

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2012-13

DEPARTMENT OF HUMAN SERVICES

(Division of Youth Corrections)

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:
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January 18, 2013**

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None	N.A.	N.A.
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Non-prioritized Supplemental Requests

JBC STAFF-INITIATED SUPPLEMENTAL Commitment Population Adjustment

Department of Human Services Division of Youth Corrections	Recommendation
Total	<u>(\$4,007,807)</u>
General Fund	(\$3,633,563)
Reappropriated Funds (from HCPF)	(\$197,173)
Federal Funds	(\$177,071)
Net General Fund	(\$3,732,149)

Department of Health Care Policy and Financing	Recommendation
Total	<u>(\$197,173)</u>
General Fund	(\$98,587)
Federal Funds	(\$98,586)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff believes that this request is the result of <i>data that was not available when the original appropriation was made.</i>	

Note: This supplemental would reduce appropriations to the Department of Health Care Policy and Financing for the line item titled *Department of Human Services Medicaid-Funded Programs, Division of Youth Corrections - Medicaid Funding.*

No Department Request: The Department did not request this supplemental. The Department indicated during its hearing with the JBC on January 7, 2012, that a supplemental request related to the commitment population decline would be submitted later, but Staff has not received this request.

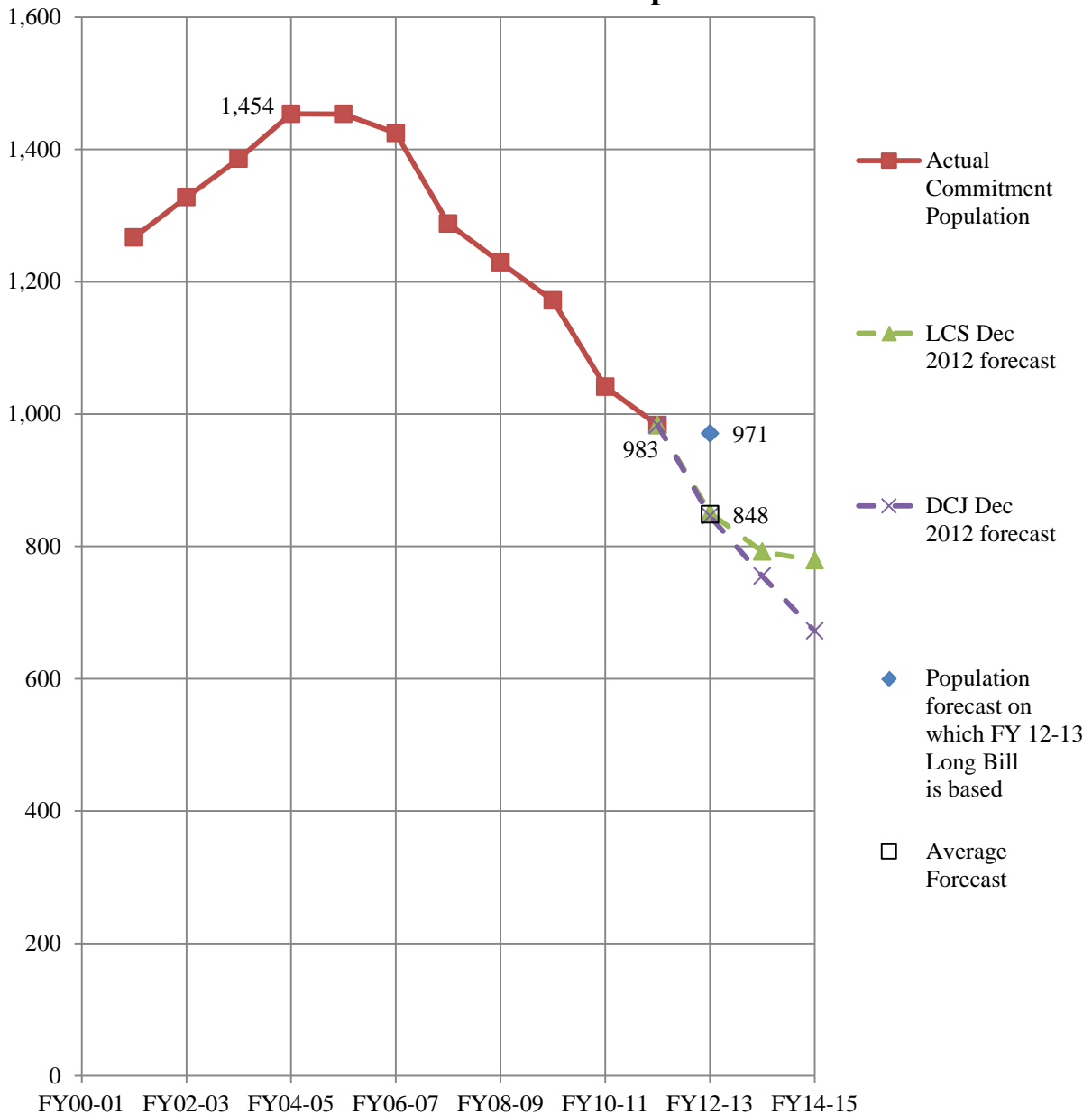
Staff Recommendation: Based on the projected decline of the population of *committed* juveniles at the Division of Youth Corrections (DYC), **Staff recommends that the Committee reduce the FY 2012-13 DYC appropriation for *Purchase of Contract Placements* by (\$4,007,807) total funds**, as shown in the above table.

Staff Analysis: The Division of Youth Corrections commitment population, which is housed in facilities operated by the Department and in facilities operated by private contractors,

continues to decline at a rapid pace. Between FY 2006-07 and FY 2011-12, the average daily commitment population fell 32 percent from 1454 to 983 juveniles, which equates to an average decline of 6.3 percent per year

The following diagram illustrates the decline. The solid line that peaks at 1,454 and then declines to 983 in FY 2011-12 shows the actual commitment population. The dashed lines starting at 983 show the population projections issued by Legislative Council Staff (LCS) and by the Division of Criminal Justice (DCJ) at the Department of Public Safety in December 2012.

DYC Commitment Population



The following table shows the population forecasts that are illustrated by this chart, along with the average of the two forecasts.

Forecast issued December 2012 by:	Average Daily Commitment Population Forecast for FY 2012-13	FY 2013-14
Legislative Council Staff	851	792
Division of Criminal Justice	846	755
Average forecast	848	774

The FY 2012-13 appropriation for the DYC provides funding for 971 commitment beds, which is shown by a diamond in the above diagram. This appropriation was based on the December 2011 commitment population forecasts issued by Legislative Council Staff and by the Division of Criminal Justice (DCJ) at the Department of Public Safety. The projection used for the Long Bill equaled the average of these two projections.

In the months following issuance of the December 2011 projections, the population of committed youth declined much more rapidly than expected. From January to October 2012, the DYC lost an average of 15.8 committed youth per month – a decline of 1.7 percent, which equals an 18 percent rate of decline on an annual basis. (Note that average daily population figures are not yet available for November or December.) This rate of decline is unprecedented.

In December 2012, Legislative Council Staff and the Division of Criminal Justice both issued dramatically lower forecasts for the FY 2012-13 committed juvenile population, as compared to the population forecasts they issued in December 2011.

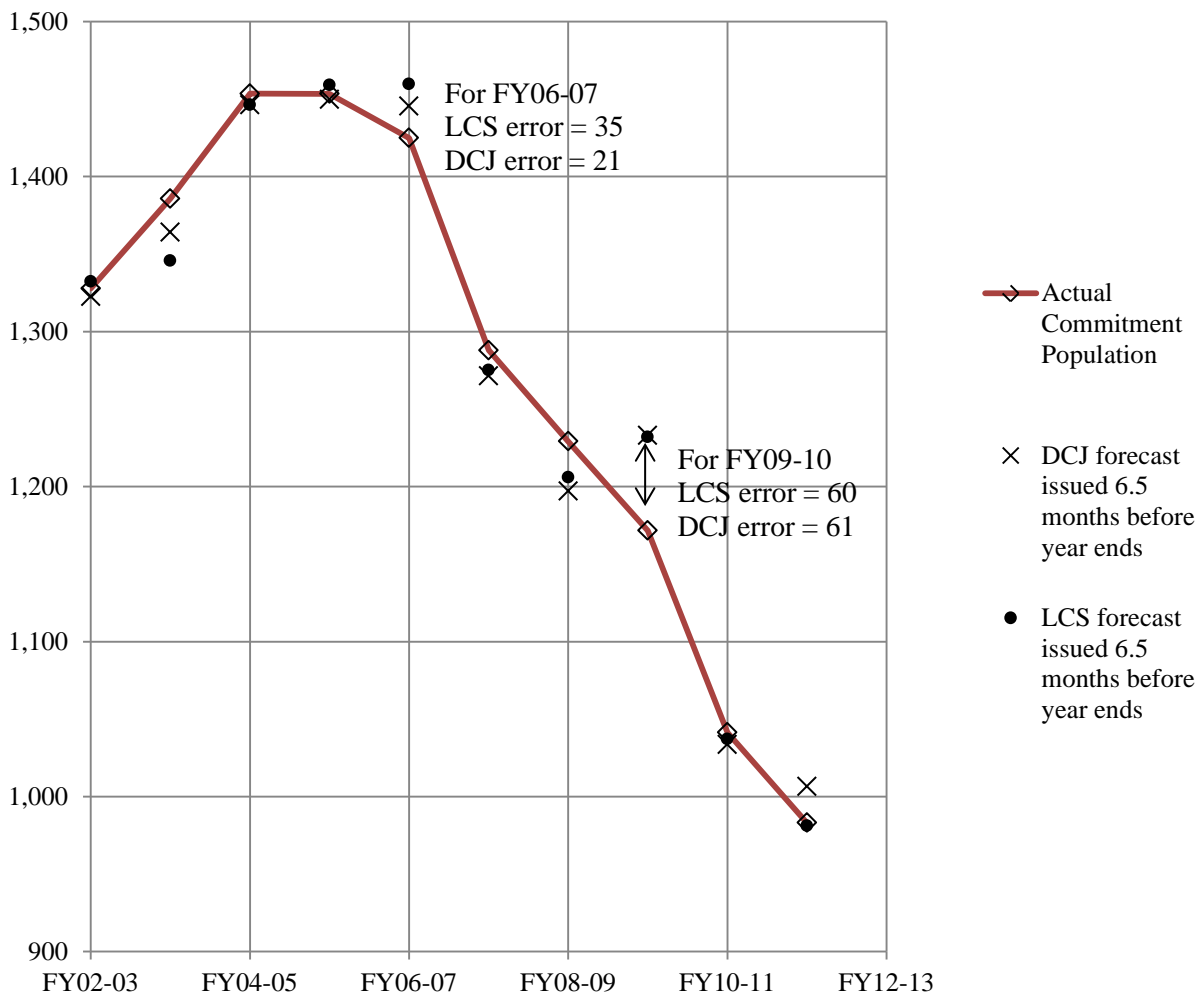
Staff recommends that the Department’s FY 2012-13 appropriation for *Purchase of Contract Placements* be adjusted downward to take account of the lower commitment population forecasts. This line item provides funding for the Division to contract with private for-profit and non-profit organizations to house and treat youth. This includes both contracts with privately owned and operated facilities and contracts with privately operated programs in state-owned facilities (Ridge View, Marler, and DeNier). Placements in state-owned, privately operated facilities comprise about half of the placements funded through this line item. All of the contracts funded through this line item are for residential services. The line includes reappropriated Medicaid funds transferred from the Department of Health Care Policy and Financing for mental health services in residential child care facilities and federal funds are from Title IV-E of the Social Security Act.

Forecast inaccuracy. Before presenting the recommendation, Staff thinks it important to examine the accuracy of the DCJ and LCS forecasts.

The following chart shows the LCS and DCJ forecasts over the last 9 years along with the actual population, which is represented by the solid line. Each X represents a DCJ forecast while each heavy dot represents an LCS forecast. These forecasts were issued in December of the year in question, which is almost half way through the year. On *average* these forecasts were accurate: the DCJ forecast was off the mark by an average of 1.5 while the average DCJ forecast error was

1.1. However, these averages hide the substantial positive and negative deviations that have occurred. The deviations have ranged from 61 too high for the DCJ forecast to 40 too low for the LCS forecast. When one forecast is substantially off the mark, the other forecast is likely to be off the mark in the same direction – i.e. the large errors do not average to a better forecast. The average magnitude of these deviations (treating all deviations as positive values) was 17.8 for LCS and 18.2 for DCJ. Thus by one metric (average magnitude of error) DCJ is slightly more accurate and by another (average error) LCS is slightly more accurate. Averaging the forecasts to create a "combined" forecast adds little accuracy; the average magnitude of error for the combined forecasts equals 17.0.

**Forecast Errors for Commitment Population Projections
 Issued in December of the Year Being Forecast**



This chart shows that forecast errors are sometimes substantial, meaning that there is risk in adjusting appropriations in exact step with the projected commitment population decline. The error problem is compounded by the fact that this is a mid-year adjustment that must be absorbed during the remaining portion of the year, rather than being spread through the entire year. If the

population falls substantially less than the forecast indicates, an emergency 1331 interim supplemental in June may even be necessary.

The need for a moderate amount of excess capacity. Staff also recognizes that a modest amount of excess capacity must be built into DYC's system. For example, DYC has beds for both females and for males. For obvious reasons, DYC takes care not to mix males and females in ways that could lead to undesirable outcomes. For example, there may be a female pod in one of DYC's secure facilities that has empty beds, beds are empty because of a shortage of committed females in that part of the state. Those beds would have to remain empty because it is not feasible to place males and females in the same pod. Another example results from DYC's desire to place committed juveniles in facilities close to their families whenever possible in order to maintain or rebuild family ties. Thus there might be empty beds in one part of the state that could be filled by moving committed youth to that region from another part of the state, but the Division may choose not to do so because of the effect on family contact. Staff believes that excess capacity that is maintained for this reason is desirable.

Recent monthly population reports from DYC indicate that the Division has been operating with about 17 empty beds in its state secure facilities, which amounts to a 4.5 percent vacancy rate.

Computation of the Appropriation: The process of computing the number of beds to be funded by the *Purchase of Contract Placements* appropriation for the FY 2012-13 Long Bill was straightforward: the number of beds equaled the projected commitment population less the capacity of state secure facilities and less 7.0 beds allocated to Boulder for a special alternative juvenile justice program:

Calculation for FY 2012-13 Long Bill	Population
FY 2012-13 average daily commitment population projected in December 2011 (= Average of the December 2011 DCJ and LCS commitment population forecasts)	970.7
Less: Allocation of commitment beds to Boulder	(7.0)
<u>Less: State Secure Bed Capacity</u>	<u>(434.5)</u>
= Contract beds funded by <i>Purchase of Contract Placements</i>	529.2

This calculation assumed, unrealistically that there would be no empty beds in secure facilities. It also ignored the uncertainty inherent in the forecast, which is justifiable when supplementals can later be used to true-up the appropriation.

For this supplemental Staff recommends that the Committee:

1. Again use the average of the DCJ and LCS population forecasts.
2. Include a "forecast uncertainty cushion" of 15 beds to guard against a population decline that is less than the forecast. Staff considers an uncertainty adjustment particularly important in view of the fact that the Department must make all required adjustments for this supplemental in the five month period from February 2013 to June 2013.
3. Include 17 excess capacity beds.

*JBC Staff Supplemental Recommendations: FY 2012-13
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4. Reduce State secure bed capacity by 40.1 beds to 394.4 to account for the closure of the Sol Vista facility and the closure of a pod at the Marvin Foote facility.

Revised calculation of FY 2012-13 Appropriation	Population
FY 2012-13 average daily commitment population projected in December 2012 (= Average of the December 2012 DCJ and LCS commitment population forecasts)	848.3
Less: Allocation of Commitment beds to Boulder	(7.0)
Less: State Secure Bed Capacity	(394.4)
Plus: Planned excess capacity	17.0
<u>Plus: forecast uncertainty cushion</u>	<u>15.0</u>
= Contract beds to be funded by <i>Purchase of Contract Placements</i>	478.9

To convert occupied beds into an appropriation these 478.9 beds are allocated among the three different categories of contract beds using an historical allocation pattern that has been adjusted to take account of the fact that a smaller commitment population is expected to contain a higher proportion of juveniles who require a higher level of services. Staff has assumed that an extra 3.5 percent of this population would require higher services.

The allocated beds are then multiplied by the estimated rates for each type of bed, which have been increased by 5 percent to account for the new contract that DYC negotiated with Ridgeview and with other providers.

Finally, a detention bed cost estimate that is identical to that employed for the FY 2012-13 Long Bill is added into the appropriation and Title IV-E funds are used to replace \$945,065 of General Fund with federal funds, which is \$98,830 less than the Title IV-E funding offset in the FY 2012-13 Long Bill. The reduced offset reflects the reduced number of offenders.

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Appendix A: Number Pages

	FY 2011-12 Actual	FY 2012-13 Appropriation	FY 2012-13 Requested Change	FY 2012-13 Rec'd Change	FY 2012-13 Total W/ Rec'd Change
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DEPARTMENT OF HUMAN SERVICES
Reggie Bicha, Executive Director

Staff Initiated Supplemental - Commitment Population Adjustment

(11) DIVISION OF YOUTH CORRECTIONS

(C) Community Programs

Purchase of Contract Placements	32,824,525	34,938,029	0	(4,007,807)	30,930,222
General Fund	30,419,702	32,261,467	0	(3,633,563)	28,627,904
Reappropriated Funds	1,438,587	1,554,426	0	(197,173)	1,357,253
Federal Funds	966,236	1,122,136	0	(177,071)	945,065

Total for Staff Initiated Supplemental - Commitment Population Adjustment	32,824,525	34,938,029	0	(4,007,807)	30,930,222
<i>FTE</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	30,419,702	32,261,467	0	(3,633,563)	28,627,904
Reappropriated Funds	1,438,587	1,554,426	0	(197,173)	1,357,253
Federal Funds	966,236	1,122,136	0	(177,071)	945,065

Totals Excluding Pending Items					
HUMAN SERVICES					
TOTALS for ALL Departmental line items	2,002,593,991	2,071,322,439	0	(4,007,807)	2,067,314,632
<i>FTE</i>	<u>4,731.3</u>	<u>4,878.6</u>	<u>0</u>	<u>0</u>	<u>4,878.6</u>
General Fund	605,477,687	642,011,487	0	(3,633,563)	638,377,924
Cash Funds	332,257,667	336,871,969	0	0	336,871,969
Reappropriated Funds	437,274,156	475,870,742	0	(197,173)	475,673,569
Federal Funds	627,584,481	616,568,241	0	(177,071)	616,391,170