



Legislative Fiscal Bureau

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July 23, 2019

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health Services: Section 13.10 Request for Funding Transfer to the Mental Health Institutes to Cover a Budget Shortfall--Agenda Item III

REQUEST

On July 14, 2019, the Department of Health Services submitted a request under s. 13.101(4) of the statutes to transfer \$2,000,000 GPR in 2018-19 from the appropriation for contractual costs for conditional release and supervised release to the appropriation for the state's mental health institutes.

BACKGROUND AND ANALYSIS OF THE REQUEST

The state's two mental health institutes, Mendota Mental Health Institute and Winnebago Mental Health Institute, are funded with a combination of GPR and PR funds. Generally, costs associated with forensic patients (commitments as the result of a criminal proceeding) are funded with a GPR appropriation and costs associated with civil commitments are funded with a PR appropriation, with revenues collected primarily from county departments of human services. In 2018-19, the total funding provided for the mental health institutes in the principal appropriations was \$82,899,800 GPR and \$46,477,600 PR. In both cases, funding is provided in an annual appropriation.

The Department has several programs designed to provide treatment and supervision in community settings for individuals following a period of commitment (including commitment of sexually violent persons at Sand Ridge Secure Treatment Center) or in place of commitment. These services are provided by contracts with treatment providers and the Department of Corrections. In 2018-19, the funding for these contracts was \$16,213,900, provided in a single, biennial appropriation.

In the absence of any action, the Department projects that the GPR appropriation for the mental health institutes will end the 2018-19 fiscal year with a deficit of approximately \$2.0 million. The Department cites several reasons for the shortfall. First, costs for employee overtime pay have been increasing, due primarily to high employee turnover, while the budget for overtime costs has been frozen for several biennia. Second, in part because of difficulties filling positions for medical professionals, and high admissions volumes at the Winnebago Mental Health Institute, the Department has had higher costs for medical services contracts. Third, the 2017-19 compensation plan included a \$.80 per hour wage adjustment for psychiatric care technicians and related positions, as well as other adjustments, but the Department did not receive a supplement from compensation reserves for these adjustments. Although these factors affect both the GPR- and PR-funded operations of the mental health institutes, the Department indicates that they will only result in a budget deficit in the GPR appropriation.

Costs for community-based treatment and supervision contracts were lower in 2018-19 than the amount budgeted, primarily due to lower caseload volumes for conditional release (used for forensic patients following release from the mental health institutes) and supervised release (used for persons released from civil commitment at Sand Ridge).

The Department estimates that the biennial budget surplus (accumulated over both 2017-18 And 2018-19) in the community-based contract appropriation is \$4.4 million. In the absence of the requested transfer, this amount would lapse to the general fund. With the transfer, the lapse would be reduced to approximately \$2.4 million. The 2018-19 revenue and expenditure projections used as the basis of the general fund's 2019-20 opening balance for the preparation of the 2019-21 budget act did not assume a lapse from this appropriation. Consequently, the approval of the transfer would not affect the estimated 2019-21 fund condition for Act 9.

Since the Department's request is based on costs already incurred, there is no way to avoid the deficit in the GPR appropriation for the mental health institutes without additional funding being provided. State agencies may not make expenditures in excess of funding budgeted by the Legislature and cannot cover expenses incurred in one fiscal biennium with funding provided in the following biennium. Consequently, to maintain a positive closing balance in the appropriation for the mental health institutes, an appropriation supplement is necessary. The Department's request proposes to provide this supplement through a transfer from the surplus in the contracts appropriation.

CONCLUSION

The Department of Health Services' request to transfer \$2,000,000 GPR in 2018-19 from the Department's appropriation for community-based treatment and supervision contracts avoids a deficit in the appropriation for the state's mental health institutes. Also, sufficient funding is available to make the transfer.

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