



## Legislative Fiscal Bureau

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August 16, 2022

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Corrections: Secure Residential Care Centers for Children and Youth --  
Agenda Item VIII

On August 12, 2022, the Department of Corrections submitted a request for modification of the statewide plan for county secure residential care centers (SRCCs) for children and youth to the Joint Committee on Finance (JFC) as required by 2017 Act 185 and modified by 2019 Act 8. In order for the plan to be modified and implemented, review and approval of the plan by the Committee at a meeting held under s. 13.10 is required.

The modified plan submitted by Corrections would amend the Brown, Dane, Milwaukee, and Racine County grant amounts. Funding for Milwaukee would increase by \$13,123,058 and funding for Racine would increase by \$7,975,000 in general fund supported borrowing. Funding for the Brown and Dane county projects would decrease by the total of these amounts (\$21,098,058).

This paper provides background information on the provisions of 2017 Act 185 and 2019 Act 8 related to juvenile correctional facilities, the responsibilities of the Juvenile Justice Grant Committee, a description of the plan as previously approved by the Finance Committee, and the modifications requested by Corrections.

### **BACKGROUND**

On March 30, 2018, 2017 Act 185, related to modifications to the state's juvenile correctional system was enacted. Pursuant to Act 185 as modified by 2019 Act 8, the state was required to close the Lincoln Hills and Copper Lake School by July 1, 2021, at which time Corrections would convert the facility into an adult correctional facility. Under the acts, the Department of Corrections was required to establish new Type 1 (state) juvenile correctional facilities, subject to the approval of the JFC.

As part of Act 185, beginning on July 1, 2021, the default placement of a juvenile under a secure correctional disposition changed from placement with the state to placement with the county

in which the juvenile was adjudicated delinquent. In addition, juveniles placed with the state would be transferred to placement with the county department of human services or social services (county department) of the county in which the juvenile was adjudicated delinquent.

In order to support the new default juvenile placement, Act 185 created a new type of secured juvenile facility, administered by counties, called SRCCs. Under Act 185 as modified by 2019 Act 9, the Building Commission was authorized to provide up to a total of \$80,000,000 in general fund supported borrowing to allow Corrections to provide grants to assist counties in designing and constructing these new SRCCs, and attached juvenile detention facilities.

In accordance with the acts, Corrections created emergency rules governing the building and operations of SRCCs with the advice of a 25-member Juvenile Study Committee. Under Act 185, subject to the rules promulgated by Corrections, a SRCC may be located in a portion of a juvenile detention facility or a Type 1 juvenile correctional facility. Counties building SRCCs may request access to treatment for SRCC juveniles at the Mendota Juvenile Treatment Center subject to the approval of the DHS.

### **Juvenile Justice Grant Committee**

Act 185 created a juvenile corrections grant program, administered by the Juvenile Corrections Grant Committee and the Department of Corrections. Under the juvenile corrections grant program, a county may apply for any of the following grants to pay: (a) 95% of the costs of designing and constructing a SRCC; (b) 95% of the costs of designing and constructing a facility that houses both a SRCC and a juvenile detention facility; and (c) 100% of the costs of designing and constructing a SRCC only for female juveniles or any portion that is only for female juveniles.

Act 185 created a Juvenile Corrections Grant Committee (“Grant Committee”) in the Department of Corrections to administer a grant program. The Grant Committee was required to establish requirements, guidelines, and criteria for grant proposals and for awarding grants. Act 185 specifically required a county to do all of the following in developing its grant application: (a) consider best practices in designing and operating facilities that hold juveniles in secure custody; (b) consider the feasibility of developing an existing facility into an SRCC; and (c) solicit input from juvenile court judges. Act 185 also required the Grant Committee to give preference to proposals that utilized existing facilities that consider proximity to the populations of juveniles the facility would serve, and to multi-county applications.

The Grant Committee submitted a statewide plan of recommended grant approvals to the JFC on October 1, 2019. The plan recommended the approval of the four applications received from Brown, Dane, Milwaukee, and Racine Counties. The recommended plan would have provided a total of \$110.96 million in bonding authority to the four counties. The Grant Committee terminated on July 1, 2021.

### **STATE JUVENILE JUSTICE PLAN SUMMARY AS APPROVED BY JFC**

The Joint Committee on Finance met on February 12, 2020, to address the proposed grants. At the meeting, JFC modified and approved the Grant Committee's plan for SRCC's. The Grant

Committee's recommendation had put forward two alternative plans (Plan A and Plan B) for Milwaukee County at the same total grant amount (\$24,858,203). "Plan A" would have expanded the existing detention facility in the Vel R. Phillips Youth and Family Justice Center (Vel Phillips) and obtained community-based leased facility space. "Plan A" was intended to provide 40 total beds for juveniles; up to 22 beds at Vel Phillips and up to 24 beds at unspecified leased facilities. "Plan B" would have solely expanded the Vel Phillips detention center and resulted in 32 total beds. The Committee selected Milwaukee's "Plan A" modified to not include any leased space. In total, for all four approved plans, as modified, \$102.6 million in bonding authority was approved by the Joint Committee on Finance. Subsequent to JFC approval, the Building Commission approved an additional \$22.6 million to SRCC grants from monies available for correctional facilities and for "projects" due to the Governor's partial veto of another project.

Table 1 below provides a summary of the grant applications approved by JFC. Table 2 provides additional cost information.

**TABLE 1**  
**Statewide Plan**  
**General Summary**

	Brown County	Dane County	Racine County	Milwaukee County
Project Type	New Construction Co-located SRCC/JDF	Renovation	New Construction Co-located SRCC/JDF	Renovation
SRCC Beds	24 beds <ul style="list-style-type: none"> <li>• Boys – 16 beds</li> <li>• Girls – 8 beds</li> </ul>	23-29 beds <ul style="list-style-type: none"> <li>• Boys – 18-23 beds</li> <li>• Girls – 5-6 beds</li> </ul>	32 beds (Unspecified boy/girl split)	22 beds
Juvenile Detention Facility (JDF) Beds	32 beds	N/A	16 beds	N/A
Location	Unknown (county property adjacent to jail)	City County Building Madison	Unknown (\$3M budgeted for land acquisition)	Vel Phillips Center Wauwatosa
Project Cost	\$43.1M	\$6.7M	\$45.8M	Up to \$16.0M
Grant	\$40.9M	\$6.5M	\$40.0M	\$15.2M

**TABLE 2**

**Statewide Plan  
Detailed Cost Information**

	<u>Brown County</u>	<u>Dane County</u>	<u>Racine County</u>	<u>Milwaukee County Plan A</u>
Total Project Cost	\$43,032,000	\$6,724,800	\$45,840,000	\$16,010,703
Grant Amount	40,880,400	6,461,306	40,000,000	15,215,293
County Match	2,151,600	263,494	2,105,263	795,410
Additional County Funds			3,734,737	
Square Footage	70,900 sq. feet	13,010 sq. feet	72,000 sq. feet	21,879 sq. feet

Following is a summary of the approved grants for Brown, Dane, Milwaukee, and Racine Counties at the time of JFC approval.

**Brown**

Brown County intended to construct a new, co-located SRCC and detention facility that would serve up to 24 juveniles in a SRCC and 32 juveniles in short-term detention. Brown County indicated it would serve juveniles from across the northeast region of the state. Both co-located facilities would serve boys and girls. With construction of 32 short-term beds, Brown County would increase short-term detention capacity from 15 juveniles.

Brown County estimated the total cost associated with design and construction of the facility to be \$43,093,591. The estimated cost of the facility subject to 95% funding was estimated to be \$37,551,130. The estimated cost of the facility subject to 100% funding (facilities for females) was \$3,556,086.

**Dane**

Dane County intended to co-locate the SRCC with the current Juvenile Detention facility. The SRCC would contain 18 to 23 beds for males and a five or six beds for females for a total of 23 to 29 beds.

Dane County currently operates its juvenile detention facility in a portion of the County Building. There is unoccupied space currently associated with the detention facility. Under the grant, this existing but unused detention space and adjacent office space was to be renovated to become the SRCC. Dane County received approval from the Dane County Board for the project and the 5% match requirement. The estimated full project cost was \$6.7 million for a 10,560 square foot expansion and 2,420 square feet of outdoor recreation space.

## **Milwaukee**

Milwaukee County's grant was intended to renovate the existing detention facility in the Vel R. Phillips Center. The amount for the renovation was \$16.0 million. The Milwaukee County Department of Health and Human Services committed to funding the required 5% match.

## **Racine**

Racine County's grant was to contract a new, co-located facility that would serve up to 32 juveniles in a SRCC and 16 juveniles in short-term detention. Racine County intends the entire co-located facility to be compliant with DOC 347 (administrative rule for SRCCs) to accommodate fluctuations in both male and female populations. Racine County may serve juveniles from other counties including Kenosha, Waukesha, Manitowoc, and Washington.

The county received support from the Racine County Executive for the project. Racine was awarded \$40 million to construct a new facility, with a full project budget of \$45 million.

## **ACTIONS SUBSEQUENT TO JFC APPROVAL**

On July 20, 2020, Corrections sent Brown, Dane, Milwaukee, and Racine counties grant agreements. On August 14, 2020, Dane County officially declined to participate in the SRCC grant program. On that same date, Milwaukee County asked for a deferral on participation in the grant program, and Brown County declined the grant agreement proposed pending further discussion with the Department of Corrections.

On February 21, 2022, Caledonia Village Board voted to allow Racine County to build and operate a \$42.5 million secure youth facility just south of Three Mile Road at the airport's northeast corner on 29 acres. Through June 15, 2022, Racine County has submitted \$875,338 in expenditure reimbursement to the state, which leaves \$39,124,662 in remaining grant funds available.

## **REQUESTED MODIFICATIONS**

On August 12, 2022, the Department of Corrections submitted a request for modification of the statewide plan for Racine and Milwaukee County SRCCs to JFC. Tables 3 and 4 summarize the requested modifications.

**TABLE 3****Requested Modifications Summary**

	<b>Racine County</b>	<b>Milwaukee County</b>
<b>Project Type</b>	New Construction Co-located SRCC/JDF	Renovation Expansion
<b>SRCC Beds</b>	32 beds (Unspecified boy/girl split)	32 beds (28 boy/4 girl)
<b>Juvenile Detention Facility (JDF) Beds</b>	16 beds	N/A
<b>Location</b>	Caledonia Village (\$3M budgeted for land acquisition)	Vel Phillips Center Wauwatosa
<b>Project Cost</b>	\$50.5M	\$29.8M
<b>Total Grant Request</b>	\$50.0M	\$28.3M

**TABLE 4****Modifications Detail Cost Information**

	<u>Racine County</u>	<u>Milwaukee County</u>
Total Project Cost	\$50,500,000	\$29,829,843
Grant Amount	47,975,000	28,338,351
County Match	2,525,000	1,491,492
Additional County Funds	0	
Prior Grant Amount	40,000,000	15,215,293
Request	7,975,000	13,123,058
Square Footage	72,000 sq. feet	36,816 sq. feet

On June 14, 2022, Racine indicated to Corrections that the county would be unable to complete the originally designed facility without additional funds due to the impact of COVID-19 on supply chain, project delays, and market projections of cost escalation for goods. Further, Racine county indicated that they will no longer be contributing an additional \$3,734,737 in county funding to the project. Therefore, Racine County through Corrections is requesting an additional \$7,975,000 to continue the project as planned.

In Summer 2022, Milwaukee requested Corrections allow its grant to be used for renovation and expansion of the Vel R. Phillips facility instead of just renovation and requested an increase in the grant amount for that purpose. In addition, Milwaukee indicates that over the last two years,

inflationary pressures have increased the estimated cost to renovate and expand the facility to close to \$30 million. To respond to inflationary increases and provide for expansion of the facility, Milwaukee County through Corrections requests an additional \$13,123,058 in funding to continue with renovations and provide for expansion.

In order to support the increased funding amounts for Racine and Milwaukee Counties, Corrections requests that \$21,098,058 in grant funds originally set aside for Dane and Brown Counties be de-obligated and used for the Racine and Milwaukee County SRCCs.

## **ANALYSIS**

Overall costs of state building projects have increased as a result of the impact of recent inflationary pressures on construction materials and labor. For previously authorized building projects, this could mean that current bonding authority may be insufficient to cover the full cost of planned projects. Agencies may respond to these rising prices in a number of ways, including: (a) reducing the scope of the previously planned project; (b) canceling certain projects to reallocate funding to other projects; (c) seeking increased bonding authority and project authorization for projects through separate legislation; or (d) including increased bonding authority and project authorization for previous building program projects as part of their 2023-25 capital budget request.

On May 27, 2022, DOA issued a 2023-25 Capital Budget Guidance memo which provided inflation assumption guidelines for agencies to consider when developing the 2023-25 capital budget request. These guidelines advise agencies to assume that that inflation will increase by 8% every six months through 2023, and then 4% every six months starting in 2024.

According to Racine County increased project costs are attributable not only to "market projections of cost escalation for goods," but also due to the impact of COVID-19 on supplies and project delays. Racine indicates that if additional budget authority is not provided, programming space in their SRCC facility will have to be reduced by 15,000 square feet. Of the \$13.1 million requested by Milwaukee, approximately \$5 million of increased project costs are attributed to inflation, with the remaining \$8.1 million associated with the expansion of the Vel Phillips Center. Milwaukee indicates that they will be unable to move forward with their SRCC project if additional funding is not provided.

In order to effectuate Correction's request before the Committee, the grant awards of Brown and Dane counties would need to be reduced. Regarding this award reduction (de-obligation), DOA indicates that, since Dane County declined to accept the July 20, 2020, grant award extended by Corrections, Dane County was not notified of the possibility of de-obligation of funds. Given the County's declining of the award offer, Correction's request would decrease funding for Dane County's SRCC by the full grant amount, \$6,461,306, in Alternatives 1, 2a, and 2b.

Regarding Brown County's award, the administration indicates that the Executive Director and Deputy Executive Director of Brown County Health and Human Services were notified of de-obligation of funds via phone on Wednesday August 10, 2022. Corrections received no follow-up call from the County Executive expressing concern regarding this matter. In 2020, the Brown County Board passed a resolution that supported establishing a SRCC in Brown County "so long as

construction, ownership and operational related issues are first adequately resolved to Brown County's satisfaction." A resolution of these concerns has not occurred. Given this, Correction's request would decrease funding for Brown County's SRCC award by the amount necessary to account for the balance in Alternatives 1 (\$14,636,752), 2a (\$6,661,752), and 2b (\$1,513,694).

The Committee could approve the modifications to the statewide plan as requested by Corrections that would grant additional project authority to SRCC's in Milwaukee and Racine counties and decrease project authority to Brown and Dane counties. [Alternative 1] Alternatively, the Committee could approve one, but not the other, of the modifications recommended by Corrections. [Alternatives 2a or 2b] Finally, because the counties whose funding will be de-obligated have not formally comment, the Committee could take no action on the request at this time, and consider the request once Brown and Dane counties have responded.

## **ALTERNATIVES**

1. Approve Corrections' requested modifications to the statewide plan for secure residential care centers for children and youth previously approved by the Committee on February, 12, 2020, as follows: (a) increase grant authorization for the Milwaukee County grant by \$13,123,058 for renovation and expansion of the Vel Phillips Center; (b) increase grant authorization for the Racine County grant by \$7,975,000; (c) decrease grant authorization for Dane County by, \$6,461,306; and (d) decrease grant funding for Brown County by \$14,636,752.

2. Approve either of the following modifications to the statewide plan for secure residential care centers for children and youth previously approved by the Committee on February, 12, 2020:

a. *Milwaukee County.* Increase grant authorization for the Milwaukee County grant by \$13,123,058 for renovation and expansion of the Vel Phillips Center, decrease grant authorization for Dane County by \$6,461,306 and decrease grant funding for Brown County by \$6,661,752.

b. *Racine County.* Increase grant authorization for the Racine County grant by \$7,975,000, decrease grant authorization for Dane County by \$6,461,306 and decrease grant funding for Brown County by \$1,513,694.

3. Take no action.

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