



Legislative Fiscal Bureau

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May 31, 2022

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health Services: Section 13.10 Request for Program Supplement for Facility Overtime Costs -- Agenda Item I

REQUEST

The Department of Health Services requests transfers of \$5,827,600 GPR and \$2,635,000 PR annually in 2021-22 and 2022-23 from the Committee's program supplements appropriations to appropriations for the Department's care and treatment facilities to address projected funding shortfalls for overtime pay. Of the requested GPR funding, \$3,724,400 GPR annually is requested for the appropriation for the Mendota and Winnebago Mental Health Institutes and \$2,103,200 GPR annually is requested for the appropriation for the Wisconsin Resource Center and the Sand Ridge Secure Treatment Center. The program revenue supplement would be transferred to the appropriation for the two Mental Health Institutes, as well as the three State Centers for Individuals with Intellectual Disabilities (Central Center, Southern Center, and Northern Center).

BACKGROUND

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 MHI and Winnebago MHI), 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.

In total, DHS has 4,040.3 authorized positions for the principal operations functions of the

facilities, which includes 1,949.4 GPR positions and 2,090.9 PR positions. Under Act 58, total funding for the facilities (excluding debt service and utilities and other auxiliary functions) is \$441,340,600 (\$230,975,600 GPR and \$210,365,000 PR) in 2021-22 and \$446,733,200 (\$233,629,900 GPR and \$213,103,300 PR) in 2022-23. The following table shows the funding and authorized positions by facility and fund source.

Act 58 Funding and Positions by DHS Facility

Facility	Funding				Positions	
	GPR		PR		GPR	PR
	2021-22	2022-23	2021-22	2022-23		
Mendota MHI*	\$83,523,000	\$84,916,400	\$21,696,700	\$21,808,700	695.0	197.6
Winnebago MHI	25,167,200	25,189,200	59,297,100	59,568,200	196.7	475.2
Sand Ridge STC	\$56,148,600	\$56,215,300	\$10,400	\$10,400	504.3	0.0
WI Resource Center	66,136,800	67,309,000	20,100	20,100	553.4	0.0
Central WI Center	\$0	\$0	\$74,404,500	\$76,670,000	0.0	787.3
Southern WI Center	0	0	44,973,800	45,032,200	0.0	512.3
Northern WI Center	0	0	9,962,400	9,993,700	0.0	118.5

* Includes funding and positions for forensic patients currently housed at the Sand Ridge STC facility.

All seven facilities are staffed on a 24-hour and 365-day per year basis. Although the number of authorized positions is intended to provide full staffing for care and treatment units at the facilities, the use of employee overtime hours is often needed to maintain sufficient staffing at all times. This is particularly the case during periods of high occupancy, high patient turnover (admissions and discharges), high position vacancy, or employee absences.

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. Funding for anticipated overtime costs is generally provided separately from the base salary funding, through a standard budget adjustment. However, in recent biennia this adjustment has been insufficient to fund the Department's overtime costs, since, in accordance with the Department of Administration's budget request guidelines, it has been largely based on overtime costs incurred prior to the 2011-13 biennium. As such, the standard budget adjustment has not accounted for increases occurring since that time in staffing, wages, admissions, and employee turnover.

In recognition of the overtime funding shortfall, and the need to maintain staffing at all times in state prisons, recent biennial budget acts have provided overtime supplements to the Department of Corrections, to make up the difference between the overtime standard budget adjustment funding and anticipated overtime expenditures. Act 58 provided \$21,000,000 GPR annually in the 2021-23 biennium in DOC's appropriations for this purpose. A similar supplement was provided for the DHS facilities, except that the funding was provided in the Committee's program supplements appropriations, instead in the Department's facility appropriations. Thus, the Department must submit a request under s. 13.101 of the statutes to receive this supplement. The amount provided,

based on recent trends in overtime utilization, was \$5,827,600 GPR and \$3,351,800 PR annually.

THE DEPARTMENT'S REQUEST

The Department submitted a request to the Committee for funding supplements for facility overtime costs on January 25, 2022. The following table shows the requested supplements by appropriation and fund source. The Department has requested supplements of these amounts in both years of the biennium.

<u>Appropriation</u>	<u>Name</u>	<u>Requested Annual Supplement</u>
GPR		
20.435(2)(a)	General program operations	\$3,724,400
20.435(2)(bm)	Secure mental health units	<u>2,103,200</u>
		\$5,827,600
PR		
20.435(2)(gk)	Institutional operations	\$2,635,000

The GPR general program operations appropriation is the funding source for the forensic patient operations at the Mendota and Winnebago mental health institutes, while the secure mental health units appropriation funds the Wisconsin Resource Center and Sand Ridge Secure Treatment Center. The PR appropriation for institutional operations is the funding source for the state centers for individuals with intellectual disabilities and the civil patient operations of the mental health institutes.

ANALYSIS

In submitting its request, the Department notes that overtime costs in 2021-22 at all facilities are projected to exceed the amount budgeted by Act 58 in the Department's facility appropriations. The following table shows the Department's projected overtime funding shortfall by fund source and facility type, with and without the requested supplement.

	<u>Act 58 Overtime Budget</u>	<u>Overtime Cost Projection</u>	<u>Shortfall With no Supplement</u>	<u>Requested Supplement</u>	<u>Remaining Shortfall</u>
GPR					
Mental Health Inst.	\$2,127,600	\$9,980,600	-\$7,853,000	\$3,724,400	-\$4,128,600
Secure Treatment	1,364,600	3,467,800	-2,103,200	2,103,200	\$0
PR					
Mental Health Inst.	2,211,400	4,152,800	-1,941,400	1,941,400	0
State Centers	5,196,300	5,889,900	-693,600	693,600	0

In the case of PR overtime costs, the funding in the Committee's program supplements appropriation exceeds the projected funding shortfall, so the Department has requested only a portion

of the available funding (\$2,635,000 out of the \$3,351,800 available). In the case of the GPR overtime costs, the Department has requested the full amount available in the program supplements appropriation, since the projected shortfall exceeds the available funding by \$4.1 million. [A portion of this remaining shortfall may be addressed in the Administration's forthcoming proposal for pay plan supplements, which is typically submitted to the Committee in mid-June.]

Although the Department's overtime cost projections were developed at the time the request was submitted in January, overtime utilization in the subsequent months has been consistent with the Department's earlier projections. With 23 of the 26 pay periods already passed in 2021-22, it is likely that total facility compensation expenditures will exceed the amount budgeted by Act 58, meaning that a funding supplement will be required to meet facility expenditure obligations.

In addition to requesting funding supplements for 2021-22, the Department has requested funding supplements in 2022-23. The Committee could elect to approve funding supplements only for 2021-22, based on actual overtime expenditures, or could elect to approve the Department's request for supplements for both years.

Based on prevailing facility populations and recent trends in overtime utilization, it is likely that facility overtime costs will be well in excess of the amounts budgeted in the Department's facility appropriations for overtime in 2022-23 as well, in particular for the GPR-funded facilities. To illustrate with an example, while the base overtime funding provided for the mental health institutes by Act 58 would fund approximately 100,000 overtime hours, overtime utilization has exceeded that level for at least the last eight years, and has exceeded 200,000 hours in each of the last five years. This discrepancy between the base overtime funding and prevailing costs is, in large part, because the Department has not received a GPR overtime supplement that has been built into the base overtime funding for several biennia. Thus, as wages for employees have increased, the number of overtime hours that can be funded from the base has eroded over time. Providing the overtime supplement in 2022-23 would thus reduce the discrepancy between base overtime funding and current wages and overtime utilization in subsequent years.

ALTERNATIVES

1. Approve the Department's request for funding supplements, from the Committee's program supplements appropriations for DHS facility overtime costs as follows: (a) \$3,724,400 GPR annually for the general program operations appropriation [s. 20.435(2)(a)] for the state mental health institutes; (b) \$2,103,200 GPR annually for the secure mental health units appropriation [s. 20.435(2)(bm)] for the secure treatment centers; and (c) \$2,635,000 PR annually for the institutional operations appropriation [s. 20.435(2)(gk)] for the state mental health institutes and the state centers for individuals with intellectual disabilities.

2. Approve the Department's request for funding supplements, as described under Alternative 1, but provide supplements only in 2021-22.

3. Deny the request.

Prepared by: Jon Dyck