

MINUTES OF THE MEETING OF THE FINANCE ADVISORY COMMITTEE
April 3, 2025

PRESENT: Lieutenant Governor Susan Bysiewicz
Deputy Treasurer Sarah Sanders
Senator Catherine Osten
Representative Toni Walker
Senator Heather Somers
Representative Lucy Dathan
Representative Tammy Nuccio
Representative Tim Ackert
Deputy Secretary Paul Potamianos
Office of Policy and Management, Finance Advisory Committee Clerk

Lieutenant Governor Bysiewicz called the meeting to order at 3:00 p.m.

The minutes of the August 8, 2024, meeting were adopted.

The following new transactions were considered by the committee:

2025-3 for the Office of Policy and Management. Transfer of \$3,000,000 from the Municipal Restructuring account to the Other Expenses account to cover state legal and financial services consulting costs related to the bankruptcy proceedings for Prospect Medical Holdings.

Senator Osten asked if there were any other costs associated with Prospect Medical holdings outside of the legal and financial service consulting costs. Deputy Secretary Potamianos stated that he is not aware of any other costs. He explained that the Office of Policy and Management received an invoice for January, but thus far no payments have been made, pending approval of this item. Senator Osten asked if the invoice was for \$3 million and if any other bills have been paid for this issue. Deputy Secretary Potamianos explained that the total amount the state will pay is dependent on a variety of factors, but he believes the \$3 million would be sufficient to cover the costs for several months. Senator Osten asked if there were any other consultant costs associated with this activity. Deputy Secretary Potamianos responded he is not aware of any other consultant costs.

Representative Nuccio asked what the \$3 million will be used for. Deputy Secretary Potamianos explained the consultant will represent the state's interest in bankruptcy proceedings and that the \$3 million is an estimate to cover any potential invoices. Representative Nuccio asked what the state's interest is in the bankruptcy proceedings. Deputy Secretary Potamianos explained that the consultant monitors the proceedings of the bankruptcy, engages with the debtors' advisors, evaluates any bidder's viability, and evaluates potential outcomes of the bankruptcy proceedings and how it will impact access to healthcare in the state. Representative Nuccio asked about the Municipal Restructuring account and the balances it has experienced and whether we can draw it down. Deputy Secretary Potamianos responded the intent of the account was to support the municipalities that were under the jurisdiction of the Municipal Accountability Review Board (MARB). He explained there are currently only two municipalities being overseen by MARB, Hartford and West Haven, and they have not needed to access this funding. Additionally, a portion of the funds in the account are also being moved in the proposed deficiency

appropriations bill. The Office of Policy and Management is proposing a smaller appropriation for the upcoming biennium.

Representative Dathan asked if the arrangement with the consultant is a retainer or an hourly rate, and how the \$3 million estimate was derived. Deputy Secretary Potamianos answered that he is uncertain what the arrangement was with the consultant, but he will provide a response to the committee. The \$3 million was an estimate to cover any potential invoices from the consultant.

Representative Walker asked what the tax bill status was for Prospect Medical holdings. Deputy Secretary Potamianos stated that he cannot discuss individual taxpayer issues and he will provide a response to the committee if legally allowed.

The item was unanimously approved.

2025-4 for the Division of Criminal Justice. Transfer of \$160,000 from the Other Expenses account to the Witness Protection account to support anticipated costs through the remainder of the fiscal year.

Senator Somers commented on the continuous shortfalls that have occurred in the Witness Protection account since 2019, and that consideration should be given to appropriate a more appropriate level of funding to avoid the need for future FAC transfers. OPM Deputy Secretary Potamianos responded that the Governor's proposed budget for the biennium funds the Witness Protection account at \$200,000 with the caveat that whether it is sufficient depends on the activity experienced in the program by the agency.

Representative Ackert followed up by asking if the additional resources provide a budget of \$200,000 or if an additional \$200,000 is proposed in the Governor's budget. Deputy Secretary Potamianos clarified that the proposal appropriates a total of \$200,000.

The item was unanimously approved.

2025-5 for the Department of Mental Health and Addiction Services. Transfer of \$18,700,000 among a variety of accounts to support behavioral health services costs through the remainder of the fiscal year.

Senator Osten asked whether the agency's Personal Services account was already projecting a deficit. Commissioner Navarretta confirmed that it was. Senator Osten asked why the agency would move more from this line item. Deputy Secretary Potamianos responded that the transfer allows the agency to pay bills in other accounts until the deficiency in Personal Services can be backfilled through a deficiency appropriation.

Representative Nuccio asked whether the Personal Services shortfall is really \$33 million since the Office of Policy and Management recognized a total DMHAS shortfall of almost \$33 million in the March Comptroller's letter and asked whether it would be the intention of the administration to resolve the Personal Services shortfall in the deficiency bill since Personal Services is treated as an entitlement as it is allowed to run in the red to cover payrolls. Deputy Secretary Potamianos assured the committee that the administration does not share the belief that Personal Services can end the year in the red without being addressed through appropriations, and that the shortfall must be resolved through the deficiency bill before the fiscal year closes.

Senator Somers confirmed that the surplus in the Behavioral Services account was indeed \$3 million.

Representative Ackert asked about the distinction between Personal Services and Professional Services. The Commissioner explained that Personal Services pays the salaries and wages of DMHAS state employees and Professional Services pays the cost of contracted or per diem staff - mostly nurses and doctors that help assure adequate staffing in the 24-hour facilities.

Representative Walker asked where DMHAS overtime costs are reflected. The Commissioner responded that costs are reflected in the Personal Services shortfall. Representative Walker asked why overtime is so high and whether it is attributed to high vacancy levels. The Commissioner responded that there are 251 vacancies but explained that that figure fluctuates as existing staff leave and new employees are hired. Representative Walker expressed concern about overtime continuing to increase, and Commissioner Navarretta assured her that the \$57 million anticipated through the end of the year is already assumed in the shortfall.

Representative Nuccio asked why the Office of Fiscal Analysis and OPM are showing different estimates for the lapse in the Behavioral Services account - \$2 million vs. \$3 million. She also asked for more information about what is funded from the Professional Services account and whether very expensive travel nurses are being utilized. Commissioner Navarretta clarified that per diem nurses are paid to staff core programs at Connecticut Valley Hospital and Whiting Forensic Hospital three shifts and weekends, and that short call-out times make it difficult to cover shifts so per diem staff can fill those vacancies. She also said that the account funds other medical services like laboratory, pharmacy, and imaging.

Senator Somers asked whether the Yale staffing contract supports services funded under Professional Services. The Commissioner responded no, that these are distinct services.

The item was approved by majority vote, with Senator Somers and Representative Nuccio voting against.

2025-6 for the Department of Transportation. Transfer of \$10,250,000 from the Personal Services account to the Other Expenses account to address operational needs for the remainder of the fiscal year.

Senator Osten asked if there will be a deficiency in the department's Personal Services account at the end of the year. Deputy Commissioner Laoise King responded no. Regarding the Other Expenses component of the transfer, Senator Osten asked if the need in the account is based on higher-than-budgeted expenses for items such as electricity and highway supplies, for which prices are higher than usual and not likely to decrease any time soon, and if an increase in the budget will be made to address those needs. Deputy Commissioner King responded that the agency has been at FAC over the last few fiscal years because of cost increases in many of the lines the Senator mentioned, then noted that the Governor's proposed budget transfers funding from Personal Services to Other Expenses to cover those needs going forward. Senator Osten then asked Deputy Commissioner King to confirm the transfer won't present a problem for Personal Services, which could then affect the agency's ability to get work done on the state's roads and bridges. Deputy Commissioner King confirmed there would be no issue.

Representative Nuccio mentioned that the department has requested comparable transfers in each of the last several fiscal years with similar rationale, which could indicate possible structural issues, while also highlighting the agency's recent lapses back to FY 2022 and asked Deputy Commissioner King to comment on whether there might be structural issues in the Other Expenses account. The Deputy Commissioner

responded that for that reason a change is being recommended in the budget for the next biennium—because of increasing costs. Representative Nuccio then asked what would happen if the legislature were to remove the Governor’s proposed transfer, specifically how that would impact outstanding headcount and overtime. Deputy Commissioner King responded the agency anticipates being okay based on attrition. She noted that it is imperative to keep current headcount due to work currently underway and planned in the coming years. She noted the agency is proud of the work it’s doing to keep positions filled, highlighting that since 2022, after so many people retired at the agency, 1,059 new positions have been filled, a net increase of 499 positions over the number of positions that left. She shared the agency will continue to hire, and the transfer from Personal Services to Other Expenses will not present an issue as the estimated \$6 million transfer out of Personal Services can be covered through attrition. Representative Nuccio expressed concern that by keeping the headcount but moving the dollars, the funding transfer will create a deficit. She asked the Deputy Commissioner if there is a chance the agency will reach full headcount in the next two years. The Deputy Commissioner responded the agency will be able to continue reducing the vacancy rate and that as an agency with 3,600 positions, DOT will be able to meet payroll needs.

Representative Ackert asked how many vacancies DOT has. The Deputy Commissioner responded that the agency has 264 vacant positions.

The Item was unanimously approved.

2025-7 for the Department of Social Services. Transfer of \$34,700,000 among a variety of accounts to meet year-end requirements.

Senator Osten asked about delays in the Substance Use Disorder (SUD) waiver reserve account. Briana Mitchell, Department of Social Services’ Chief Fiscal Officer, responded that the agencies are continuing to work collaboratively to develop a plan to implement and are planning to satisfy this in 2026. Bill Halsey, DSS Medicaid Director, explained that DSS was able to expand Medicaid services under the SUD waiver by claiming for services that were not previously reimbursable under Medicaid. The reserve account is going to be used for additional enhancements but there have been some implementation delays, which has allowed the SUD waiver reserve balance to build up. He confirmed that DSS fully intends to implement the enhancements in the next fiscal year and that SUD waiver services are fully operational. Senator Osten asked whether the high caseloads in Old Age Assistance, Aid to the Disabled, and State Administered General Assistance (SAGA) were due to an increase in the length of time people are on the program or the number of people that are participating. Ms. Mitchell explained that caseload and costs per case were both increasing.

Senator Somers asked why only \$26 million is being transferred to Medicaid when the deficit is close to \$300 million. OPM Deputy Secretary Potamianos explained that the Finance Advisory Committee approves transfers within the agency’s budget, and that DSS has identified certain accounts that are running lapses which can be transferred to help with the Medicaid shortfall. However, there aren’t enough lapses to cover the entire Medicaid shortfall so the remaining Medicaid deficiency would need to be covered through a deficiency appropriation which would be a separate piece of legislation that is scheduled for public hearing before the Appropriations Committee next week.

Representative Nuccio asked how much the one-time domestic violence payments under SAGA were and whether these costs have been included in future budgets. Peter Hadler, DSS Deputy Commissioner, explained that the domestic violence program was established through the legislature to distribute a one-

time benefit to an individual experiencing domestic violence and that it is not a recurring benefit. Although the benefit itself is one time for individuals experiencing domestic violence, a significant number of individuals have accessed this benefit, far more than was originally projected, and this is what is driving the increased costs in the SAGA account. He also explained that the Governor is proposing to transfer responsibility for administering this program to the Connecticut Coalition Against Domestic Violence, which with their experience in this area can better deliver benefits to those in need.

Representative Walker questioned why DSS was transferring \$11 million from the HUSKY B account when she had been told that account was being overspent. Deputy Secretary Potamianos explained that when the budget was enacted, funds for the state-funded HUSKY program for children were budgeted under HUSKY B but DSS is experiencing the majority of the expenses for this program under Medicaid, which is contributing to the shortfall in that account. Deputy Commissioner Hadler added that the Medicaid and HUSKY B state coverage for children was set up based on the current Medicaid and HUSKY B eligibility requirements and more children are being found eligible under Medicaid due to lower income levels. Mr. Potamianos confirmed that the proposed budget for FY 2026 and FY 2027 appropriates funding in the correct accounts. Representative Nuccio asked what happens if a deficiency bill is not brought forward and would the Medicaid expenses still be paid since it is an entitlement. Mr. Potamianos explained that there is no appropriation authority to overspend and that based on a review of the agency closing balances for the last 20 years, the Medicaid account has never ended the year with a negative balance. He also noted that shortfalls of this magnitude and larger have always been addressed by a combination of Finance Advisory Committee transfers and/or deficiency appropriations.

Senator Osten asked if the problem where Medicaid eligible children were being misidentified as undocumented had been corrected. Mr. Hadler confirmed that the issue was largely corrected, but there are still a few complex cases DSS is working through. He estimated that over 90% of the members who were incorrectly bucketed have been properly re-bucketed.

The item was approved by majority vote, with Senator Somers and Representative Nuccio voting against.

2025-8 for the Department of Correction. Transfer of \$40,000,000 from several accounts to the Other Expenses and Inmate Medical Services accounts to meet operational and Health care needs through the remainder of the fiscal year.

Senator Somers asked why there is a difference between the March Comptroller's letter and the amounts being requested. Deputy Secretary Potamianos explained there was a revised projection after the Comptroller's letter was released and Michael Regan, agency Chief Fiscal Officer, explained the letter is based on expenditures through the end of February so the amounts have changed since then.

Senator Osten asked if there was a deficiency in Personal Services (PS) and what the shortfall was. Commissioner Quiros responded affirmatively, and Mr. Regan added the latest estimate was \$10 million. Senator Osten asked if the Reserve for Salary Adjustment (RSA) was used to offset some of the shortfall. Deputy Secretary Potamianos explained OPM has not transferred any RSA to agencies this point, but may do so before the end of the fiscal year. Senator Osten asked what the Personal Services shortfall would be after this FAC. Deputy Secretary Potamianos responded that it would be around \$40 million. Senator Osten wanted to state for the record that the transfer from Personal Services is an accounting mechanism since Personal Services gets paid whether there is money in the account or not. She noted there are criticisms made of the legislature when other accounting mechanisms are used, but that this is also an accounting mechanism.

Representative Nuccio asked if inmates were getting the GLP1 drugs for weight loss. Mr. Regan said he is not aware of those drugs being prescribed to inmates for weight loss. Representative Nuccio asked if part of the shortfall was due to overtime or was there also contracted services. Mr. Regan explained that the Personal Services portion of Inmate Medical Services (IMS) was being impacted by overtime, but that the department has used contracted services as well. Commissioner Quiros provided an update on the number of filled and vacant positions in IMS. Representative Nuccio asked whether the \$1.4 million lapse in the Board of Pardons and Paroles account was typical. Mr. Regan said it has ranged in recent years from \$800,000 to \$1.5 million.

Representative Walker asked what the projected overtime costs would be by the end of the fiscal year and what the biggest contributing factors were to that overtime. Commissioner Quiros said overtime was estimated at \$99 million and that vacant positions and workers' compensation were the largest contributing cost factors. Representative Walker asked about the Community Support Services account and noted the Office of Fiscal Analysis write-up states the agency will not be able to meet the holdback. Deputy Secretary Potamianos noted that the Office of Policy and Management expected to release the holdback to resolve it. Mr. Regan noted these were carry forward funds for one-time expenses. Representative Walker asked if the agency was contracting for more beds since the prison population was up. Commissioner Quiros noted they contract for 1,100 beds and the waitlist was about 100.

Representative Ackert asked what the success rate is for Correction Officer classes. Commissioner Quiros responded that the success rate is in the high 90% range. Representative Ackert also asked if the agency collaborated with UConn Health for IMS. Commissioner Quiros responded affirmatively. Representative Ackert asked if the Workers' Compensation hours have increased. Commissioner Quiros said they have.

Representative Dathan why a transfer was proposed from an account that is projected to have a deficiency, and whether the timing of payrolls played a part. Deputy Secretary Potamianos confirmed that is correct, the timing of the deficiency appropriations would allow for the funds to be replaced in a timely fashion before the final payroll of the fiscal year. Representative Dathan asked about inmate messaging and whether there was an increase in cost this year and if it was contributing to the Other Expenses shortfall. Mr. Regan explained that it did not contribute to the shortfall as the contract is a fixed amount.

Representative Nuccio asked how many vacant positions the agency has. Commissioner Quiros responded that the agency has 553 vacancies.

The item was approved by majority vote, with Representative Nuccio voting no.

The meeting was adjourned at 4:25 p.m.

Respectfully submitted,



Paul E. Potamianos, Deputy Secretary, Office of Policy and Management
Finance Advisory Committee Clerk