

**STATE JUVENILE DELINQUENCY BLOCK GRANT:
Shifting From State Service Supervision To
County Service Responsibility**

by

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INTRODUCTION

Beginning with the Fiscal Year 1998-99 Michigan budget recommendation for the Michigan Family Independence Agency (FIA) - House Bill 5590, the Governor proposed the creation of a State Delinquency Services Block Grant. The intent, according to the State administration, is to realign county delinquency services responsibility for the care and treatment of delinquent and abused or neglected youth through block-granting State funds. The Governor proposed estimated costs for services to county delinquent youth from various FIA budget areas that comprise block grant proposed spending. The programs include foster care, delinquency residential services, and family preservation and prevention services as well as payments from such fund sources as the State and county Child Care Fund and the Federal Title IV-E child welfare grant. During the Conference Committee deliberations, the block grant was removed from the FY 1998-99 appropriation, Public Act (P.A.) 294 of 1998.

In December 1998, the Legislature passed a series of bills, Senate Bills 1183 through 1195, that allow counties to create a county juvenile agency (CJA) for the provision of juvenile services and make relevant changes in other associated legislation. Generally, the acts provide for the county to have sole responsibility for the provision of treatment and related services to the county's delinquent youth.

Wayne County is the only local government entity that to date has expressed an interest in being a CJA and receiving the State block-granted funds. Although the Governor's recommendation for block-granted funds in its introductory form was not included in the FIA FY 1998-99 enacted appropriation, the FY 1999-2000 appropriation, P.A. 135 of 1999 does include an appropriation line item of block-granted funds for Wayne County.

In an attempt to examine the proposed service responsibility shift supported by block-granting State funds and examine how the shift will change the service delivery system, this paper presents an overview of State delinquency services, including appropriation, expenditure, caseload, and other service delivery issues. One should keep in mind that block-granted funds are established through the transfer of funds from the major fund sources and placement programs that constitute the State juvenile delinquency service system. It is uncertain whether block-granted funds for delinquency services will contribute to improved and cost-effective county services or result in other advantages in service responsibility and delivery for the State and counties.

STATE JUVENILE DELINQUENCY SERVICES

The Michigan juvenile justice system is a large, complicated network of State and county service delivery and funding systems. The State system must comply with State laws and administrative rules, and Federal fund source requirements. It includes many programs, some of which have undergone considerable change over the course of several years, designed to treat Michigan youth under the age of 18 (except under certain circumstances) who have been adjudicated in the courts; from the institutionalization of delinquent youth to the placement of juveniles in community-based and residential care programs. State delinquency services must comply with a State plan for juvenile justice and delinquency prevention, which is submitted to the United States Department of Health and Human Services in order to recover Federal funds. In addition to the programs already mentioned, rehabilitation and training programs also are included in the service delivery system. Various center and group home placement services, secure and nonsecure detention services, and institutional and educational services are provided by the State-operated facilities and through service agreements with the counties and contracts with private agencies.

The Office of Juvenile Justice in the FIA is responsible for the supervision of and provision of services to State youth under 17 years of age committed to FIA responsibility by the courts. The courts also place children under county supervision. Through various placements, children receive a combination of services designed to be appropriate to their adjudicated status, including education, training, and counseling. Generally, the cost for delinquency services for State wards is shared by the State and the 83 counties. The State provides the services and the county is charged at a rate of one-half the per diem costs, which are based on program costs. Generally, the service costs are going up, caseloads are increasing, and the State is attempting to find ways to alleviate the burden on the State's General Fund.

Adjudicated Youth Legal Status

The categories of delinquency placement appear to be influenced by available funding, and department dispositional review. In addition, placement also is dependent on the adjudicated legal status of the youth's case by court order of the Family Division of the Circuit Court (the Family Court) under the State court system. For this review, the following types of legal status are available to the court for use in delinquency cases¹:

Juvenile Justice Court Ward includes a youth determined by the Family Court to come within the court's jurisdiction because of committing a violation under the Juvenile Code delinquency section. Although the court retains responsibility for judicial review (supervision), it may either retain supervision or issue an order that places the youth under FIA responsibility for placement and care.

Juvenile Justice State Ward is a legal status for a youth aged 12 or older whom the Family Court determines comes within its jurisdiction because of a Juvenile Code violation and who is committed to the FIA under the Youth Rehabilitation Services Act, P.A. 150 of 1974. Only youth committed under the Act are placed in the State training schools or youth rehabilitation camps.

Out of Town Inquiry (OTI) - Juvenile Justice Ward includes youth adjudicated delinquent while a resident in another state. The other state has requested courtesy supervision.

Non-Ward With A Juvenile Justice Petition Filed status includes youth not under the care and supervision of the FIA, but under the Juvenile Code a request is made that the FIA make a predispositional case evaluation and future planning recommendations.

Dual Wardship includes youth determined to be State wards under P.A. 220 of 1935 (Michigan Children's Institute, or MCI) and P.A. 150 of 1974. The FIA has guardianship responsibility and the court relinquishes legal authority over the child.

At the initial commitment of a delinquent youth by the court, his or her placement is determined by the FIA delinquency services worker (DSW) and supervisory staff who follow FIA policy. State policy dictates that the court does not make placement orders, but may make recommendations.

¹ Projections of Out-of-Home Foster Care Cases and Juvenile Justice Services Cases by Fund Source and Line Item (FY 1995-FY 2001), State of Michigan, Family Independence Agency Memorandum, October 5, 1999.

However, if a youth is determined to be a State Ward by court order, and the court recommends placement at one of the campus-based State training schools, then the FIA follows that order.²

If the DSW determines that a youth needs intensive rehabilitation treatment, the worker recommends placement at a State-operated training facility. The State-administered facilities include Adrian Training School, Bay Pines, Genesee Valley Regional Center, W. J. Maxey Training School, Nokomis Challenge Center, and Shawano Center. Adrian, Bay Pines, Maxey, and Shawano are high- and medium-security facilities and have some detention resources. Genesee Valley is a medium-security facility. Training schools provide education, mental health/special education, and medical and other support services determined by a plan toward the youth's rehabilitation and training.

As a court ward a youth may be committed to an alternative placement where various types of treatment, such as education, job training and employment options, are offered. The placement options include:

1. Family foster care
2. Community home placements, such as the youth's own family, a relative's or legal guardian's home, or arrangements for independent living
3. Shelters
4. Residential care centers
5. Boarding schools
6. Group homes
7. Out-of-State placements

Wayne County Family Court is the only State court that has routinely made placement part of the court order.

Caseload History by Funding Source

In addition to legal status definitions, delinquency placements are categorized by fund source. The distinct relationship between legal status and fund source categories involves which legal cases are eligible to be funded with which revenue source. The following are the major fund source categories³:

Title IV-E Foster Care (AFDC-FC or Title IV-E) was established by the Social Security Act. The Federal funds are intended to reimburse the State for Foster Care maintenance payments for Aid to Families with Dependent Children (AFDC) eligible youth. Title IV-E is considered the State's primary fund source for out-of-home placements. To be eligible for payment, a child must be under department supervision for placement and care by court order. Federal law requires that the court make a finding that the department has made

² If the court makes the placement order (which is different from the service worker recommendation) part of the court order for a youth that is different than the computed security level matrix placement, the order is considered a "Policy Override". "In some [counties], the court and the county FIA [local] office have mutually agreed to certain "Policy Overrides" which are based on specific offenses and/or other factors and are mandatory". FIA Delinquency Services Policy Manual, SM 98-19, Item 814.1, effective 9-1-98, page 6.

³ FIA memorandum, October 5, 1999.

reasonable efforts to prevent removal or make it possible for the youth to return home⁴. The funds are appropriated in the Foster Care Payments line in the budget.

County Child Care Fund (CCF) was established by P.A. 113 of 1955 for the purpose of the State is sharing with counties the cost of the family court-ordered services for children adjudicated in the State court system as court wards. The county is reimbursed by the State based on billable county expenditures as opposed to the number of children adjudicated by the courts. Previously, the State reimbursed 50% of county expenses, but not more than the appropriated amount in the FIA budget. A Michigan Supreme Court judgment in July 1997 regarding the reimbursement eliminated the cap on reimbursement of expenditures. The funds are appropriated in the Child Care Fund budget line item.

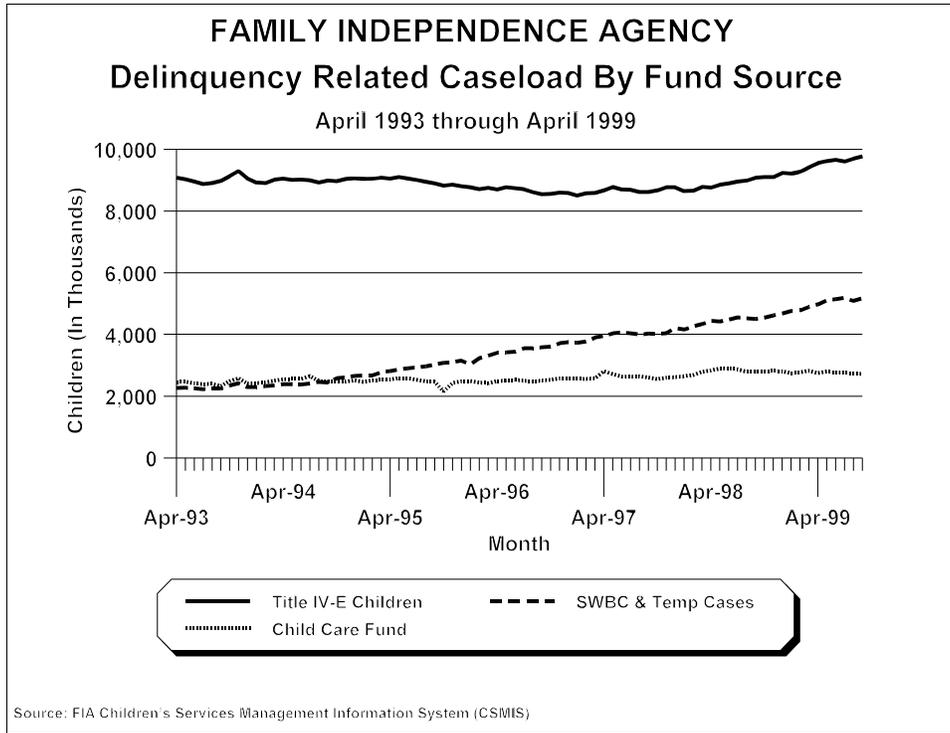
State Ward Board and Care (SWBC) provides State payment of foster care costs for State wards. The county is charged back 50% of these expenditures. The youth are committed as permanent State wards under P.A. 220 of 1935 (MCI) and P. A. 150 of 1974. The funds are appropriated in the Foster Care Payments budget line item.

Court Ward cases under county supervision can be funded with the CCF. The county is reimbursed 50% of the funds spent for services. Court Wards under State supervision also are eligible under certain circumstances (described above) for use of the Federal Title IV-E funds. The State spends funds for services and then submits charges to the U.S. Department of Health and Human Services for reimbursement of a percentage of the funds. The percentage of reimbursement depends on the type of services for which expenditures were made. The FIA also is responsible for State Ward cases, committed under P.A. 150, which are funded with Title IV-E, SWBC, and Office of Juvenile Justice (OJJ) Federal and State- awarded grants. The SWBC-funded case services are paid by State funds and the counties are billed a per diem rate of 50% of the service costs. The Office of Juvenile Justice funds are awarded to the State for services, such as boot camp or community-based services, and require some State General Fund spending.

Foster care is used for an alternative, out-of-home placement for delinquent youth. The State contracts with private agencies and child care facilities for foster care beds. Also, the FIA operates community-based programs, such as Western Wayne Day Treatment. Other community-based treatment programs are obtained through contracts with private nonprofit organizations. As shown in Figure 1, the out-of-home placement population continues to increase. In April 1993 the out-of-home foster care caseload was 13,794 and in April 1999 the caseload was 17,271, an increase of approximately 25% above the same time six years ago. Of that caseload, the Title IV-E cases remained constant by increasing only 5% from an April 1993 caseload of 9,082 to 9,548 in April 1999. Due to the decline in the State welfare caseload over the same period, however, there may have been fewer Title IV-E eligible children. The foster care cases of former Family Independence Program eligible families are not eligible for Title IV-E reimbursement and would become CCF cases - a shift from State to county service cost responsibility. Therefore, the increase in Title IV-E cases might be smaller or larger. The CCF caseload of FIA-supervised cases remained fairly consistent from 2,451 to 2,752, an 11% increase. The SWBC caseload continued to climb during that time period, increasing from 2,243 to 4,739 cases, a 112% increase.

⁴ "Orders which contain stipulations for dual or co-supervision by a court or another agency or specify the placement or level and type of placement do not meet the federal requirements. Therefore, services for the youth are not eligible for Title IV-E funding". FIA Delinquency Services Policy Manual; SM 97-11; item 902.2, effective 7-1-97, page 7.

Figure 1

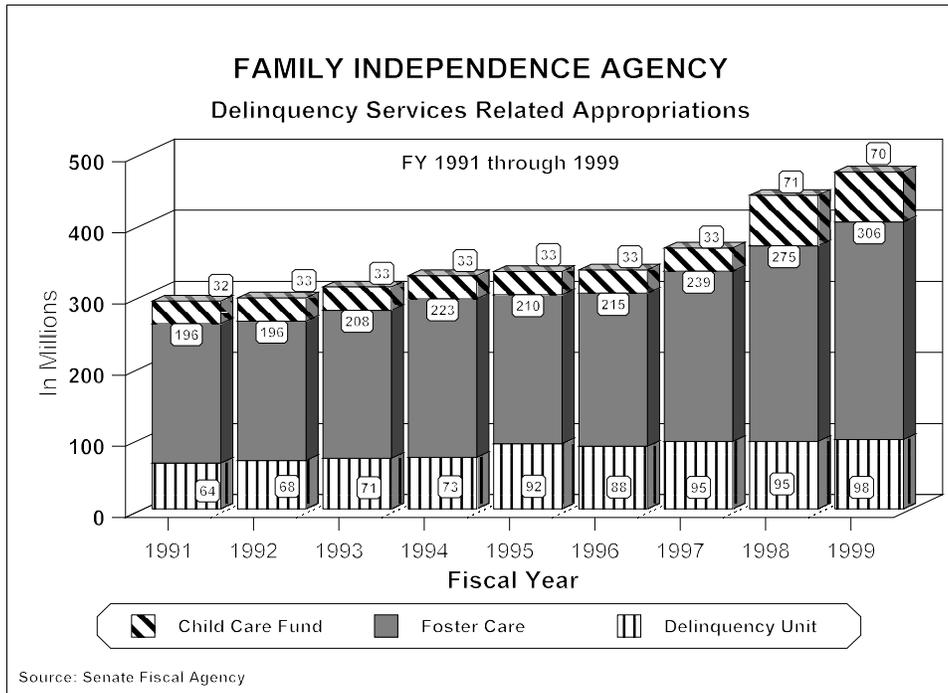


Appropriation History

The appropriated funds used for delinquency services are contained in several FIA appropriation line items, which include Foster Care Payments, the Child Care Fund, Family Preservation and Prevention Services, and Youth In Transition. The major sources of institutional services, both county detention and State-administered campus-based services, are funded by the Juvenile Justice Services appropriation unit. Funds in the Local Office Staff and Operations Unit from the Field Staff Salaries and Wages and the Children and Adult Services Salaries and Wages lines and the Central Support Account Unit also support delinquency services workers in the county offices.

The appropriated increases in the budget associated with delinquency services were recommended by the administration based on the annual increases in caseload and days of service. The number of contracted service beds for youth placement continued to grow. From FY 1995-96 to FY 1997-98 appropriation transfers totaling \$45,098,683 were approved by the Legislature for the projected increases in foster care payment expenditures. In FY 1996-97 a supplemental appropriation of \$17,734,600 was approved for the same line. Also, the FY 1998-99 foster care payments appropriation was increased by a supplemental appropriation (P.A. 137 of 1998) \$50,000,000 Gross, \$13,000,000 GF/GP, increasing the appropriation by 20%. Figure 2 shows appropriations related to delinquency services from FY 1990-91 through FY 1998-99.

Figure 2



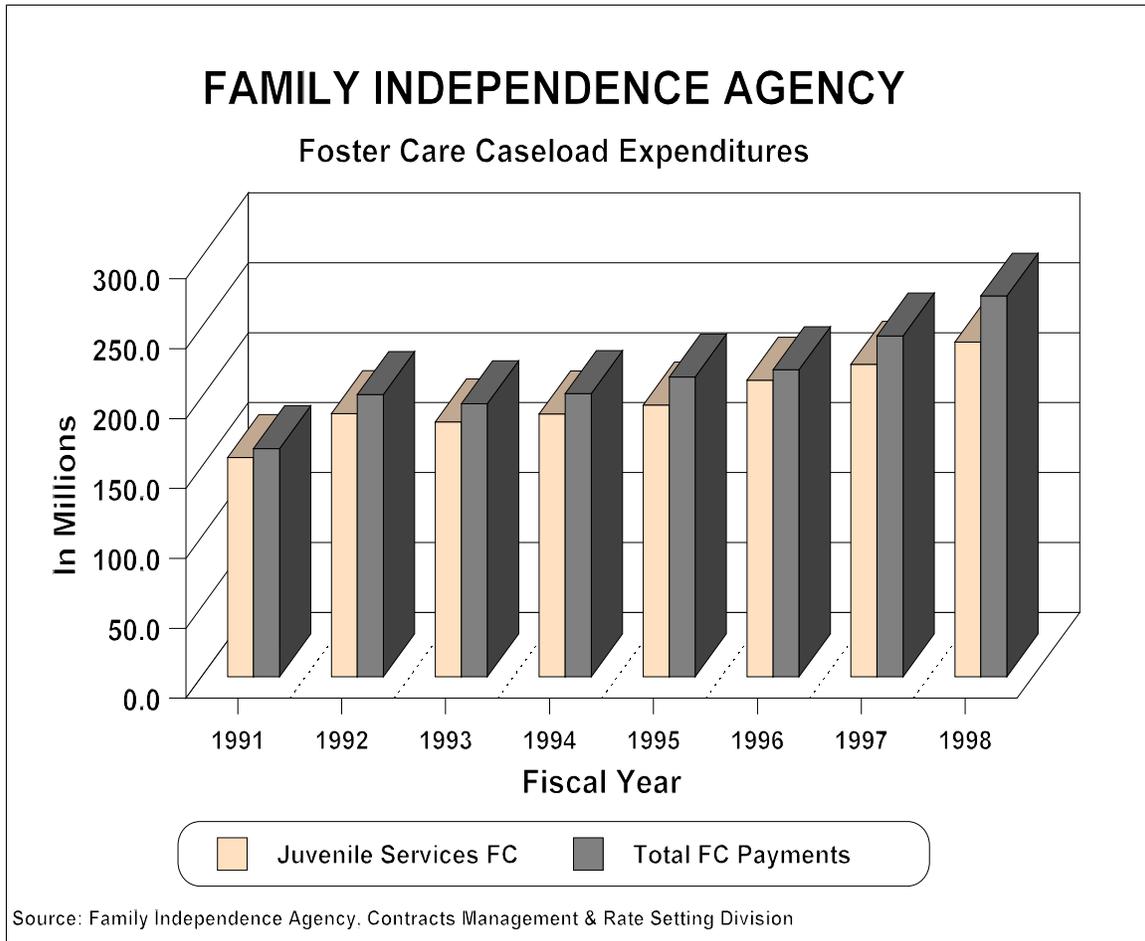
Each fiscal year from FY 1991-92 through FY 1996-97, the CCF appropriation was \$32,735,500. During that time some counties did not receive a reimbursement for delinquency costs equal to half of their expenditures for juvenile services. Although some counties overspent the imposed cap, other counties lapsed funds because they spent less than their limit. Beginning with FY 1997-98, however, after the Michigan Supreme Court judgment, two legislative transfers to the CCF, totaling \$37,129,640, were approved, increasing the appropriation by 110%.

Expenditure History

Generally, as shown in [Figure 3](#), foster care expenditures related to delinquency services have increased by approximately 52% since FY 1990-91. The increase is associated with increased caseloads and growing days of service costs. The reported expenditures for the CCF from FY 1991-92 through FY 1996-97 each year were \$32,735,500, the same amount as appropriated for that account. It appears that the department made adjustments, not including transfers or supplementals, to the expenditures to bring the account in at the appropriated level. By State law⁵, the FIA was obligated to allot all of the CCF appropriation to the counties. Some counties did not spend their entire allotment and the unspent funds were returned to the FIA for redistribution to counties that overspent their cap. Therefore, the department reimbursed 50% of the submitted county expenditures until the \$32,735,500 was fully spent. The department did not reimburse any expenditures once the appropriation was exhausted.

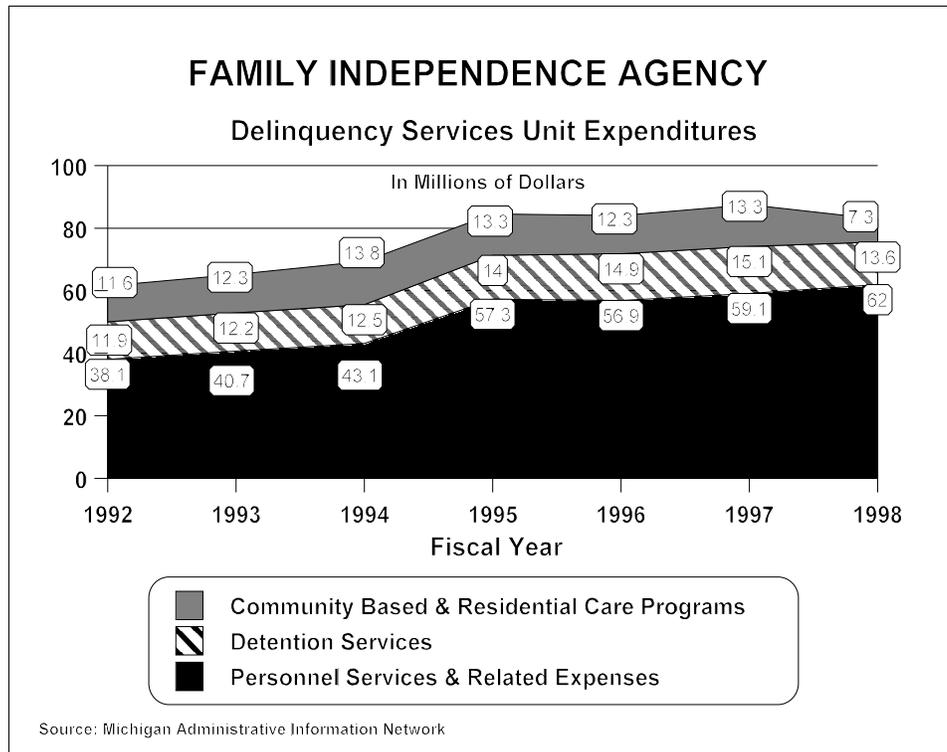
⁵ P.A. 280 of 1939, The Social Welfare Act as amended, MCL 400.117a(4).

Figure 3



The expenditures for State-operated institutions and related community-based services steadily have increased from approximately \$61.6 million in FY 1991-92 to \$82.9 million in FY 1997-98, an increase of 34.6% over the six-year period. The increase is associated with department-negotiated payroll increases linked with facilities bed over-capacity use; increased costs for food, medical service, and clothing; and the cost of facility maintenance and operations' projects that were under \$500,000. No cost-of-living increases were appropriated for much of that period. Included in the unit are delinquency service operations and personnel payroll costs at State-operated institutions such as Maxey and Adrian Training Schools, Genesee Valley and Detroit and regional (county) detention services, and community residential care programs such as the various community placement support services at Northwest Center in Detroit. [Figure 4](#) displays Delinquency Services Unit expenditures from FY 1991-92 through FY 1997-98.

Figure 4



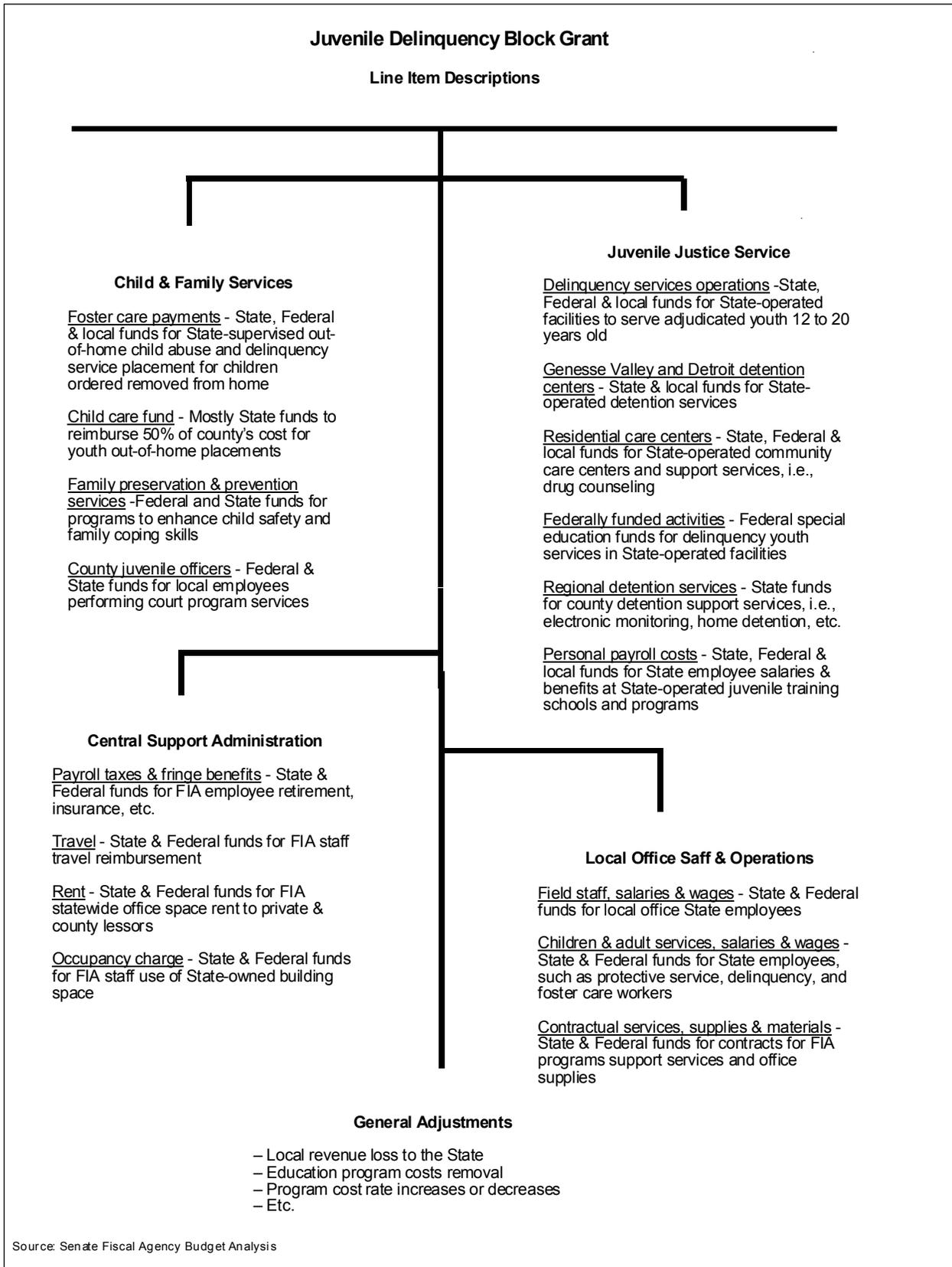
JUVENILE DELINQUENCY BLOCK GRANT

Background

Federal and State funds available to counties in the form of a block grant, initially introduced in the Governor's FY 1998-99 FIA budget recommendation, conceptually are supposed to realign responsibility for the care and treatment of a county's delinquent and abused and neglected youth. The State would take fiscal responsibility for a county's abused and neglected youth and, in turn, expect the county to accept transferred gross dollars for the county to take full fiscal responsibility for delinquent youth services. The block-granting of funds includes a projection of operations and services' spending based on previous years' costs for certain program areas which are outlined in the block grant services in Figure 5.

A series of bills, introduced in the Senate in the fall of 1997, proposed amending the following Michigan statutes: the Social Welfare Act regarding the provision of delinquency services to state youth and their families; the Youth Rehabilitation Services Act; the child care organizations law; the Revised Judicature Act, in regard to the Family Division of the Circuit Court; the Code of Criminal Procedure; the Juvenile Facilities Act; the DNA Identification Profiling System Act; the Crime Victim's Rights Act; the Mental Health Code; and the Juvenile Boot Camp Act.

Figure 5



The major pieces of legislation that establish the block grant are P.A. 516 of 1998 (Senate Bill (S.B.) 1183) and P.A. 518 of 1998 (S.B.1185). Public Act 516 amended the Social Welfare Act to give counties the authority to provide certain delinquency services, including residential care services, especially service priority for in-State over out-of-State services, for county youth who come under the circuit court jurisdiction. It also establishes the funding formula for block-granted funds for county delinquency service provision. Sections 117a through 117g of the amending legislation define the CJA, CJA services, and CJA and non-CJA funding system parameters, particularly establishment of the CJA base amount of the block grant formula and the annual distribution of funds.

The Legislature intended that three major considerations be applied to the block-granting of service funds: first, all county expenditures from State and Federal fund sources, community-based and detention services, and the CCF-related expenditures were to be included in the block grant formula; second, changes in the county's juvenile population are to be compared with the State population, which creates a percentage of change in children served; and third, there is to be some regulation of the funding system counties use for the provision of education services to delinquent youth. *It appears that the formula for the block grant may limit or otherwise negatively affect the county's spending flexibility.* The amount of block-granted funds is restricted by the use of a base expenditure year which is two years prior to the development of the budget and does not take into account specific adjustments in service cost or caseload since the base year. However, with the cap removed from the CCF, the amount of eligible expenditures for reimbursement is not restricted to those issues, therefore making the block grant appear as a cap on State and Federal available funding. This is not problematic if costs and/or caseloads decline, but increases in either would create overexpenditures causing the county to spend more in county funds and the block grant would no longer be desirable to the county.

Public Act 518 created the County Juvenile Agency Act. It specifies that payments of funds for CJA activity are regulated by the disbursements to local units of government. It states that becoming a CJA "constitutes an exercise of the county's option to provide a new activity or service or to increase the level of activity or service offered beyond that required by existing law...and a voluntary acceptance by the county of all expenses and capital improvements...that may result from becoming a county juvenile agency". Certain conditions apply, including 1) a written agreement between the State and the county that includes outcome criteria and reporting requirements necessary to comply with Federal requirements, 2) an agreement that any Federal penalty related to the agency's failure to meet the outcome criteria and reporting requirements are the county's obligation, and 3) an authorization for the State to offset any Federal penalties against amounts due to the county from distributions of the county block grant authorized by Section 117a(4)(b)⁶ of the Social Welfare Act.

In addition, P.A. 517 of 1998 (S.B. 1184) amended the Youth Rehabilitation Services Act - P.A. 150 of 1974 - to include CJAs' authority, responsibility, and obligation toward and for State wards in their jurisdiction who need delinquency services. Specifically, P.A. 517 states that only one youth agency has responsibility for a youth at any one time. Custodial responsibility for a youth is

⁶ M.C.L. 400.117a amended by S. B. 1183 would govern the distribution of appropriated funds to each county as a county providing juvenile agency services to juveniles within the family court's jurisdiction under section 2(a) or (d) of Chapter xiii of 1939 PA 288, M.C.L. 712a.2, or within the jurisdiction of the court of General Jurisdiction under section 606 of the revised judicature act of 1961, 1961 PA 236, M.C.L. 600.606, if that court commits the juvenile to a county or court juvenile facility under section 27a of chapter iv of the code of criminal procedure, 1927 PA 175, M.C.L. 764.27a. Among these services are intake, detention, detention alternatives, probation, foster care, diagnostic evaluation and treatment, shelter care, or any other service approved by the office or county juvenile agency, as applicable, including preventive, diversionary, or protective care services.

outlined for a CJA, including references to the applicability and particular circumstances of special residential care service placements. Specifically, if residential care beds are available from agencies already doing business in this State, use of those beds takes precedence over out-of-State placements. The county's youth in need of abuse and neglect services will come under the authority of the State. The Act also replaced the term "state ward" with "public ward", but maintained the definition of a youth at least 12 years of age under the supervision of the Family Division of the Circuit Court or a youth at least 14 years of age committed to the supervision of the youth agency - the FIA or a CJA - by a court of general criminal jurisdiction.

Public Act 478 (S.B. 1187) amended the juvenile code to enact provisions complementary to the CJA Act regarding the placement of juveniles who are under the jurisdiction of the Family Court, including allowing a CJA to place a juvenile in a juvenile boot camp program. Public Act 519 (S.B. 1186) amended the child care licensing act to provide for the FIA's licensure of a CJA.

Public Act 528 of 1998 (S.B.1196) amended the Emergency Municipal Loan Act to authorize loans under that Act to Wayne County during FY 1998-99 and provide for a loan to a county that was a CJA under the CJA Act and received a block grant under P.A. 516. Public Act 529 of 1998 (S.B.1197) amended the Health and Safety Fund Act to allow money distributed from the Health and Safety Fund, to be used by a county that received a loan under P.A. 528. The Fund includes the proceeds of the excise tax on cigarettes under the Tobacco Products Tax Act.

Wayne County Block Grant

Wayne County is the only one of Michigan's 83 counties that has indicated a desire to participate in the block grant system, accepting full management of Wayne County juvenile delinquency cases. A handout prepared by the county and distributed at a spring 1999 House Appropriations Subcommittee hearing outlines county intent through accepting block-granted funds to: 1) reduce the number of repeat offenders, 2) cut down the number of youth placed in residential placements, and 3) use alternative treatment methods with juvenile offenders, similar to treatment of adult offenders. The county indicated that its approach will put an emphasis on preventive treatment strategies: focusing on intensive treatment, early intervention, and goal achievement.

As mentioned previously, the CJA Act contains system funding parameters, the base amount of the block grant for the county, and the annual distribution of funds. The FIA appropriation bill includes the line item "Wayne county block grant" as the vehicle for the allocation of block-granted funds to the county, as well as Sections 706 and 707, which address contract conditions under which Wayne County can receive and spend block-granted State funds. Section 706 requires two reports to the Senate and House Appropriation Subcommittees on FIA, the Senate and House Fiscal Agencies, and the department. The first report, due no later than January 1, 2000, should include the county's block grant service implementation plan, FY 1999-2000 service goals, and an outline of what measures are to be taken for service effectiveness. The second report, due by September 30, 2000, must contain the status of service implementation, program outcomes and effectiveness, as well as expenditure data and Federally required service information. Section 707 of the appropriation act provides for a contract between Wayne County and the department for the FIA to provide juvenile justice services to county youth committed to the county. The county would be responsible for all costs, including any service cost expenditures greater than the funds appropriated in the Wayne County block grant appropriation line.

Discussions with the Wayne County program administrator revealed an insistence that any funding allocation transferred to the county from State service appropriations as the base year allocation must recognize all county service costs. Wayne County has indicated that all of its county costs

were submitted each year to the State as required under the CCF Act. Prior to FY 1998-99, however, the State recorded those costs eligible for reimbursement under the State CCF appropriated cap, which was removed by the July 1997 Michigan Supreme Court decision.

Because the State and the county have not reached an agreement on which fiscal year to use for an equitable service cost data base line for the funds transfer, the Wayne County block grant for county juvenile services as conceived and appropriated for FY 1999-2000 will not be allocated in this fiscal year. In addition, the county commission did not approve a resolution for the county to become a CJA, which is a preliminary step and prerequisite to block grant fund transfer to the county. However, Wayne County, the FIA, and the Department of Management and Budget have agreed that over the course of this fiscal year the county will gradually accept responsibility for the county's State wards. The county will spend county funds for services and 50% of the costs incurred will be billed to the State through the CCF system.

CONCLUSION

The Wayne County block grant for FY 1999-2000 as it was appropriated is on hold. Although the State and the county are entertaining alternatives to the originally conceived system, Wayne County appears to be going ahead with implementation of a program that may have potential for changing the way State youth are served in the delinquency services system. This alternative service delivery approach and the expenditure responsibility shift from the State to counties may have implications for containing State General Fund spending, and possibly county spending as well. There also is some interest in program implications for the juvenile delinquency caseload.

In the future, a more in-depth look at the county's program will address program components, such as caseload, expenditures, the State's role in funding and service implementation, and potential cost savings as the county program implementation proceeds.