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BILL ANALYSIS



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Senate Bill 101 (as introduced 2-7-19)
Sponsor: Senator Peter J. Lucido
Committee: Judiciary and Public Safety

Date Completed: 3-6-19

CONTENT

The bill would amend the Social Welfare Act to require a county to choose one of two specified methods of reimbursement for payment of juvenile justice services, beginning 180 days after the bill's effective date.

Section 117a of the Act governs how the Department of Health and Human Services (DHHS) provides for the distribution of money appropriated to counties for the cost of juvenile justice services. Generally, the county amount distributed must equal 50% of the annual expenditures from the county's child care fund. Under the bill, this would apply except as provided below.

Beginning 180 days after the bill's effective date, a county would have to choose either of the following ways to be reimbursed for payment of juvenile justice services:

- The State would have to pay 68% of the cost to provide juvenile justice services to all juveniles who were eligible for service under the Child Care Fund, including juveniles who were 17 years old.
- The State would have to pay 100% of the cost to provide juvenile justice services for juveniles who were 17 years old and over but under 18 years old who are under the court's jurisdiction under Sections 2(a) and 2(d) of the juvenile code.

If a county chose the second method of reimbursement, there could not be a change in funding provided for juveniles who were under 17 years old. The county would be responsible for placement and programming for juveniles 17 years old and older but under 18 years old who were under the court's jurisdiction under Sections 2(a) and 2(d).

(Section 2(a) generally provides for the circumstances under which the family court has exclusive original jurisdiction in proceedings concerning juveniles under 17 years of age who are found within the county. Under Section 2(d), the family court has concurrent jurisdiction if it finds that voluntary services have been exhausted or refused, and the proceedings concern a juvenile between the ages of 17 and 18 to whom certain conditions apply.)

The bill would take effect on January 1, 2021.

MCL 400.117a

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill would have a significant fiscal impact on State and local government. Under current law, the State and each county government share the cost of juvenile justice services on an equal 50% split. For children placed with the courts for care, supervision, or placement, the county spends the funds for services and then submits a request to the Department of Health and Human Services for 50% reimbursement of allowed expenditures. The County Child Care Fund (CCF) is an annually-appropriated item in the DHHS budget, and is the mechanism that funds both abuse and neglect cases, as well as juvenile justice cases. For fiscal year (FY) 2018-19, the total amount appropriated in the CCF is approximately \$215.0 million. This amount represents approximately 50% of the total State and local expenditures for the CCF.

Under the bill, by amending the Social Welfare Act, counties would be allowed to choose between two options to cover the costs of cases for 17-year-olds that fall under the jurisdiction of the Family Division of a circuit court. The first option would allow for the State to maintain its 50% coverage for CCF services, and would provide funding to cover 100% of the incremental costs associated with 17-year-old offenders. As a practical matter, under the first option, the other bills in the "Raise the Age" legislative package would need to be enacted, otherwise 17-year-old offenders would not be covered by the CCF and the proposed changes to the CCF would not apply.

Assuming that the other bills in the package were enacted, the increased cost to the State likely would be considerable. Since there is a lack of comprehensive statewide juvenile justice data, the best cost estimates can be taken from a report contracted by the State of Michigan Legislative Council Criminal Justice Policy Commission.¹ The report estimated that under the current 50/50 cost sharing model, the State costs could increase by between \$9.6 million and \$26.8 million.

The report noted that on a statewide basis, the total costs could increase from 5.0% to 14.0%, based on FY 2015-16 costs. If every county opted for Option 1, those percentages would be applied in the FY 2018-19 budget, for a 5.0% increase in CCF expenditures; the total estimated 100% State-funded costs would be \$21.5 million. On the high end, a 14.0% increase to cover 17-year-old offenders would be \$60.2 million for 100% State costs. This is a high-level estimate using the percentages cited in the report and does not include various factors such as judicial and prosecutorial discretion, the type and security level of the residential placement required for each juvenile, and length of stay.

Under Option 2, a 68/32 cost-sharing model would replace the current 50/50 cost-sharing model. Unlike Option 1, this option would not depend on the enactment of other bills in the "Raise the Age" legislative package in the way that Option 1 would. Absent the enactment of any other bills, Option 2 would change the funding model and would not separate the costs from 17-year-old offenders. Additionally, the bill states that the State would pay for all juvenile justice services and would not be limited to only those costs for juveniles who have committed criminal or delinquency acts. For example, the 68% reimbursement rate now would be applied to services, such as foster care payments. In addition, the bill would require foster care administrative rates to be reimbursed at the 68% rate, rather than the currently-mandated 100% rate.

If there were no cases for 17-year-old offenders added to the CCF caseload, every county elected to adopt Option 2, and no other changes were made to the FY 2018-19 CCF appropriation, the costs to the State could increase by approximately \$60.0 million. If

¹ State of Michigan Legislative Council Criminal Justice Policy Commission, "The Cost of Raising the Age of Juvenile Justice in Michigan Final Report", March 2018. Retrieved on 3-5-19.

additional changes were made to the CCF through enactment of other "Raise the Age" bills, and additional 17-year-old offenders' cases were added to the caseload, the costs could rise between 5.0% and 14.0%. Factoring in the 68/32 cost allocation under Option 2, as well as the new cases added to the CCF, the total State costs could increase by between \$80.5 million and \$100.9 million depending on the types of services delivered. If a new cost allocation model were implemented alone, counties would save funds relative to the increased State share. However, these savings could be diminished if the incremental costs of new 17-year-old offenders' cases increased to a point at which even the new cost allocation methodology could not keep the county share of expenditures less than the current 50/50 allocated amounts.

For local governments, the costs would be more uncertain, as each county would face a different set of facts and circumstances as it chose which option to implement. There are 83 counties in Michigan and it would be quite difficult to predict each county's implementation choice. A fiscal estimate would depend on the set of assumptions that each county would use when factoring in the care for each 17-year-old offenders' case and its cost-sharing relationship with the State.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.