



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #995

Standard Budget Adjustments -- Night and Weekend Differential (DVA -- Homes and Facilities for Veterans)

[LFB 2001-03 Budget Summary: Page 693, #1(part)]

CURRENT LAW

In 2000-01, the Department of Veterans Affairs (DVA) is budgeted \$360,500 PR to fund higher salary costs for employees that work night and weekend shifts at the Home at King. This funding amount is adjusted biennially as a standard budget adjustment, "night and weekend differential."

GOVERNOR

Provide \$624,300 PR annually (\$508,100 PR for salaries and \$116,200 PR for fringe benefits) to fund night and weekend differential pay and to reflect higher contract rates.

DISCUSSION POINTS

1. Department of Administration (DOA) budget instructions require agencies to remove funds for overtime and premium pay on holidays, as well as night and weekend differential pay from the adjusted base, to calculate full funding of salary costs. The standard budget adjustment, "night and weekend differential" restores funding to reflect higher wages DVA pays to employees that work on night and weekend shifts.

2. DOA's budget instructions permit agencies to include funding approved for night and weekend differentials under the previous budget act (Act 9) and other legislation under this standard budget adjustment, as well as an adjustment for the across-the-board elements of the 1999-2001 compensation plan (a 5.6% increase). Also, an adjustment is allowed for premium pay on

holidays dictated by contract in 2000-01. Budget instructions specify that fringe benefits for this item be based on the variable fringe rate (21.2%).

3. The bill would provide \$508,100 PR for night and weekend differential for salaries, which exceeds the Act 9 amount of \$360,500 by \$147,600. This exceeds the 5.6% increase permitted under the DOA budget instructions. However, the additional increase reflects the restoration of holiday premium pay, which was not budgeted in the 1999-01 budget. Although it is appropriate to include the holiday premium under this adjustment, the variable fringe rate that was used for this adjustment was 22.9% rather than 21.2%. The appropriate amount for fringe would be \$107,700 rather than \$116,200, which is a difference of \$8,500.

4. Although the Veterans' Home at King is supported by program revenue, a major source of that program revenue is medical assistance (MA) funding, which is supported on a 41% GPR/59% FED basis. Approximately 85% of the residents at King are supported under MA. As a result, an additional \$1 of program revenue expenditure authority for the Veterans' Home increases GPR costs by approximately \$0.35 ($\$0.41 \times .85$).

5. Approximately two-thirds of the Home's program revenue is derived from sources other than MA, such as member contributions and VA per diem payments, and these sources are projected to increase each year. However, these other sources will not fund all of the Governor's recommended increases for the Home. Consequently, at the margin, increases or decreases in the Home's expenditures will result in corresponding changes in MA payments to the Home. Although the Home has encountered some difficulties with federal limits on MA payments, the Governor's budget recommendation assumes that these difficulties can be resolved, and that the Home will be able to claim under MA any costs not covered by other sources.

MODIFICATION

Modify the Governor's recommendation by deleting \$8,500 PR annually to reflect the application of the appropriation fringe rate to the adjustment for night and weekend differential pay. Reduce the MA benefits in DHFS by \$3,000 GPR and \$4,200 FED annually to reflect this change.

<u>Modification</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Bill)	- \$6,000	- \$8,400	- \$17,000	- \$31,400

Prepared by: Richard Megna