



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #261

Juvenile Appropriation Deficit (Corrections -- Juvenile Corrections)

[LFB 2021-23 Budget Summary: Page 148, #3]

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.

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. Since 2015-16 the appropriation has again been in deficit. The table below shows the status of the total deficit from 2008-09 to 2019-20.

Ending Cash Balance

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
2015-16	-2,142,800
2016-17	-5,226,500
2017-18	-7,036,900
2018-19	-10,154,700
2019-20	-11,341,500

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 regarding the placement of juveniles under dispositional orders.

3. Juvenile populations declined rapidly from 2016 to 2020, while at the same time the incurred expenditures, such as paying for contracted healthcare staff to handle medication administration increased. While the above table identifies the total cash deficit for the appropriation (-\$11,341,500), this amount was offset by assets resulting in an unsupported cash overdraft at the end of 2019-20 of \$9,054,300. Note that due primarily to declining populations and co-occurring reductions in revenues, the total deficit may increase further at the end of 2020-21 by an additional \$12.2 million. This amount would again be partially offset by assets at the end of 2020-21.

4. Section 16.513 of the statutes requires state agencies to submit quarterly reports to the Department of Administration (DOA) on projected revenues and expenditures for each appropriation supported with program or segregated revenues. If it is projected that there will be insufficient revenues in the ensuing quarter to meet expenditures in any appropriation, the agency must submit a plan to DOA to "assure that there are sufficient moneys, assets, or accounts receivable to meet projected expenditures under the appropriation." If the plan is approved by DOA, it must then be submitted to the Joint Committee on Finance for its approval under a 14-day passive review process.

On December 30, 2020, DOA Secretary Brennan submitted a report on unsupported overdrafts to the Committee. The report contained plans of various agencies to address the deficits. In the report, the Department of Corrections indicated that, with the \$6 add-on to the daily rate, and stable populations, the deficit could be retired by 2044-45. Other than that statement, the report did not include any plan to reduce the deficit, including a recommendation for GPR funding to reduce or eliminate the deficit.

5. However, the populations have continued to decrease. Starting in the 2023-25 biennium, 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 deficit. 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.

6. 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.

7. Assembly Bill 68/Senate Bill 111, provides \$11,341,600 GPR in 2021-22 in a new appropriation to address an existing deficit in the juvenile correctional services program revenue appropriation if the amount in the juvenile correctional services appropriation is insufficient. Funding provided is based on the total appropriation deficit at the end of 2019-20. In addition, the bill would modify current law to allow the Secretary of Corrections (rather than require the Governor) to charge an additional \$6 daily amount for care provided by the Department in order to address a deficit in the juvenile correctional services appropriation until the deficit is eliminated.

8. In order to address the total deficit as it existed at the end of 2019-20, the Committee may decide to provide \$11,341,600 in 2021-22 in a new GPR appropriation. [Alternative 1]

9. As noted earlier, the amount of the unsupported cash overdraft at the end on 2019-20 was \$9,054,300. If this amount were provided Corrections would be able to address that part of the 2019-20 deficit that was identified as not being supported by assets. [Alternative 2]

10. Given that the deficit has existed since 2015-16, and that any amount toward the deficit will be of assistance, the Committee may decide to provide \$5,670,800 in 2021-22 in a new GPR appropriation. This is one-half of the amount recommended in AB 68/SB 111. [Alternative 3]

11. On the other hand, given the fact that a deficit has existed for a number of years, the uncertainly of juvenile corrections in the future, and the fact that the deficit does not impact programming for the Department, the Committee could take no action. [Alternative 5]

12. In order to give Corrections more flexibility in when to charge the \$6 add-on, the Committee may decide to allow the Secretary of Corrections, instead of require the Governor, to charge the add-on. [Alternative 4]

ALTERNATIVES

1. Provide \$11,341,600 GPR in 2021-22 in a new appropriation to address an existing deficit in the juvenile correctional services program revenue appropriation if the amount in the

juvenile correctional services appropriation is insufficient.

ALT 1	Change to Base
GPR	\$11,341,600

2. Provide \$9,054,300 GPR in a new appropriation to assist addressing an existing deficit in the juvenile correctional services program revenue appropriation.

ALT 2	Change to Base
GPR	\$9,054,300

3. Provide \$5,670,800 GPR in 2021-22 in a new appropriation to assist addressing an existing deficit in the juvenile correctional services program revenue appropriation.

ALT 3	Change to Base
GPR	\$5,670,800

4. Modify current law to allow the Secretary of Corrections (rather than require the Governor) to charge an additional \$6 daily amount for care provided by the Department in order to address a deficit in the juvenile correctional services appropriation until the deficit is eliminated.

5. Take no action.

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