

BUDGET CONNECTIONS

A Connecticut Voices for Children
Research Brief

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Between a Rock and a Hard Place: Is *This* Any Way to Address an \$89 Million Deficiency?

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Overview

On April 29, Connecticut General Assembly's Appropriations Committee passed Substitute House Bill 6589¹, to address deficiencies in the FY 03 budget of five agencies and accounts (see Figure 1). Deficiencies occur when certain budget accounts go over-budget, sometimes by quite significant amounts. Since state law requires a balanced budget by the end of the fiscal year, these "deficiencies" in funding must be remedied.

The total deficiencies this bill addresses (\$89 million) include:

- \$0.9 million for the Military Department (for increased security costs and costs for funeral honor guards);
- \$6.5 million for the Department of Administrative Services' Workers' Compensation Claims account;
- \$13.8 million for State Employees and Retired State Employees Health Services Cost (\$5.2 million for current employees and \$8.6 million for retired employees); and
- \$67.7 million for the Department of Social Services.

More than three-quarters of these budget deficiencies (76%) result from shortfalls in DSS' Medicaid account. In *total*, 92% of the deficiencies are related to higher than expected health care costs. Connecticut's situation is typical of other states. The National Conference of State Legislatures reports that as of the end of March 2003, more than half all states (28 states) reported that their Medicaid or health care programs were over budget.

Of great concern is how this bill proposes to address the deficiencies. Rather than raising additional revenues, or transferring funds from less important budget accounts, this bill proposes to cut funding for a range of programs and services that are vital to the needs of many Connecticut children, youth, families and communities. These meritorious programs and services will lose millions of dollars in funding in this current fiscal year to address the deficits in the equally

¹ <http://www.cga.state.ct.us/2003/TOB/h/pdf/2003HB-06589-R00-HB.pdf>.

meritorious Medicaid and health services programs. For some of these programs and services, funding that had been budgeted, and was anticipated, for this upcoming fourth quarter of the state fiscal year will simply *not be paid* leaving these programs in an extremely difficult fiscal dilemma.

I. The FY 03 General Fund Deficiencies

In a General Fund budget of over \$12 billion, it is not surprising that some spending is less than expected while some spending is more, just as revenues may come in more or less than projected. Changing economic times, delays in program start-ups, rapid inflation in certain types of costs, and caseload changes are among the changes that can impact on the budget's actual revenues and expenditures. Adjustments, therefore, always need to be made. Each year, some state agencies exceed the appropriations given them. DSS typically overspends its Medicaid budget, for example.

In SFY 02, deficiencies in agency budgets totaled \$96 million, down from nearly \$140 million in SFY 01. The deficiency bill for FY 03 reported out of the Appropriations Committee in April addresses projected General Fund agency deficiencies of almost \$90 million.

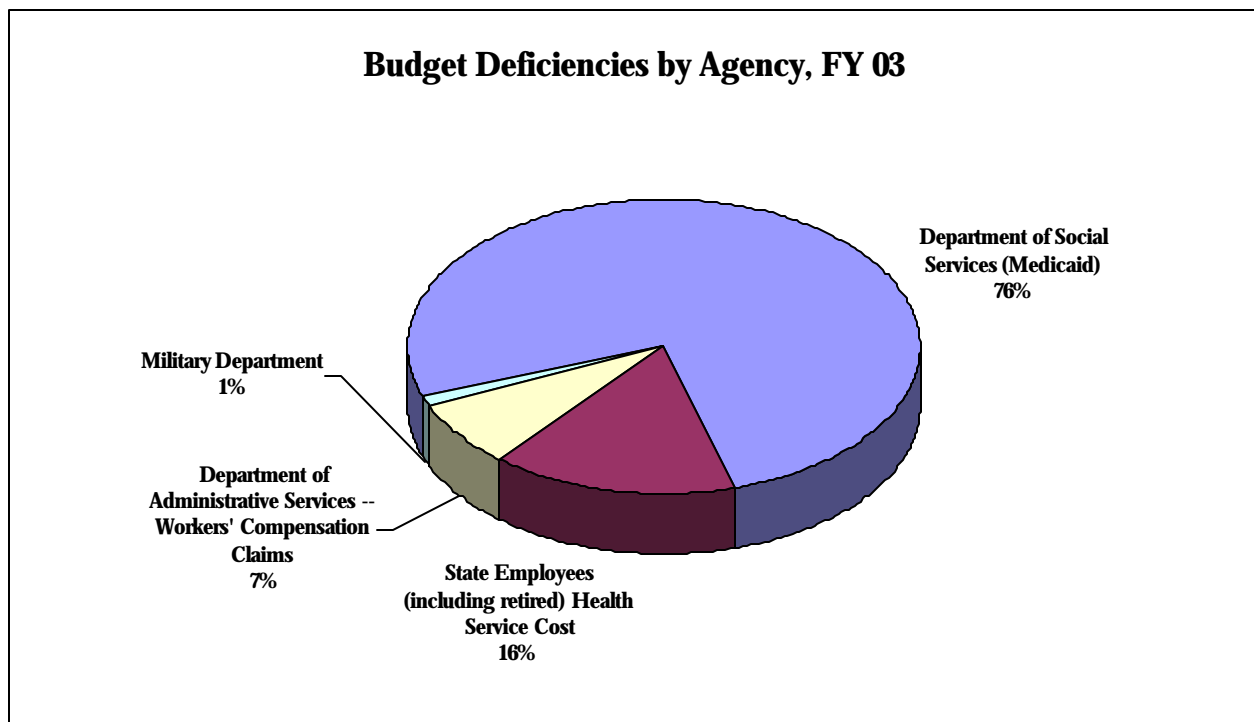


Figure 1

A. A Bit of Background About Medicaid²

Medicaid is a federal-state partnership, with the federal government reimbursing Connecticut 50% for each dollar spent, in general. The DSS account for Medicaid reflects both the state and the federal share of funding; this account is “gross” budgeted. Reimbursements from the federal government are credited to the General Fund as revenues when received by the state.

The age distribution of Connecticut’s Medicaid enrollees and the distribution of state Medicaid spending are shown in the tables below (as of FFY 98). Note specifically in the first table that while children are 51% of Connecticut’s Medicaid enrollees, only 11% of Connecticut’s Medicaid funds are spent on their care:

Distribution of CT Medicaid Enrollees and Spending (FFY 98)				
	# enrolled in Medicaid	% of CT Medicaid enrollees	Medicaid spending	% of CT Medicaid spending
Children	207,306	51%	\$314,200,150	11%
Adults	83,395	21%	\$174,684,372	6%
Elderly	55,244	14%	\$1,113,732,831	38%
Blind & Disabled	54,602	14%	\$922,663,178	32%
Disproportionate share hospitals	NA	NA	\$370,130,367	13%
TOTAL	402,547	100%	2,895,410,898	100%
Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on data from HCFA-2082 and HCFA-64 reports filed by CT.				

Connecticut also spends a *smaller* share of its Medicaid budget on children and adults than the national average, and a *far greater share* on its elderly, as shown in the table below:

Distribution of Medicaid Spending, CT v. US (FFY 98)		
	% of All CT Medicaid Spending	% of All US Medicaid Spending
Children	11%	15%
Adults	6%	10%
Elderly	38%	27%
Blind & Disabled	32%	39%
Disproportionate share hospitals	13%	9%
Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on data from HCFA-2082 and HCFA-64 reports filed by CT.		

² This section is based on work previously released by CT Voices for Children: See S. Geballe, *Spending Changes in the Governor’s Proposed FY 03-05 Budget: Toward A Connecticut We Won’t Like, and a Connecticut We Can’t Afford* (CT Voices for Children, March 2003).

B. Medicaid and Deficiencies

DSS consistently runs a deficiency in the Medicaid account. Accounting for two-thirds of the deficiency in SFY 02 were overspending on: a) pharmacy (\$5.73 million deficiency, with costs increasing by 14%-16%/year for the last several years); b) home health care (\$8.57 million deficiency in a program serving about 11,500 residents); and c) managed care HUSKY A program (\$6.65 million, reflecting increased enrollment because of aggressive outreach, increased unemployment, and expansion of eligibility to adults with children with incomes between 100 and 150% of the federal poverty level).

In FY 03, Medicaid spending is expected to be \$82.5 million greater than appropriated.³ This is a 3.2% shortfall in the \$2.6 billion account for long-term care and health services. While almost all areas of Medicaid health services are currently exceeding appropriated levels, nearly one-third of the deficiency -- \$22.8 million -- is projected to occur in long-term care. Other areas of projected deficiency are in pharmacy, transportation, home health care, and managed care (HUSKY). The projected deficiency in HUSKY is based on increased enrollment; not surprisingly, the decline in the economy, and higher unemployment, has resulted in more children and parents becoming eligible as family income falls.

II. Between a Rock and a Hard Place – Covering Deficiencies By Cutting Funds to Equally Important Programs and Services

To cover the Medicaid and the other deficiencies, this bill transfers funds from a range of programs and services that are vitally important to Connecticut's most vulnerable populations, and shortchanges many of the functions of state government that provide great benefit to Connecticut residents. More troubling, it takes away funding in the last quarter of the state fiscal year: these are funds programs and services *relied on*. That is, these programs and services budgeted with the assumption that a certain amount in state funds would be paid each quarter; they now will be told there will be *no more* funds for the remainder of the fiscal year, having had no time to plan for this.

Examining Table 1 below, we see that the Medicaid deficiency *alone* draws funds away from 57 agencies. Cuts of several million dollars to education, mental health and addiction services, youth development, alternatives to incarceration, public health, and the Department of Children and Families (DCF) are particularly disturbing.

Table 2 shows many of these cuts at the program level. Here we see that the deficiency bill transfers funds from more than 40 budget accounts serving Connecticut's children, draining almost \$21 million from vital programs serving children of all ages, from education initiatives for the youngest – the Early Childhood Program (\$275,749) and Head Start (\$305,350) – to programs serving older youth, such as the LEAP program (\$544,777).

Finally, as seen in Table 3, the deficiency bill also drains vital program dollars from a range of other programs and services integral to the delivery of important services to Connecticut's most vulnerable

³ The net DSS deficiency for all accounts is less due to lapses in other budget accounts.

citizens: minority populations, people with mental illnesses, victims of rape, and persons in need of health care services such as breast and cervical cancer detection and treatment.

To be sure, tight fiscal times require tough budget choices. Connecticut can make smarter choices than those reflected in this deficiency budget bill. It can restore some greater portion of the \$2 billion in tax revenues that were cut in the late 1990s when times were good, and it can look at funding for programs and services that serve less essential purposes than those targeted here to cover these deficiencies.

Table 1

FY 03 General Fund Appropriations Are Transferred from these Agencies to Cover Medicaid Deficiencies			
Agency	Agency Total	Agency	Agency Total
Education	\$10,752,325	Auditors	\$450,000
Judicial	\$6,840,650	Veterans' Affairs	\$435,886
Correction	\$5,098,031	Health Care Access	\$372,979
Legislative Management	\$4,789,048	Information Technology	\$346,851
Mental Health and Addiction Services	\$4,488,910	Human Rights and Opportunities	\$318,349
Public Safety	\$4,416,012	Treasurer	\$301,567
Policy and Management	\$3,361,729	Agriculture	\$192,058
Public Health	\$2,505,905	Deaf and Hearing Impaired	\$177,493
Children and Families	\$2,500,000	Environmental Protection	\$171,213
Division of Criminal Justice	\$1,584,223	Agriculture Experiment Station	\$157,349
Higher Education	\$1,407,164	Governor's Office	\$150,000
Revenue Services	\$1,351,130	Workforce Competitiveness	\$140,274
Administrative Services	\$1,322,291	Protection and Advocacy	\$134,350
UConn	\$1,180,783	Charter Oak State College	\$120,652
Public Defender Services Commission	\$1,112,888	Secretary of State	\$115,380
Attorney General	\$1,060,045	Police Officers Standards and Training	\$109,335
Economic and Community Development	\$1,054,142	Teacher's Retirement Board	\$103,987
Public Works	\$999,089	Fire Prevention and Control	\$76,703
Comptroller	\$917,167	Status of Women	\$49,718
State Library	\$840,963	Children	\$48,486
CT State University	\$822,293	Freedom of Information	\$39,146

FY 03 General Fund Appropriations Are Transferred from these Agencies to Cover Medicaid Deficiencies			
Regional Community-Technical Colleges	\$781,049	Child Advocate	\$34,775
UConn Health Center	\$730,343	Latino & Puerto Rican Aff. Comm'n	\$31,624
Labor	\$726,215	African American Aff. Comm'n	\$26,040
Ed & Services for the Blind	\$610,853	Elections Enforcement	\$19,936
Special Revenue	\$604,822	Ethics	\$18,880
Children's Trust Fund	\$573,595	Claims Commissioner	\$12,483
Parole	\$564,730	Properties Review	\$10,009
Consumer Protection	\$538,082	TOTAL	\$67,700,000

Table 2

Programs Serving CT's Children	Agency	Amount Taken from Account
DCF -- Personal Services	Children and Families	2,500,000
Excess Cost - Student Based	Education	2,426,586
Juvenile Alternative Incarceration	Judicial	2,181,422
Education: Personal Services	Education	1,685,156
OPEN Choice Program	Education	1,600,000
Operating Expenses	UConn	1,141,001
Magnet Schools	Education	850,000
Operating Expenses	CT State University	822,293
Operating Expenses	Regional Community-Technical Colleges	767,543
Charter Schools	Education	728,000
Family Resource Centers	Education	584,051
Children's Trust Fund	Children's Trust Fund	573,595
Leadership, Education, Athletics in Partnership (LEAP)	Office of Policy and Management (OPM)	544,777
Education: Other Expenses	Education	410,249
Omnibus Education Grants for State Supported Schools	Education	400,000
Educational Aid for Blind and Visually Handicapped Children	Education and Services for the Blind	373,846
Development of Mastery Exams, Grades 4,6,8	Education	338,837
Head Start Services	Education	305,350
Regional Education Services	Education	292,313
Juvenile Justice Centers	Judicial	286,776

Programs Serving CT's Children	Agency	Amount Taken from Account
Children's Health Initiatives	Public Health	284,202
Early Childhood Program	Education	275,749
American School for the Deaf	Education	200,000
Head Start Enhancement	Education	197,000
Teachers' Standards Implementation Program	Education	158,744
Children and Youth Program Development	Office of Policy and Management (OPM)	140,772
RESC Leases	Education	119,334
Early Reading Success	Education	107,435
Boys and Girls Club	Office of Policy and Management (OPM)	63,288
Neighborhood Youth Centers	Office of Policy and Management (OPM)	61,295
Drugs Don't Work	Office of Policy and Management (OPM)	60,078
Basic Skills Exam Teachers in Training	Education	59,485
Tobacco Education	Public Health	55,844
Children with Special Health Care Needs	Public Health	51,687
Commission on Children - Personal Services	Commission on Children	48,486
Truancy Services	Judicial	36,348
Child Advocate: Personal Services	Child Advocate	34,775
Genetic Diseases Programs	Public Health	27,304
Tuition Freeze	Regional Community-Technical Colleges	13,506
Services for Children Affected by AIDS	Public Health	13,115
Childhood Lead Poisoning	Public Health	12,183
CT Immunization Registry	Public Health	10,122
TOTAL from Children's Programs		20,842,547

Table 3

Other Important Service Programs	Agency	Amount Taken from Account
Alternative Incarceration Program	Judicial	3,436,710
General Assistance Managed Care	Mental Health and Addiction Services	2,480,269
Connecticut Aid for Public College Students	Higher Education	923,144
Justice Assistance Grants	Office of Policy and Management (OPM)	703,850
Drug Enforcement Program	Office of Policy and Management (OPM)	486,354

Other Important Service Programs	Agency	Amount Taken from Account
TBI Community Services	Mental Health and Addiction Services	414,000
Basic Cultural Resources Grant	State Library	399,078
Subsidized Assisted Living	Economic and Community Development	374,300
Community Health Services	Public Health	292,093
Special Populations	Mental Health and Addiction Services	276,000
Congregate Facilities Operation Costs	Economic and Community Development	255,092
Vocation and Manpower Training	Labor	250,000
Connecticut Educational Telecommunications Corp.	State Library	241,603
Governor's Partnership to Protect CT's Workforce	Mental Health and Addiction Services	164,000
Grants for Mental Health Services	Mental Health and Addiction Services	148,000
Personal Services	Education and Services for the Blind	143,937
Minority Advancement Program	Higher Education	124,279
Personal Services	Protection and Advocacy	112,949
Breast and Cervical Cancer Detection and Treatment	Public Health	83,686
PCSW - Personal Services	Permanent Commission on the Status of Women	49,718
Opportunity Industrial Centers	Labor	45,266
Cluster Initiative	Economic and Community Development	42,500
Latino and Puerto Rican Affairs Commission -- Personal Services	Latino and Puerto Rican Affairs Commission	31,624
X-Ray Screening and Tuberculosis Care	Public Health	31,076
African Affairs Commission -- Personal Services	African American Affairs Commission	26,040
Minority Teacher Incentive Program	Higher Education	25,335
Emergency Medical Services Regional Offices	Public Health	25,031
Rape Crisis	Public Health	21,180
Special Training for the Deaf Blind	Education and Services for the Blind	17,461
Forensic Sex Evidence Exams	Criminal Justice	16,662
Needle and Syringe Exchange Program	Public Health	16,640
Adult Education Action	Education	14,036
TOTAL		11,671,913