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REPORT TO THE 1981
MINNESOTA LEGISLATURE

RECOMMENDATIONS CONCERNING
THE FINANCING
OF CORRECTIONAL SERVICES
IN MINNESOTA

SUBMITTED BY:

COMMITTEE TO STUDY THE FINANCING
OF CORRECTIONAL SERVICES
AND THE COMMUNITY CORRECTIONS ACT
IN MINNESOTA

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E R R A T A S H E E T

RECOMMENDATIONS CONCERNING THE FINANCING
OF CORRECTIONAL SERVICES IN MINNESOTA, REPORT
TO THE 1981 MINNESOTA LEGISLATURE
(text of report)

PAGE 2

Add to the list of members of the Community Corrections Act (CCA)
Funding Committee the name of:

Senator Tom Nelson.

(Senator Nelson's name was included in the handwritten draft and several
typed drafts of the report, but was inadvertently omitted in the final
report. The omission, regrettably, was not discovered in proofreading.
Apologies to Senator Nelson.)

PAGE 33

5. Impact of Inflation on Community Corrections Costs

Fifth line under heading should read:

"1977 and 1978 than the rate (percentage) used by
the state to increase the CCA."

(Addition is underlined.)

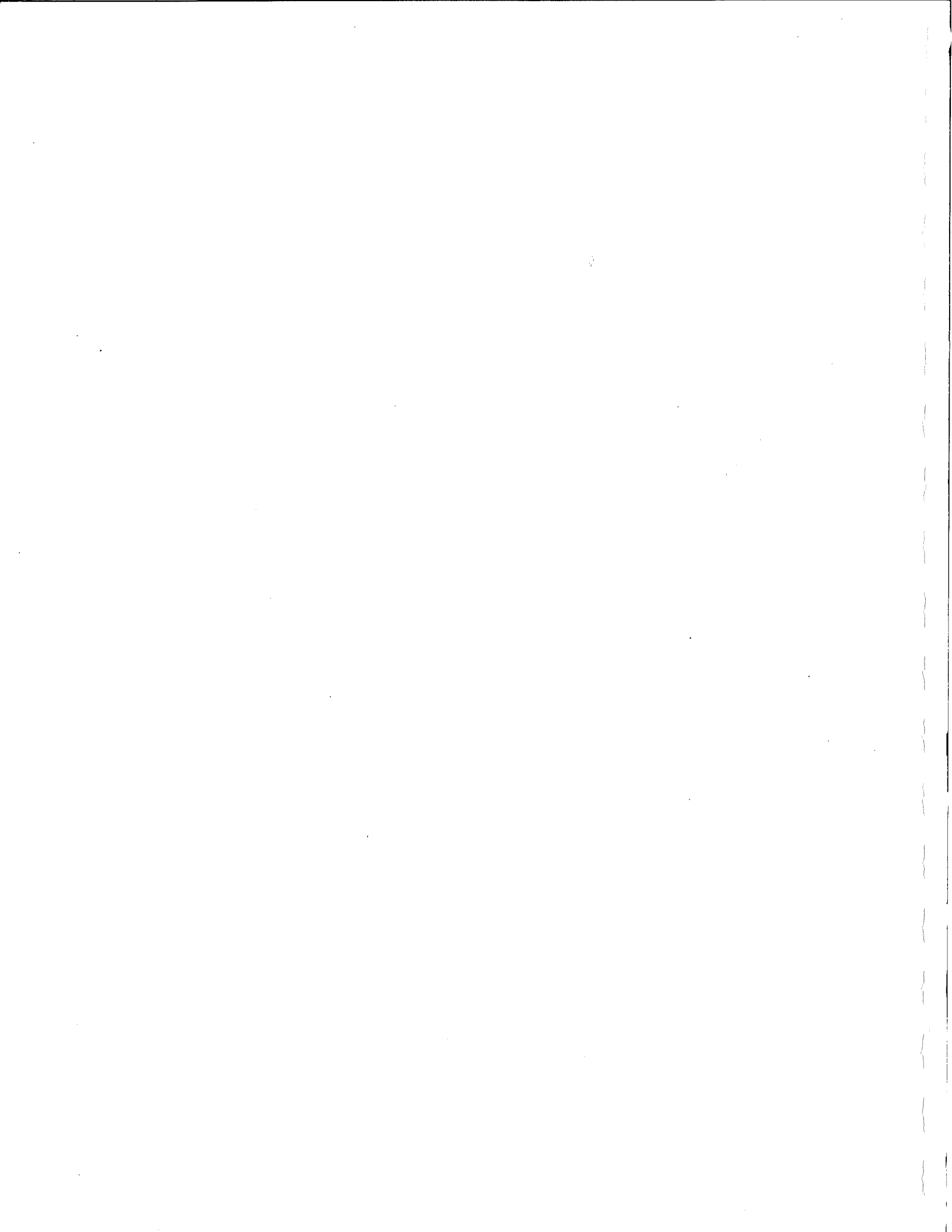
REPORT TO THE 1981 MINNESOTA LEGISLATURE

RECOMMENDATIONS CONCERNING THE FINANCING
OF CORRECTIONAL SERVICES IN MINNESOTA

Submitted by:

Committee to Study the Financing of Correctional
Services and the Community Corrections
Act in Minnesota

Author: Shirlene A. Fairburn, J.D.
Project Director/Staff to Committee



ACKNOWLEDGMENTS

The members of the Community Corrections Act Funding Committee wish to express our appreciation for the outstanding performance by our Project Director/Committee Staff Person, Shirlene A. Fairburn, Senior Research Analyst for the Crime Control Planning Board. Her dedication, hard work, comments and criticisms, and prompt response to the Committee's requests, were invaluable to the Committee in completing its work. Ms. Fairburn's tasks were many, including development of the research design and data collections instruments, data collection, preparation and analyses, extensive writing of informational reports for the Committee, and the writing of this report.

We wish to thank the Crime Control Planning Board (CCPB), especially William Swanstrom, Assistant Director of Programs, for providing office space for the Committee's project director/staff person, part-time technical staff when needed, typing services, computer resources, and payment of printing costs. We would also like to thank the Department of Corrections for paying Ms. Fairburn's salary, and, particularly Dennis Anderson, for making available data needed for the CCA Funding Study.

We appreciate the valuable assistance provided by David Corum, Research Analyst II for the CCPB, in the design of segments of the research, and data collection, preparation and analyses, and by Robin Rooney-Rongitsch, Research Analyst I for the CCPB, in data collection. We also wish to thank Steve Chesney, Senior Research Analyst for the CCPB, for developing the computer programs employed in doing CCA subsidy formulae runs.

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The Committee appreciates assistance from the Hennepin County Office of Planning and Development which provided staff, David Sterry and Jason Wiley, and computer resources to develop four-year projections of CCA subsidy eligibilities, and the Ramsey County Criminal Justice Planning Department which provided a temporary staff person, Patricia Moen, who assisted with data collection.

Also very helpful to the Committee were the comments and criticisms of CCA county community corrections administrators and their staff, and members of the Board of Commissioners and other county officials of several CCA and non-CCA counties.



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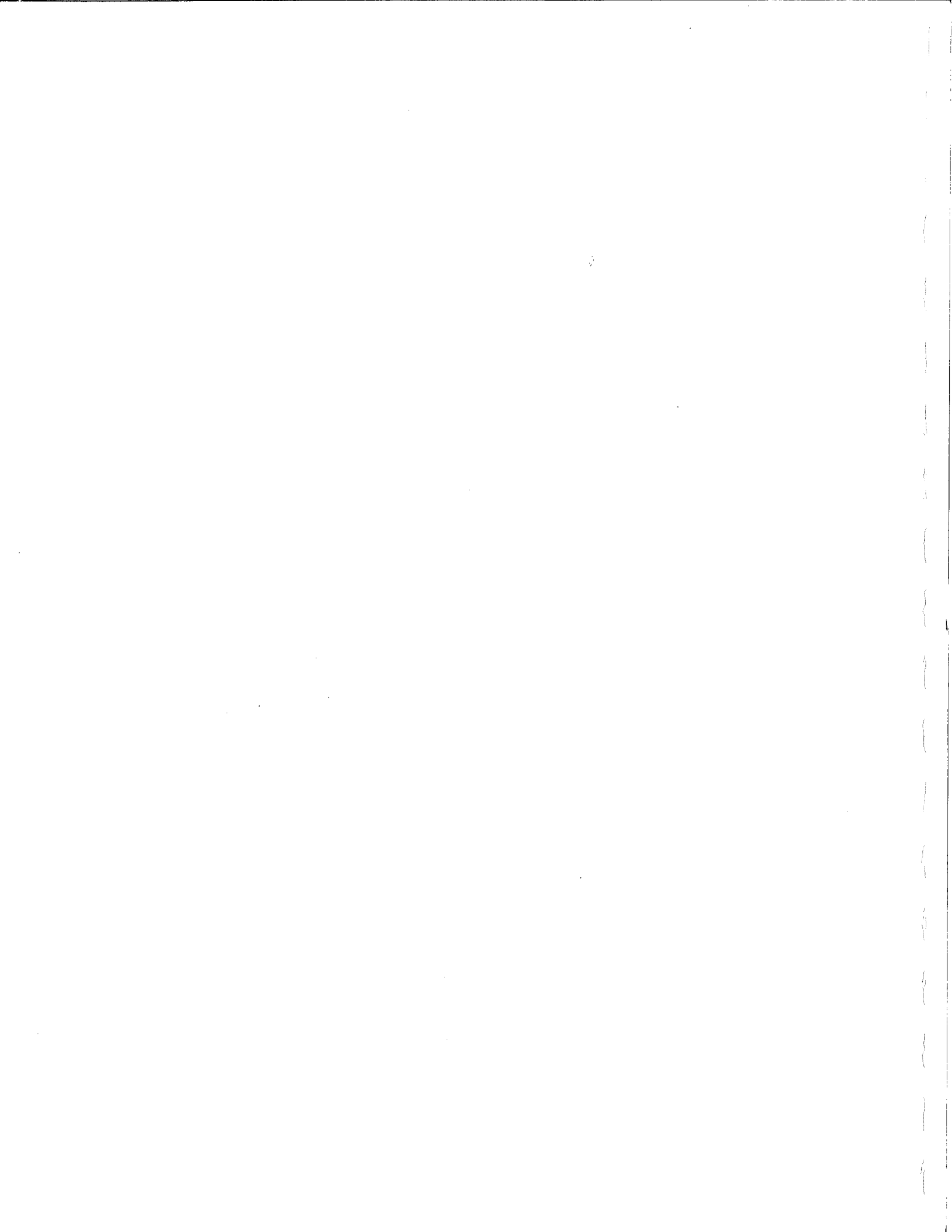
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- APPENDIX I: Study of CCA Subsidy Formula Factors

¹Appendices A through I are available upon request (each are under separate cover). Please submit such requests to the Committee Chairperson:

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Anoka County Courthouse
Anoka, Minnesota 55303

Telephone: (612) 421-4760, Extension 1638



INTRODUCTION

OVERVIEW OF THE COMMITTEE'S WORK¹

A. APPOINTMENT OF THE COMMITTEE

1. Committee Established by Minnesota Legislature

The Committee to Study the Financing of Correctional Services and the Community Corrections Act in Minnesota (hereafter referred to as the "CCA Funding Committee" or "the Committee") was established by the Minnesota Legislature in mid-1979 pursuant to a section in an appropriations bill, Session Laws 1979, Chapter 336, Section 4, Subdivision 4. The existence of the Committee was later extended by the Legislature in an appropriations bill, Session Laws 1980, Chapter 614, Section 183, through January 1, 1981. Membership of the Committee was mandated in said legislation as follows:

- two members of the Minnesota House of Representatives, to be appointed by the Speaker of the House;
- two members of the Minnesota Senate, to be appointed by the President of the Senate;
- two representatives of the Department of Corrections, to be appointed by the Commissioner of Corrections; and
- six representatives of Community Corrections Act participating and nonparticipating counties, to be appointed by the Association of Minnesota Counties.

The twelve members appointed to the Committee pursuant to legislative mandate are:

- Chairperson Richard Fritzke, Anoka County Community Corrections Administrator

- Vice-Chairperson Eugene Burns, Director of Ramsey County Community Corrections
- State Senator Howard Knutson, District 53
- State Representative Ann Wynia, District 62A
- State Representative Al Wieser, Jr., District 35B
- Bruce McManus, Assistant Commissioner, State Department of Corrections
- Donald Selger, Community Corrections Administrator State Department of Corrections
- Rosemary Ahmann, Chairperson of Olmsted County Board of Commissioners at the time of her appointment
- Harley Nelson, Administrator of Tri-County Community Corrections (Red Lake, Polk, and Norman counties) at the time of his appointment, now Administrator of Washington County Community Corrections
- William Hunnicutt, Wadena County Commissioner
- Frank Jungas, Cottonwood (non-CCA) County Commissioner

Pursuant to an agreement between the Committee, the Crime Control Planning Board (CCPB), and the State Department of Corrections (DOC), Shirlene A. Fairburn, Senior Research Analyst for the CCPB, served as project director and staff to the Committee.

2. Purpose for Which the CCA Funding Committee was Established

Beginning shortly after the Community Corrections Act was implemented, numerous concerned county officials in both participating and nonparticipating counties, and community corrections administrators in participating CCA Areas, have recommended changes in the Community Corrections Act. The major funding related criticisms of the CCA as presently written are that:

- The total state CCA subsidy for all 87 Minnesota counties² (upon which the amount of the subsidy each participating CCA Areas actually receives is based) is not sufficient to meet the needs of the counties in providing local correctional programs;

- The increases attributable to inflation in the total state CCA subsidy for 87 counties have not kept pace with the actual inflation rate;
- The current CCA subsidy formula which determines the dollar amount of subsidy eligibility for each of the 87 counties is not equitable. Taking need for, and ability to pay for, correctional services into account, some CCA Areas receive more than their "fair share" (of the state CCA subsidy) and others receive less than their "fair share." The factors³ in the present CCA distribution formula which purport to measure correctional needs and ability to pay are not the best factors to accomplish the intended purpose;
- The deductions of adult and juvenile chargebacks⁴ from the state CCA subsidy cause great hardship to the CCA Areas in that they greatly reduce funding available for operation of their local corrections programs;
- The present CCA subsidy formula provides no means for safeguarding against large fluctuations in the dollar amount of state CCA subsidy a CCA Area receives from year to year. These fluctuations result from changes in county data used to measure the four factors in the present formula;
- The definition in the CCA of one of the factors in the present CCA subsidy formula, *per capita expenditures per 1,000 population for correctional purposes*, is interpreted and applied by the Department of Corrections (DOC) in a manner unjustified by the language of the Act and results in inaccurate measurements of counties' correctional expenditures. For a detailed discussion, see pages 15, 16, and Appendix D.

The Minnesota Legislature established the Committee for the purpose of studying the correctional funding issues in response to the concerns expressed by county officials and community corrections administrators.

B. THE COMMITTEE'S TASK

The mandate by the state legislature to the Committee was to "study the financing of correctional services and the Community Corrections Act in Minnesota" and to "report its findings to the state legislature on or

before January 1, 1981."⁵

The Committee, which began meeting in September, 1979, has studied a number of correctional funding issues, including:

- The amount of the total CCA subsidy for all 87 Minnesota counties, including a study of the history of the CCA to determine by what means the original (1973) CCA subsidy of \$15 million for 87 counties was selected (see pages 25 through 31, and Appendix C).
- The original (1973) objectives of the CCA. (See pages 38 through 40 and Appendix B.)
- The impact of inflation on the state CCA subsidy and whether state inflationary increases thereto have kept pace with the actual inflation rate. (See pages 33, 34, and Appendix H.)
- The history and intended purpose of the present CCA subsidy formula, and whether the formula accomplishes its intended purposes. Does it equitably distribute state CCA funds to the counties? (See pages 13 through 17, and Appendix D.)
- Alternative subsidy formulae evaluated in terms of ability to ensure an equitable distribution of the state CCA subsidy. (See pages 17 through 25, and Appendices D and I.)
- Various incentives and disincentives intended to:
 - encourage counties to begin participation in the CCA, and
 - encourage participating counties to strive to attain objectives of the CCA. (See pages 10 and 11.)
- Impact of sentencing guidelines which went into effect on May 1, 1980.⁶

The outcome of the study of the correctional funding issues outlined above are several recommendations by the Committee which are discussed in Chapter II. The recommendations are summarized in Chapter I.

Although the legislative mandate to the Committee was "to study the *financing of correctional services* and the *Community Corrections Act* in Minnesota." the Committee devoted most of its very limited time, staff, and resources⁷ to the study of the *financing of the CCA*, including funding from the state (CCA subsidy), funding provided by the CCA Areas, and funding from other sources. Consequently, correctional funding, other than CCA funding, was not studied in depth.

The Committee did, however, briefly review non-CCA correctional funding as follows:

- adult probation and parole services provided and funded by the state to the 60 non-CCA counties;
- juvenile probation officer salary subsidy and group home subsidy provided by the state to the non-CCA counties;
- a comparison of financial benefits received from the state by each of the 60 non-CCA counties (state funding of adult probation and parole services and state funding of the juvenile probation officer salary and group home subsidies) with the amount of the CCA subsidy eligibility for each county if it elects to participate in the CCA (see Appendix A, Table A.23).



CHAPTER I

SUMMARY OF COMMITTEE RECOMMENDATIONS

A. CCA SUBSIDY FORMULA RECOMMENDATIONS

1. That the CCA subsidy formula currently in use¹ be eliminated² and that the new CCA subsidy formula described in this report² be implemented for use in fiscal year 1982 provided the *hold harmless provision* described in this report³ be adopted by the State Legislature at the same time the new subsidy formula is enacted into law.⁴
2. That, as applied to the twelve currently participating CCA Areas, the said *hold harmless provision* be implemented over a four-year period, beginning with fiscal year 1982, with the result that each of the twelve currently participating CCA Areas will be limited: (1) in 1982, to realizing 25% of its gain or suffering 25% of its loss which results from implementation of the new subsidy formula;⁵ (2) in 1983, to realizing 50% of its gain or suffering 50% of its loss; (3) in 1984, to realizing 75% of its gain or suffering 75% of its loss; and (4) in 1985, each Area will realize 100% of its gain or suffer 100% of its loss,⁶ *the hold harmless provision having no effect upon the 60 non-CCA counties.*
3. That the appropriation for the state CCA subsidy for the currently participating twelve CCA Areas be increased for fiscal years 1982, 1983, 1984, and 1985, in an amount equal to the *net gain* (in each year) to the twelve Areas (after application of said *hold harmless provision*), said net gain resulting from implementation of the new subsidy formula.⁷
4. That, to prevent large fluctuations in counties' CCA subsidy eligibility from year to year, the data for one of the factors in the recommended new CCA subsidy formula, *number of offenders convicted of crimes in state district court*, be averaged over a period of three years as soon as data is available for a three-year period from the Minnesota Supreme Court's State Justice Information System (S.J.I.S.).⁸
5. That in each fiscal year 1982 through 1985 CCA subsidy eligibility under the new formula for each of the 87 counties be computed using the latest available data to measure the three factors in the new formula. (See page 24).

6. That in each fiscal year 1982 through 1985 CCA subsidy eligibility under the current formula for each of the 27 CCA counties be computed using the data employed by the DOC in FY1982 to measure the factors in the current formula. Said computations will be based upon the dollar amount of the total CCA subsidy eligibility for 87 counties for the current fiscal year (including the inflationary increase for that year). (See page 25.)

B. STATE CCA FUNDING RECOMMENDATIONS

1. That at this time, solely because of the state budget deficit projected for fiscal year 1981, the Committee does not recommend an *immediate* increase in state CCA funding (state CCA subsidy to 87 counties); that the total state CCA subsidy for 87 counties be maintained at the present level--\$23,656,244 for fiscal year 1981--plus inflationary increases each year in subsequent fiscal years.⁹
2. That the State Legislature conduct further study of unmet correctional needs in the 12 currently participating CCA Areas and the proportionate share of correctional expenditures paid by the state, historically and currently, in both the current CCA, and non-CCA, counties.¹⁰ The Legislature, in determining the proportionate share of total community corrections expenditures to be paid by the state, should also study and compare the proportionate share paid by the state for other local services such as social services and education.¹¹
3. That the total state CCA subsidy for 87 counties continue to be increased each year to account for the impact of inflation on community corrections costs; and that the yearly inflationary increase in said state CCA subsidy be calculated by using the inflation rate determined by the price index, *Government Purchased Goods and Services*. This is the inflation rate which the State Department of Finance directed state agencies to use in developing their budget requests for the 1981-83 biennium.¹²
4. That the rider to an appropriation bill, Session Laws 1980, Chapter 614, Section 28, Part (c), which provides for the elimination of adult chargebacks¹³ for adults sentenced to the Commissioner of Corrections for crimes committed on or after January 1, 1981, be enacted into permanent law by the Legislature prior to the expiration of the rider in July, 1981; and that the Legislature not reduce state CCA funding as a result of said elimination of adult chargebacks, in order to ensure that all local correctional services presently provided will continue to be maintained.¹⁴
5. That the State should acknowledge responsibility for juveniles who have committed serious offenses by establishing chargeable and non-chargeable categories for juveniles committed to the Commissioner of Corrections. The Juvenile Release Guidelines

developed by the Department of Corrections could provide the basis for said juvenile categories.¹⁵

6. That a rider to an appropriation bill, Session Laws 1979, Chapter 336, Section 4, Subdivision 4, which provides, "No less than the equivalent of four percent of the appropriation made for the Community Corrections Act may be expended for evaluation", be enacted into permanent law by the Legislature prior to the expiration of the rider in July, 1981.¹⁶

That the requirement that each CCA Area spend 5% of its state CCA subsidy for training and education, and 4% for information systems and evaluation should be retained. However, the CCA should provide that the Department of Corrections shall promulgate guidelines therefor, and that DOC shall have the discretion to waive said percentage spending requirements if CCA Areas meet said guidelines although spending less than the stated percentages.¹⁷

7. That the CCA should provide incentives to county participation in the Act such that all counties would be encouraged to voluntarily participate by 1985, and incentives to promote achievement of the objectives of the Act by participating counties.¹⁸

G. RECOMMENDATIONS ON APPROPRIATE OBJECTIVES OF THE CCA

That the Legislature adopt the following list as appropriate and realistic objectives of the CCA and that a statement of said objectives be included in the Act:

1. To develop a state/county cooperative relationship in which the CCA Area becomes the prime service provider and the state assumes the role of providing supportive services and institutional programs for the habitual or dangerous offender.
2. To provide a financial subsidy for improvement of the quality, quantity, and range of correctional services at the local level within legislatively mandated standards.
3. To permit each CCA Area to define its own correctional needs, and to develop programs/services to satisfy those locally defined needs.
4. To increase community involvement; for example: to increase citizen, official and agency participation.
5. To encourage the development and maintenance of innovative community corrections programs consistent with the efficient use of correctional dollars and effective protection of society.

6. To equalize availability of resources to offenders.
7. To make community corrections accessible to all counties.
8. To encourage efficiency and effectiveness by coordinating corrections and the supportive financial resources at the local level.

D. INCENTIVES TO PARTICIPATION IN THE CCA
AND TO PROMOTE ACHIEVEMENT OF THE OBJECTIVES
OF THE ACT BY PARTICIPATING COUNTIES

Previously mentioned incentives to participation in the CCA are:

1. Elimination of adult chargebacks (see pages 34 through 37);
2. Establishing chargeable and nonchargeable categories for juvenile offenders (see page 37);
3. Annual inflationary increases in the state CCA subsidy (see pages 33 and 34);
4. More flexible guidelines for the spending requirements for training and education, and information systems and evaluation (see pages 37 and 38); and
5. If further study by the Legislature of unmet community corrections needs and the proportionate share of community corrections funding paid by the state indicates that unmet community corrections needs exist, an increase in the total state CCA subsidy for 87 counties when state budgetary considerations permit. The financial incentive of increased subsidies would in all probability bring in new counties (see pages 27 through 33).

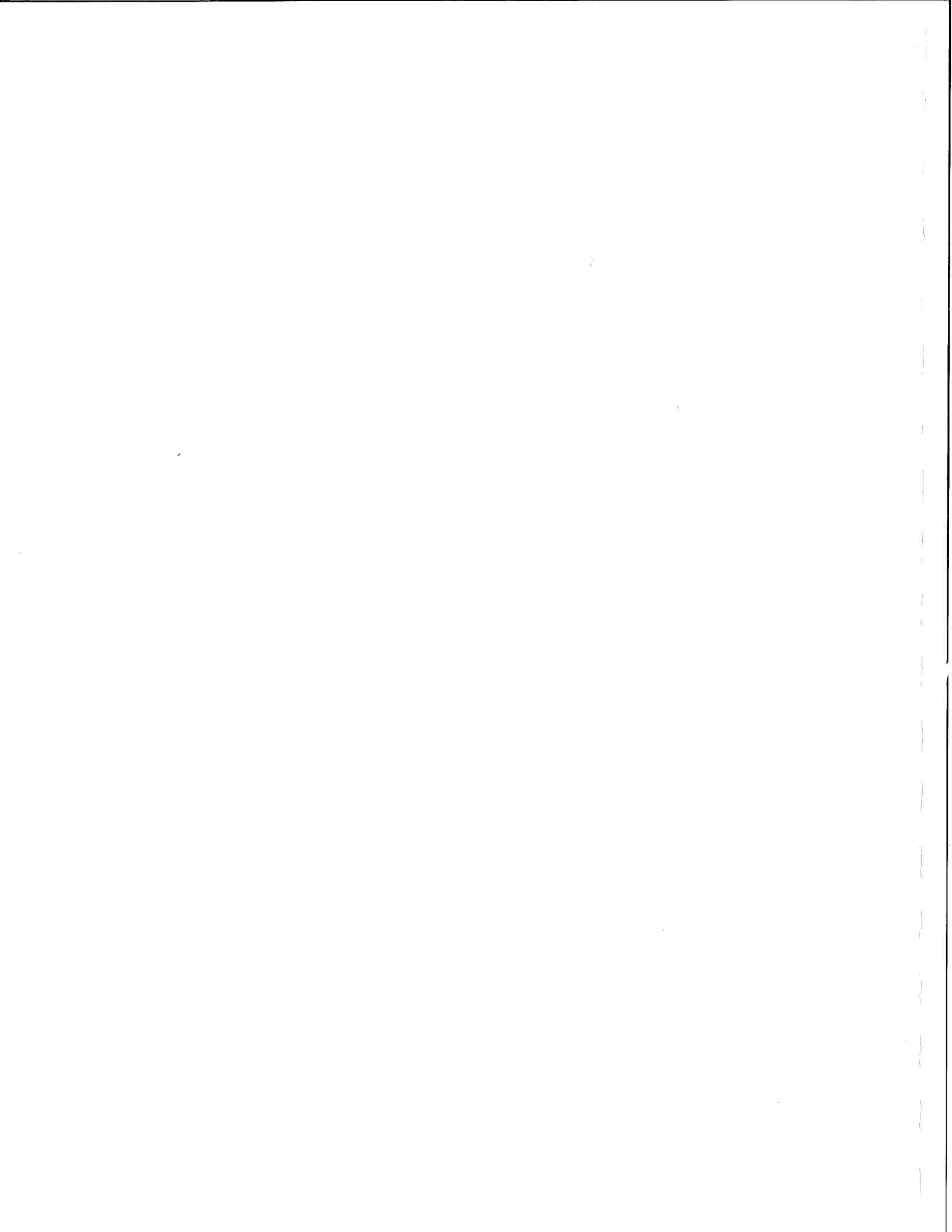
Additional incentives to participation of new counties in the CCA are:

6. For counties whose subsidy eligibility would increase under it, the implementation of the new CCA subsidy formula recommended by the Committee (see pages 17 through 25); and
7. For the DOC to increase efforts to promote the CCA and encourage non-CCA counties to begin participation.

Incentives to promote achievement of the objectives of the CCA by participating counties are:

8. To reevaluate the original objectives of the CCA, some of which are no longer appropriate, and to adopt more realistic and appropriate objectives;¹⁹ and
9. For the DOC to provide more and better technical assistance to CCA Areas in formulating their annual comprehensive plans, particularly their first plan, and in developing training and education, information and evaluation systems, and community corrections programs/services. A comprehensive corrections information system should be developed to provide a pool of valuable information for use by all community corrections systems.

The Committee recommends that all of the incentives described above be implemented either through appropriate legislation or DOC rules or guidelines.



CHAPTER II

RESEARCH FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE

A. COMMUNITY CORRECTIONS ACT SUBSIDY (DISTRIBUTION) FORMULA

1. CCA Subsidy Formula Currently in Use

Over the years, there have been numerous complaints from county officials and community corrections administrators concerning the inequities of the CCA subsidy formula which has been in use since the Act was implemented in 1974.¹ The current formula and its operation are described in detail in Appendix D. Brief mention will be made here of the problems with the formula.²

Two of the factors in the current formula which purport to measure *ability of the counties to obtain revenue to pay for their own correctional needs, per capita income and per capita taxable value* (of real property), in fact do not with reasonable accuracy and fairness measure ability to pay.³

Per capita income cannot measure ability of a county to obtain revenue to pay for its own correctional needs since, obviously, counties cannot impose an income tax on their residents' personal incomes. In addition, *per capita income* fluctuates widely from year to year in many counties, thus causing large fluctuations in these counties' CCA subsidy eligibilities. Hardship results for a CCA Area with established correctional programs when a large decrease in its subsidy occurs (as the

consequence of a relatively large rise in that county's *per capita income* from one year to the next). *Per capita income*, however, is indirectly taken into account in the new CCA subsidy formula. The State of Minnesota imposes an income tax upon the personal taxable incomes of all state residents, said tax being *progressive*, i.e., the greater the amount of taxable income, the greater the tax *rate*, and the greater the *amount* of the tax payable. The residents of those counties having a relatively larger per capita taxable income will bear a relatively greater state income tax burden. If the measures for the factors in the new formula, *number of persons convicted in state district court, juvenile population, and total county population*, are the same for two participating counties, the dollar amount of CCA subsidy eligibility would be the same for each county. One might assert that the county having a lesser *per capita income* should receive a larger subsidy, since it has less "ability to pay." However, residents of the county having a larger *per capita income* have to pay a larger amount of income taxes to the state, out of which the state returns a portion to the county in the form of the CCA subsidy. As a result, an "equalization" process occurs as between counties with high per capita incomes and counties with low per capita incomes. For further discussion of the problems with the use of *per capita income* as a formula factor, see Appendix I.

The major problem with the use of *per capita taxable value* (of real property) as a formula factor is that it bears little, if any, relationship to the ability of county residents to pay real property taxes. The market value of a property does not necessarily, and in most cases does not, reflect the personal income of its owner. The property owner, however, must pay his/her assessed real property tax out of his/her

personal income. There may be a huge difference in the amount of personal incomes of two persons each owning real property of equal market value and assessed at equal taxable value.⁴ Counties, however, do not take per capita income into account when determining the amount of their real property tax levy. They determine the amount of revenue they wish to obtain, and set the mill rate accordingly within the limits imposed on levy increases by state law. Although the state does not impose a limit on levy increases for Community Corrections (which is a "special levy"), the counties are obviously limited by political constraints in regard to increases in the Community Corrections levy. Other problems in connection with the use of *per taxable value* as a formula factor are discussed in Appendix I.

A third factor, *per capita correctional expenditures*, does not with reasonable accuracy and fairness measure correctional needs.⁵ The amount of money spent by a CCA Area for the *sub-factors* used to measure *correctional expenditures* does not necessarily measure correctional needs. The needs may be greater but the area may not be spending more because it lacks adequate funding. In addition, for the measure of *per capita correctional expenditures*, the DOC takes into account only (1) number of persons convicted of a felony under supervision multiplied by \$350, plus (2) number of pre-sentence investigations for persons convicted in state district court multiplied by \$50, plus (3) the annual cost to the county for *juvenile* probation officer salaries.

The CCA⁶ describes this factor as "per capita expenditure per 1,000 population for correctional purposes" and defines it as follows: "*Per capita expenditures per 1,000 population* for each county is to be

determined by multiplying the number of persons convicted of a felony under supervision in each county at the end of the current year by \$350.

To the product thus obtained will be added:

- (i) the number of presentence investigations completed in that county for the current year multiplied by \$50;
- (ii) the annual cost to the county for county probation officers' salaries for the current year; and
- (iii) 33 1/3 percent of such annual cost for probation officers' salaries."

As DOC has interpreted these provisions of the CCA, it does not take into account *all* presentence investigations, but only those completed for persons convicted in state district court, omitting those completed for misdemeanants and juveniles. It disregards entirely all costs to the county for adult probation and parole officer salaries and includes only salaries for juvenile probation officers. The Committee believes that DOC's interpretation and application of these provisions is unjustified by the language of the Act and that it results in inaccurate measurements of counties' correctional expenditures.

In addition, this factor--*per capita correctional expenditures*--omits numerous other correctional expenditures for which the counties must pay.⁷

If, in fact, the factors discussed above do not with reasonable accuracy and fairness measure ability to pay and correctional needs, which the Committee has concluded is the case, then the current formula is not equitable. The result is that the dollar amount of CCA subsidy eligibility is excessive for some counties and insufficient for others.

Another frequently heard complaint concerning the current formula

is that it is very complex and it is exceedingly difficult to understand its operation. One of the Committee's goals in its study of alternative formulae, was the development of a new formula which was not only more equitable, but less complex and therefore easier to understand as well. The recommended new formula, described below, achieves the stated goals.

2. Recommended New CCA Subsidy Formula

After lengthy study of numerous formula factors, including the four factors included in the current formula,⁸ the Committee drew the following conclusions:

- a. The Committee does recognize that *ability to pay* does vary among the counties. However, neither *per capita income* nor *per capita taxable value* with reasonable accuracy and fairness measure a county's ability to obtain revenue to pay for its own correctional needs, nor could any other factor be found which could do so. Therefore, no factors which *directly* measure *ability to pay* were included in the new formula.⁹ As previously stated, however, the new CCA subsidy formula does incorporate an indirect measure of *ability to pay*.
- b. The best measures¹⁰ of *correctional needs* are:
 - (1) *annual number of persons convicted of crimes in state district court* (best measure available for number of adult offenders served);
 - (2) *juvenile population, age 5 through 17 years* (best measure available for number of juvenile offenders served); and
 - (3) *total county population* (this is the major factor in the current formula).

The operation of the formula is similar to the Minnesota social services formula.¹¹ Each county's community corrections subsidy eligibility is individually computed as follows:

<u>Weight</u>		<u>Factors</u>		<u>Dollar Value (amount)^a</u>
1/3		District Court Con- victions (Number in county--1 year)	X ^c	\$?
1/3	+ ^b	Juvenile Population (Number in county)	X ^c	\$?
1/3	+ ^b	Total County Popula- tion (Number in county)	X ^c	\$?
= County CCA Subsidy Eligibility				

Under this formula each of the three factors distributes one-third of the total state CCA subsidy for 87 counties.^d

^aThe amount of the *dollar value* is dependent upon the amount of the total CCA subsidy for 87 counties to be distributed and the total number of persons measured for each of the three factors in all 87 counties combined.

^b+ means "plus".

^cX means "multiplied by".

^dFor a more detailed explanation of the recommended new formula, see Appendix D.

Number of persons convicted of felonies and gross misdemeanors in state district court directly measures "number of adult offenders served." These persons have been convicted and therefore must be dealt with in some way by community corrections programs/services. Costs will be incurred for each offender served by a CCA Area. One of the major purposes of the CCA is to retain this class of offenders in the community. The Committee concluded that *number of district court convictions* will provide a much more accurate measure of costs to serve adult offenders than does "correctional expenditures" as defined by the CCA and interpreted by the DOC.

There is no measure for number of juvenile offenders comparable, in terms of reasonable accuracy, to *number of district court convictions* for adults. Neither "number of juvenile petitions filed" nor "number of juvenile adjudications" is satisfactory, because of the great variation among counties in their handling of juvenile offenders. Given similar juvenile offenders and offenses, some counties file many more petitions and adjudicate as delinquent (proportionately) many more juveniles than do other counties. In many counties, a large number of juvenile offenders, although never adjudicated delinquent, and who are not formally placed under supervision, are nevertheless provided with some type of "correctional services," resulting in costs to the counties. The Committee therefore recommends the use of *juvenile population, age 5 through 17* as a factor in the new formula as the only reasonable alternative factor for measuring the juvenile offender population; it is the best measure currently available. Since most "prevention" programs are aimed at juveniles, an additional advantage to the use of *juvenile population* as a factor is that it includes that class of juveniles at which prevention programs are aimed as well as those who have actually committed offenses. A significant flaw in the use of *juvenile population* is that it cannot measure the variation among counties of the proportionate number of offenders among the juvenile population. There would obviously be some difference among counties in the proportionate number of their juvenile populations who receive "correctional services."

Although number of offenders served per 1,000 population varies among counties, generally the larger the *total county population*, the more offenses committed in absolute numbers, and the more offenders served. *Total county population* is in fact, the factor given the

greatest weight in the current CCA subsidy formula. If the CCA subsidy formula included only one factor--*total county population*--all counties would be treated "equally" i.e., all would receive exactly the same number of dollars "per capita", for example, \$5 for each person residing in the county. A relatively "poor" county would not receive a *larger subsidy per capita* than a "wealthy county", nor vice versa. The consequence of including *number of district court convictions* and *juvenile population, age 5 through 17 years* in the formula is that the amount of counties' CCA subsidy eligibility determined by *total county population* alone is increased or decreased based on *correctional needs* as measured by the two aforementioned factors. Therefore, subsidy eligibilities for counties which have relatively greater correctional needs, as measured by the adult and juvenile offender factors, will be greater.

Example of Application of New Formula

The recommended new formula, if used to distribute the total state CCA subsidy (\$23,656,005) for 87 counties for FY1981 would be described as follows (example for fiscal year 1981):

Each county shall receive in fiscal year 1981:

- (1) An amount equal to \$1,795.79 times the unduplicated number of persons convicted of felonies and gross misdemeanors in state district court in the latest year for which data is available.¹²
- (2) Plus an amount equal to \$7.69 times the number of persons residing in the county age 5 through 17 years as determined by the most recent data of the State Demographer.¹³
- (3) Plus an amount equal to \$1.94 times the number of persons residing in the county as determined by the most recent data of the State Demographer.¹⁴

= \$ _____ ? State CCA subsidy for
FY1981 for the county.

To prevent large fluctuations in counties' CCA subsidy eligibility from year to year, the Committee recommends that the data for the factor, *number of offenders convicted of crimes in state district court* be averaged over a period of three years (for each county) as soon as data is available for a three-year period from S.J.I.S.¹⁵

3. Hold Harmless Provision

The Committee lacked sufficient time to complete detailed development of the *hold harmless provision* described in this section. The Committee recommends that the mechanics of the operation of the *hold harmless provision* be developed by the DOC with input from the Association of Minnesota Counties (A.M.C.) and the Minnesota Association of Community Corrections Act Counties (M.A.C.C.A.C.).

Under the recommended *hold harmless provision*,¹⁶ which would be implemented over a four-year period beginning with fiscal year 1982, each of the twelve currently participating CCA Areas will be limited: (1) in 1982, to realizing 25% of its gain or suffering 25% of its loss which results from use of the new CCA subsidy formula instead of the formula currently in use;¹⁷ (2) in 1983, to realizing 50% of its gain or suffering 50% of its loss; (3) in 1984, to realizing 75% of its gain or suffering 75% of its loss; and (4) in 1985, each Area will realize 100% of its gain or suffer 100% of its loss. In 1985, the new formula alone will determine the dollar amount of CCA subsidy eligibility for each of the twelve CCA Areas. The *hold harmless provision* will have no effect upon the 60 non-CCA counties.¹⁸ The purpose of the provision is to protect participating CCA Areas. These Areas have established operating community corrections programs which would be seriously jeopardized by sudden large

decreases in their state CCA subsidies. Each CCA Area suffering a loss as a result of use of the new formula will not suffer the full impact of its loss in FY1982; rather it will suffer only 25% of its loss in FY1982. It will suffer an additional 25% of its loss (total: 50%) in FY1983; an additional 25% of its loss (total: 75%) in FY1984; and an additional 25% of its loss (total: 100%) in FY1985. The *hold harmless provision* would help to alleviate undue hardship to any CCA Area which would suffer a relatively large loss as a result of implementation of the new formula. Each CCA Area realizing a gain as a result of use of the new formula will realize 25% of its gain in FY1982 plus an additional 25% of its gain each fiscal year in fiscal years 1983, 1984, and 1985, receiving 100% of its gain in FY1985. This process will help to ease the transition from the current formula to the new formula for the CCA Areas which suffer losses and for the state which must increase its community corrections appropriation to the twelve CCA Areas in each fiscal year 1982 through 1985 to fund the *net gain* to said areas (if the new formula is implemented). The fact that the CCA Areas which realize gains will *forego* a portion of their gains--75% in FY1982, 50% in FY1983, and 25% in FY1984--will avoid the necessity of a sudden large increase in the state CCA appropriation to the twelve CCA Areas.

Projections of CCA subsidy eligibilities for all 87 counties and for the 12 CCA Areas for fiscal years 1982 through 1985, under both the current formula and the new formula, are shown in Tables A.24 and A.25 in Appendix A. Projections of the amounts of gains and losses in fiscal years 1982 through 1985 to the 12 CCA Areas, the 27 CCA Counties, and the 60 non-CCA counties,¹⁹ as a result of implementation of the new formula in FY1982 are shown in Table A.26, Appendix A.

Rough estimates²⁰ of the net gain, after application of the hold harmless provision, to the twelve CCA Areas in each fiscal year 1982 through 1985, resulting from use of the new formula instead of the current formula, are:

<u>Fiscal Year</u>	<u>Net Gain to 12 CCA Areas^a</u>
1982	\$ 95,396
1983	\$207,200
1984	\$332,556
1985	\$474,445

^aNet gain after application of the hold harmless provision. Amount by which the state CCA appropriation for the 12 CCA Areas must increase in the specified year (if the new formula is implemented). The increase in the state CCA appropriation to the 12 CCA Areas (rough estimate) for the FY1982-1983 biennium is \$302,591; for the FY1984-1985 biennium it is \$807,001. Gains and losses to each CCA Area as well as net gain to all 12 CCA Areas for FY1982 through FY1985 after application of the hold harmless provision, are shown in Table A.27, Appendix A.

The Committee recommends that the State Legislature enact the recommended new CCA subsidy formula into law to be implemented in FY1982 provided said hold harmless provision which embodies the basic concept as defined in this report, be enacted into law at the same time.

The Committee recommends, for each fiscal year 1982 through 1985, that the appropriation for the state CCA subsidy for the twelve CCA Areas be increased in an amount equal to the net gain to the twelve CCA Areas (after application

of said hold harmless provision), said *net gain* resulting from implementation of the new subsidy formula.

THE COMMITTEE RECOMMENDS that in each fiscal year 1982 through 1985 CCA subsidy eligibility under the new formula for each of the 87 counties be computed using the latest available data to measure the three factors in the new formula (number of persons convicted in state district court, juvenile population, and population).

THE COMMITTEE RECOMMENDS that in each fiscal year 1982 through 1985 CCA subsidy eligibility under the current formula for each of the 27 CCA counties be computed using the data employed by the DOC in FY1982 to measure the factors in the current formula (population, per capita income, per capita taxable value, population at risk--age 6 through 30 years, and per capita correctional expenditures). Said computations will be based upon the dollar amount of the total state CCA subsidy eligibility for 87 counties for the current fiscal year (including the inflationary increase for that year).

The reasons for using data available to the DOC in FY1982 to compute CCA subsidy eligibility under the current formula for each of the 27 CCA counties in each fiscal year 1982 through 1985 (rather than the latest available data) are:

- (a) To provide a *base amount* to be used for the purpose of computing *gain* or *loss* to each CCA Area (see footnote 17, Chapter II). The *hold harmless provision* (described in this section) will be applied to said gains and losses to the 12 CCA Areas (see Appendix A: Tables A.24, A.25, A.26, and A.27).
- (b) To avoid the necessity for the DOC to collect data to measure the formula factors in the current formula in fiscal years 1983 through 1985.

B. FUNDING OF THE COMMUNITY CORRECTIONS ACT

1. Total Expenditures for Community Corrections in Calendar Year 1980

Total budgeted expenditures for community corrections for calendar year 1980 for the twelve presently participating CCA Areas are \$47,353,183²¹ (including adult and juvenile chargebacks). Said expenditures include expenditures paid from three funding sources: (1) state CCA subsidy; (2) CCA Area funding; and (3) other funding sources. Budgeted CY1980 community corrections expenditures for each of the 12 CCA Areas are set forth in Table One on page 26.

For the purpose of calculating total estimated community corrections expenditures (from three said funding sources) for all 87 counties for CY1980, it was necessary for the Committee to estimate the amount of community corrections expenditures for the 60 non-CCA counties, assuming hypothetically that they had been participating in the CCA for the entire CY1980.²² The amount of estimated community corrections expenditures for the 60 non-CCA counties for CY1980 is \$10,259,574 (including estimated adult and juvenile chargebacks). The methodology employed in calculating the estimated expenditures for the 60 non-CCA counties was based upon expenditures budgeted for CY1980 in the 12 CCA Areas. Three variables were examined and comparisons were made between comparable CCA counties

TABLE ONE

BUDGETED CY1980 COMMUNITY CORRECTIONS EXPENDITURES
FOR THE 12 PRESENTLY PARTICIPATING CCA AREAS^a

CCA AREA	INCLUDING ADULT AND JUVENILE CHARGEBACKS ^b	EXCLUDING ADULT AND JUVENILE CHARGEBACKS ^c
Crow-Wing Morrison	\$ 535,500	\$ 393,900
Dodge-Fillmore-Olmsted	861,900	748,500
Ramsey	9,162,000	8,262,000
Red Lake-Polk-Norman	723,600	671,900
Region 3	4,366,800	4,130,800
Anoka	2,178,900	1,958,700
Todd-Wadena	507,400	405,800
Region 6W	394,700	336,200
Hennepin	26,861,300	23,542,200
Blue Earth	519,800	446,600
Washington	1,005,600	848,900
Rock-Nobles	<u>235,683</u>	<u>167,284</u>
TOTALS	<u>\$47,353,183</u>	<u>\$41,912,784</u>
Less Amount of Adult and Juvenile Chargebacks	<u>\$ 5,440,399</u>	
Total Expenditures for Local Community Corrections Programs/Services	<u>\$41,912,784</u>	

^a Said expenditures include expenditures paid from three funding sources: (1) state CCA subsidy; (2) CCA Area funding; and (3) other funding sources. See Appendix A: Tables A.1 through A.12 for expenditures out of each funding source for each CCA Area.

^b All amounts include budgeted adult and juvenile chargebacks. For explanation of chargebacks, see footnote 13 to Chapter I on page 43.

^c All amounts exclude adult and juvenile chargebacks, i.e., expenditures for community corrections programs/services only are included. Cost (per diems) for maintaining adult and juveniles in state institutions are excluded; said per diems are deducted from a CCA Area's total CCA subsidy eligibility by the state before it is received by the Area. The Area receives only the *net subsidy*.

and non-CCA counties. The 3 variables were (1) total county population; (2) geographic area; and (3) population density.

Based upon total CY1980 budgeted expenditures in the 12 CCA Areas and estimated expenditures for the 60 non-CCA counties (assuming that they were participating), estimated community corrections expenditures for all 87 counties for CY1980 are shown in Table Two on page 28.

2. Unmet Community Corrections Needs in the Twelve Presently Participating CCA Areas

Questionnaires were submitted by the Committee to community corrections professionals in the 12 CCA Areas for the purpose of eliciting information concerning unmet community corrections needs in CY1980 in these 12 Areas. All 12 Areas completed and returned the questionnaires. Each area was requested to describe unmet community corrections needs and state estimated costs therefor as to (1) needed expansion of presently operating programs and (2) needed new programs. All 12 Areas included estimated unmet operating costs. Five areas also included estimated capital costs; seven areas did not include estimated capital costs. Responses to the questionnaires are set forth in Table Three on page 29.²³ Because seven Areas did not include estimated unmet capital costs, they were omitted for all CCA Areas in Table Three.²⁴ Because these estimates of unmet community corrections needs were somewhat subjectively calculated by corrections professionals for their own areas, and not by a scientifically conducted needs assessment, the Committee did not add the dollar amount of the estimated unmet needs to the total figure calculated for estimated CY1980 community corrections expenditures for 87 counties for the purpose of determining total community corrections needs for CY1980.

TABLE TWO

TOTAL ESTIMATED COMMUNITY CORRECTIONS
EXPENDITURES FOR 87 COUNTIES FOR CY1980

	<u>INCLUDING ADULT AND JUVENILE CHARGEBACKS</u>	<u>EXCLUDING ADULT AND JUVENILE CHARGEBACKS</u>
Total Actual Budgeted Community Corrections Expenditures for 12 CCA Areas for CY1980	\$47,353,183 ^a	\$41,912,784 ^b
plus		
Estimate of CY1980 Commu- nity Corrections Expenditures for 60 Non-CCA Counties (assum- ing hypothetically that they were participating in the CCA in CY1980)	<u>\$10,259,574^a</u>	<u>\$ 9,080,854^b</u>
equals		
Minimum Estimate of Total Community Corrections Expenditures for 87 Counties for CY1980	<u>\$57,612,757^a</u>	<u>\$50,993,638^b</u>

^a Amounts include: \$5,440,399 of budgeted adult and juvenile chargebacks for 12 CCA Areas and \$1,178,720 of estimated adult and juvenile chargebacks for the 60 non-CCA counties.

^b Amounts exclude all chargebacks, i.e., these are budgeted expenditures for the 12 CCA Areas and estimated expenditures for the 60 non-CCA counties for CY1980 for community corrections programs/services only. Per diems (chargebacks) for adults and juveniles sentenced to the Commissioner of Corrections, which the state deducts from each CCA Area's total subsidy eligibility, are excluded.

^a and ^b All dollar amounts (expenditures) include expenditures paid from three funding sources: (1) state CCA subsidy; (2) CCA Area funding; and (3) other funding sources. For detailed information on expenditures paid from each funding source for each CCA Area, see Tables A.1 through A.12 in Appendix A.

TABLE THREE

ESTIMATED UNMET COMMUNITY CORRECTIONS
NEEDS FOR CY1980 IN THE 12 CCA AREAS

<u>CCA AREAS</u>	<u>ESTIMATED UNMET OPERATING COSTS^a</u>
Crow Wing-Morrison	\$ 33,000
Dodge-Fillmore-Olmsted	208,500
Ramsey	1,433,000
Red Lake-Polk-Norman	170,000
Region 3	948,473
Anoka	450,000
Todd-Wadena	210,500
Region 6W	161,500
Hennepin	702,970
Blue Earth	55,000
Washington	46,000
Rock-Nobles	<u>14,000</u>
TOTAL	<u>\$4,432,943</u>

^a All 12 CCA Areas included estimated unmet operating costs. Many areas stated that they had other unmet operating costs but did not specify an estimated dollar amount therefor. These are not included; therefore, this is a low estimate of unmet operating costs. See Appendix E.

Five CCA Areas also included estimated capital costs. The estimate for unmet capital costs for the five Areas was \$8,578,250. Seven Areas did not include estimated unmet capital costs. These seven areas, although having unmet capital costs, either did not include them in responses to the questionnaire or did not specify an estimated dollar cost therefor. Corrections professionals in those areas which did not include estimated unmet capital costs stated that they did indeed have unmet capital costs but had not realized capital costs were to be included. Corrections professionals in those areas which specified estimated unmet capital costs in responses to the questionnaire but did not state a dollar amount therefor, stated that reasonably accurate estimates of unmet capital costs (e.g., costs to build a facility) were not possible unless studies were conducted to estimate said costs. The \$8,578,250 figure is, therefore, a low estimate of unmet capital costs. See Appendix E.

However, as a result of the unmet needs indicated by the 12 CCA Areas, the Committee recommends further study by the Legislature of unmet community corrections needs. Corrections professionals and county officials in some of the Areas have reported to the Committee cut-backs in services and the lay-off of staff because of insufficient funding. The Committee does not, *at this time*, recommend an *immediate* increase in state CCA funding to provide for unmet needs. However, if further study by the Legislature indicates unmet correctional needs, the Committee recommends that the Legislature increase the state CCA subsidy accordingly, as soon as state budgetary considerations permit. The Committee is aware of the fiscal problems created for the state by the state budget deficit projected for FY1981. However, given recent increases in the crime rate and given the high priority which the public places on crime prevention and appropriate correctional services, adequate funding of local correctional services should be given high priority by the Legislature. Therefore, if further study shows increases are needed, increases in state funding should be provided as soon as it is economically feasible to do so.

3. Origin of the Original Total State CCA Subsidy for Eighty-Seven Counties for 1974

In 1973, the total DOC budget was approximately \$21,810,000. DOC spent 70% of its total budget, slightly more than \$15 million, on the operation of state correctional institutions, and approximately 30% on community corrections services. Many people involved in the development

of community corrections in Minnesota including a number of task forces and DOC officials decided that those figures should be reversed, i.e., 70% should be spent on community corrections and 30% on state correctional institutions. The sole basis for establishing a figure of \$15,267,125 as the total state CCA subsidy for 87 counties for FY1974 was that it constituted the 70% of DOC's budget spent on state institutions. It had no relationship to actual community corrections needs in the counties. No evidence exists to support a contention that the \$15 million was sufficient for adequate funding of community corrections in 1974. That original \$15 million figure has never been changed, i.e., neither increased nor decreased, except that an annual inflationary increase has been provided.²⁵ It is apparent that any assumptions relating DOC's 1973 budget for state correctional institutions to community corrections needs in the counties had no validity.

4. State Proportionate Share of Total Community Corrections Expenditures

A study by the Committee indicated that the proportionate share of total community corrections expenditures for participating CCA Areas paid by the state has declined since 1976, from 38.6% paid by the state in 1976 to 24.3% paid by the state in 1980. On the other hand, the proportionate share paid by the CCA Areas has increased from 52.9% in 1978 to 67.3% in 1980. Table Four on page 32 shows the percentage paid by the state each year from 1975 through 1980, as well as percentages paid by the CCA Areas and by "other funding sources".

The proportionate share paid by the state for individual CCA Areas in CY1980 ranges from a high of 87.5% for Crow Wing-Morrison to a low of 10.4% for Hennepin (excluding chargebacks). The other 10 CCA Areas are distributed between these two extremes.²⁶

TABLE FOUR

PERCENTAGE PAID BY STATE, CCA AREAS,
AND OTHER FUNDING SOURCES OF TOTAL COMMUNITY
CORRECTIONS EXPENDITURES IN PARTICIPATING
CCA AREAS FROM 1975 THROUGH 1980^a

YEAR	TOTAL COMMUNITY CORRECTIONS EXPENDITURES (EXCLUDING CHARGEBACKS)	AMOUNT OF STATE PROPORTIONATE SHARE (EXCLUDING CHARGEBACKS) ^b	STATE PERCENT OF TOTAL	AMOUNT OF CCA AREA PROPORTIONATE SHARE	CCA AREA PERCENT OF TOTAL	AMOUNT OF OTHER FUNDING SOURCE		OTHER FUNDING SOURCE PERCENT OF TOTAL
						PROPORTIONATE SHARE	PERCENT OF TOTAL	
1975	\$ 5,871,000	\$ 1,514,100	25.0%	\$ 3,699,600	63 %	\$ 207,300	3.5%	
1976	\$ 6,971,000	\$ 2,691,000	38.6%	\$ 4,101,700	58.8%	\$ 177,700	2.5%	
1977	\$13,058,000	\$ 4,854,800	37.2%	\$ 6,967,600	53.4%	\$1,235,600	9.5%	
1978	\$14,447,200	\$ 5,284,900	36.6%	\$ 7,644,200	52.9%	\$1,568,100	10.9%	
1979	\$36,950,300	\$ 9,374,900	25.4%	\$23,703,800	64.2%	\$3,871,600	10.5%	
1980	\$41,912,784	\$10,198,584	24.3%	\$28,195,200	67.3%	\$3,518,500	8.4%	

^aFor more detailed information concerning the proportionate share of community corrections expenditures paid by the state from 1975 through 1980 as well as the proportionate share paid by the CCA Areas, see Appendix A: Tables A.16, A.17, A.18, A.19, and A.20. Table A.14 shows the amount and percent of increase or decrease in community corrections expenditures paid out of funds provided by the CCA Areas for each year from 1974 through 1980. Table A.15 shows the same information for funds provided by the state. Table A.13 shows total community corrections expenditures for all years combined (1974-1980) for each CCA Area, and percentages paid by the state (including chargebacks) and the CCA Areas. Tables A.21 and A.22 show the amount and percentage of increases or decreases in community corrections expenditures paid out of state and CCA Area funding for each Area between the second year after entry into the CCA and 1980.

^bTotal expenditures paid out of the *net* state CCA subsidy (i.e., total state CCA subsidy less adult and juvenile chargebacks).

The Committee makes no recommendation *at this time* concerning the proportionate share of total community corrections expenditures to be funded by the state. However, the Committee recommends that the Legislature conduct further study of the proportionate share of correctional expenditures paid by the state historically and presently in both the currently participating CCA, and non-CCA counties, along with information contained in this report concerning the origin of the original (1974) total state CCA subsidy for 87 counties (\$15 million) for which there was no rational basis.²⁷ The Legislature, in determining the proportionate share of total community corrections expenditures to be paid by the state, should also study and compare the proportionate share paid by the state for other local services such as social services and education.

5. Impact of Inflation on Community Corrections Costs

Through the Committee's study of the impact of inflation, it was determined that inflationary increases in the state CCA subsidy have not kept pace with the actual rate of inflation.²⁸ The study indicated that actual annual inflation rates have been greater in all years except 1977 than the rate (percentage) used by the state to increase the CCA subsidy for the same years. For example, the inflation rate for community corrections costs in Todd-Wadena, Dodge-Fillmore-Olmsted, and Crow Wing-Morrison CCA Areas were: 1979--8.6%, 8.8%, 8.8%; 1980--9.8%, 8.6%, 9.1% respectively. The rate used by the state for those 2 years to

increase the CCA subsidy was: 1979--6%, 1980--7%. Two other indices indicated a higher inflation rate as well: the *Consumer Price Index* (C.P.I.) provided by the U.S. Bureau of Labor Statistics and the *Government Purchased Goods and Services* (P.G.S.L.) which was used by state agencies to determine the inflation rate in developing their budget requests for the 1981-83 biennium (as directed by the state Department of Finance).²⁹

The Committee recommends that the total state CCA subsidy for 87 counties continue to be increased each year to account for the impact of inflation on community corrections costs; and that the yearly inflationary increase in said state CCA subsidy be calculated by using the inflation rate determined by the price index, *Government Purchased Goods and Services* (P.G.S.L.).

6. Chargebacks

Chargebacks, per diems charged to the CCA Areas for adults and juvenile committed to the Commissioner of Corrections, are deducted by the state from a CCA Area's total CCA subsidy eligibility before the area receives the subsidy; i.e., the area receives only the *net* CCA subsidy.³⁰ The deduction of chargebacks from the CCA subsidy is one of the major reasons cited by non-CCA counties for not participating in the CCA. Table Five on page 36 shows the amount of money lost to the 12 CCA Areas for CY1980 in adult and juvenile chargebacks.

The 12 CCA Areas actually received for CY1980 only 62.5% of their

total CCA subsidy eligibility from the state, i.e., \$8,600,216. Lost to them in chargebacks was 37.5% of the subsidy, i.e., \$5,158,745.

The deduction of chargebacks causes severe hardship to the CCA Areas. It obviously deprives them of funds needed for providing community corrections programs/services.

Experience has shown that the deduction of chargebacks has had little, if any, affect on the sentencing of offenders to the Commissioner of Corrections. Community Corrections officials do not sentence offenders; judges do. Minnesota Sentencing Guidelines were implemented on May 1, 1980. All adult offenders, under the guidelines, for whom community corrections programming is appropriate will now be retained in the local areas. There could, therefore, no longer be any deterrent value associated with chargebacks in regard to adult offenders.

The Committee, therefore, recommends that the rider to an appropriation bill, Session Laws 1980, Chapter 614, Section 28, Part (c), which provides for the elimination of chargebacks³¹ for adults sentenced to the Commissioner of Corrections (i.e., confined in state institutions) for crimes committed on or after January 1, 1981, be enacted into permanent law by the Legislature prior to the expiration of the rider in July, 1981; and that the Legislature not reduce state CCA funding³² as a result of said elimination of adult chargebacks, in order to ensure that all local correctional services presently provided will continue to be maintained.

TABLE FIVE

AMOUNT OF CHARGEBACKS FOR
12 CCA AREAS IN CY1980

<u>CCA AREA</u>	CY1980 ADULT AND JUVENILE <u>CHARGEBACKS^a</u>	PERCENT OF TOTAL CY1980 CCA SUBSIDY <u>ELIGIBILITY^a</u>
Crow Wing-Morrison	\$ 155,939	38.4%
Dodge-Fillmore-Olmsted	109,708	18.4
Ramsey	917,839	31.6
Red Lake-Polk-Norman	35,421	12.1
Anoka	174,602	16.0
Region 3	507,121	26.6
Todd-Wadena	36,021	14.2
Region 6W	44,896	14.3
Hennepin	2,904,109	58.9
Blue Earth	108,420	38.1
Washington	130,065	21.4
Rock-Nobles	<u>34,604</u>	<u>20.3</u>
TOTALS	<u>\$5,158,745</u>	<u>37.5%</u>

^aFor more detailed information see Appendix A: Table 24. All numbers have been rounded to nearest dollar. All percentages have been rounded to nearest tenth of a percent. All chargeback amounts are actual for the first 3 quarters of CY1980 and estimated for the 4th quarter. For an explanation of adult and juvenile chargebacks, see footnote 13 to Chapter I on page 43.

The Committee recommends also that the state knowledge responsibility for juveniles who have committed serious offenses by establishing chargeable and nonchargeable categories for juveniles committed to the state. The Juvenile Release Guidelines developed by the DOC could provide the basis for the juvenile categories. For juvenile offenders, appropriate sanctions are the least restrictive alternatives consistent with public safety. However, there are some hard-core juvenile offenders who commit serious offenses, or who are habitual offenders, for whom the appropriate disposition is to be placed in the custody of the Commissioner of Corrections. These should be included in a nonchargeable category; i.e., chargebacks should be eliminated for this class of juvenile offenders.

7. CCA Percentage Spending Requirement for Training/Education and Information Systems/Evaluation

Department of Corrections rules require that each CCA Area spend 5% of its state CCA subsidy for training and education, and 5% for information systems and evaluation.³³ The State Legislature enacted, in 1979, a rider to an appropriation bill which provides, "no less than the equivalent of 4% of the appropriation made for the Community Corrections Act may be expended for evaluation."³⁴ The Committee is in favor of retaining the spending requirements of 5% for training/education and 4% for information systems/evaluation. However, rigidly adhering to specific percentage spending requirements may result in forcing some CCA Areas to spend more than is necessary to provide good training, education, and information

and evaluation systems, thereby wasting money which could be put to better use for community corrections programs/services. Some flexibility is needed. The Committee, therefore, recommends:

a. that a rider to said appropriation bill, Session Laws, 1979, Chapter 336, Section 4, Subdivision 4, which requires that no less than 4% of the appropriation be spent for evaluation, be enacted into permanent law by the Legislature prior to the expiration of the rider in July, 1981; and

b. that the requirement that each CCA Area spend 5% of its state CCA subsidy for training and education, and 4% for information systems and evaluation should be retained. However, the CCA should provide that the DOC shall promulgate guidelines therefor, and that DOC shall have the discretion to waive said percentage spending requirements if CCA Areas meet said guidelines although spending less than the stated percentages.

C. OBJECTIVES OF THE COMMUNITY CORRECTIONS ACT

Some of the original objectives of the CCA have proven, given hindsight, to have been unrealistic. For example, one of the original objectives was to close down one or more state correctional institutions, thereby realizing a cost saving to the state. It was intended that the savings realized would help to fund community corrections. However, as a result of an increase in state population and a large increase in the

crime rate, particularly in the incidence of violent crime, the population of state correctional institutions is now larger than it was in 1973. Not only were no state institutions closed; a new state correctional institution was constructed.³⁵

Another original objective was to bring all 87 counties into the CCA by 1980. Thus far, only 27 of the 87 counties have joined (although 70 percent of the state population reside in these 27 counties). In the 60 non-CCA counties, the problems of overlapping jurisdictions and duplicated services continue to exist. The state continues to provide subsidies to these counties.³⁶

There are other original objectives which, because expectations were unrealistic, have not yet been realized to the extent hoped for by 1980. For a comprehensive, although probably not complete, listing of the original CCA objectives, see Appendix B. See also Appendix C: History of the CCA in Minnesota.

Listed below are objectives for the CCA which the Committee believes to be appropriate and realistic. Some are new, and some are the same as or modifications of some of the original objectives. The Committee recommends that the Legislature adopt the following objectives and that a statement of said objectives be included in the CCA.

Recommended CCA Objectives:

1. To develop a state/county cooperative relationship in which the CCA Area becomes the prime service provider and the state assumes the role of providing supportive services and institutional programs for the habitual or dangerous offender.

2. To provide a financial subsidy for improvement of the quality, quantity, and range of correctional services at the local level within legislative mandated standards.
3. To permit each CCA Area to define its own correctional needs, and to develop programs (services) to satisfy those locally defined needs.
4. To increase community involvement, for example, to increase citizen, official, and agency participation.
5. To encourage the development and maintenance of innovative community corrections programs consistent with the efficient use of correctional dollars and effective protection of society.
6. To equalize availability of resources to offenders.
7. To make community corrections accessible to all counties.
8. To encourage efficiency and effectiveness by coordinating corrections and the supportive financial resources at the local level.

D. INCENTIVES TO PARTICIPATION IN THE COMMUNITY CORRECTIONS ACT AND TO PROMOTE ACHIEVEMENT OF THE OBJECTIVES OF THE ACT BY PARTICIPATING COUNTIES

Said incentives are set forth in Section D of Chapter I: Summary of Committee Recommendations.

FOOTNOTES TO INTRODUCTION, CHAPTER I,
AND CHAPTER II

INTRODUCTION

¹The Committee to Study the Financing of Correctional Services and the Community Corrections Act in Minnesota.

²The total state CCA subsidy for 87 counties is actually "hypothetical" because not all 87 counties are participating. This is total *eligibility* if all 87 counties were participating. Presently, 27 counties are participating; the actual total subsidy eligibility in fiscal year 1981 for these 27 counties (12 CCA Areas) is \$14,311,933.

³In addition to *total county population* and a "*dollar amount*," the four factors in the present formula are: 1) *per capita income*; 2) *per capita taxable value* (of real property); 3) *per capita expenditures per 1,000 population for correctional purposes*; and 4) *population at risk* (percentage of county population ages 6 through 30).

⁴Adult and juvenile chargebacks are deducted from each CCA Area's state CCA subsidy before the CCA Area receives it; i.e., the CCA Area receives only the "net" subsidy remaining after chargebacks are deducted. Adult chargebacks are per diem costs for adult offenders sentenced to state penal institutions who were convicted of offenses for which the penalty provided by law is five years or less. Chargebacks have been eliminated by the Minnesota Legislature (see rider to an appropriation bill: Session Laws 1980, Chapter 614, Section 28, Part (c)) "for adults sentenced to the Commissioner of Corrections for crimes committed on or after January 1, 1981." Presently participating CCA Area's will continue to lose a portion of their CCA subsidies to adult chargebacks (after January 1, 1981) (the amount of which will decline over time) until none of the specified class of adult offenders sentenced in their counties remain in state penal institutions. Juvenile chargebacks are per diem costs for *all* juvenile offenders sentenced to state penal institutions; these remain in effect.

⁵Session Laws 1979, Chapter 336, Section 4, Subdivision 4, and Session Laws 1980, Chapter 614, Section 183.

⁶Because of the unavailability of data due to the fact that Sentencing Guidelines were implemented so recently, the Committee was unable to determine with reasonable certainty what, if any, impact Sentencing Guidelines would have upon community corrections expenditures. It appears likely, however, that under Sentencing Guidelines more offenders, particularly property offenders, will be retained in the communities (with

proportionately fewer confined in state institutions), thereby increasing community corrections costs to an extent not determinable at this time. See the *Minnesota Sentencing Guidelines Commission Report to the Legislature*, January 1, 1980.

⁷The legislation which established, and later extended the life of the Committee, provided neither funding nor staff to the Committee. It was necessary for the Committee, in the conduct of its work, to rely on the Department of Corrections to pay the salary of the project director/Committee staff person, and the Crime Control Planning Board to provide housing for the Committee staff, and to provide one quarter-time staff, and clerical and computer resources. The Hennepin County Office of Planning and Development provided computer resources and staff to provide the Committee with projections of CCA subsidy eligibilities for all Minnesota counties and CCA Areas for four fiscal years 1982-1985 under both the current CCA subsidy formula and the new formula recommended by the Committee. The Ramsey County Criminal Justice Planning Department provided a temporary part-time staff person who performed the data collection for one of the Committee's research studies.

CHAPTER I

¹For an explanation of the formula currently in use, see Community Corrections Act (CCA), Minnesota Statute § 401.10, Appendix D. and page 13.

²For explanation of the new formula, see Appendix D and page 17.

³The Committee recommends that the mechanics of the operation of the hold harmless provision be developed by the Department of Corrections (DOC) with input from the Association of Minnesota Counties (A.M.C.) and the Minnesota Association of Community Corrections Act Counties (M.A.C.C.A.C.). Recommendation discussed on page 21.

⁴Recommendation discussed on pages 13 through 25.

⁵*Gain* or *loss* is the *difference* between a CCA Area's total CCA subsidy eligibility in the specified fiscal year under the current formula and the Area's total eligibility for the same fiscal year under the new formula. See explanation of the *hold harmless provision* on page 21. Recommendation discussed on pages 21 and 23.

⁶In 1985, the new CCA subsidy formula alone will determine the dollar amount of CCA subsidy eligibility for each of the twelve CCA Areas. For each of the 60 non-CCA counties, the new formula alone will determine the dollar amount of their subsidy eligibilities for each fiscal year, 1982 through 1985.

⁷The subsidies for some CCA Areas increase under the new formula; subsidies for other CCA Areas decrease. The amount of total increases for the twelve CCA Areas, however, exceed the total amount of decreases. Therefore, there is a *net gain* to the twelve Areas. Recommendation discussed on page 23.

⁸The first year for which said data will be available from S.J.I.S. is 1979 (available in 1981). Recommendation discussed on page 21.

⁹Recommendation discussed on pages 30 and 34.

¹⁰See Appendix E and page 27 (survey of unmet correctional needs), and tables in Appendix A showing proportionate share of corrections expenditures paid by the state and counties (Tables A.16, A.17, A.18, A.19, and A.20).

¹¹Recommendation discussed on page 30.

¹²See Appendix H (pertains to inflation issue). Recommendation discussed on page 33.

¹³Adult and juvenile chargebacks are deducted from each CCA Area's state CCA subsidy before the CCA Area receives it; i.e., the CCA Area receives only the "net" subsidy remaining after chargebacks are deducted. Adult chargebacks are per diem costs for adult offenders sentenced to state penal institutions who were convicted of offenses for which the penalty provided by law is five years or less. Chargebacks have been eliminated by the Minnesota Legislature (see rider to an appropriation bill: Session Laws 1980, Chapter 614, Section 28, Part (c)) "for adults sentenced to the Commissioner of Corrections for crimes committed on or after January 1, 1981." Presently participating CCA Area's will continue to lose a portion of their CCA subsidies to adult chargebacks (after January 1, 1981) (which will decline over time) until none of the specified class of adult offenders sentenced in their counties remain in state penal institutions. Juvenile chargebacks are per diem costs for *all* juvenile offenders sentenced to state penal institutions; these remain in effect.

¹⁴Recommendation discussed on page 35.

¹⁵Recommendation discussed on page 37.

¹⁶DOC rules require that each CCA Area spend 5% of its state CCA subsidy for training and education, and 5% for information systems and evaluation. However, said rider reduced said 5% spending requirement for evaluation to 4% temporarily until July, 1981. See DOC rules, 11 MCAR §§ 2.006 and 2.007.

¹⁷Recommendation discussed on page 38.

¹⁸Examples of such incentives are described on pages 10 and 11.

¹⁹See Appendix B: Original Objectives of the CCA, and the Revised Proposed Objective Recommended by the Committee on pages 38 through 40.

CHAPTER II

¹See pages 2 and 3.

²For a detailed discussion of all formula factors studied by the Committee, see Appendix I.

³See discussion of these two factors in Appendix I.

⁴As previously stated, the differences in personal incomes, both as between individuals and as between counties, have already been taken into account by the state, because the amount of income tax paid to the state, as well as the tax rate, is determined by the amount of personal income.

⁵See discussion of this factor in Appendix I.

⁶Minnesota Statute § 401.10.

⁷The reader is advised to study Appendix I which describes in greater detail the formula factors contained in the current formula as well as numerous other factors studied by the Committee.

⁸See Appendices D and I.

⁹See discussion of factors which purport to measure ability to pay, and the measure of ability to pay which is indirectly taken into account in the new formula on pages 13 through 15, and Appendix I.

¹⁰These three factors are those included in the new CCA subsidy formula; they are measured individually for each county. They are discussed in detail in Appendix I.

¹¹See Minnesota Statutes § 256E.01 et. seq., § 256E.06.

¹²The Committee used CY1978 data from the Minnesota Sentencing Guidelines Commission's sample. Sometime during 1981, district court convictions data will be available from the Minnesota Supreme Court's State Justice Information System (S.J.I.S.).

¹³The Committee used juvenile population data projected for 1979 by Committee staff based on 1975 estimates by the State Demographer.

¹⁴The Committee used population data estimated for 1979 by the State Demographer.

¹⁵The first year for which said data will be available from S.J.I.S. is 1979 (available sometime in 1981).

¹⁶To be enacted into law at the same time that the new formula is enacted into law.

¹⁷*Gain or loss* is the *difference* between the county's total CCA subsidy eligibility in the specified fiscal year (FY1982, FY1983, FY1984, or FY1985) under the current formula and the Area's total eligibility for the same fiscal year under the new formula.

¹⁸For each of the 60 non-CCA counties, the new formula alone will determine the dollar amount of its subsidy eligibility for each fiscal year 1982 through 1985.

¹⁹The subsidies for some CCA Areas increase under the new formula; subsidies for other CCA Areas decrease. The amount of total increases for the 12 CCA Areas, however, exceeds the total amount of decreases. Therefore, there is a *net gain* to the 12 Areas in each of fiscal years 1982 through 1985. *Said net gain (shown in Table A.26) is the dollar amount by which the state would increase the CCA appropriation in each fiscal year absent any hold harmless provision.* See Table A.27 and footnote 20 (Chapter II) for *net gains* for CCA Areas after application of hold harmless provision.

It is significant that the Committee selected the three factors to be included in the new CCA subsidy formula prior to the time that any data on dollar amounts of subsidy eligibility under the new formula were submitted to the Committee. The three formula factors were thus selected on the basis of principle; selection was not influenced by changes in subsidy eligibility for any county or CCA Area. (The three factors are discussed on pages 17 through 20). The Committee studied numerous formula factors and combinations thereof, and nine alternative CCA subsidy formulae. At the time said data on dollar amounts of subsidy eligibility were submitted to the Committee, it had narrowed down the choice of a new CCA subsidy formula to three alternative formulae, all of which included, exclusively, the same three factors. The sole difference in the three formulae was that the three factors were weighted differently in each formula. Because the Committee concluded that the three factors are of equal importance in measuring correctional needs, each was given a weight of one-third in the formula finally selected by the Committee. It is significant also that of the three alternative formulae which remained under consideration, the formula finally selected by the Committee produces the *least* dollar amount of *net gain* to the 12 presently participating CCA Areas and, concomitantly, the *least* dollar amount of *net loss* to the 60 non-CCA counties.

²⁰CAUTION: These are *rough estimates*. The formula factor data which will be used by the DOC in FY1982-85 will be different than data available to and used by the Committee to compute counties' CCA subsidy eligibilities. Please read carefully the footnotes in Tables A.24, A.25, A.26, and A.27 in Appendix A which impose numerous qualifications on the use of data therein.

²¹All community corrections expenditures data included in this report were obtained from the Department of Corrections (DOC). Expenditure data for 1980 is "budgeted" (not actual) and was obtained from the CY1980 Comprehensive Plans submitted by each of the 12 CCA Areas to DOC. (At the time of data collection, actual CY1980 expenditures were not yet available.) Expenditure data for all other years prior to 1980 are actual community corrections expenditures and were obtained from quarterly Financial Status Reports submitted by each CCA Area to DOC. See Appendix A: Tables A.1 through A.12 for expenditure data for all participating CCA Areas from years 1974 through 1980.

²²The methodology employed by Committee staff to calculate estimated community corrections expenditures for the 60 non-CCA counties for CY1980 is described in Appendix F.

²³For more detailed information concerning responses by the CCA Areas to the questionnaires, see Appendix E.

²⁴Please read footnote a to Table 3 on page 29.

²⁵The inflationary increases, however, have not kept pace with the actual rate of inflation. See section on inflation on page 33, and Appendix H.

²⁶The new CCA subsidy formula recommended by the Committee will help to alleviate the disparities and result in a more equitable distribution of state CCA dollars. See Appendix D and page 17.

²⁷See explanation of the \$15 million figure on page 30.

²⁸Committee staff studied annual inflation rates in three CCA Areas: Todd-Wadena, Dodge-Fillmore-Olmsted, and Crow Wing-Morrison. See Appendix H for results of this study and a discussion of the inflation issue.

²⁹See copy of the directive from the Department of Finance to state agencies in Appendix H.

³⁰For an explanation of adult and juvenile chargebacks, see footnote 13 to Chapter I on page 43.

³¹That is, that the Legislature not reduce the total state CCA subsidy for 87 counties nor the actual appropriation for the participating CCA Areas.

³²See DOC rules, 11 MCAR § 2.006 and § 2.007.

³³Session Laws 1979, Chapter 336, Section 4, Subdivision 4.

³⁴"Oak Park Heights," a new adult felon state correctional institution located at Stillwater, Minnesota, near the old Stillwater "prison."

³⁵See Appendix A: Table A.23 which shows the cost for adult probation and parole services provided by the state in the 60 non-CCA counties, the amounts of the juvenile probation officer salary subsidy and the group home subsidy, as well as each county's FY1979 CCA subsidy eligibility. Data are for FY1979.

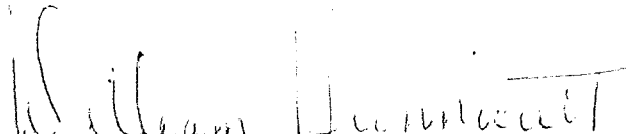
MINORITY REPORT

The undersigned, a minority of the Committee appointed to study the financing of Correctional Services and the Community Corrections Act in Minnesota, recommends that the present method of funding Community Corrections not be changed, for the following reasons:

1. Commissioner of Corrections, Jack Young, recently completed an evaluation of the Community Correction Act, and stated in a news release, "This research involves a major public policy which has significant social and fiscal implications. There are a number of difficult issues, such as the effects of the state's new sentencing guidelines and the value of local control of Correctional Programming, which have not yet been thoroughly studied. In addition to Department staff, we will be drawing on people knowledgeable in Community Corrections from both inside and outside Minnesota to prepare our recommendations to the 1982 Legislature. Our recommendations must be thoroughly researched and cannot be based on snap judgements." The Department of Corrections is continuing to thoroughly analyze the research findings and will prepare recommendations regarding the Act for the 1982 Legislature.
2. The Committee's proposed formula for funding Community Corrections is based only on need, and does not take into consideration the county's ability to pay. The present formula allows for both need and ability to pay factors.
3. There are presently twelve Community Correction areas, involving twenty-seven counties. These counties participate in the Act, either as a single county or as combined counties. If the Committee's proposed formula is adopted, four of the present Community Correction areas, involving thirteen counties, will lose extensive subsidy monies, while the Metropolitan areas, for example: Hennepin, Ramsey, and Anoka, will gain considerably.

4. One of the Committee's objectives was to make Community Corrections accessible to all counties. At the present time, sixty counties are not participating in the Act, and the Committee's proposed formula for funding Community Corrections will not make it any more accessible financially for these counties to enter into Community Corrections.

5. If the Committee's proposed formula is adopted, more than an additional million dollars will have to be appropriated by the Legislature during the next two bienniums than what would be required under the present funding formula.


WILLIAM HUNNICUTT