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Joint Committee on Finance

Paper #290

Overtime Supplement (Corrections -- Departmentwide)

[LFB 2023-25 Budget Summary: Page 128, #2]

CURRENT LAW

Under the Department of Administration's 2023-25 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 salaries and fringe benefits, overtime, removal of non-continuing elements, and turnover reduction.

DISCUSSION POINTS

1. Under standard budget adjustments, funding associated with overtime 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. In 2022-23, the Department was budgeted \$56,336,600 GPR and \$2,106,100 PR for overtime and \$21,000,000 GPR as an overtime supplement. In total, the Department was provided \$77,336,600 GPR and \$2,106,100 PR in 2022-23 for overtime funding.
3. With regard to the standard budget adjustment, the 2023-25 budget bill inadvertently excluded the 2023-25 fringe rate in calculating Corrections' overtime. As corrected, funding includes \$78,273,800 GPR and \$2,124,900 PR annually for standard budget adjustment overtime. The standard budget adjustment overtime amount, as corrected, was addressed and adopted by the Committee in Motion #12 on May 2, 2023. In addition, with regard to the overtime supplement, the April 27, 2023, errata letter to the Committee Co-Chairs identified that the bill inadvertently excluded

a portion of add-on funding. As corrected, the bill would provide \$47,896,400 GPR and \$319,600 PR annually as an overtime supplement. [In total, the standard budget adjustments and overtime supplement would include \$126,170,200 GPR and \$2,444,500 PR annually to fund costs associated with overtime.]

4. As in prior budgets, Corrections' overtime funding was calculated based on the prior year's hours of overtime. In 2021-22, over 2.2 million hours of overtime was reported, including over 2 million hours for correctional officer and sergeant posts alone.

5. 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 Finance Committee every two years on the amount and costs of overtime at each of its correctional institutions. Under 2021 Act 153, the reporting requirement was changed from biennial to annual. In reviewing the most recent report submitted on December 27, 2022, the Department paid \$80,156,639 (for salaries, not including fringe benefit costs) for 2,260,438 hours of overtime at adult institutions in fiscal year 2021-22. The most common reasons for overtime in 2021-22 were position vacancies and sick leave. [Note that "sick leave" excludes leave related to COVID-19, which made up the third highest use of overtime hours.]

6. Position vacancies resulted in the largest use of overtime in 2021-22, accounting for 1,307,617 overtime hours (at a cost of \$46,077,816). This is 57.8% of all overtime hours in the report. The fiscal year 2021-22 report also reflects a 39.9% increase in the use of overtime to cover security position vacancies when compared to fiscal year 2020-21 (934,774 overtime hours).

7. A majority of the vacancies are in security positions at adult institutions. According to the Department of Corrections' interactive vacancy dashboard, as of May, 2023, 1,583 of 4,631 correctional officer and correctional sergeant positions were vacant. This amounts to an approximate 34.2% vacancy rate across all institutions; however, specific institutions have significantly higher (and lower) rates than the all-institutions average.

8. For example, as of May, 2023, Waupun Correctional Institution (maximum-security) had a 51.7% vacancy rate (148.0 vacant positions) and Kettle Moraine Correctional Institution (medium-security) had a 51.5% vacancy rate (106.0 vacant positions) for officers and sergeants. High vacancy rates create safety concerns for both staff and inmates, as well as potential liability concerns for the state. However, during the same period, Jackson Correctional Institution (medium-security) had a 15.2% vacancy rate (28.0 vacant positions). Facility age, geographic location, forced overtime (which is a cyclical problem at institutions with high vacancy rates), institution security level, and institution-specific add-on pay incentives are all possible contributing factors to the differing vacancy rates at facilities.

9. The overtime hours recorded thus far in fiscal year 2022-23 are generally on pace to match the overtime hours recorded in 2021-22. Specifically, in the first half of 2022-23, 1,161,873 hours of overtime have been generated at adult facilities (including 1,010,231 hours in security positions and 151,642 hours for other institutional coverage). The Department is on pace to reach approximately 2,323,786 overtime hours for the current fiscal year (an approximate 2.8% increase

from 2021-22). Similar to prior years, 87% of all Division of Adult Institutions overtime hours in the first half of 2022-23 were for correctional officers and sergeants.

10. To address the vacancy issues over the past several years, particularly in security positions, the Department of Administration, Division of Personnel Management (DPM), implemented several pay adjustment programs in 2021-23 that largely targeted correctional security positions including: a \$2 add-on for security staff working at Corrections' maximum-security adult institutions, and a \$5 add-on for security staff working at adult institutions with a vacancy rate of more than 40%. In addition, a \$4 pilot add-on for security staff and supervisors was implemented in the 2021-23 biennium, supported by American Rescue Plan Act funding.

11. In addition, the Department continues to administratively implement various recruitment and retention strategies (such as using commercials and social media advertising, and pilot testing 12-hour security shifts at certain institutions), and as noted by Secretary Carr during the March 28, 2023, Joint Finance Committee agency briefing, recently hired a marketing firm to assist with these efforts. The Department also conducts climate and engagement surveys to gain a better understanding of employee morale, satisfaction, and engagement within the Department. In 2022, there were 4,365 survey respondents, including 1,618 security staff respondents. On average, the security personnel "disagreed" with the statement that "my job allows me adequate flexibility to meet personal and family needs." In addition, overtime/work-life balance was most often identified as the reason for staff departures during exit interviews conducted by the Department.

12. Further, the budget bill includes additional funding for staff recruitment (\$185,000 GPR annually) and add-on pay incentives for certain correctional staff, including security personnel, funded from compensation reserves. The security-related compensation provisions include: (a) \$63,258,300 in 2023-24 and \$60,915,100 in 2024-25 to continue paying the \$5 per hour high vacancy correctional security add-on and incorporate the \$4 per hour pilot add-on into base pay of correctional security employees; (b) \$85,119,800 in 2023-24 and \$82,408,200 in 2024-25 to enhance the existing correctional security pay progression, increase minimum pay for correctional officers, correctional sergeants, youth counselors/advanced, and psychiatric care technicians/advanced, and provide parity pay for security supervisors; and (c) \$18,301,000 in 2023-24 and \$17,630,200 in 2024-25 to support a \$1 per hour add-on for correctional security positions at medium-security institutions and to increase the maximum-security add-on from \$2 to \$4 per hour. The budget bill includes additional add-ons for certain other non-security positions. [The compensation provisions are included as part of compensations reserves, which will be addressed at a subsequent Committee meeting.]

13. Due to a number of variable factors that impact recruitment and retention such as labor market competition, unemployment rates, geography, and workplace conditions, it is unknown if the pay incentives or recruitment and retention efforts have (or will) directly affected vacancy rates and overall overtime costs, and to what extent. As noted previously, 2022-23 overtime hours are on pace to match or slightly exceed overtime hours recorded in 2021-22.

14. The Department of Administration used 2021-22 overtime data to project 2023-25 overtime costs, in addition to including funding related to some of the ongoing and proposed add-on pay. For example, increasing officer minimum base pay (from \$20.29 to \$33.00 per hour) and probation and parole officer minimum base pay (from \$21.21 to \$25.00 per hour), as well as the \$1

add-on for medium-security institution staff and the \$4 add-on for maximum-security institution staff was factored in. However, other add-ons that only apply to a certain subset of employees within a job type or that only apply for a certain period of time (such as the high-vacancy add-on), were not included.

15. It is unknown if or to what extent existing pilot add-ons or new add-ons will be funded in the 2023-25 biennium, as compensation reserves will be addressed by the Committee at a later date. As a result, the Committee could consider providing supplemental overtime costs related to compensation incentives, when those items are subsequently addressed by the Committee.

16. To provide funding only for overtime associated with actual overtime hours in 2021-22, along with funding for the \$2 add-on provided for in the 2021-23 compensation plan, the Committee could adopt the overtime amount identified by the Department of Corrections in its agency budget request. The agency request was calculated using the same 2021-22 data of actual overtime hours that the Administration used, but does not include funding for most existing add-ons, proposed add-ons, or proposed base pay increases. The only add-on included in the agency calculations is the \$2 add-on for security staff at maximum-security institutions, which is incorporated in the 2021-23 compensation plan with no expiration date.

17. The agency budget request included \$103,387,200 GPR and \$2,450,400 PR annually for overtime. Taking into account the standard budget adjustment overtime amounts approved by the Committee on May 2, 2023, \$25,113,400 GPR and \$325,500 PR annually would remain as an overtime supplement. [Alternative 1] Note that this alternative only funds one of the 2021-23 add-ons (as others, such as the high-vacancy add-on, were not included in the agency's budget request and are difficult to estimate given the application to a specific subset of employees at a specific point in time).

18. On the other hand, since it is unknown if and to what extent any compensation incentives could aid in reducing overtime, the Committee could specify that half of the supplemental overtime amounts provided be placed in the Committee's supplemental appropriation for the Department to request at a later date, if needed. Any release of funding would occur under the provisions of s. 13.10 of the statutes. If all funding was not necessary, the unused amounts would lapse to the general fund from the Committee's appropriation. However, while it is possible that the overtime and vacancy issues may begin to improve over the 2023-25 biennium as potential market changes and compensation initiatives occur, any changes in vacancy rates would take time (given that new employees would need to be hired and trained before any vacancy rate relief is achieved). In addition, it is possible that Corrections will continue to experience higher vacancy rates and overtime costs to some degree, especially at certain institutions and/or certain geographic areas. Nonetheless, given the uncertainty of compensation initiatives, reserving half of the supplemental funding identified in Alternative 1 in the Committee's appropriation may be appropriate. [Alternative 2] Under this alternative, the Committee could still consider additional overtime funding as it relates to any compensation incentives provided by the Committee at a future date.

ALTERNATIVES

1. Provide \$25,113,400 GPR and \$325,500 PR annually as an overtime supplement. [Total

overtime funding, including standard budget adjustments, would be \$103,387,200 GPR and \$2,450,400 PR annually.]

ALT 1	Change to Base
GPR	\$50,226,800
PR	<u>651,000</u>
Total	\$50,877,800

2. In addition to Alternative 1, place half of the overtime supplemental funding [\$12,556,700 GPR and \$162,750 PR annually] into the Committee's supplemental appropriation under s. 20.865(4). Under this alternative, the Department could request release of additional overtime funding from the Joint Committee on Finance under s. 13.10.

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