment Act to Personal Services in the Military Department to support the two horse guard accounts. Additionally, the agency has delayed filling vacancies and overtime has been reduced by approximately 80% since FY 14. In aggregate, agency expenditures on Personal Services are 9.4% lower than last fiscal year. Due to these factors, funding of \$130,000 is available for transfer.

Funding is needed in the these accounts due to the following:

- **Other Expenses** - PA 15-244, the FY 16-17 Biennial Budget, Section 218 provided funding for the horse guards in Personal Services, however the costs for the program are expended in the Other Expenses account.
- **Honor Guards** - In FY 16 expenditures in the Honor Guard account totaled \$450,000 despite an appropriation of \$350,000. The agency was able to provide the supplemental funeral honors for the full year due to a carry forward of \$45,500 and a FAC transfer of \$60,000. In FY 17, the available appropriation (appropriation less holdbacks) is \$316,539, which is enough funding to provide supplemental funeral honors through approximately February. This transfer will allow approximately two additional months of funding for the program.

Holdbacks and Lapses

The transfer from Personal Services will not affect the agency's ability to meet the \$131,684 holdback in this account.

FAC 2017-03 Office of Early Childhood

Account	Original Appropriation	Prior Policy Actions ¹	Proposed FAC Transfer		Available Funding Post FAC Action
			FROM (Decrease)	TO (Increase)	
Personal Services	8,289,321	(497,359)	(300,000)	-	7,491,962
Early Care and Education	111,821,921	-	(1,750,000)	-	110,071,921
Other Expenses	321,367	(9,640)	-	200,000	511,727
Care4Kids TANF/CCDF	122,130,084	-	-	1,850,000	123,980,084
TOTAL - General Fund			(2,050,000)	2,050,000	

Funding is available for transfer from these accounts due to the following:

- **Personal Services** - A delay in hiring vacancies and refilling positions, resulting in available funding of \$300,000.
- **Early Care and Education** - A reflection of actual enrollment in the Child Day Care and School Readiness programs (while most seats are budgeted for a full year, not all are filled in the fall resulting in surplus funding).

Funding is needed in these accounts due to the following:

- **Other Expenses** - The annualization of increased motor vehicle and associated fuel, cell phone, and office supply costs for increased licensing staff, which also occurred in FY 16 and was covered by an FAC . Additional increases are related to software licensing costs previously covered by the Department of Education
- **Care4Kids TANF/CCDF** - Increased caseload due to changes in federal requirements as well as increased subsidies. In 2016, the state implemented program changes as a result of the federal reauthorization of the Child Care Development Fund (CCDF), including: (1) a 12 month period of eligibility regardless of changes that would have previously made the child ineligible, (2) three additional months of benefits after individuals are found ineligible due to income at redetermination, and (3) additional months of eligibility for job search activities. These changes essentially keep families on the program longer. While some program restrictions were put in place during the summer of 2016, caseload still increased in August by over 700. In addition, the increased caseload has led to increased subsidy rates due to the structure of the SEIU contract for child care providers. In order to mitigate the deficiency, Priority group 4 was closed to new applications in August 2016, while priority group 2 was closed to new applications as of January 2017.

Holdback and Lapses

The transfer from the Personal Services account is not anticipated to impact the agency's ability to achieve the \$497,359 holdback in this account. The transfer to the Other Expenses account assumes the holdback of \$9,640 will be achieved.

Deficiency

The transfer to the Care4Kids account will reduce the estimated deficiency from \$4.5 million to approximately \$2.6 million.

Appendix A: Projected Account Balances for Agencies on this Agenda (After Proposed FAC Transfer(s))

State Comptroller - Fringe Benefits				
	Original Appropriation ²	Available Funding ³	Estimated Expenditures	Estimated Surplus/(Deficiency)
Unemployment Compensation	6,348,001	10,348,001	10,348,001	-
State Employees Retirement Contributions	1,124,661,963	1,124,661,963	1,124,661,963	-
Higher Education Alternative Retirement System	4,924,234	4,924,234	745,370	4,178,864
Pensions and Retirements - Other Statutory	1,760,804	1,760,804	1,651,000	109,804
Judges and Compensation Commissioners Retirement	19,163,487	19,163,487	19,163,487	-
Insurance - Group Life	7,867,871	7,867,871	7,867,871	-
Employers Social Security Tax	227,723,020	227,723,020	215,738,212	11,984,808
State Employees Health Service Cost	693,865,044	689,865,044	678,010,000	11,855,044
Retired State Employees Health Service Cost	731,109,000	731,109,000	725,560,000	5,549,000
TOTAL - General Fund	2,817,423,424	2,817,423,424	2,783,745,904	33,677,520

Military Department				
	Original Appropriation ²	Available Funding ³	Estimated Expenditures	Estimated Surplus/(Deficiency)
Personal Services	2,863,407	2,691,723	2,691,723	-
Other Expenses	2,242,356	2,289,933	2,289,933	-
Honor Guards	326,329	376,539	376,539	-
Veteran's Service Bonuses	46,759	46,292	46,292	-
TOTAL - General Fund	5,478,851	5,404,487	5,404,487	-

Office of Early Childhood				
	Original Appropriation ²	Available Funding ³	Estimated Expenditures	Estimated Surplus/(Deficiency)
Personal Services	8,289,321	7,491,962	7,461,462	30,500
Other Expenses	321,367	511,727	511,727	-
Children's Trust Fund	11,320,721	11,207,514	11,207,514	-
Birth to Three	24,686,804	23,946,200	32,046,200	(8,100,000)
Community Plans for Early Childhood	659,734	551,753	551,753	-
Improving Early Literacy	142,500	-	-	-
Evenstart	451,250	437,713	437,713	-
Head Start Services	5,744,162	5,571,838	5,571,838	-
Care4Kids TANF/CCDF	122,130,084	123,980,084	126,630,084	(2,650,000)
Child Care Quality Enhancements	2,894,114	2,807,291	2,807,291	-
Early Head Start-Child Care Partnership	1,165,721	1,130,750	1,130,750	-
Early Care and Education	111,821,921	110,071,921	109,421,921	650,000
School Readiness Quality Enhancement	4,172,930	4,047,742	4,047,742	-
Total - General Fund	293,800,629	291,756,495	301,825,995	(10,069,500)

² Includes appropriated accounts from all appropriated funds.

³ Includes all anticipated and enacted holdbacks (forced lapses), and transfers.