



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #376

### Care and Treatment Facilities Overtime Reestimate (Health Services -- Care and Treatment Facilities)

[LFB 2021-23 Budget Summary: Page 304, #3]

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#### CURRENT LAW

The Department of Health Services' 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 4,100.43 authorized positions for the facilities, which includes 1,971.42 GPR positions and 2,129.01 PR positions. Base funding for the facilities (excluding debt service and utilities and other auxiliary functions) is \$430,372,600, composed of \$218,791,500 GPR and \$211,581,100 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.

## 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). If no supplemental funding is provided, an agency will receive the same budget for overtime as in the prior biennium, even if actual overtime costs have risen.

2. Assembly Bill 68 and Senate Bill 111 would provide overtime supplements for DHS facilities of \$5,827,600 GPR and \$3,351,800 PR annually. These amounts are equal to the difference between actual overtime costs that the facilities incurred in 2019-20 and the amount provided under the overtime standard budget adjustment. When added together, the adjustment provided under the overtime standard budget adjustment and the proposed overtime supplement would equal the amount that would have been provided through the standard budget adjustment alone using the calculation method used prior to the 2013-15 biennium.

3. 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 the proposed supplement, along with the total funding adjustment. The Committee approved the standard budget adjustments in its earlier action on LFB Issue Paper #101.

### Annual Overtime Funding for DHS Care and Treatment Facilities, by Source Under AB 68/SB 111

Facility	Standard Budget Adjustments			Proposed Overtime Supplement			Total Annual Overtime Budget		
	GPR	PR	Total	GPR	PR	Total	GPR	PR	Total
Mendota MHI	\$1,623,500	\$550,600	\$2,174,100	\$3,164,800	\$1,073,300	\$4,238,100	\$4,788,300	\$1,623,900	\$6,412,200
Winnebago MHI	504,100	1,660,800	2,164,900	327,000	1,077,300	1,404,300	831,100	2,738,100	3,569,200
WI Resource Center	1,040,700	0	1,040,700	852,700	0	852,700	1,893,400	0	1,893,400
Sand Ridge STC	323,900	0	323,900	1,483,100	0	1,483,100	1,807,000	0	1,807,000
Central WI Center	0	2,628,800	2,628,800	0	1,090,100	1,090,100	0	3,718,900	3,718,900
Southern WI Center	0	2,163,900	2,163,900	0	15,100	15,100	0	2,179,000	2,179,000
Northern WI Center	0	403,600	403,600	0	96,000	96,000	0	473,700	473,700
<b>Total</b>	<b>\$3,492,200</b>	<b>\$7,407,700</b>	<b>\$10,899,900</b>	<b>\$5,827,600</b>	<b>\$3,351,800</b>	<b>\$9,179,400</b>	<b>\$9,319,800</b>	<b>\$10,759,500</b>	<b>\$20,079,300</b>

4. The overtime standard budget adjustment for the facilities' PR-funded costs is closer to current overtime expenditures than the corresponding GPR standard budget adjustment. This is because the 2019-21 budget bill provided an overtime supplement for PR appropriations, based on

2017-18 PR-funded expenditures, an adjustment that has now been built into the overtime standard budget adjustment calculation for the 2021-23 biennium. However, no overtime supplement has been provided since the current method for calculating the overtime standard budget adjustment was established in the 2013-15 budget.

5. Without an overtime supplement, the overtime standard budget adjustment alone would fund 37% of anticipated GPR overtime costs and 69% of anticipated PR overtime costs. These percentages vary by facility. The standard budget adjustments fund 18% of anticipated overtime costs at Sand Ridge and 33% of costs at Mendota, while it covers 61% of costs at Winnebago and 55% at the Wisconsin Resource Center.

6. Each of the Department's facilities generally has its own appropriation (or set of GPR and PR appropriations) that combine the funding for all salaries and fringe benefits, resident food service, medical services, and other non-food supplies and services. If the Department's overtime costs exceed the amount budgeted for that purpose, the Department must allocate funding from amounts budgeted for other purposes within each appropriation. Since the Department, like other employers, is required to pay 1.5 of an employee's normal wage for overtime hours, a shortfall in the amounts budgeted for overtime pay results in an unspecified cut in funding available for other costs.

7. The following table compares the projected overtime shortfall by fund source (the amount of the proposed supplement) with the base budget, by facility. For each facility, the overtime shortfall is expressed as a percentage of the base budget, representing the magnitude of the funding cut to other facility functions that would need to be absorbed to fund overtime costs, if no supplement is provided.

**Projected Overtime Shortfall as a Percentage of Base Budget, By Facility**

	GPR Budget			PR Budget		
	Appropriation Base	Projected Shortfall	Percentage	Appropriation Base	Projected Shortfall	Percentage
Mendota MHI	\$79,255,400	\$3,164,800	4.0%	\$23,939,400	\$1,073,300	4.5%
Winnebago MHI	22,305,500	327,000	1.5	55,076,900	1,077,300	2.0
Sand Ridge STC	56,069,200	1,483,100	2.6	10,400	0	0.0
WI Resource Center	61,161,400	852,700	1.4	20,200	0	0.0
Central WI Center	\$0	\$0	0.0%	\$73,852,400	\$1,090,100	1.5%
Norther WI Center	0	0	0.0	12,176,500	96,000	0.8
Southern WI Center	0	0	0.0	46,505,300	15,100	0.0
Totals	\$218,791,500	\$5,827,600	2.7%	\$211,581,100	\$3,351,800	1.6%

8. Facilities that provide 24-hour care and treatment must maintain a minimum staffing level regardless of personnel availability. In some cases, overtime hours are necessary to cover facility posts due to position vacancies. When frontline care or treatment positions are 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 why vacancy savings may not be 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, some vacancy salary savings must be allocated to the salary, fringe benefit, and training costs of new employees during the training period.

9. Overtime hours are incurred at 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. In addition, since higher staff resources are often needed at the time of new admissions, an increase in the admission rate, even if it doesn't increase the overall facility population (due to shorter duration stays, for instance), may increase the need for overtime.

10. The proposed overtime supplements are based on the assumption that 2019-20 overtime expenditures are representative of the overtime costs that the Department will incur during the 2021-23 biennium. The Department indicates that disruptions related to COVID-19 likely increased the use of overtime in the final two or three months of 2019-20. Nevertheless, the Department believes that these costs remain a reliable representation of likely overtime costs in the 2021-23 biennium, even if COVID-19 is not expected to significantly affect overtime needs. The 2019-20 overtime expenditures are generally consistent with an overall upward trend in overtime at the facilities. The following table shows the number of overtime hours by facility for the past several years.

**Number of Overtime Hours by DHS Facility**

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Mendota MHI	50,755	69,443	96,900	117,917	138,170	161,675
Winnebago MHI	70,551	73,198	80,043	87,420	112,206	87,399
Sand Ridge STC	19,859	35,078	35,503	32,240	38,101	45,578
WI Resource Center	14,255	21,024	22,873	21,427	36,486	22,579
Central WI Center	79,269	99,589	82,317	75,867	98,890	106,318
Northern WI Center	14,124	17,716	14,390	11,647	17,484	16,372
Southern WI Center	<u>57,565</u>	<u>74,817</u>	<u>69,147</u>	<u>62,450</u>	<u>69,787</u>	<u>62,474</u>
Total, All Facilities	306,377	390,865	401,173	408,967	511,124	502,396

11. Although trends in overtime vary by facility, the overall recent trend is towards increased overtime. The Department indicates that the trend toward increased utilization of overtime is largely driven by circumstances over which it has limited control. For instance, increased admissions at the mental health institutes places a strain on staff resources. In addition, over this period the Department faced high employee turnover for many frontline position classifications, requiring more use of overtime by remaining employees.

12. Since the 2015-17 budget, the Department of Corrections has received an overtime supplement to make up the all or at least a portion of the difference between actual overtime expenditures in the prior year and the overtime standard budget adjustment. AB 68/SB 111 would include another such supplement for DOC for the 2021-23 biennium. The funding proposed for the

DOC supplement is based on the same principle and the method for the calculation of the amount is similar to that used for the proposed DHS supplement. If the Committee determines that the DHS facilities should be given a similar funding adjustment to cover actual overtime costs, it could approve the proposal in AB 68/SB 111 [Alternative 1].

13. While the 2019-21 budget bill provided a PR overtime supplement for DHS facilities, the funding for a GPR supplement (\$3,878,400 annually) was instead placed in the Committee's program supplements appropriation. DHS submitted a request in June of 2020 for release of these funds for overtime costs incurred in 2019-20, but the Committee did not meet on the Department's request. Subsequently, the Department received approval to use federal Coronavirus Relief Fund moneys for this purpose, on the grounds that a portion of the overtime was unbudgeted costs resulting from COVID-19 pandemic. The Department submitted a request for an overtime supplement for 2020-21 on June 3, 2021.

14. Similar to the 2019-21 budget bill, the Committee could reserve funding for an overtime supplement in the GPR and PR program supplements appropriations, instead of providing an increase to the facility appropriations. In this case, the Department could request a supplement under s. 13.10 of the statutes, based on actual overtime costs [Alternative 2].

15. While DHS has not received regular overtime supplements like DOC, this also means that the DHS facilities have been operating with a budget that is below the fully funded level for the past several years. The consequences of this shortfall on facility treatment programming and operations is difficult to discern since it cannot be known how facility operating budgets would have been structured differently if supplements had been provided on a regular basis. As actual overtime costs increase, the gap between these costs and the overtime budget will grow, forcing larger reductions to other facility functions. If the Committee determines that no overtime supplement should be provided, the Department would be required to continue to absorb any additional overtime costs [Alternative 3].

## ALTERNATIVES

1. Provide \$5,827,600 GPR and \$3,351,800 PR annually to fully fund anticipated overtime costs at the Department's care and treatment residential facilities.

ALT 1	Change to Base
GPR	\$11,655,200
PR	<u>6,703,600</u>
Total	\$18,358,800

2. Provide \$5,827,600 GPR and \$3,351,800 PR annually in the Committee's program supplements appropriation for overtime costs at the Department's care and treatment residential facilities. Under this alternative, the Department could request release of additional overtime funding from the Joint Committee on Finance under s. 13.10 of the statutes.

<b>ALT 2</b>	<b>Change to Base</b>
GPR	\$11,655,200
PR	<u>6,703,600</u>
Total	\$18,358,800

3. Take no action.

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