

Connecticut General Assembly



OFFICE OF FISCAL ANALYSIS

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To: Legislative Members of the Finance Advisory Committee

From: Geary Maher, Director

Subject: Items for the Finance Advisory Committee Meeting for April 2, 2009

Items numbered 2009-10 through 2009-25 have been reviewed by this office and the following additional information is provided to more fully understand the items:

2009-10 Commission on Children

The Commission on Children requests a transfer of \$19,000 from the Other Expenses (\$16,625) and Equipment (\$2,375) accounts to the Personal Services account. Additional funds are necessary in the Personal Services account to cover payroll impacted by the Governor's 5% recision.

2009-11 Latino and Puerto Rican Affairs Commission

The Latino and Puerto Rican Affairs Commission (LPRAC) requests a transfer of \$37,000 from the Other Expenses (\$34,625) and Equipment (\$2,375) accounts to the Personal Services account. Additional funds are necessary in the Personal Services account to cover payroll impacted by the Governor's 5% recision, as well as for accumulated leave payments for LPRAC's previous director.

2009-12 Department of Veterans' Affairs

The Department of Veterans' Affairs (DVA) requests a transfer of \$200,000 from the Personal Services account to the Other Expenses account. Additional funds are necessary in Other Expenses due to heating oil costs of \$568,547 in excess of that which was budgeted for FY 09. The agency has implemented internal control measures to reduce this shortfall to \$200,000, which would be covered in full by the transfer.

Funding is available in Personal Services due to the existence of 18 funded vacancies and a reduction in overtime costs.

Questions:

1. Per OPM's Memorandum of 3/6/09, all agencies have been ordered to eliminate all vacancies for FY 09. Does this affect the availability of funds for the proposed transfer from Personal Services?
2. The Governor's March 20 Deficit Mitigation Plan proposes a \$200,000 recision to DVA's Personal Services account. Does this affect the availability of funds for the proposed transfer from Personal Services?
3. If the funds are transferred, will the agency still be able to achieve the holdback of \$186,147 in Personal Services and \$186,144 in Other Expenses?

2009-13 Division of Criminal Justice

The Division of Criminal Justice requests a transfer of funds from its Persistent Violent Felony Offenders Act account (\$601,000) to other accounts as follows:

- 1) \$300,000 to Expert Witnesses;
- 2) \$230,000 to Other Expenses; and
- 3) \$71,000 to Medicaid Fraud Control.

The Office of Policy and Management established the Persistent Violent Felony Offenders Act account and placed into it the \$681,000 appropriated to the Division under PA 08-51. These funds were appropriated to hire 7 staff members, including 5 prosecutors for the purposes of enhanced prosecution of repeat dangerous felony offenders. Of the 7 positions provided, one has been filled (IT Manager).

Additional funds are needed in the Expert Witnesses line item to meet the one-time costs associated with expert statistical analysis conducted to defend the state's death penalty convictions against a claim of racial disparity.

Due to inflationary factors and increases in fuel, utilities, temporary services and maintenance of agency offices, expenses for commodities, supplies and services are expected to exceed the net allotment to the Other Expenses account.

Expert forensic accounting expenses associated with a particular case are contributing to a projected deficiency in the Medicaid Fraud Control account.

These transfers will help enable the agency to meet its FY 09 holdback requirements in the amount of \$313,795 in Personal Services and \$68,603 in Other Expenses.

2009-14 Department of Motor Vehicles

The Department of Motor Vehicles (DMV) requests a transfer of \$200,000 from the Personal Services account to the Other Expenses account. Funding is available due to a hiring freeze.

The funds will be used for the renovation of the Wethersfield branch in preparation for DMV's move from Waterbury to Wethersfield. The transfer is necessary because the March 27, 2009 bond commission meeting was cancelled. Bond funds were to be allocated to the Department of Public Works for asbestos remediation, a portion of which was to be allocated to the Wethersfield office. The move cannot occur until the Wethersfield office is renovated.

2009-15 Military Department

The Military Department requests a transfer of \$150,000 from the Personal Services account to the Other Expenses account. Additional funding is necessary in Other Expenses to initiate lead abatement and energy management projects at various armories throughout the state. Funding is available in Personal Services due to the existence of funded vacancies and an agency-wide policy of overtime reduction. It is not anticipated that the transfer would affect the Department's ability to meet holdbacks of \$25,201 in Personal Services and \$80,190 in Other Expenses.

The agency has identified 14 facilities that require lead abatement measures. The Governor's biennial budget proposal includes lead abatement funding for the Hartford Armory, and bond funds have been allocated for six other facilities. The \$150,000 requested transfer will provide a state match for federal funding associated with lead abatement and energy management projects at the remaining seven facilities.

2009-16 Department of Economic & Community Development

The agency requests a transfer of \$266,607 from the Other Expenses account to the Personal Services account. A transfer is necessary due to state matching funds which were budgeted for the federal Community Development Block Grant Small Cities Program being deposited within Other Expenses as opposed to Personal Services. This request transfers the funds to Personal Services, where they will be used to match salaries.

2009-17 Department of Public Health

The Department of Public Health (DPH) requests a transfer of \$340,000 from the Personal Services account to the X-Ray Screening and Tuberculosis Care account. Funding is necessary due to an anticipated deficiency as a result of increased costs associated with the care of TB clients not eligible for state Medicaid. One intensive TB client case costs DPH more than \$200,000 this fiscal year. TB clients are required to

apply for state Medicaid assistance and provide a copy of their notice of rejection prior to DPH payment of funds.

This anticipated shortfall can be covered by a projected lapse in the agency's Personal Services account, which was anticipated to be \$700,000 as of February 2009. Of this, \$340,000 could be utilized to offset the TB account deficiency.

2009-18 Office of the Chief Medical Examiner

The Office of the Chief Medical Examiner (OCME) requests a transfer of \$85,000 from the Personal Services account to the Other Expenses account. Funding is necessary primarily due to increased costs associated with the leasing of fleet vehicles for the Investigations Unit (IU), gasoline, motor vehicle repairs, IT software licenses, increased telephone-related costs associated with the shift from Assistant Medical Examiners performing investigations to investigators in the IU (an overall savings to the agency), laboratory services and body transport services.

This anticipated shortfall can be covered by a projected lapse in the agency's Personal Services account. The lapse in this account is the result of two vacancies, a principal physician and a medical secretary, that OCME has not refilled due to the hiring freeze.

2009-19 Department of Developmental Services

The agency requests a transfer of \$10,525,672 from various accounts including Employment Opportunities and Day Services (\$5,276,172), Personal Services (\$3,594,461), Other Expenses (\$969,039) and the PILOT Program for Autism Services (\$686,000) to Early Intervention (\$8,753,240), Workers' Compensation (\$900,000), Community Residential Services (\$665,029) and Rent Subsidy Program (\$207,403).

Funding is available in the Employment Opportunities and Day Services account due to the conversion of the Fiscal Intermediary cost settlement process from an annual cost settlement to a quarterly cost settlement; from savings from agency clients with individual budgets; and from the savings from cost settlement recoveries from Master contracts. The transfer from Employment Opportunities and Day Services does not reduce the \$2 million recision in this account.

Funding is available in the Personal Services account due to vacancies resulting from the statewide hiring freeze and reductions in overtime. The transfer from Personal Services does not reduce the savings of \$11.5 million from the holdback and recisions in this account.

2009-20 Department of Mental Health and Addiction Services

The Department of Mental Health and Addiction Services (DMHAS) requests the transfer of \$3.0 million from various accounts including Community Mental Health Strategy Board (\$1,430,000), Housing Support Services (\$570,000), Home and

Community Based Services (\$300,000) and Workers' Compensation (\$700,000) to Personal Services (\$1,400,000), Other Expenses (\$1,000,000), Professional Services (\$150,000), and TBI Community Services (\$450,000).

Funding is necessary in: 1) Personal Services to cover increased staffing and overtime costs incurred at the Connecticut Valley Hospital associated with the federal Department of Justice and Centers for Medicare/Medicaid Services review and recommendations; 2) Other Expenses to cover repair expenses related to patient safety at various state facilities, increased utility costs and lease expenses; 3) Traumatic Brain Injury Community Services to cover increased costs related to discharging clients from hospital settings that would have otherwise been eligible for waiver program funding through the Department of Social Services; and 4) Professional Services to cover ongoing training costs resulting from the survey at Connecticut Valley Hospital by the Judicial Department and increased medical services expenditures to several clients in inpatient facilities.

Funding is available due to: 1) program changes in the implementation of the expanded Assertive Community Treatment and Community Support Programs under the Medicaid Rehabilitation Option; 2) housing funds that have been appropriated to the Strategy Board account that will not be needed to support client services for current approved DMHAS housing projects; and 3) delayed start-up timelines for the development and renovation of housing units in the Pilots/Next Steps Supported housing program. Additionally, funding of \$700,000 in the Workers' Compensation account is available due to a lower than anticipated number of claims.

Questions:

1. The agency is requesting a \$700,000 transfer from the Worker's Compensation account due to a lower-than-expected number of claims. However, it appears that this account currently has an anticipated lapse of only \$500,000. What accounts for this difference?
2. There are several accounts that, even after this FAC transfer, would still have significant lapses. This includes \$2.17 million in the Community Mental Health Strategy Board account, \$414,000 in the Persistent Violent Felony Offenders Act account and \$250,000 in the General Assistance Managed Care account. Are there future plans for these anticipated lapses?

2009-21 Department of Transportation

The Department of Transportation (DOT) requests a total transfer of \$5,599,000 from the Personal Services (\$1,289,200), Equipment (\$176,700), Highway & Bridge Renewal Equipment (\$53,600), Hospital Transit for Dialysis (\$45,000), Rail Operations (\$3,000,000), Bus Operations (\$797,000) and Non-Bondable Bus Capital Projects (\$237,500) accounts to the Other Expenses (\$4,802,000) and ADA Para-transit Program (\$797,000) accounts. Funding is available due to a hiring freeze, reduced need for rail subsidy requirements due to increased ridership, delays in the purchase of

equipment, delays in implementation of bus capital projects, and non-participation in the dialysis grant program.

The \$4,802,000 transfer to the Other Expense account will offset shortfalls, primarily in the snow and ice account. The shortfalls are a result of higher than anticipated price and usage of materials such as salt, repair parts for trucks, and utility costs.

The \$797,000 transfer to the ADA Para-transit Program account will offset shortfalls in the account. The shortfall is due to increased ADA demand, additional service routes, and prior year audit findings. The ADA Para-Transit program is an unfunded federal mandate. All transit districts are required by the federal government to provide alternative transportation for handicapped individuals within a certain distance of regularly scheduled bus services. The ADA Para-Transit Program pays 100% of the cost to state-owned transit districts; privately owned/operated transit districts receive less than 100%.

2009-22 Department of Social Services

The Department of Social Services (DSS) requests a total of \$53.5 million among various accounts. Funds are being transferred from the HUSKY program (\$19 million), ConnPACE (\$7 million) and the Medicaid program (\$27.5 million). The HUSKY and ConnPACE programs have experienced significantly lower costs and caseloads than projected when the budget was originally adopted two years ago. DSS is currently projecting a deficiency of \$47.7 million in the Medicaid program.

Major transfers requested include:

Other Expenses – DSS requests a transfer of \$11.0 million to the Other Expenses account to meet contractual costs that are higher than anticipated. This represents an 11.4% increase to the Other Expenses account.

Old Age Assistance - DSS requests a transfer of \$3.2 million from the Medicaid account to the Aid to the Aged account. This transfer is requested since the program was budgeted at an average cost per case of \$605 while actual costs per case are \$648, representing a 7% increase. This is partially due to a retroactive rate adjustment to residential care homes (RCH) and the addition of an additional 100 bed RCH. In addition, the caseload was budgeted at a level of 4,524 while the actual caseload is currently 4,624, representing a 2% increase.

Aid to the Blind - DSS requests a transfer of \$110,000 from the Medicaid account to the Aid to the Blind account. This transfer is requested since actual costs per case (\$657) are exceeding budgeted costs per case (\$529) by 24%.

Aid to the Disabled - DSS requests a transfer of \$450,000 from the Medicaid account to the Aid to the Disabled account. This transfer is requested since projected caseload was budgeted at 9,959 (at a forecasted cost of \$496 per case) and actual caseload is

currently 10,614 (at a forecasted cost of \$471 per case), representing a caseload increase of 6%.

Temporary Assistance to Families – TANF - DSS requests a transfer of \$600,000 from the Medicaid account to the Temporary Assistance to Families – TANF account. This transfer is requested due to increasing caseload resulting from unfavorable economic conditions in the workplace which caused an increase of 171 cases. In addition, there is a \$10 increase in the average cost per case.

State Administered General Assistance (SAGA) and Connecticut Home Care Program – DSS requests transfers totaling \$25.7 million into these two accounts. SAGA has seen caseloads increase from the projected 33,926 to a current 36,130. The average cost per case has also increased from \$456 per month to \$472. The Home Care cost per case has also increase from the originally projected \$845 per month to \$1,044 per month.

Previous FAC actions have transferred \$4.7 million to SAGA and \$1.6 million to the Home Care program.

Medicare Part D Supplemental Needs Fund – DSS requests a transfer of \$7.4 million into this account. This is in addition to the \$12.0 million transferred into this account by previous FAC actions.

Hospital Hardship Fund – DSS requests an additional \$5.0 million for the Hospital Hardship Fund for a grant to the Connecticut Children’s Medical Center. This fund was established through a one-time surplus appropriation in 2007.

2009-23 Department of Correction

The Department of Correction (DOC) requests a transfer of \$1,000,000 from the Inmate Medical Services account and \$760,000 from the Persistent Violent Felony Offender Account to the Other Expenses account.

The agency is currently experiencing an estimated operating deficit of \$17.0 million. This figure includes (is net of) the available funds in the accounts requested for transfer listed above. The deficit is down from an estimated \$26.0 million deficit in the Fall of 2008.

Funds are available in inmate medical services after several years of significant increases in funding requirements and are due to various cost savings measures as well as a reduction in the inmate population from a high of 19,800 a year ago to about 19,000 – 19,100 today.

Funds are available in the Persistent Violent Felony Offender Act account due to delays in spending the \$2.14 million provided by PA 08-51, “AAC Persistent Violent Felony Offenders and Providing Additional Resources to the Criminal Justice System.”

2009-24 Department of Children and Families

The Department of Children and Families requests the transfer of \$4.5 million from the Board and Care for Children-Residential account to offset projected shortfalls under the Board and Care for Children-Adoption and the Individualized Family Supports accounts.

The BCC-Adoption shortfall (\$4.0 million) is attributable to caseload growth in excess of budgeted levels. Since July 2007, the number of paid placements funded via this account has increased from 6,279 to 6,836 (or almost 9 %).

It should be noted that PA 09-2 (the February Deficit Mitigation Act) de-appropriated \$0.5 million from the Individualized Family Supports account, to reflect implementing a Governor's recommended reduction to discretionary/flexible funding payments as of April 1, 2009 rather than July 1, 2009. A projected shortfall in this account has accordingly been reduced from \$1 million to \$0.5 million.

Funding is available under the BCC-Residential account primarily due to a significant decrease in the number of children placed in residential treatment centers, as well as delays in opening new therapeutic group homes. Since July 2007, the number of children and youth in residential placements has decreased from 1,527 to 1,378 (or almost 10 %).

2009-25 Children's Trust Fund Council

The Children's Trust Fund requests the transfer of \$75,000 from the Safe Harbor Respite account to the Personal Services account. The agency incurred unbudgeted expenses for accrued benefits paid upon the retirement of an employee in Fall 2008. This, coupled with an allotment reduction of \$10,079 and a Governor's rescission of \$49,921, make a transfer of \$75,000 into the agency's Personal Services account necessary to allow the agency to meet its payroll.

Funds are available under the Safe Harbor Respite account. Programming that would have been financed by this account has yet to be developed. No expenditures from \$190,000 in available funds are anticipated in FY 09.