

Connecticut General Assembly



OFFICE OF FISCAL ANALYSIS

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To: Legislative Members of the Finance Advisory Committee

From: Alan Calandro, Director

Subject: Items for the Finance Advisory Committee meeting on May 13, 2010

The Finance Advisory Committee agenda for May 13, 2010 contains 12 items (items 2010-26 through 2010-37) which have been reviewed by this office and the following information is provided to more fully explain them:

2010-26 Commission on Aging

The Commission on Aging (CoA) requests a transfer of \$3,986 from the Other Expenses account to the Personal Services account. PA 09-3 JSS (the budget bill, as amended by PA 09-7 SSS) reduced the commission's FY 10 budget by 53%. In order to meet their FY 10 budget, the commission significantly reduced the work hours of its employees. Additional funding is necessary in Personal Services to make payroll.

2010-27 Permanent Commission on the Status of Women

The Permanent Commission on the Status of Women (PCSW) is requesting a transfer of \$10,000 from the Other Expenses account to the Personal Services account. PA 09-3 JSS (the budget bill, as amended by PA 09-7 SSS) reduced the commission's FY 10 budget by 55%. In order to meet their FY 10 budget, the commission laid off three employees and significantly reduced the work schedules of the remaining six employees. The additional funds are needed in Personal Services to make payroll.

2010-28 Office of the State Comptroller

The Office of the State Comptroller (OSC) requests a General Fund transfer of \$50.0 million from the Active State Employee Health Service (\$46.0 million) and Higher

Education Alternative Retirement Fund account (\$4.0 million) to the Retired State Employee Health Service account.

Additional funding is necessary in the Retired State Employee Health Service account due to retiree health costs of the approximately 3,900 employees who participated in the 2009 Retirement Incentive Program (RIP). The budgeted appropriation contained in PA 09-3 JSS (the budget bill, as amended by PA 09-7 SSS) for this fringe benefit account was not previously adjusted to accommodate these costs.

Funding is available in the State Employees Health Service account through the release of holdbacks and in the Higher Education Alternative Retirement Fund account due to lower than anticipated associated personnel costs.

The Office of the State Comptroller additionally requests a Special Transportation Fund transfer of \$90,000 from the Employer's Social Security Tax account to the Unemployment Compensation account.

Additional funding is necessary in this Unemployment Compensation account due to higher than anticipated claims activity.

Funding is available in the Employer's Social Security Tax account due to the effect of the hiring freeze.

2010-29 Division of Special Revenue

The Division of Special Revenue (DSR) requests a total transfer of \$330,000 from the Personal Services account to the Other Expenses account.

Additional funding is necessary in the Other Expenses account due to higher than budgeted expenses. The agency's FY 10 adjusted appropriation of \$667,091 was approximately 60% lower than the FY 09 appropriation level in this account.

Funding is available in the Personal Services account as a result of not refilling vacant positions after the 2009 RIP.

This transfer will help to ensure that the agency meets the \$475,198 Other Expenses holdback requirement, and will not affect the holdback requirement in the Personal Services account.

2010-30 Department of Public Works

The Department of Public Works requests the transfer of: (1) \$300,000 from the Personal Services account to the Capitol Day Care (\$24,000), Facilities Design and Construction (\$156,000), and Property Management Services (\$120,000) accounts and (2) \$550,000 from the Other Expenses account to the Property Management Services account.

The Facilities Design and Construction account deficiency of \$695,000 is a result of an inability to achieve legislative reductions made to the FY 10 budget for savings associated with operating efficiencies, as expenditures in this account are mainly fixed. Of the \$695,000 total deficiency, \$555,908 was covered by the release of unallotted funds and \$156,000 is being covered by this transfer¹.

The Property Management Services account deficiency of \$1.15 million is a result of an inability to achieve legislative reductions made to the FY 10 budget for savings associated with operating efficiencies and renegotiation of office space leases. Of the \$1.15 million total, \$532,773 was covered by the release of unallotted funds and \$670,000 is being covered by this transfer².

The Capitol Day Care account deficiency of \$24,000 is the result of greater than anticipated utility and rental costs.

Funding is available in the Personal Services account due to unfilled RIP positions and SEBAC negotiated savings. Funding is available in the Other Expenses account due to the release of \$550,000 in unallotted funds.

2010-31 Department of Public Safety

The Department of Public Safety (DPS) requests a transfer of \$1,113,136 from the Personal Services account to the Workers' Compensation Claims account.

Additional funding is necessary in the Workers' Compensation Claims account due to claim payments exceeding budgeted levels. Actual monthly claims have averaged \$343,880, though funding for average monthly claims in the amount of \$287,000 was appropriated.

Funding is available in the Personal Services account through: 1) the release of the original holdback of \$926,000, 2) a \$79,000 transfer from the Reserve for Salary Adjustment account, and 3) the release of \$108,000 in additional holdbacks stemming from current savings and lapses in the Personal Services account.

2010-32 Department of Motor Vehicles

The Department of Motor Vehicles (DMV) requests a transfer of \$1.2 million from the Personal Services account to Other Expenses account.

Additional funding is necessary in the Other Expenses account due to higher than budgeted expenses. The agency's FY 10 appropriation of \$14,126,534 was approximately 13% lower than the FY 09 appropriation level in this account.

¹ Funding in excess of the projected deficiency is provided as a hedge against potential deficiency growth in this account. In the event that the deficiency does not grow, that excess funding will be lapsed at the end of the current fiscal year.

² See above footnote.

Funding is available in the Personal Services account due to delays in hiring employees and savings associated with the RIP.

2010-33 Department of Insurance

The Department of Insurance (DOI) requests a transfer of \$360,230 from the Personal Services (\$235,230) and Fringe Benefits (\$125,000) accounts to the Other Expenses account.

Additional funding is necessary in the Other Expenses account due to: 1) a University of Connecticut (UConn) memorandum of understanding related to hosting DOI web applications, and 2) back taxes for DOI's leased office space at 960 Main Street, Hartford.

The Department of Insurance initiated the UConn MOU in order to realize long-term costs savings³, though funding is necessary for transfer in the short-term to fulfill the requirements of the MOU.

The Department of Public Works (DPW) leases the 6th and 7th floors of the 960 Main Street, Hartford office building on behalf of DOI, and the agency was notified by DPW in FY 10 of prior year taxes (\$125,000) which are now due⁴. DPW pays the lessor directly.

Funding is available for transfer from the Personal Services account due to turnover, the effect of the hiring freeze, and lower vacation and sick time accumulated leave payouts for retirees.

Funding is available for transfer from the Fringe Benefits account because actual fringe benefit costs are lower than projected.

2010-34 Department of Public Health

The Department of Public Health (DPH) requests a transfer of \$683,082 from the Personal Services account to the Community Health Services account.

Additional funding is necessary in the Community Health Services account due to a deficiency projected by DPH as a result of the transfer of \$920,500 from that account to the X-Ray Screening and Tuberculosis Care Account in January⁵. Though DPH did achieve contract savings of \$237,418 in the account, a shortfall of \$683,082 remains.

Funding is available for transfer from the Personal Services account through the release of holdbacks.

³ In 2008, the Department of Information Technology increased its hosting fees to approximately \$460,000 per year; following the UConn conversion of DOI web applications from Oracle to alternative products, the annual hosting fees are estimated to be \$36,000 annually.

⁴ Taxes on leased space are due to the lessor if property taxes for the building increased over a certain formula (which occurred in this case primarily as a result of tax credits expiring on the property).

⁵ This transfer was included in item number 2010-3 from the January 14, 2010 meeting of the Finance Advisory Committee, which passed.

2010-35 Department of Education

The State Department of Education (SDE) requests a transfer of \$27,459,280 from the following accounts:

- Transportation (\$19,229,280)
- Education Equalization Grants (\$4,700,000)
- Priority School Districts (\$1,570,000)
- Mastery Exams (\$615,000)
- Magnet School Administration (\$450,000)
- Charter Schools (\$450,000)
- Basic Skills (\$250,000)
- Resource Equity (\$175,000)
- After School Program-Administration (\$20,000)

The funds are transferred to the Excess Cost Student Based (\$19,359,280), Personal Services (\$3,200,000), Other Expenses (\$4,700,000), and Equipment accounts (\$200,000).

Additional funding of \$19,359,280 is necessary in the Excess Cost – Student Based account in order for the state to be in compliance with federal IDEA maintenance of effort requirements (\$19,314,280), and an additional \$45,000 is required for districts that are owed refunds. It is unlikely that refunds will be recovered from districts before SDE has to meet payment obligations. Section 27 of SB 494, *An Act Making Adjustments To State Expenditures For The Fiscal Year Ending June 30, 2011*, as amended, provides that funds transferred into the excess cost grant from school transportation be paid in the amounts that would have otherwise been paid through the school transportation grant.

Additional funding of \$3,200,000 is required in Personal Services due to unfunded and unavoidable payroll expenses. Approximately \$1,500,000 of the PS shortfall is the result of pro-rata lump sum stipends paid to 106 teachers in the Connecticut Technical High School System (CTHSS) who retired under the RIP. Under RIP, SDE was allowed to refill 52 teaching vacancies. However, CTHSS was short of the required instructional staff to open schools in September. The governor granted SDE 25 unfunded teaching positions. The remaining \$1,700,000 PS deficiency is associated with funding those 25 positions.

Additional funding of \$4,700,000 is needed in the Other Expenses account as a result of the original FY 10 OE appropriation being funded at the FY 07 OE level and allotment reductions of \$3,500,000.

Additional funding of \$200,000 is needed in the Equipment account to purchase curriculum and instructional items to support the Sheff initiative at A.I. Prince and Howell Cheney Technical High Schools.

Funding of \$19,359,280 is available for transfer from the Transportation of School Children account due to a delay in payments to municipalities. The total appropriation for the account was originally \$47,964,000.

Funding of \$4,700,000 is available for transfer from the Education Equalization Grants (ECS) account due to a re-examination of prior year adjustments. **However, it is uncertain how the transfer of funds from the ECS account will impact federal ARRA funds, as the level of ECS funding cannot be reduced in FY 10 or FY 11 per federal requirements.**

Funding of \$1,570,000 is available for transfer from the Priority School Districts account as a result of programs that postponed filling slots in the first quarter due to state budget uncertainties as well as normal program attendance fluctuations.

Funding of \$450,000 is available for transfer from the Charter Schools account as grants were paid on 5,170 students instead of the 5,226 students that were anticipated in the adjusted appropriation.

2010-36 Department of Correction

The Department of Correction (DOC) requests a transfer of \$7.5 million from the Personal Services account to the Workers' Compensation Claims account.

Additional funding of \$7.5 million is necessary in the Workers' Compensation Claims account primarily due to medical costs exceeding budgeted levels. Average monthly medical payments to date are \$1,118,040, an increase of 55.1% over the FY 09 average of \$720,658. Also, it should be noted that the FY 10 appropriation level is \$1.7 million lower than the amount expended by DOC on Workers' Compensation Claims in FY 09.

Funding is available due to a projected lapse in Personal Services (\$3.5 million) attributable to staff attrition and reduced overtime usage made possible by a declining inmate population, as well as the impact of the RIP. An additional \$4.0 million in funds held back as part of the General Personal Services lapse will be released to make sufficient funding available for this transfer.

2010-37 Public Defender Services Commission

The Public Defender Services Commission requests a transfer of \$832,352 from its Personal Services account to Special Public Defender Non-Contractual (\$320,689) and Expert Witnesses (\$511,663) accounts.

Additional funding is necessary in the Special Public Defender Non-Contractual account to cover the cost of FY 09 bills carried over into FY 10 (approximately \$414,000), and an increased number of capital cases that required additional non-contractual public defenders.

Additional funds are required in the Expert Witness line item due to the payment of expert witnesses required in pending capital cases, and experts required in a number of homicide and serious felony cases.

Funding is available in the Personal Services line item due to client reimbursements⁶, in the approximate amount of \$100,000, and savings realized from leaves of absences and the delay in filling positions.

These transfers will help the agency meet its holdback requirement, in the amount of \$278,906 in Personal Services and \$37,013 in Other Expenses.

⁶ Refunds of current year expenditures are generated through the collection of a \$25 fee from clients once a case is accepted by the Public Defender's Office. The fee is considered to be a reimbursement of public defender services and is not required in order for indigent clients to obtain services.