



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

April 17, 2015

Joint Committee on Finance

Paper #700

Standard Budget Adjustments (Veterans Affairs)

[LFB 2015-17 Budget Summary: Page 523, #1]

CURRENT LAW

For the purposes of preparing each biennial budget, the Department of Administration develops budget instructions for agencies to use in their budget requests. Budget instructions include procedures for calculating various "standard budget adjustments" that apply a formula-based increase or decrease to base funding levels in recognition of expected changes in operational costs. Among these adjustments is a decrease to reflect anticipated salary savings due position turnover during the course of the year. According to DOA's instructions, for any appropriation with at least 50 positions, agencies are required to reduce the base appropriation by 3% of permanent position salaries to reflect position turnover. Typically, turnover adjustments, as well as other standard budget adjustments, are included in the executive budget bill.

GOVERNOR

No adjustments were made for turnover reduction in Department of Veterans Affairs appropriations.

DISCUSSION POINTS

1. The Department of Administration's budget instructions require all agencies to apply a 3% turnover reduction to all appropriations with at least 50 positions. In addition, the instructions include the following directive: "If an agency believes it cannot take the required turnover reduction without adverse programmatic impact, it should take the standard budget reduction and may then propose turnover add back in a stand-alone decision item, subject to normal budget limitation policies."

2. The Department has two appropriations with more than 50 positions. The institutional operations appropriation for the state veterans homes has 1,151.7 PR positions, and the Department's appropriation for the administration of loans and grants has 58.2 SEG positions. The Department did not include a turnover reduction adjustment for either appropriation in its budget request and the administration also decided not to include such an adjustment in the budget bill.

3. Although DOA's budget instructions do not provide any exceptions to the turnover reduction adjustment, it has sometimes been the practice to apply a smaller turnover reduction percentage to appropriations that fund institutions that require 24-hour staffing. A smaller adjustment, commonly 2%, is sometimes requested on the grounds that facilities such as nursing homes, prisons, and hospitals must fill vacancies more rapidly than other state agency functions in order to minimize the use of overtime hours used for 24-hour staffing. As an example, the bill would apply a 2% turnover reduction adjustment for several of the Department of Corrections and Department of Health Services appropriations that involve 24-hour staffing.

4. Other institutions that require 24-hour staffing received a 3% turnover adjustment. The Department of Public Instruction's appropriations were adjusted to reflect a 3% turnover reduction in the appropriation for the Wisconsin Center for the Blind and Visually Handicapped and the Wisconsin School for the Deaf. [A portion of this adjustment was reallocated to other DPI appropriations as is allowed under DOA's budget instructions.]

5. The two DVA appropriations that have over 50.0 positions have generally had vacancy rates between 6% and 9% during 2014-15, which is far in excess of the 3% standard used for the turnover adjustment.

6. Although a lower turnover rate has sometimes been applied to appropriations that fund 24-hour facilities, this has not been the practice for other appropriations. The Department's appropriation for the administration of loans and grants, for which no turnover reduction was applied, does not involve funding for 24-hour facilities. Applying the 3% turnover reduction to this appropriation would reduce funding in that appropriation by \$84,500 SEG annually [Alternative A2].

7. If it is decided that the 2% turnover policy applied to DHS and Corrections institutions should also be applied to DVA's appropriation for state veterans homes, that appropriation should be reduced by \$1,000,400 PR annually [Alternative B2].

8. The 2013-15 biennial budget applied a 1% turnover adjustment to state veterans home appropriation. As an alternative to a 2% turnover adjustment, the Committee could again apply a 1% turnover adjustment for the 2015-17 biennium [Alternative B3]. Under this alternative, the state veterans home appropriation would be reduced by \$500,200 annually.

ALTERNATIVES

A. Turnover Reduction -- Administration of Loans and Grants Appropriation

1. Approve the Governor's recommendation to not include a turnover adjustment to the

Department of Veterans Affairs' appropriation for the administration of loans and grants.

2. Modify the Governor's recommendation by reducing the administration of loans and grants appropriation by \$84,500 SEG annually, which would apply a 3% turnover reduction adjustment.

ALT A2	Change to Bill
SEG	- \$169,000

B. Turnover Reduction -- State Veterans Homes Institutional Operations Appropriation

1. Approve the Governor's recommendation to not include a turnover adjustment to the Department of Veterans Affairs' appropriation for state veterans homes institutional operations.

2. Modify the Governor's recommendation by reducing the state veterans homes institutional operations appropriation by \$1,000,400 PR annually, which would apply a 2% turnover reduction adjustment.

ALT B2	Change to Bill
PR	- \$2,000,800

3. Modify the Governor's recommendation by reducing the state veterans homes institutional operations appropriation by \$500,200 PR annually, which would apply a 1% turnover reduction adjustment.

ALT B3	Change to Bill
PR	- \$1,000,400

Prepared by: Jon Dyck