



## Legislative Fiscal Bureau

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2017

Joint Committee on Finance

Paper #252

### **Add-On to Statutory Daily Rate (Corrections -- Juvenile Corrections)**

[LFB 2017-19 Budget Summary: Page 146, #2]

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#### **CURRENT LAW**

Under current law, the daily rate for juvenile correctional facilities is specified in statute based on projected annual costs and the estimated average daily population. In addition, the daily rates statutorily include a \$6 add-on to address the juvenile operations appropriation deficit until the deficit is eliminated. If moneys generated by the daily rate exceed actual institutional costs in a fiscal year by 2% or more, the amounts in excess of 2% must be remitted to the counties during the subsequent fiscal year, in amounts proportionate to the total number of days of juvenile placements at the facilities for each county and for the state.

#### **GOVERNOR**

No provision. However, under the daily rate calculation under the bill, the Governor's recommendation does not include the \$6 add-on.

#### **DISCUSSION POINTS**

1. The daily rates included in the bill do not include the \$6 add-on specified under current law.
2. A \$17 add-on was created under the 2011-13 biennial budget, Act 32, in order to reduce the deficit in the Department's juvenile operations appropriation. Since the amount of the deficit declined, the 2013-15 biennial budget reduced the add-on to \$6. There was no deficit in 2015-16. However, the \$460,300 balance was not sufficient to exceed the 2% threshold and can be

attributed to the \$6 add-on. The Division of Juvenile Corrections indicates it is projecting a deficit for 2016-17, although the actual amount will be unknown until the close of the fiscal year. The table below shows the status of the deficit from 2008-09 to 2015-16.

|         | <u>Ending Cash Balance</u> | <u>Lapse</u> |
|---------|----------------------------|--------------|
| 2008-09 | -\$2,203,700               |              |
| 2009-10 | -8,819,400                 |              |
| 2010-11 | -19,506,300                |              |
| 2011-12 | -13,386,300                |              |
| 2012-13 | -8,888,600                 |              |
| 2013-14 | -4,644,400                 |              |
| 2014-15 | 436,400                    | \$582,500*   |
| 2015-16 | 460,300                    |              |

\*Lapse required by 2013 Act 20

3. There are a number of variables which could affect the Department's ability to not only eliminate the current deficit, but also remain out of deficit in the future. These factors include population and cost variations (to the extent that populations and/or costs vary from the estimates, actual revenue generated or the existence of a deficit may vary), and juvenile care decisions by the counties.

4. Considering the unknown items that could impact appropriation balances, the Committee may wish to continue the \$6 daily rate add-on for another biennium. [Alternative 1] To the extent that the add-on is retained and the deficit is eliminated, current statutory language provides that if monies generated by the daily rate exceed actual costs by more than 2%, all monies in excess of 2% must be remitted to the counties or the Department (for daily rates paid for serious juvenile offenders) in the subsequent calendar year. As a result, the statutory daily rates for juvenile correctional facilities would be modified to include the \$6 daily rate add-on. The add-on would increase the annual cost per juvenile at a juvenile correctional facility by \$2,190 and would impact the cost of the serious juvenile offender program and contract beds for youth under 18 years of age with adult sentences.

5. Given that there was no deficit in 2015-16, the Committee may wish to delete the add-on completely. [Alternative 2] As a result, any deficit that Corrections experiences within the juvenile correctional facilities appropriation will need to be addressed by reducing expenditures. Since the \$6 add-on was not included in the daily rate calculation, deletion of the statutory provision would have no impact on the daily rate.

## **ALTERNATIVES**

1. Include the \$6 per day add-on to the daily rate for juvenile correctional facilities.
2. Delete the statutory add-on amount to the daily rate.

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