



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #253

Juvenile Appropriation Deficit (Corrections -- Juvenile Corrections)

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.

DISCUSSION POINTS

1. 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 2018-19, 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 2017-18.

	<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	-2,142,800	
2016-17	-5,226,500	
2017-18	-7,036,900	
2018-19 YTD	-8,143,100	

*Lapse required by 2013 Act 20

2. 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), legislation, and juvenile care decisions by the county judges.

3. Juvenile populations declined rapidly from 2016 to 2018, while at the same time the incurred expenditures, such as paying for contracted healthcare staff to handle medication administration increased. Further, a delay in Corrections authority to charge a higher daily rate in 2017-18 led to decreased revenue of \$1,643,000. These factors resulted in an unsupported cash overdraft of -\$4,441,400 PR at the end of 2017-18. [The unsupported cash overdraft is equivalent to the deficit less offsetting assets.]

4. Corrections estimated in a letter to DOA on November 29, 2018, that the deficit could be retired in 2028-29 if populations remain at the 2018-19 budgeted level. However, as discussed in a prior paper, the populations have continued to decrease. In addition, the movement of juveniles to county secure residential care centers will further decrease the population from which the add-on can be collected, which will extend the timeline for discharge of the debt. In addition, at that point in time, most of the juveniles at the Type 1 facilities have the daily rate funded through GPR through either the serious juvenile offender program or through the adult contract bed appropriation as youth under 18 with adult sentences.

5. 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 increases the annual cost per juvenile at a juvenile correctional facility by \$2,190 and impacts the cost of the serious juvenile offender program and contract beds for youth under 18 years of age with adult sentences.

6. Due to continuing deficits in the appropriation, some add-on is necessary. In order to eliminate the deficit within the next five years, the add-on would need to be increased to \$35 per day. However, such an add-on could make the daily rate more difficult for counties and the state to afford. Further, the uncertainty of costs and operations under Act 185, make it unknown whether the add-on will continue to be necessary or will need to increase in future years. The administration did not propose any change in the daily rate add-on. For all of these reasons, it is assumed that the \$6 add-on will continue to be included in the calculation of the overall daily rate.

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