TO: David J. Rosen, Legislative Budget and Finance Officer

FROM: Andrew P. Sidamon-Eristoff, State Treasurer

DATE: June 1, 2010

SUBJECT: Senate Budget Committee Follow-Up

Senator Sarlo:

Question: The package of FY 2010 and FY 2011 budget materials that you provided with your testimony included a page entitled "Comparison of Lapses Since Budget" for FY 2010. Please provide a list of the "Significant Increases in Lapses" on the "Comparison of Lapses Since Budget" page that require legislative approval.

Answer:
Two increased lapses require legislative approval - the $25 million from the State Disability Fund and the $10 million parks management.

Question: The package of FY 2010 and FY 2011 budget materials that you provided with your testimony included a page entitled "Comparison of Lapses Since Budget" for FY 2010. Under "Significant Increases in Lapses" on the "Comparison of Lapses Since Budget" page, the Treasury lists an increased $19.3 million lapse in Higher Education Debt Service and an increased $4.3 million lapse in County College Debt Service. Please explain why the money is available to be lapsed and provide a list of projects for which debt service payments were overbudgeted. Please indicate whether the county colleges and institutions of higher education will have to shoulder larger debt service payments because of the FY 2010 lapse.

Answer: The anticipated lapses in FY10 higher education debt service appropriations will have no impact at all on any college or university.

With regard to the $19.3 million lapse in Higher Education Debt Service, we lapse a similar amount each year. The colleges are responsible for a portion of the debt service payments under certain programs. However, because of requirements in bond covenants (intended to provide assurance to investors), the State appropriates the full amount of debt service required (both State share and college share), and counts the college share of these payments as anticipated revenue. When the colleges pay their portion of the debt service, the State lapses the unspent
appropriations, and reduces the anticipated revenue accordingly. These lapses do not represent a saving to the State – the lapse is directly offset by reduced revenue.

County College capital bonds ("Chapter 12" bonds) are authorized by the Treasurer, but issued by the counties. Debt service appropriations are based on the assumption that counties will issue all authorized bonds, as soon as possible after they are authorized. In practice, for many reasons, counties sometimes delay bond issuance, or do not issue bonds at all. Because of this, annual appropriations are typically larger than actual expenditures for Chapter 12 debt service, and there is a year-end lapse of unused funds.

**Senator Ruiz:**

**Question:** The package of FY 2010 and FY 2011 budget materials that you provided with your testimony included a page entitled "Comparison of Supplementals Since Budget" for FY 2010. Please substantiate the $9.7 million decrease in the FY 2010 supplemental appropriation because of the "Welfare Caseload Trend" shown among the "Significant Decreases in Supplementals" on the "Comparison of Supplementals Since Budget" page. Why is the welfare caseload projection being adjusted?

**Answer:** Regarding the Temporary Assistance for Needy Families Program, caseload is not decreasing. However, it is not increasing as much as projected at the time of the Budget Message. When Unemployment Benefits expired in November 2009, TANF caseloads experienced a 7.6% increase in one month. Budget projections expected this 7.6% increase to occur again when Unemployment expired in April 2010. That percentage would have caused caseloads to increase from about 94,000 people in July 2009 to about 107,000 people by the end of FY2010. This increase did not occur and the latest projections show caseload only increasing from about 94,000 people in July 2009 to about 98,000 people by the end of FY2010.

In addition, General Assistance and Supplemental Security Income caseloads increased more than originally projected, resulting in a $2M higher supplemental need than projected at the time of the Budget.

**Senator Van Drew:**

**Question:** The package of FY 2010 and FY 2011 budget materials that you provided with your testimony included a page entitled "Comparison of Supplementals Since Budget" for FY 2010. Please substantiate the $45.0 million increase in the FY 2010 supplemental appropriation for "Senior Services" shown among the "Significant Increases in Supplementals" on the "Comparison of Supplementals Since Budget" page. In which budget accounts are increased supplemental appropriations occurring and what factors account for the increased spending requirements? If a portion of the increase is attributable to the loss of federal funds, how does this comport with the Governor's recent announcement restoring PAAD funding which assumed increased federal funding in FY 2011?
**Answer:** The $45 million increase in supplemental need is the result of lower than anticipated savings from the enhanced Medicaid matching funds (FMAP) provided under the American Recovery and Reinvestment Act (ARRA), not an unexpected decrease in federal funding. At the time the FY10 savings estimate was calculated our experience with this enhanced funding was minimal, requiring that national estimates and averages be used. Actual collections to date suggest these savings estimates were slightly overstated. All Medicaid programs in Senior Services, namely Nursing Homes, Medical Day Care, and Global Budget for Long Term Care receive an enhanced federal match; however all savings from the enhanced FMAP were scored against the Nursing Homes account, therefore supplemental funding will be needed in this account. The enhanced federal FMAP funding provided under ARRA is unrelated to the federal savings from the Patient Protection and Affordable Care Act (Health Care Reform) and the Medicare Improvement for Patients and Providers Act (MIPPA) that are being used to restore the PAAD and Senior Gold reductions in Fiscal 2011. “Federal savings” to restore Fiscal 2011 cuts are the result of shifting recipients’ drug costs to federal programs. The PAAD and Senior Gold programs do not directly receive any federal funding.