

**Testimony of
Commissioner James M. Davy
Senate Budget and Appropriations Committee
April 25, 2005**

Good morning Chairman Bryant and members of the Committee.

Thank you for the opportunity to talk with you today about the *Department of Human Services'* proposed budget for State Fiscal Year 2006.

I want to begin by thanking you for your past support of the Department's work on behalf of almost one million of New Jersey's most vulnerable residents.

I appreciate your continued concern for the programs and services on which so many of our fellow citizens depend.

This year, as I am sure you know, the Department of Human Services is requesting an increase of \$362 million in state dollars.

This increase is significant, but it is also unavoidable.

I want to assure you that I take seriously my responsibility to efficiently operate my department, the largest in state government.

We are always searching for ways to save money, to reduce waste and to identify alternative sources of funding.

It is not easy in a department where so much of the budget is used for critical safety net services.

For example, growth in our state Medicaid program alone is \$213 million.

After proposing \$38 million of saving initiatives – some of which required making some really tough choices, like adding a co-payment for prescription drugs - we were able to get the Medicaid growth amount down to \$175 million.

If we did not cover this, we would need to reduce the reimbursement rates paid hospitals and pharmacies, eliminate specific types of medical coverage for adults, and cut thousands of people from the program.

Also, while we have worked vigorously to identify costs for which we can justifiably draw down federal funds, we are faced with a shortfall in federal funding in our Temporary Assistance for Needy Families Program.

Called the TANF "cliff," this federal funding shortfall will require an infusion of more than \$52.5 million in state dollars.

This funding is needed if we are to ensure continued benefits for the approximately 45,000 economically-disadvantaged families throughout the state who now are being served by this program, as well as for any caseload growth.

In addition, we are concluding the first year of a complete reform of our child welfare system.

This five-year reform, which we are completing under Court Order, has required significant additional funding in order to:

- hire hundreds of new caseworkers to ensure children's safety;
- expand critical community services like drug treatment and affordable housing;
- enroll thousands of foster children in HMOs
- train and re-train staff;
- recruit and support resource families; and
- extend a helping hand to young people aging out of the foster care system

Let me outline for you now our budget and funding requests for FY 2006.

This year, the total DHS budget is **\$10.14 billion**, of which **\$5.23 billion** is funded by the state.

Almost half, of this budget is supported by sources other than the State Treasury.

DHS draws down more federal funds than any other state department. Our share, in fact, accounts for about 65 percent of all federal funds reflected in the state budget.

It is important that we continue to invest state funds to maximize these federal revenues.

While funding for the DHS budget is . . . admittedly . . . very large overall, it will only allow us to hold many of our most important programs and services level with last year.

The few places in which this budget does allow us to grow are areas in which we clearly have our most urgent needs, such as in mental health and child welfare.

Not coincidentally, these are the systems that have been significantly underfunded in the past.

These also are the systems that have attracted lawsuits against the state, filed in an effort to force us to provide additional resources.

Specifically, our funding increases include:

- **\$26.8 million in new funding for an expansion of mental health services as envisioned by Governor Codey.**
- **\$24 million in new funding for the continuing expansion of mental health services for children and adolescents.**
- **\$55 million more than we requested last year in order to continue implementation of our Child Welfare Reform Plan, in compliance with a Federal Court Order. Our total request for spending on the reform plan in SFY 2006 is \$180 million.**
- **\$1.8 million to expand our Traumatic Brain Injury Program.**
- **As mentioned, \$175 million to cover the net growth in Medicaid.**
- **\$27.9 million to cover growth in our General Assistance caseload, which will climb 15 percent by the end of 2006.**

If we don't fund this, 35,200 needy adults will lose their cash and housing benefits starting next year. This will increase homelessness and shift the cost of caring for these individuals from state to local government.

- **\$23 million for healthcare for these General Assistance recipients, based on our expectation that both medical and pharmaceutical costs will grow along with the caseload.**

If we don't fund this, we will have to cut people from the program, many of them mentally or physically disabled. Or we will be forced to cut prescription coverage, essentially withholding needed medications that could, in some cases, increase psychiatric hospitalizations.

- **As mentioned, \$52.5 million is needed to fund the Temporary Assistance to Needy Families (TANF) "cliff" in federal funding.**

If we don't fund this cliff, 45,000 families, including 73,000 children, will lose their cash, housing and other benefits beginning next year.

These are some of the most critical and costly items in our budget request.

I know you have a lot of questions to ask me and I look forward to answering them -- so I am opting to keep my remarks short this year.

.... I will close here.. but I would be remiss if I did not take a moment to applaud Governor Codey for putting forth a budget that underscores his unwavering support for people in need, even in this very difficult fiscal environment.

I also want to thank all of the members of this committee once again for this opportunity to speak with you in detail about our budget request for State Fiscal Year 2006....

....and for your past support of our efforts to assist our most vulnerable and needy residents.

I would be happy now to answer any questions you might have.