



Legislative Fiscal Bureau

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2017

Joint Committee on Finance

Paper #225

Overtime Funding Supplement (Corrections -- Departmentwide)

[LFB 2017-19 Budget Summary: Page 133, #1 and Page 134, #2]

CURRENT LAW

Under the Department's 2017-19 budget instructions to state agencies, standard budget adjustments are defined as a "category of cost changes common across all agencies that are considered "housekeeping" in nature and are required to continue a base level of services into the next biennium." Standard budget adjustments include items such as full funding of salary and fringe benefits, overtime, removal of non-continuing elements, and turnover reductions.

GOVERNOR

Provide base funding for overtime of \$39,953,300 GPR and \$1,476,300 PR annually under standard budget adjustments. In addition, provide \$12,245,100 GPR and \$376,600 PR annually as an overtime supplement.

DISCUSSION POINTS

1. For the biennial budget process, funding associated with overtime (and night and weekend differential) is entirely removed in the calculations of full funding of salaries and fringe benefits. The budget instructions specify that only the same amounts currently budgeted for overtime may be included under standard budget adjustments, modified for the new fringe benefit rates for the upcoming biennium. Any additional overtime amounts determined necessary must be separately requested and are provided as supplemental funding.
2. For the Department of Corrections, overtime funding needs are calculated based on the prior year's average hours of overtime, adjusted for the new variable fringe benefit rate for the

upcoming biennium. Based on the Department's 2015-16 average weekly overtime hours (31,713 weekly hours for all positions, and 28,235 weekly hours for security positions), the Department would require a total of \$52,198,400 GPR and \$1,852,900 PR in overtime for each year. Subtracting the amounts provided under standard budget adjustments, supplemental funding would be \$12,245,100 GPR and \$376,600 PR annually.

3. While the use of overtime is necessary in the operation and management of twenty-four hour, seven-day-a-week correctional institutions, high overtime costs have been an ongoing issue for the Department. Under the 2007-09 biennial budget, statutory language was created requiring the Department to report to the Committee every two years on the amount and costs of overtime at each of its correctional institutions. In reviewing recent reports, the most common reasons for overtime are typically sick leave, position vacancies, and medical vigils. There was a noticeable increase in the use of overtime to cover position vacancies in fiscal year 2015-16: 629,800 hours for the year, compared with the prior three-year average of 370,700 overtime hours.

4. Regarding recent position vacancies in Corrections, the average vacancy rates for all institutions ranged from 7.50% to 8.64% between the fiscal years 2011-12 and 2014-15. In 2015-16, the vacancy rate increased to 10.01%. In his March 28, 2017, remarks to the Committee, the Secretary of Corrections acknowledged recent hiring and retention issues with the Department, but indicated that recent wage increase initiatives have helped with institutional recruitment and retention. He also indicated that the Governor's bill recommendation for a general wage increase of 2% in September, 2018, and June, 2019, would help to alleviate recent recruitment and retention issues. Given these factors, the higher position vacancy rate in 2015-16 could be expected to moderate in future years.

5. As discussed above, overtime for the biennium is calculated based on the prior year's average hours of overtime. Since overtime hours for position vacancies in 2015-16 were unusually high, it could be argued that the overtime calculations for the 2017-19 biennium are likewise higher than could be expected. As an alternative, funding could be calculated based on 2014-15 overtime hours (23,647 hours per week for security positions), modifying overtime funding in the bill by -\$7,989,000 GPR and -\$88,700 PR annually. [Alternative 2] Another alternative could be to calculate overtime based on the combined average hours for fiscal years 2014-15 and 2015-16, which would modify overtime funding by -\$3,994,600 GPR and -\$44,400 PR annually. [Alternative 3]

Annual Overtime

	<u>Budget Bill</u>		<u>Alternative 2</u>		<u>Alternative 3</u>	
	<u>GPR</u>	<u>PR</u>	<u>GPR</u>	<u>PR</u>	<u>GPR</u>	<u>PR</u>
Standard Budget Adjustments	\$39,953,300	\$1,476,300	\$39,953,300	\$1,476,300	\$39,953,300	\$1,476,300
Supplemental Funding	<u>12,245,100</u>	<u>376,600</u>	<u>4,256,100</u>	<u>287,900</u>	<u>8,250,500</u>	<u>332,200</u>
Total	\$52,198,400	\$1,852,900	\$44,209,400	\$1,764,200	\$48,203,800	\$1,808,500
Change from Bill			-\$7,989,000	-\$88,700	-\$3,994,600	-\$44,400

6. Under any of the alternatives, the Committee could specify that the supplemental amounts provided be placed in the Committee's supplemental appropriation for the Department to request at a later date if needed. Release of funding would occur under provisions of s. 13.10 of the statutes. If funding is not necessary, the amounts provided would lapse to the general fund. [Alternative 4]

7. However, while the Secretary has indicated that the Department's hiring and retention issues are being resolved, it is possible that Corrections will still contend with higher vacancy rates and overtime costs in 2017-19, as labor market trends improve and competition for employees picks up.

ALTERNATIVES

1. Approve the Governor's recommendation to provide overtime funding of \$39,953,300 GPR and \$1,476,300 PR annually under standard budget adjustments and \$12,245,100 GPR and \$376,600 PR annually as an overtime supplement. [Thus, total overtime funding would be \$52,198,400 GPR and \$1,852,900 PR annually.]

ALT 1	Change to	
	Base	Bill
GPR	\$104,396,800	\$0
PR	<u>3,705,800</u>	<u>0</u>
Total	\$108,102,600	\$0

2. Modify the Governor's recommendation by -\$7,989,000 GPR and -\$88,700 PR annually as a result of calculating overtime funding based on 2014-15 overtime hours instead of 2015-16 overtime hours. [Total overtime funding would be \$44,209,400 GPR and \$1,764,200 PR annually.]

ALT 2	Change to	
	Base	Bill
GPR	\$88,418,800	-\$15,978,000
PR	<u>3,528,400</u>	<u>- 177,400</u>
Total	\$91,947,200	-\$16,155,400

3. Modify the Governor's recommendation by -\$3,994,600 GPR and -\$44,400 PR annually as a result of calculating overtime funding based on the combined average overtime hours for 2014-15 and 2015-16. [Total overtime funding would be \$48,203,800 GPR and \$1,808,500 PR annually.]

ALT 3	Change to	
	Base	Bill
GPR	\$96,407,600	- \$7,989,200
PR	<u>3,617,000</u>	<u>- 88,800</u>
Total	\$100,024,600	- \$8,078,000

4. In addition to either of the above alternatives, place overtime supplemental funding into the Committee's supplemental appropriations under s. 20.865(4). Under this alternative, the Department would need to submit a request for the additional overtime funding to the Joint Committee on Finance under s. 13.10. Funding amounts placed the Committee's appropriations would be as follows:

- a. With Alternative 1, \$12,245,100 GPR and \$376,600 PR annually.
- b. With Alternative 2, \$4,256,100 GPR and \$287,900 PR annually.
- c. With Alternative 3, \$8,250,500 GPR and \$332,200 PR annually.

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