

MINUTES OF THE MEETING OF THE FINANCE ADVISORY COMMITTEE
June 6, 2019
Held in Room 1E at the Legislative Office Building

PRESENT: Lieutenant Governor Susan Bysiewicz
Deputy Comptroller Martha Carlson
Deputy Treasurer Linda Savitsky
Senator Catherine Osten
Senator Paul Formica
Representative Toni Walker
Representative Gail Lavielle
Representative Michael DiMassa
Acting Deputy Secretary Susan Weisselberg,
Office of Policy and Management, Finance Advisory Committee Clerk

Lieutenant Governor Bysiewicz called the meeting to order at 1:00 p.m.

The minutes of the May 2, 2019, meeting were adopted.

The following new transactions were considered by the committee:

FAC 2019-23 for the Office of the State Comptroller. Transfer of \$16,910,000 from the Retired State Employees Health Services Cost account to several other fringe benefit accounts to align resources with end of year expenditure needs.

Senator Formica asked whether funding for lump sum payments was budgeted. Carolyn Mercier, Assistant Division Director of Administrative Services, responded that they were not included in the agency's original budget, as the budget for FY 2019 was passed in 2017, and by the time the contracts were approved the appropriations were already established.

Senator Formica asked whether the lapses in the retiree health account could be used to pay down pension obligations. Ms. Mercier responded that any additional funds in the miscellaneous fringe benefit accounts are returned to the resources of the General Fund. She further explained that the lapse was attributable to the retiree health account, rather than the account that funds retirement contributions.

Representative Lavielle asked whether funds were available from the Reserve for Salary Adjustments (RSA) account. Ms. Mercier responded that the agency did not receive any funds from RSA, and noted that lapses in fringe benefit accounts are typically used to offset shortfalls elsewhere in fringe benefit accounts. Representative Lavielle asked if RSA is used exclusively for wages. Paul Potamianos, OPM Executive Budget Officer, responded that the RSA is typically used to budget costs for future unsettled contracts, and that this is a case of the appropriations not exactly lining up the expected expenditures due to the timing of budget passage.

This item was unanimously approved.

FAC 2019-24 for the Department of Administrative Services. Transfer of \$900,000 from Personal Services to the Insurance and Risk Management account to enable payment of several claim settlements.

Representative Lavielle noted that the committee approved a similar item in May and asked why an additional transfer was needed. Gerald Lynn, DAS Chief Fiscal Officer, explained that for the May transaction the agency used surplus funds to limit the planned deficiency appropriation for the Insurance and Risk Management account. The agency subsequently determined in June that it would have sufficient lapses in Personal Services to cover the remaining shortfall in Insurance and Risk Management, and would no longer require a deficiency appropriation.

Rep. Lavielle asked about long term claim trends. Mr. Lynn responded that the claims being paid through this transaction are for instances that occurred three or four years ago. He noted that costs have generally increased over time, but projections are very difficult because expenditures tend to be based on the timing related to settlement of litigation.

Senator Formica asked if the insurance broker has been rebid, and whether the deductibles related to motor vehicle accident claims were part of reason for the shortfall. Mr. Lynn responded that the Adjudicated Claims account is a separate account administered by the Office of the Comptroller, but that the agency has experienced a rise in the number of small claims, \$100,000 or less, because congestion on state highways translates into more accidents.

Senator Formica asked why motor vehicle claims were not covered under the Adjudicated Claims account. Erin Choquette, DAS Policy and Legislative Advisor, noted that fleet claims, by statute, do not fall under the state's sovereign immunity and that the Office of the Attorney General therefore does not defend the state against such claims. Instead, defense of such claims is contracted by the Insurance and Risk Management board to a third party administrator. She further noted that the Adjudicated Claims account, which is administered by the Office of the State Comptroller, is for payments related to cases with AG representation, and as a result motor vehicle claims are not covered by that funding source.

This item was unanimously approved.

FAC 2019-25 for the Department of Emergency Services and Protection. Transfer of \$900,000 from Worker's Compensation Claims to Personal Services to ensure the agency has sufficient funds to cover payroll through the end of the fiscal year.

This item was unanimously approved without discussion.

FAC 2019-26 for the Department of Motor Vehicles. Transfer of \$5,000,000 from Personal Services to the Modernization account to support efforts to improve customer experiences by updating technology and simplifying processes.

Representative Walker asked whether a transfer was approved by the committee in May. Deputy Commissioner Guerrero responded that the agency did not have an item on the May agenda, but noted that the memorandum requesting consideration at the June FAC meeting was submitted in May.

Senator Formica asked whether the modernization item was for upgrading software or for an additional software program. Commissioner Magubane responded that the effort would both upgrade the existing system as well as result in new capabilities. Much of the work is to help reduce the time it takes for residents to complete transactions, and would help reduce waiting times.

Senator Formica asked Senator Osten and Representative Walker whether 78 vacant positions were funded in the current budget. Senator Osten responded that the positions were funded, and that the committee adjusted the agency's position count to eliminate unfunded positions.

Representative Lavielle asked whether the vacant positions would be needed once the registration system ramps up and becomes more efficient. Deputy Commissioner Guerrero indicated that the agency will assess staffing needs after the system is upgraded, and Commissioner Magubane noted that the agency may need new skillsets in the future.

This item was unanimously approved.

FAC 2019-27 for the Insurance Department. Transfer of \$194,901 from the Indirect Overhead account to Other Expenses to ensure that the agency has sufficient funds to cover expenses through the end of the fiscal year.

This item was unanimously approved without discussion.

FAC 2019-28 for the Department of Labor. Transfer of \$955,000 from the Workforce Investment Act account to the Personal Services and Other Expenses accounts to support requirements through the end of the fiscal year.

Senator Osten and Representatives Walker and Lavielle all sought additional information regarding the proposed transfer. Commissioner Westby and Mark Polzella, Labor Department Unit Director, explained that the state appropriation exceeded the federal award. After some discussion about the relationship among the federal award, state appropriations, and funds paid out to grantees, the agency offered to conduct a follow up meeting to provide a better understanding of the WIOA account.

Senator Osten inquired whether the funds were part of the Connecticut Employment and Training Commission (CETC) and asked for additional information regarding the functions of that entity. Mr. Polzella responded that CETC largely carries out the strategies and policies and procedures of the Commission.

Senator Formica inquired about the Reserve for Salary Account (RSA) within OPM and whether that account would be an appropriate resource to address the Personal Services shortfall. Tyra Knight, Associate Accountant at DOL, replied that it would be difficult to estimate in advance how much may be needed from RSA.

Representative Lavielle asked whether the account had resources carrying forward from previous years and how much excess remained in the current award. DOL explained the excess was approximately \$2.3 million and that the appropriated levels in FY 2020 and FY 2021 have been adjusted to reflect the anticipated award during the biennium.

The item was approved with Senator Formica and Representative Lavielle voting no.

FAC 2019-29 for the Department of Economic and Community Development. Transfer of \$300,000 from Personal Services and the Office of Military Affairs account to the Capitol Region Development Authority account to support operating costs at Rentschler Field and security costs for the XL Center.

Representative Lavielle inquired whether it was normal for state funds to be passed through to the City of Hartford. CRDA Executive Director Michael Freimuth explained that approximately \$600,000 - \$800,000 is typically paid by CRDA for the XL Center and includes some funds for security. Representative Lavielle asked what Hartford receives in total and Mr. Freimuth explained that other revenues are available and that the gap is picked up by the appropriation. Regarding the shortfall at Rentschler Field, Mr. Freimuth explained the shortfall is due to lower football attendance and that the \$250,000 transfer represents a portion of the shortfall, as the University of Connecticut covers the first \$250,000 and an additional \$100,000 is covered by the enterprise fund. Representative Lavielle asked whether CRDA was taking any measures to address attendance problems and Mr. Freimuth explained that UConn could better address the issue, but that CRDA attempts to secure other events to offset shortfalls.

Senator Osten expressed concern regarding the proposed transfer from the Office of Military Affairs and opined that DECD should annually contract out for consulting services and take a proactive approach to defending against potential future Base Realignment and Closure efforts.

The item was approved with Senator Osten, Senator Formica and Representative Lavielle voting no.

FAC 2019-30 for the Office of the Chief Medical Examiner. Transfer of \$245,000 from Other Expenses to Personal Services to support payroll costs through the end of the fiscal year.

Representative Walker asked whether the newly adopted budget for the FY 2020 and FY 2021 biennium included funding for an additional pathologist. Chief Medical Examiner Dr. Gill explained that the biennial budget annualized the cost of hiring of the ninth pathologist which occurred in FY 2019.

This item was unanimously approved.

FAC 2019-31 for the Department of Mental Health and Addiction Services. Total transfer of \$7,150,000 among various accounts to cover operating costs through the end of the fiscal year.

Senator Osten relayed concerns from providers that they were not getting paid for TBI services and expressed concern that this transfer may exacerbate that issue. Paul DiLeo, Chief Operating Officer, explained that the DMHAS account supports services outside the waiver run by the Department of Social Services and that the lapse resulted from overestimating those needs for FY 2019.

Representative Walker expressed concern about overestimating needs and hoped next year's estimates were closer. She further referenced the item withdrawn from the May meeting and asked whether the \$1.6 million in grants for mental health and substance abuse services that had been proposed for transfer had been distributed to grantees. Mr. DiLeo responded that the agency had not distributed that funding in recognition of the overall agency budget shortfall. Representative Walker and other members of the committee expressed their concern about that decision.

Senator Formica asked for details about the Workers' Compensation shortfall and Mr. DiLeo explained the costs were mostly related to inpatient settings.

The item was approved with Representative Lavielle voting no.

FAC 2019-32 for the Department of Social Services. Transfer of \$1,500,000 from the Aid to the Disabled account to the Old Age Assistance account to meet anticipated requirements through year end.

This item was unanimously approved without discussion.

FAC 2019-33 for the Department of Rehabilitation Services. Transfer of \$750,000 from the Employment Opportunities account to the Vocational Rehabilitation account to support federal maintenance of effort requirements for vocational rehabilitation.

Senator Osten inquired whether the agency had raised the issue of restructuring employment opportunities funding with the Appropriations Committee. Commissioner Amy Porter explained that the agency did not raise the issue, but that changes were recently made to the vocational rehabilitation program, a similar program. The vocational rehabilitation program prepares individuals to enter and maintain employment while employment opportunities funding is used for long term supports for the same individuals. The agency made some changes due to funding issues and implementation of federal regulations which require the agency to serve those with the most significant disabilities first. The commissioner committed the agency to working with state partners (DDS and DMHAS) to determine the needs of their clients. Senator Osten also

asked whether there were fewer individuals using the programs, and the commissioner explained that the program is designed to fill the gap as most individuals are getting long term supports from DDS or DMHAS. For example, individuals with autism may access a waiver and become ineligible for services under the employment opportunities program.

The item was unanimously approved.

FAC 2019-34 for the Department of Education. Transfer of \$1,000,000 from the CT Technical Education System account to Technical High School Other Expenses to fund the cost of utilities and minor repairs in the technical high school system through the end of the school year.

Representative Lavielle asked whether the agency was experiencing any improvements in refilling positions. Dr. Jeffrey Wihbey, superintendent of the CT Technical Education and Career System, replied that the agency partnered with the Office of Policy and Management, the State Department of Education and the Department of Administrative Services and conducted a LEAN process that addressed the position refill process.

Representative Lavielle asked how many positions are vacant. Dr. Wihbey estimated the number at 180, of which 50-60 are instructional or direct student support services, with 15 of those in trade areas. Representative Lavielle asked if the process for filling vacant positions had improved and Dr. Wihbey responded affirmatively.

The item was unanimously approved.

FAC 2019-35 for the Office of Early Childhood. Transfer of \$789,906 from the Early Care and Education and Personal Services accounts to the Birth to Three account as a result of projected service costs and caseloads through the end of the fiscal year.

Representative Lavielle asked about the lapse of Early Care and Education funds. Executive Director Beth Bye indicated that the lapse was a result of lower utilization as children leave slots in state funded centers and there is a delay in refilling the slots. She indicated the agency is working to maximize utilization of slots and to minimize lapses in funding.

The item was unanimously approved.

FAC 2019-36 for the University of Connecticut. Transfer of \$243,874 from Operating Expenses to the Workers' Compensation Claims account to cover end of year requirements.

Senator Formica asked if the RSA transfer of \$5,050,483 to UConn was in addition to the agency's block grant allotment. UConn Budget Director Kelly Wihbey confirmed that the transfer was beyond the original appropriation and meant to cover payments in FY 2019 related to the SEBAC agreement.

Representative Lavielle asked if there was any correlation between increasing workers' compensation claims since FY 2017 and the constituent units regaining control of those claims around the same time. UConn Chief Human Resources Officer Chris Delello explained that UConn works with a contractor to successfully keep claims down, but increased costs for medical care have caused overall costs to increase.

The item was unanimously approved.

FAC 2019-37 for the Teachers' Retirement Board. Transfer of \$60,000 from Personal Services to Other Expenses to meet end of year requirements.

Senator Formica asked for information concerning the unclaimed funds project. Helen Sullivan, TRB Administrator, explained that the agency is reaching out to the 4,000 people on the abandoned funds list to let them know they have funds available. Senator Formica asked if these funds are for active teachers. Loc Pho, Fiscal Administrative Manager, responded that these are inactive people who are no longer teaching and did not choose to receive a benefit either because they did not qualify or they simply chose not to receive a benefit. Funds are left in the account and after ten years they stop accruing interest and are placed on the list of abandoned funds. The agency is reaching out to these people to make them aware of these funds and give them the option to either collect a benefit or leave the money in the account.

The Lieutenant Governor asked why people would not choose to collect a benefit. Mr. Pho indicated the majority do chose the benefit but these funds are portable and if they choose to teach in another state they can transfer the funds. The Lieutenant Governor asked whether all of the affected individuals live in Connecticut. Mr. Pho and Ms. Sullivan answered that many live out of state.

Deputy Comptroller Carlson asked whether these are refunds of contributions. Mr. Pho responded affirmatively, as most of the teachers left before vesting. The Deputy Comptroller noted that the Office of the State Comptroller has a similar issue with respect to the state and municipal retirement systems.

Representative Walker asked how much money is in the fund. Ms. Sullivan responded about \$47 million, and noted that the agency is working with the local boards of education and has hired a search company to help them locate these people. The Lieutenant Governor suggested the agency contact the Secretary of the State to use voter registrations to locate people, and Deputy Comptroller Carlson suggested the agency contact the Comptroller's Office because they use an address match firm that has been successful in helping to find former employees.

The item was unanimously approved.

FAC 2019-38 for the Connecticut State Colleges and Universities. Transfer of \$399,552 from the Connecticut State University account to Workers' Compensation Claims to meet end of year requirements.

Senator Formica asked how often the transfer from RSA is received. CSCU Chief Financial Officer Ben Barnes responded that the RSA funding was provided for FY 2019 payments related to the SEBAC agreement.

Senator Formica asked how many employees were out due to workers' compensation claims. Mr. Barnes responded that he did not have specific data at the meeting, but the CSCU system was taking steps to increase workplace safety and reduce the need for workers' compensation claims.

The item was unanimously approved.

FAC 2019-39 for the Department of Children and Families, as revised. Transfer of \$5,755,535 among various accounts to meet end of year programming needs.

Senator Formica noted the requested transfer of approximately \$2.7 million into the Substance Abuse Treatment account and asked whether ongoing funding needs are addressed in the adopted FY 2020 budget. Cindy Butterfield, Chief Financial Officer, indicated that a lesser amount of funding will be required next fiscal year and that the agency plans on accommodating this through other budgetary adjustments.

The item was unanimously approved.

The meeting was adjourned at 2:46 p.m.

Respectfully submitted, ,


Susan Weisselberg, Clerk