



Legislative Fiscal Bureau

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May, 2019

Joint Committee on Finance

Paper #407

Overtime (Health Services -- Care and Treatment Services)

[LFB 2019-21 Budget Summary: Page 212, #4]

CURRENT LAW

The Department of Health Service's Division of Care and Treatment Services operates seven residential institutions, including three intermediate care facilities for individuals with intellectual disabilities (Central, Northern, and Southern, hereafter "state centers"), the state's two mental health institutes (Mendota and Winnebago), the Wisconsin Resource Center (WRC), and the Sand Ridge Secure Treatment Center (SRSTC). The funding source for these costs is assigned to GPR and PR appropriations, depending upon the mix of residents. The cost of services for forensic patients and the mental health institutes and for residents at the WRC and SRSTC is funded with GPR, while services for residents at the state centers and for civilly-committed patients at the mental health institutes is funded with PR, using revenue collected from Medicaid and charges levied on counties.

All seven facilities are staffed on a 24-hour and 365-day per year basis. In total, DHS has 3,952.28 authorized positions for the facilities, which includes 1,884.95 GPR positions and 2,067.33 PR positions. Total base funding for facility operations is \$387,730,800, composed of \$203,484,400 GPR and \$184,246,400 PR.

State employees receive overtime pay in accordance with standards established under state law and the federal fair labor standards act (FLSA). With some exceptions, these laws generally require that employees are paid 1.5 their normal wage for hours worked exceeding 40 in a work week.

GOVERNOR

Provide \$3,878,400 GPR and \$4,835,000 PR annually to fully fund anticipated overtime costs at the Department's care and treatment residential facilities.

DISCUSSION POINTS

1. The biennial budget typically includes "standard budget adjustments" to modify the base budget to reflect the anticipated ongoing cost of maintaining existing position salary and fringe benefits. These adjustments may be positive or negative, depending upon various factors. The costs that agencies incurred for overtime are, in effect, removed from a program's budget as part of the full funding of salary and fringe benefit costs decision item, and then an amount for overtime costs is added back through a separate overtime standard budget adjustment decision item. Prior to the 2013-15 biennium, the overtime and night/weekend differential adjustments were generally based on actual costs that agencies incurred for these purposes. Since that time, however, agencies have received overtime adjustments based on the amount that they received in the prior year (with minor adjustments to reflect current fringe benefit rates). Since this policy has been ongoing since that time, agencies now generally receive overtime adjustments based on the costs that they incurred in 2009-10 (the year used as the basis of the 2011-13 overtime adjustment).

2. The funding under this item is based on the difference between actual overtime costs that the facilities incurred in 2017-18 and the amount that would be provided under the overtime standard budget adjustment. The following table shows, by facility and fund source, the annual overtime funding provided under the standard budget adjustment decision item and the funding increase provided under this item, along with the total funding adjustment.

Annual Overtime Funding for DHS Care and Treatment Facilities, by Source Governor's Bill

Facility	Standard Budget Adjustments			Overtime Funding Under This Item			Total Annual Overtime Budget		
	GPR	PR	Total	GPR	PR	Total	GPR	PR	Total
Mendota MHI	\$1,620,700	\$252,300	\$1,873,000	\$1,908,600	\$297,200	\$2,205,800	\$3,529,300	\$549,500	\$4,078,800
Winnebago MHI	503,300	839,300	1,342,600	1,046,400	818,700	1,865,100	1,549,700	1,658,000	3,207,700
Wis. Resource Center	1,038,800	0	1,038,800	131,500	0	131,500	1,170,300	0	1,170,300
Sand Ridge STC	323,300	0	323,300	791,900	0	791,900	1,115,200	0	1,115,200
Central Wis. Center	0	1,223,000	1,223,000	0	1,401,200	1,401,200	0	2,624,200	2,624,200
Southern Wis. Center	0	0	0	0	2,160,100	2,160,100	0	2,160,100	2,160,100
Northern Wis. Center	0	245,100	245,100	0	157,800	157,800	0	402,900	402,900
Total	\$3,486,100	\$2,559,700	\$6,045,800	\$3,878,400	\$4,835,000	\$8,713,400	\$7,364,500	\$7,394,700	\$14,759,200

3. Since 2009-10, the Department's facility overtime costs have increased from \$8.5 million to \$14.8 million. A portion of this increase is due to increases of the base salary over this time, but mostly is due to an increase in the number of overtime hours worked. The Department indicates that the use of overtime is driven by the high staff turnover and increasing populations at the state mental health institutes.

4. DHS, like other employers, is required to pay 1.5 of an employee's normal wage for overtime hours. Consequently, while this item provides increased funding for the Department to pay overtime, the decision to approve or not approve this funding does not change the Department's obligation to pay.

5. Facilities that provide 24-hour care and treatment must maintain a minimum staffing level regardless of personnel availability. The primary frontline positions at DHS facilities are psychiatric care technicians (PCTs) at the mental health institutes, WRC, and SRSTC, and resident care technicians (RCTs) at the state centers. When one of these positions is vacant, the Department can use the salary and fringe benefits funding that would otherwise be used for that position to pay overtime costs associated with filling vacated shifts. However, there are several reasons for why DHS indicates that vacancy savings are not sufficient to fund overtime costs. First, the budget bill includes a turnover reduction standard budget adjustment, calculated at 2.0% of total base permanent salary costs, to remove a portion of the salary savings associated with position vacancy. Second, since overtime is paid at a 1.5 rate, overtime salary costs exceed vacancy savings. Third, due to high turnover, the facilities have significant training costs, which is primarily salary and fringe benefits paid during the period prior to the time the employee is ready to work frontline shifts.

6. In addition, DHS notes that overtime hours are incurred at care and treatment facilities for reasons other than filling in for vacancies. At times, employees at the treatment facilities incur overtime to address a crisis, where a shift change would otherwise cause the facility to be understaffed for the situation.

7. Since the amount of funding provided during the past several years for overtime pay has fallen below actual expenditures, the Department has had to shift funding from other budget lines to make those payments. The Department indicates, for instance, that salary deficits in the GPR appropriation for forensic patient services at the mental health institutes have been covered by the program revenue appropriation for civil patient services.

8. The overtime supplements that would be provided are based on the assumption that 2017-18 overtime expenditures are representative of the overtime costs that the Department will incur during the 2019-21 biennium. Although trends in overtime vary by facility, the overall recent trend is towards increased overtime. If these trends continue, the use of 2017-18 overtime as a basis for the supplement estimate may understate the Department's actual overtime costs. However, since the use of overtime is driven by various factors related to the labor market and patient populations, the recent trends in overtime use are not necessarily indicative of future use. The Department indicates that the facilities are implementing strategies to limit overtime use, such as using more LTE staffing and sharing resources between facilities. Since the impact of these strategies, as well as the underlying factors that drive overtime, is uncertain, the use of the 2017-18 overtime costs as the basis for the calculation of the 2019-21 overtime supplements is a reasonable assumption.

9. Since the 2015-17 budget, the Department of Corrections has received an overtime supplement to make up the difference between actual overtime expenditures in the prior year and the overtime standard budget adjustment. The bill would include another such supplement for DOC for the 2019-21 biennium. The funding under this item is based on the same principle and the method for the calculation of the amount is similar. If the Committee determines that the DHS facilities should be given a similar funding adjustment to cover actual overtime costs, it could approve the Governor's proposal (Alternative 1).

10. Relative to the amount that Department included in its budget request for an overtime supplement, the bill would reduce the funding by \$232,400 PR annually to reflect the anticipated

reduction in overtime costs incurred at Winnebago associated with an initiative to establish an admissions unit. The Department estimates that the utilization of LTE staff with this admissions unit could allow Winnebago to reduce overtime expenditures. [See LFB Issue Paper #405 for a discussion of this proposal.] If the Committee does not approve the Winnebago admissions unit initiative, an additional \$232,400 PR annually would be required to fully fund estimated overtime costs at that facility (Alternative 2).

11. If the Committee determines that the Department should continue to absorb overtime costs in excess of the overtime standard budget adjustment, it could delete this item (Alternative 3).

ALTERNATIVES

1. Approve Governor's recommendation to provide \$3,878,400 GPR and \$4,835,000 PR annually to fully fund anticipated overtime costs at the Department's care and treatment residential facilities.

ALT 1	Change to	
	Base	Bill
GPR	\$7,756,800	\$0
PR	<u>9,670,000</u>	<u>0</u>
Total	\$17,426,800	\$0

2. Approve Governor's recommendation, with a modification to provide an additional \$232,400 PR annually for Winnebago overtime costs, if the Committee does not approve the Governor's recommendation to establish a medical admissions unit at the Winnebago Mental Health Institute. Total funding under this alternative would be \$3,878,400 GPR and \$5,067,400 PR annually.

ALT 2	Change to	
	Base	Bill
GPR	\$7,756,800	\$0
PR	<u>10,134,800</u>	<u>464,800</u>
Total	\$17,891,600	\$464,800

3. Take no action.

ALT 3	Change to	
	Base	Bill
GPR	\$0	- \$7,756,800
PR	<u>0</u>	<u>- 9,670,000</u>
Total	\$0	- \$17,426,800

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