



FLORIDA DEPARTMENT OF JUVENILE JUSTICE

Rick Scott, Governor

Wansley Walters, Secretary

August 1, 2013

The Honorable Rick Scott, Governor
Executive Office of the Governor
PL 05 The Capitol
400 South Monroe Street
Tallahassee, Florida 32399-0001

The Honorable Seth McKeel, Chair
House Appropriations Committee
221 The Capitol
402 South Monroe Street
Tallahassee, Florida 32399-1100

The Honorable Joe Negron, Chair
Senate Committee on Appropriations
404 South Monroe Street
201 The Capitol
Tallahassee, Florida 32399-1100

Dear Governor Scott, Chair Negron, and Chair McKeel:

This letter serves as notice that the Florida Department of Juvenile Justice (department) anticipates a significant current year operating budget deficit based on a recent court decision regarding detention cost share and a federal decision regarding Medicaid eligibility for non-secure residential youth. Collectively, these issues create an anticipated *current year* budget deficit of \$54.5 million (\$35.5 million Detention; \$19.0 million Medicaid). However, through the implementation of the attached spending plan, the department anticipates the current year back of bill appropriation needs to be **\$37.4 million** (\$18.4 million Detention; \$19.0 million Medicaid). The attached spending plan anticipates early general revenue releases, use of available cash in trust funds, continued detention payments by counties, and delay of non-critical contracts.

Background on Detention Cost Share Ruling: A June 2013 ruling by the First District Court of Appeals in favor of several Florida counties' litigation on secure detention, Section 985.686, Florida Statutes, will significantly shift cost responsibility from the counties to the state [reference: <http://bit.ly/15fsoPO>].

As a result of the court ruling, it is estimated that the department is now responsible for as much as 68% (or \$61.3 million) of the estimated \$90.2 million in statewide secure detention costs. The 2013 General Appropriations Act provided the department with \$25.8 million to support the state's share of 26.5% prior to the court's ruling. Therefore, the impact to the state's share is \$35.5 million. With a 100% release of general revenue, an estimated \$12 million in the shared county/state juvenile detention trust fund, an estimated \$26.8 million in continued county payments, an estimated \$3.8 million in available cash in other trust funds, and an estimated \$9.6

2737 Centerview Drive • Tallahassee, Florida 32399-3100 • (850) 488-1850
<http://www.djj.state.fl.us>

The mission of the Department of Juvenile Justice is to increase public safety by reducing juvenile delinquency through effective prevention, intervention, and treatment services that strengthen families and turn around the lives of troubled youth.

million savings through the delayed implementation of non-critical contracts, the current year detention impact can be reduced from \$35.5 million to \$18.4 million. These actions will also give the Legislature the opportunity to address this budget shortfall through the appropriations process in the 2014 Legislative Session.

It is important to note that the secure detention funding plan is crafted on the assumption that counties continue to pay into the shared county/state juvenile detention trust fund. Should the anticipated funding stream worsen, the department would request a temporary loan of moneys in accordance with Section 215.18, Florida Statutes. If the loan were not approved, the next option would necessitate closing detention centers. Every effort and funding mechanism is being utilized to avoid the closing of centers.

Please be assured that the steps outlined herein are crafted in concert with DJJ's reform efforts and the increased commitment that this Legislature has demonstrated for prevention and diversion programs. However, I cannot minimize the potentially painful impact that these adjustments could have on our collective reform efforts in Florida's juvenile justice system. The Legislature has graciously supported a right-sizing of the department's funding with increasing demands for community-based services that are more effective and less expensive; and corresponding declines in demand for the more expensive deep-end services. Therefore, we need your help to preserve the policy and intent of the Legislature, as we manage these shortfalls in FY 13-14.

Secondly, a June 2013 decision of the Centers for Medicare & Medicaid Services (CMS) mandates the discontinuation of federal match for Medicaid services (regular and emergency medical care, and behavioral health overlay services) for youth who are residing in non-secure residential commitment facilities operated by the department [reference: <http://bit.ly/1dzvZLr>, page 14]. This change in policy comes after the Legislature has already established the department's residential budget which anticipated these services would continue to be eligible for Medicaid. This change creates a significant challenge in the department's contract residential providers' ability to cover these costs.

To ensure services to youth are not disrupted or discontinued, the department plans to realign funds within residential contracts to cover costs until the 2014 Legislative session. The department has worked with the Agency for Health Care Administration (AHCA) to provide a cost estimate. It has been determined that the shortfall related to the Medicaid is estimated to be \$19 million for FY 13-14. We are working closely with our contracted non-secure residential providers to ensure that necessary medical and behavioral health services for these youth are maintained.

I greatly appreciate your consideration of the department's proposal that will prevent significant disruption to the vital services needed by the youth in our care. We are committed to always improving how the department's services align with the needs of public safety, bettering the lives of those youth with whom we interact, and fulfilling these missions in a manner that is cost-effective for Florida's taxpayers. Your guidance and support is critical to ensuring our success.

Sincerely,



Wansley Walters
Secretary

Cc: The Honorable Rob Bradley, Chair, Senate Appropriations Subcommittee on C&J
The Honorable Charles McBurney, Chair, House Justice Appropriations Subcommittee
Mike Hansen, Staff Director, Senate Committee on Appropriations
JoAnne Leznoff, Staff Director, House Appropriations Committee
Tim Sadberry, Staff Director, Senate Appropriations Subcommittee on C&J
Loretta Jones Darity, Staff Director, House Justice Appropriations Subcommittee
Mr. Jerry McDaniel, Director, Office of Policy & Budget (OPB)
Bonnie Rogers, Policy Coordinator, OPB Public Safety Policy Unit

Enclosure: Proposed FY 13-14 Financial Plan for Secure Detention Services

Florida Department of Juvenile Justice (DJJ)
Proposed FY 13-14 Deficit Reduction Plan for Secure Detention Services

Total FY 11-12 Actual Expenditures	\$ 90,244,839
Total FY 12-13 Projected Expenditures	\$ 90,217,895
Total FY 13-14 Projected Expenditures	\$ 90,244,836

Assuming that counties continue to pay into the shared county/state juvenile detention trust fund (SC/SJDTF), steps outlined below would support DJJ's secure detention services through May 2014.

	Proposal	Available Funds	Remaining Need	Operate Through
1.	Release of entire general revenue budget for secure detention (excluding FCO)	\$19.6 million	(\$70.6 million)	mid -September, 2013
2.	Projected Cash Available in SC/SJDTF (excluding certified forwards)	\$12.0 million	(\$58.6 million)	early November, 2013
3.	County payments through March 2014 ¹	\$26.8 million	(\$31.8 million)	mid-February, 2014
4.	Potential trust fund surpluses (SSBGTF & G&DTF)	\$3.8 million	(\$28.0 million)	early March, 2014
5.	Phase-in and delay new contracts and manage utilization for existing Probation contracts ²	\$9.58 million	(\$18.4 million)	mid-April, 2014
6.	Temporarily charge Secure Detention costs to other budget entities (primarily Probation & Residential salaries)	\$10.5 million	(\$7.9 million)	late May, 2014

¹ Some counties tend to not pay on-time. Therefore, it is better to not assume that April 2014 payments will have been received by May.

² These will not impact an actual youth being served. That said, if these hold-backs were maintained long-term (beyond FY 13-14), they would likely have an impact on the ability of the courts to refer youth to diversion programs that prevent youth from being committed to a residential program.

Should revenues fall below those anticipated in the plan, the department may need to request a loan under section, 215.18, Florida Statutes. Revenues could fall short if some or all counties elect to not continue paying into the shared county/state juvenile detention trust fund. For example, counties could elect to do so because:

- Currently, the department does not have the authority or ability to credit the counties for the FY 12-13 reconciliation that is required in section 985.686(5), Florida Statutes.
- Additionally, there is still outstanding litigation regarding the reconciliations for FYs 08-09, 09-10, 10-11 and 11-12, based on very similar issues to those addressed in the June 2013 ruling on detention cost share.

As a last resort if a loan were not approved, the department may be required to implement closures of some of its 21 secure detention centers, as needed, to cover the shortfall. Detention centers in judicial circuits with multiple facilities (Okaloosa, Brevard & Pasco counties) would be the first level of closure, based on the statutory requirements of section 985.601(9)(a).³

If necessary, detention centers in Broward, St. Lucie, and Volusia counties would be the next to be closed. Several factors were considered regarding these locations, beyond the statutory requirement mentioned above.

- The department must be able to logistically administer a system of secure detention, which includes a significant amount of transportation of youth to and from courts and law enforcement.
- Additionally, the physical capacity of detention centers and their peak population numbers limited our choices.

In calculating the financial support for secure detention services that would become available via the closing of detention centers, it is important to note that the timing of the closures would largely determine the amount. Additionally, the department would have to factor the increased staffing needs at the remaining detention centers, increased transportation costs, and leave payouts for employee lay-offs.

If the six referenced detention centers were closed today, that would equate to a reduction of 243 FTE with 17 from regional offices and headquarters.

It is our sincerest hope that the initial steps outlined previously and support from the Legislature in the 2014 Session will eliminate the need to reduce the department's secure detention workforce and detention centers.

³ "The department shall operate a statewide, regionally administered system of detention services for children, in accordance with a comprehensive plan for the regional administration of all detention services in the state. The plan must provide for the maintenance of adequate availability of detention services for all counties. The plan must cover all the department's operating circuits, with each operating circuit having a secure facility and nonsecure and home detention programs, and the plan may be altered or modified by the Department of Juvenile Justice as necessary."