

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1998 - 1999 BUDGET



DEPARTMENT OF HUMAN SERVICES

PREPARED BY
OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE
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NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Human Services Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Jay A. Hershberg.

Questions or comments may be directed to the OLS Human Services Section (Tel. 609 292-1646) or the Legislative Budget and Finance Office (Tel. 609 292-8030).

DEPARTMENT OF HUMAN SERVICES

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Fiscal Summary (\$000)

	Expended FY 1997(a)	Adjusted. Appropriation FY 1998	Recommended FY 1999	Percent Change 1998-99
State Budgeted	\$3,054,295	\$2,989,435	\$2,997,968	0.3%
Federal Funds	2,457,915	2,617,969	2,791,008	6.6%
<u>Other (b)</u>	<u>408,629</u>	<u>497,335</u>	<u>554,170</u>	<u>11.4%</u>
Grand Total	\$5,920,839	\$6,104,739	\$6,343,146	3.9%

Personnel Summary - Positions By Funding Source

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change 1998-99
State	12,430	12,629	11,582	(8.3)%
Federal	4,782	4,806	4,896	1.9%
<u>Other (c)</u>	<u>537</u>	<u>526</u>	<u>520</u>	<u>(1.1)%</u>
Total Positions	17,749	17,961	16,998	(5.4)%

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

(a) Includes certain expenditures/credits of Juvenile Services which is no longer part of the department.

(b) Includes Revolving Funds

(c) does not include positions supported by revolving funds.

Introduction

The Department of Human Services serves more than one million persons through eight operating divisions:

- **Division of Mental Health Services** will serve over 1,900 patients at six psychiatric hospitals and provide community services to nearly 255,600 persons.
- **Division of Medical Assistance and Health Services** will provide various health services to nearly 696,000 Medicaid recipients monthly.
- **Division of Developmental Disabilities** will serve about 3,700 patients at seven

Introduction

- developmental centers and will provide various community services to over 18,000 developmentally disabled persons.
- **Commission for the Blind and Visually Impaired** provides education, vocational rehabilitation, prevention and social services to blind and visually impaired clients and operates the Kohn Residential Center.
 - **Division of Family Development** provides financial assistance to over 391,000 recipients monthly in the General Assistance, Work First New Jersey Client Benefits and SSI programs and to nearly 196,000 Food Stamp recipients.
 - **Division of Youth and Family Services** as the State's main social services agency will provide foster care, adoption assistance, residential and other social services to 48,500 children/25,500 families monthly.
 - **Division of the Deaf and Hard of Hearing** advocates for the rights of deaf and hearing impaired persons, provides information and referral services and publishes a monthly newsletter.
 - **Division of Management and Budget** provides centralized support services to the divisions and sets department policy.

Key Points

DIVISION OF MENTAL HEALTH SERVICES

- ! **Direct State Services.** Recommended appropriations decrease 17.9 percent, from \$231.9 million to \$190.3 million, due to the closing of Marlboro Psychiatric Hospital. Excluding Marlboro's FY 1998 appropriations from the base results in a 9.9 percent increase in FY 1999 recommended appropriations.
 - Community Services. Recommended appropriations increase 12.8 percent, from \$3.9 million to \$4.4 million, for costs associated with conducting unannounced inspections of psychiatric hospitals.
 - Management and Administrative Services. Recommended appropriations increase 22.0 percent, from \$3.9 million to \$4.7 million, to purchase surveillance equipment for use at the psychiatric hospitals.
 - Psychiatric Hospitals. Recommended appropriations decrease 19.1 percent, from \$224.1 million to \$181.2 million due to the closing of Marlboro. Most of the increases or decreases in individual appropriations result from the realignment of geographic areas and type of clients served by the various psychiatric hospitals. Certain support services at Greystone Park Psychiatric Hospital are to be privatized on a pilot basis.
 - Institutional populations are expected to decrease by about 160 patients, from 2,100 to 1,940, due to the closing of Marlboro.
- ! **Grants-In-Aid.** Recommended appropriations increase 25.3 percent, from \$161.2 million to \$202 million. The increase reflects the incorporation of programs initiated to facilitate the closing of Marlboro, such as the Programs for Assertive Community Treatment and integrated case management. The recommended budget includes:
 - \$1.7 million for the second half of a 2 percent cost of living adjustment, effective

Key Points

July 1998; and \$1.8 million for a 1.6 percent cost of living adjustment effective January 1999.

- Legislative funding for the Collier Group Home, Marlboro Twp. (\$50,000) is not continued.
- ! **State Aid.** Recommended appropriations to reimburse the six county psychiatric hospitals for an estimated 715 patients daily increase 3.7 percent, from \$76 million to \$78.8 million. The recommended budget assumes that reimbursement for outpatient services provided by Bergen Pines would be discontinued, saving approximately \$1.0 million.
- ! **Capital Construction.** Approximately \$1.3 million is recommended for projects at Greystone (\$1,150,000) and Brisbane (\$182,000).
- ! **Federal Funds.** A 3.7 percent reduction in federal funds, from \$9.3 million to \$8.9 million is anticipated as one-time federal grants expire.
- ! **Other Funds.** Approximately \$5.7 million is anticipated, the same as in FY 1998, primarily for education related activities and the regional laundry revolving fund.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

- ! **Direct State Services.** Recommended appropriations for Health Services Administration and Management increase 3.2 percent, from \$30.6 million to \$31.6 million. The budget increases funding to reimburse counties for eligibility determination costs by \$1.0 million, from \$5.6 to \$6.6 million.
- ! **Grants-In-Aid.** Recommended appropriations for General Medical Services of \$1.3 billion is virtually unchanged from FY 1998 levels. The various recommended appropriations for Medicaid services incorporates \$64 million in Savings and Cost Avoidance such as:
 - Limiting Medicare B copayments and deductibles to the amount Medicaid would pay for such services.
 - Partially reducing reimbursement for graduate medical education expenses at hospitals.
 - Prohibiting the enrollment of new aliens into Medicaid as required by federal law.
 - Management improvements in the Personal Care program.
 - Reimbursement changes with respect to outpatient and home health services
 - Reducing the dispensing fee high volume Medicaid/PAAD pharmacists receive from \$3.73 - \$4.07 to \$3.00 for generic and \$2.75 for brand names drugs.
- ! **Federal Funds.** Recommended appropriations increase 4.4 percent, from \$1.4 billion to \$1.5 billion, based on a continuation of the current federal Medicaid program.
- ! **Other Funds.** The budget recommends \$469.1 million in Other Funds, an 11.7 percent

Key Points

increase from FY 1998. These monies provide:

- \$421.5 million for New Jersey Health Care Hospital Payments, including the Hospital Relief Subsidy Fund which provides special financial assistance to certain hospitals that serve a disproportionate number of patients with AIDS/HIV, mental illness, etc.
- \$47.6 million for the N.J. KidCare Childrens Health Insurance Initiative, including 54 administrative positions.

DIVISION OF DEVELOPMENTAL DISABILITIES

! **Direct State Services.** Recommended appropriations decrease 12.8 percent, from \$227.5 million to \$198.3 million, due to the closing of the North Princeton Developmental Center. Excluding North Princeton's appropriation from the base results in a 1.7 percent increase in FY 1999 recommended appropriations.

- Division of Developmental Disabilities (Central Office). Recommended appropriations of \$3.3 million are virtually unchanged from FY 1998 levels.
- Community Programs. Recommended appropriations increase 0.8 percent, from \$17.7 million to \$17.8 million.
- Developmental Centers. Recommended appropriations decrease 14.1 percent, from \$206.5 million to \$177.2 million due to the closing of North Princeton. The largest percentage increase in appropriations, 5.4 percent, occurs at the New Lisbon Developmental Center which will operate the moderate security unit that had been located at North Princeton. Certain support services at the North Jersey Developmental Center are to be privatized on a pilot basis.
- Institutional populations are expected to decrease by about 300 clients, from about 4,000 to about 3,700, due to the closing of North Princeton.

! **Grants-In-Aid.** Recommended appropriations increase 25.9 percent, from \$151.5 million to \$190.8 million. (Total grant funding, including Casino Revenue and Federal Funds, increases 19.4 percent, from \$336.0 million to \$401.2 million.)

- Community Services Waiting List Reduction Initiative - FY 1997 and 1998. Gross funding for these two initiatives increases from \$17.4 million to \$37.8 million. When completed, these two initiatives would provide 1,000 community placements, nearly 600 day program slots and \$2.0 million for family support services at an estimated annualized cost of nearly \$52 million.
- Community Services Waiting List Reduction Initiative - FY 1999. The budget recommends \$18.8 million (federal funds) for this new initiative with an annualized gross cost of \$32.5 million. This initiative will provide 500 residential placements, 400 day program slots and \$2.5 million in additional family support services. Proposed budget language would also allow a portion of the recommended appropriation to be used for administrative costs of the initiative.

Key Points

- The budget recommends \$3.4 million for the second half of a 2 percent cost of living adjustment to providers, effective July 1998; and \$3.2 million for a 1.6 percent cost of living adjustment to providers, effective January 1999.
 - The following legislative funding priorities are reduced or not continued in FY 1999: Dental Program for Non-Institutionalized Developmentally Disabled and Handicapped Children (\$100,000); The Training School at Vineland (\$300,000); Community Options (\$200,000); and The ARC of Union County, Adult Training Center (\$100,000).
- ! **Casino Revenue Fund.** Recommended appropriations of \$24.5 million are unchanged from FY 1998 levels and are used for costs associated with various community programs.
- ! **Federal Funds.** Approximately \$310.0 million is recommended, a 6.8 percent increase from FY 1998 levels. The majority of federal funds represents ICF-MR reimbursements of nearly \$171.0 million and Community Care Waiver revenue of \$136.8 million which includes \$10 million in federal funds to be generated through an assessment on all federally certified beds at developmental centers.
- ! **Other Funds.** The budget recommendation represents a 3.1 percent increase, from \$49.1 million to \$50.6 million. These funds represent State Facility Education Act monies that are used for education related activities and appropriated receipts for the FY 1997 and FY 1998 waiting list reduction initiatives.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

- ! **Direct State Services.** Recommended appropriations increase 2.9 percent, from \$6.6 million to \$7.1 million. An additional \$348,000 is recommended for training blind and visually impaired persons to use computer equipment purchased through the FY 1998 Technology for the Visually Impaired initiative.
- ! **Grants-In-Aid.** Recommended appropriations decrease 12.2 percent, from \$4.7 million to \$4.1 million.
- The following legislative funding priority is not continued: Technology for Blind & Visually Impaired - Talking Machine & Large Print Equipment (\$400,000).
 - Funding for the following legislative funding priority is reduced: Camp Marcella, from \$300,000 to \$50,000.
 - Funding is provided for cost-of-living adjustments of 2 percent (\$37,000) and 1.6 percent (\$40,000), effective July 1998 and January 1999, respectively.
- ! **Federal Funds.** A 2.0 percent increase in federal funds, from \$9.0 million to \$9.2 million is anticipated.
- ! **Other Funds.** Social Security Administration reimbursements of \$300,000 and appropriated receipts of \$475,000 are anticipated.

Key Points

DIVISION OF FAMILY DEVELOPMENT

- ! **Direct State Services.** Recommended State appropriations for Income Maintenance Management decrease 6.3 percent, from \$48.5 million to \$45.4 million. The reduction is in the division's Special Purpose accounts related to Work First New Jersey (WFNJ) related projects.

Funding is not continued for the Legal Alien Citizenship Assistance project and would be reduced for various WFNJ related projects or activities (Breaking the Cycle Pilots; Child Support Initiatives; and Technology Investment). These projects were either one-time in nature or multi-year in scope and duration.

New or increased appropriations are recommended for the following:

- Electronic Benefit Transfer/Distribution System, from \$62,000 to \$1.7 million.
- Finger Imaging, from \$314,000 to \$1.8 million.
- WFNJ - Developmental Fund, from \$3.1 million to \$3.9 million. (This account will fund an additional 46 positions related to WFNJ).
- Child Support Consolidation, \$10.2 million. This is related to the administration's proposal to consolidate child support related functions from the Administrative Office of the Courts and to provide greater control over county welfare agency child support activities. (Legislation is necessary to effect the consolidation.)

- ! **Grants-In-Aid.** Recommended appropriations increase 15.1 percent, from \$144.9 million to \$166.8 million.

- Approximately \$158.1 million would be expended on various WFNJ activities to assist clients in finding and retaining employment such as: Training Related Expenses (\$9.2 million); Work Activities (\$41.7 million); Breaking the Cycle Pilots (\$2.6 million); Child Care (\$74.4 million); Community Housing for Teens (\$0.4 million); Second Year Medicaid Extension (\$11.1 million); and a new activity, Substance Abuse Initiatives - (\$18.8 million).
- Proposed budget language increase the amount of monies from the Work Force Development Fund, used to supplement WFNJ State appropriations, from \$32 to \$33.4 million.

- ! **State Aid.** Recommended appropriations decrease 6.2 percent, from \$290.8 million to \$272.7 million, as follows:

- **General Assistance (GA)** related expenditures decrease 3.6 percent, from \$127.3 million to \$122.7 million. Approximately 13,900 employable and 10,400 unemployable persons monthly will receive assistance.
- **WFNJ Client Benefits.** Total appropriations (State and federal) decrease 4.0 percent, from \$300.2 million to \$288.2 million. Approximately 228,800 persons will receive assistance monthly.

Key Points

- **WFNJ Emergency Assistance.** Total appropriations (State and Federal) increase 2.0 percent, from \$30.7 million to \$31.3 million. Approximately 10,000 persons will receive assistance monthly.
 - **Payments for Supplemental Security Income (SSI).** Recommended appropriations (including emergency assistance payments) decrease 0.7 percent, from \$59.2 million to \$58.6 million. Approximately 138,400 persons will receive State SSI supplements monthly.
 - **SSI Administrative Fee to the Social Security Administration.** Administrative payments to the federal government increase 16.2 percent, from \$10.4 million to \$12.0 million due to an increase in the per case administrative fee from \$6.20 to \$7.60.
 - **Food Stamps for Legal Aliens.** Recommended appropriations decrease 29.8 percent, from \$9.5 million to \$6.7 million, based on current projections.
 - **General Assistance County Administration.** Recommended appropriations to reimburse counties for GA administrative costs increase 158.7 percent, from \$3.8 million to \$9.9 million. As of January 1998, nearly 14,000 cases (about 43 percent of the total GA caseload) were transferred to the counties.
- ! **Federal Funds.** Recommended appropriations are expected to increase 13.3 percent, from \$678.4 million to \$768.4 million, based on current estimates as to the amount of federal funds that will be received. Most of the increase is related to the Temporary Assistance for Needy Families program.
- ! **Other Funds.** Recommended appropriations increase 69.7 percent, from \$8.4 million to \$14.3 million. Approximately \$8.4 million is related to county data processing reimbursements into the Information System Revolving Fund. Approximately \$5.9 million in federal child support incentive funds are to be used for Child Support Initiatives. (This assumes that legislation will be enacted to allow the State to retain all federal incentive funds.)

DIVISION OF YOUTH AND FAMILY SERVICES

- ! **Direct State Services.** Recommended State appropriations decrease 1.9 percent, from \$79.7 million to \$78.2 million, as certain one-time equipment costs included in the Child Protection Initiative are not continued.
- As of February 1998, district offices were at 78.7 percent and the adoption resource centers were at 62.2 percent of the Child Welfare League of America (CWLA) staffing standard, respectively. In comparison, during January 1997, district offices were at 70.4 percent and adoption resource centers were at 49.8 percent of the CWLA standard.
 - Monthly caseloads are unchanged from FY 1998 levels at 48,500 children and 25,500 families.

Key Points

- ! **Grants-In-Aid.** Recommended appropriations increase 4.8 percent, from \$181.2 million to \$190.0 million. (Total grant appropriations increase 5.0 percent, from \$254.8 million to \$267.7 million.) The following changes occur in the various grant accounts:
 - Various legislative initiated appropriations are not continued: Amanda Easel Project (\$50,000); Freedom House, Glen Gardner (\$100,000); and Counseling for Families of Young Crime Victims - Pilot Program (\$75,000). Funding for the Morris/Sussex/Sexual Abuse Victims Program is reduced by \$1,450,000, to \$315,000, the amount initially included in the FY 1998 recommended budget.
 - Family Friendly Centers: \$2.5 million is requested for a new pilot program intended to provide greater use of existing school for after-school youth activities and various adult education programs.
 - The budget recommends \$2.7 million for the second half of a 2 percent cost of living adjustment, effective July 1998; and \$2.8 million for a 1.6 percent cost of living adjustment, effective January 1999.
- ! **Casino Revenue Funds.** The recommended appropriation of \$3.7 million is unchanged from FY 1998 levels. These funds support a portion of the \$6.1 million cost of the Personal Assistance Services Program.
- ! **Federal Funds.** Recommended appropriations increase 0.5 percent, from \$161.8 million to \$162.5 million. Additional federal reimbursement for children in subsidized adoptions(\$3.0 million) and obtaining Medicaid reimbursements for additional residential programs (\$500,000) are anticipated.
- ! **Other Funds.** Approximately \$5.2 million is recommended, an increase of 8.1 percent from FY 1998 levels of \$4.8 million, primarily from increased collections from legally responsible relatives.

DIVISION OF THE DEAF AND HARD OF HEARING

- ! The recommended \$430,000 appropriation is unchanged from FY 1998 levels.

DIVISION OF MANAGEMENT AND BUDGET

- ! **Direct State Services.** The recommended appropriation of \$11.4 million represents a 58.6 percent decrease from FY 1998 levels as no additional funds are required to reimburse counties pursuant to the Essex I and II Settlement and one time funds of approximately \$1.5 million to reimburse a vendor are not continued. Excluding Essex I and II Settlement and vendor reimbursement funds, appropriations increase by 19.4 percent as new funds are requested for the following activities:
 - Contract Reform (to be defined) - \$1.0 million.
 - State Office on Disability Services - \$450,000, to support eight staff positions.
 - Institutional Staff Background Checks - \$407,000.

Key Points

- ! **Grants-In-Aid.** Recommended funding would decrease 11.9 percent, from \$4.1 million to \$3.6 million, largely because a legislative funding initiative, Childhood Lead Poisoning - Prevention - \$500,000, is not continued. Proposed budget language would appropriate \$1.9 million from the New Jersey Workforce Development Partnership Fund to support the \$2.9 million grant to the New Jersey Youth Corps which is being transferred to the department.
- ! **Capital Construction.** The budget recommends \$10.1 million for various department- wide capital projects in the areas of fire safety, roof repairs, etc.
- ! **Federal Funds.** Recommended appropriation of \$29.8 million is virtually unchanged from FY 1998 levels. These monies primarily represent reimbursements for fringe benefits and indirect costs.
- ! **Other Funds.** The budget recommends \$8.4 million in Other Funds (including Revolving Funds not reflected in the budget document), primarily for the Catastrophic Illness in Children Relief Fund and the Capkold Food Production System.

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Program Description and Overview

DIVISION OF MENTAL HEALTH SERVICES (DMHS)

DMHS operates six psychiatric hospitals (Ancora, Greystone, Marlboro and Trenton, the Arthur Brisbane Child Treatment Center and the Senator Hagedorn Gero-Psychiatric Hospital) and the Forensic Psychiatric Hospital for persons who are criminally dangerous or are dangerous in other institutional settings. **(Marlboro Psychiatric Hospital is scheduled to close by the end of FY 1998.)** These facilities will serve an average of nearly 1,940 clients during FY 1999. All psychiatric facilities, except Forensic, are accredited by the Joint Commission on the Accreditation of Healthcare Organizations which enables the State to receive federal Medicare, Medicaid and disproportionate share reimbursements.

The division contracts with over 140 agencies to provide various mental health services such as partial care, residential and case management to nearly 255,600 persons. (Other community mental health expenditures are incurred in the Medicaid and Division of Youth and Family Services' budgets.)

DMHS reimburses six county psychiatric hospitals 90 percent of the cost of non-Medicaid patients; certain patients who are not considered to be a county resident are reimbursed at 100 percent. County hospitals expect to serve an average of about 715 patients daily.

In FY 1997, the General Fund realized \$38.8 million in various psychiatric hospital reimbursements and \$149.8 million in federal disproportionate share reimbursements for non-Medicaid patients at accredited State and county hospitals.

DMHS' FY 1999 recommended General Fund appropriation is summarized below:

	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
TOTAL (\$000)	\$470,679	\$472,441	0.4%
Direct State Services:	<u>\$231,870</u>	<u>\$190,312</u>	<u>(17.9)%</u>
DMHS Central Office	\$7,755	\$9,101	17.4%
Psychiatric Hospitals	224,115	181,211	(19.1)%
Grants-In-Aid:	<u>\$161,159</u>	<u>\$201,997</u>	<u>25.3%</u>
Community Care	\$142,919	\$180,464	26.3%
Other Grants	18,240	21,533	18.1%
State Aid	\$76,000	\$78,800	3.4%
Capital Construction	\$1,650	\$1,332	(19.3)%

DMHS Central Office. Administrative appropriations increase 17.4 percent, from \$7.8 million to \$9.1 million as follows:

Community Services. Funding will increase 12.8 percent, from \$3.9 million to \$4.4 million. Additional monies are recommended for "salaries and wages" to conduct unannounced inspections at the psychiatric hospitals.

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Management and Administrative Services. Funding will increase 22.0 percent, from \$3.9 million to \$4.7 million. Additional monies are recommended for "additions, improvements and equipment" to purchase surveillance and security equipment for use at the psychiatric hospitals.

Psychiatric Hospitals. Though State appropriations decrease 19.1 percent, from \$224.1 million to \$181.2 million, the reduction is due to the inclusion of Marlboro in the FY 1998 base. Excluding Marlboro's appropriation, psychiatric hospital appropriations increase 9.6 percent.

Funding increases or decreases at the four adult psychiatric hospitals -- Ancora, Greystone, Hagedorn and Trenton -- are due to the realignment of geographic areas and the types of clients served by the four hospitals because of Marlboro's closing. (The recommended budget indicates that support services are to be "privatized" on a pilot basis at Greystone. The funding reduction at Greystone is not related to this privatization pilot project as previous budgets had reduced State appropriations to the department assuming that privatization would occur.)

Appropriations for Forensic increase 7.9 percent, to \$13.9 million, to address an increase in the number of sexual offenders being committed to the facility. In contrast, appropriations for Arthur Brisbane decrease by 4.3 percent, to \$8.6 million, due to a reduction in Special Services and Overtime expenditures.

Institutional populations are expected to decrease 7.8 percent, from about 2,100 to 1,940. Marlboro's closing and demographic changes in the populations the remaining hospitals serve will result in significant census shifts in the number of clients served at individual hospitals. Hagedorn's census, for example, is expected to increase from about 190 to 280; in contrast, Greystone's census will be reduced from about 550 to 475.

Grants-In-Aid. Overall appropriations increase 25.3 percent, from \$161.2 million to \$202 million. The appropriation incorporates community programs that were initiated to facilitate the closing of Marlboro such as Programs for Assertive Community Treatment (\$14.7 million) and Integrated Case Management (\$18.1 million).

The recommended appropriation provides:

- \$1.7 million for the second half of a 2 percent cost of living adjustment, effective July 1998; and \$1.8 million for a 1.6 percent cost of living adjustment, effective January 1999.
- A \$50,000 grant to the Collier Group Home, Marlboro Twp., included by the Legislature in the FY 1998 appropriations act is not continued.

State Aid. Recommended appropriations to reimburse the six county psychiatric hospitals increase 3.7 percent, to \$78.8 million. (In addition, proposed budget language would allow the account to retain any unexpended FY 1998 balances.) The recommended budget anticipates savings of nearly \$1.0 million by no longer reimbursing for outpatient services provided by Bergen Pines.

Capital Construction. The budget recommends approximately \$1.3 million for projects at Greystone to upgrade security systems (\$750,000) and renovate residential cottages (\$400,000) and Brisbane for boiler replacement (\$182,000).

Federal Funds. Approximately \$8.9 million is anticipated compared to \$9.3 million in FY

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1998 as several small federal grants expire. The mental health block grant (\$7.8 million) and the PATH program (\$0.4 million) comprise most of DMHS' federal funds.

Other Funds. Approximately \$5.7 million is recommended, the same as in FY 1998. Most of these funds are for education programs and for revolving fund costs.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES (DMAHS)

DMAHS is the largest division within the department in terms of persons served and expenditures. The division administers the Medicaid program which will provide services to nearly 696,000 persons including over 102,200 children in the new NJ KidCare program.

The State's Medicaid program provides most medical services permitted by federal law including in/out patient hospital care, physician services and prescription drugs. The State develops rates of reimbursement for most services, within federal guidelines. Nearly 370,000 (or 91 percent) of the State's Work First New Jersey families with dependent children, are enrolled in Medicaid managed care. Though surveys indicate that Medicaid recipients are satisfied with managed care, expenditure and utilization data are not provided by managed care organizations on a timely basis, making financial and programmatic analysis difficult.

Managed care was to have been extended to other population groups -- Supplemental Security Income (SSI) recipients and children on the Division of Youth and Family Services caseload -- during the 3rd quarter of FY 1998, but has been delayed until at least the last half of FY 1999.

DMAHS' FY 1999 recommended General Fund appropriations are summarized as follows:

	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
TOTAL (\$000)	\$1,313,241	\$1,318,311	0.4%
Direct State Services:	<u>\$30,567</u>	<u>\$31,567</u>	<u>3.3%</u>
Medicaid Admin.	\$30,567	\$31,567	3.3%
Grants-In-Aid:	<u>\$1,282,674</u>	<u>\$1,286,744</u>	<u>0.3%</u>
Managed Care Initiative	\$350,288	\$307,582	(12.2)%
Inpatient Hospitals	232,696	212,084	(8.9)%
Prescription Drugs	174,780	190,584	9.0%
Outpatient Hospitals	137,539	187,520	36.3%
Physician	43,025	25,458	(40.8)%
Other Medicaid Services	344,346	363,516	5.6%

Direct State Services. Administrative appropriations increase 3.3 percent, from \$30.6 million to \$31.6 million. An additional \$1.0 million is being requested to reimburse counties for Eligibility Determination costs.

Grants-In-Aid. Recommended appropriations increase 0.3 percent, or \$4 million, to approximately \$1.3 billion.

The FY 1999 recommended appropriation for individual Medicaid accounts or services is

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based on current projections that are subject to change as new expenditure data become available. It is noted that in many instances the FY 1998 adjusted appropriation does not reflect projected FY 1998 expenditures, which may magnify the dollar and percentage increase or decrease. For example, even though FY 1998 adjusted appropriations for the Managed Care Initiative are \$350.3 million, projected FY 1998 expenditures are estimated at about \$315.5 million.

The \$1.3 billion (State share) recommended appropriation incorporates \$64 million in savings and cost avoidance as follows:

- Limit payments of Medicare Part B copayments and deductibles to Medicaid rates - \$17 million.
- Partially reduce reimbursement for graduate medical education at hospitals - \$10.0 million.
- Prohibit enrollment of new aliens - \$7.5 million.
- Management improvements in personal care administration - \$5.2 million.
- Reimbursement changes with respect to outpatient and home health care services - \$3.9 million.
- Cross match the Medicaid and welfare eligibility files - \$3.8 million.
- Qualify the ineligible spouse of a SSI recipient for Medicaid - \$3.0 million.
- Reduce the dispensing fee for high volume PAAD/Medicaid pharmacies from \$3.73 - \$4.07 to \$3.00 for generic drugs and \$2.75 for brand name drugs - \$2.8 million.
- Convert the unit dose system at State institutions to a seven day unit dose format - \$2.8 million.
- Provider reimbursement reductions on behalf of Medicare/Medicaid recipients - \$2.1 million.
- Medicaid partial care moratorium on new providers - \$2.0 million.
- Apply the 72-hour reimbursement rule for outpatient services received prior to hospitalization - \$1.2 million.
- Implementation of uniform prescription blanks - \$1.0 million.
- Restrict laboratories from custom grouping tests \$0.5 million.
- Management improvements in the provision of private duty nursing services - \$0.5 million.
- Management controls on new Medicaid providers - \$0.5 million.
- Management controls to assure that incarcerated welfare recipients are not enrolled in managed care - \$0.2 million.

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- Extend shelf life of drugs used in nursing homes to 12 months - \$0.2 million.

The extent to which these savings will be realized is not known.

Federal Funds. A 4.4 percent increase is anticipated, from \$1.43 billion to \$1.5 billion, based on current federal Medicaid law. The increase is related to the new KidCare Childrens Health Insurance Initiative which is expected to enroll over 102,200 children.

Proposed changes to the Medicaid program included the recommended federal FY 1999 budget -- reducing administrative matching funds from 50 to 47 percent or requiring the State to spend additional funds for outreach activities -- are not considered in the Governor's recommended budget. Such changes could reduce the amount of federal funds anticipated and require additional State appropriations to maintain the current Medicaid program.

Other Funds. An 11.7 percent increase, from \$420.1 million to \$469.1 million, is anticipated.

Funding for Health Care Hospital Payments, including the Health Care Subsidy Fund which provides funding to approximately 40 hospitals that serve a large number of patients with mental illness, AIDS/HIV, etc., increases from \$396.3 million to \$421.5 million.

Funding for the new KidCare Children's Health Insurance Initiative increases from \$23.8 million to \$47.6 million, of which \$4.8 million will be used for 54 positions to administer the program.

DIVISION OF DEVELOPMENTAL DISABILITIES (DDD)

(The division's budget for the most part does not reflect programmatic and fiscal changes recommended in **A Plan to Eliminate the Waiting List for Community Residential Services by 2008 as the plan was released subsequent to the budget.**)

DDD evaluates the medical, psychological, social, educational and related factors of an individual to determine whether the person is developmentally disabled and requires the division's various residential and non-residential services. DDD serves a broad range of individuals, including persons with cerebral palsy, epilepsy, spina bifida and other neurological impairments which were present before age 22, are likely to continue indefinitely and result in substantial functional limitations in certain areas of major life activities. DDD is responsible for the provisions of autism services, services to adolescents "aging out" of DYFS and the Family Support Act. DDD provides day training, adult activities and other community services such as case management and group and skill development homes to about 18,100 persons.

The division provides residential care, habilitation, health services, education and training to about 3,660 clients at 7 developmental centers (Green Brook, Hunterdon, New Lisbon, North Jersey, Woodbine, Woodbridge and Vineland). **(North Princeton is scheduled to close during the 4th quarter of FY 1998.)** All developmental centers are currently accredited which will enable DDD to receive \$171.0 million in federal ICF-MR reimbursements in FY 1999.

DDD's FY 1999 recommended State funded appropriation is summarized on the next page.

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	Adjusted Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
TOTAL (\$000)	\$404,207	\$413,641	2.3%
Direct State Services:	<u>\$227,484</u>	<u>\$198,338</u>	<u>(12.8)%</u>
Management ...	\$3,294	\$3,298	0.1%
Community Programs	17,669	17,804	0.8%
Developmental Centers	206,521	177,236	(14.2)%
Grants-In-Aid:	<u>\$151,531</u>	<u>\$190,816</u>	<u>25.9%</u>
Community ... Initiatives	\$3,500	\$14,700	320%
Private Institutional Care	29,274	29,023	(0.9)%
Group Homes	68,712	87,780	27.8%
Purchase of Adult Actv.	20,825	23,431	12.5%
Capital Construction	\$705	\$0	(100)%
Casino Revenue Funds	\$24,487	\$24,487	---

Management and Administrative Services. Recommended appropriation of \$3.3 million is unchanged from FY 1998 levels.

Community Programs. The recommended appropriation of \$17.8 million is a 0.8 percent increase over FY 1998 levels.

Administrative funding for Purchased Residential Care (\$959,000) and Adult Activities (\$933,000) are unchanged from FY 1998 levels. Administrative funding for Social Supervision and Consultation increases from approximately \$7.0 million to \$7.4 million as funding from the Community Services Waiting List Initiative - FY 1998 is incorporated into the program's budget. Administrative funding for Education and Day Training decreases from \$8.8 million to \$8.5 million as costs are shifted to federal funds.

Proposed budget language would allow the transfer of Community Services Waiting List Reduction Initiative - FY 1999 Grants-In-Aid appropriations for administrative costs of the initiative; however, at this time, DDD does not intend to use any of these funds for administrative purposes.

Developmental Centers. Appropriations for the developmental centers decrease 14.2 percent to \$177.2 million, due to the inclusion of North Princeton. Excluding North Princeton appropriations, developmental center appropriations increase by 1.8 percent. In general, most developmental centers appropriations are either unchanged or have a small percentage increase with two exceptions:

New Lisbon - Appropriations increase 5.4 percent, to \$23.3 million, as the facility will operate the moderate security unit that had been at North Princeton.

Green Brook - Appropriations decrease 1.7 percent, to \$1.7 million, due to a reduction in Green Brook Bond Payments.

The recommended budget indicates that support services are to be "privatized" on a pilot

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basis at North Jersey. The funding increase at North Jersey is not related to this privatization pilot project as previous budgets had reduced State appropriations to the department assuming that privatization would occur.

Institutional populations are expected to decrease by 7.7 percent, from about 3,970 to about 3,660, reflecting North Princeton's closing.

Grants-In-Aid. Recommended appropriations increase 25.9 percent, from \$151.5 million to \$190.8 million. **(Total grant funding - including Casino Revenue and Federal Funds - increases 19.4 percent, to \$401.2 million.)**

New or increased State appropriations are recommended for the following programs:

- Group Homes. The budget recommends \$87.8 million, a 10.6 percent increase, from FY 1998 levels of \$68.7 million. The number of persons served in group homes is expected to increase from about 4,200 to nearly 4,650.
- \$3.2 million is recommended for the second half of a 2 percent cost of living adjustment to providers, effective July 1998; and \$3.4 million is recommended for a 1.6 percent cost of living adjustment to providers, effective January 1999.
- Community Services Waiting List Reduction Initiatives - FY 1997. New State funds of \$2.2 million are recommended. (The balance of the \$18.8 million recommended appropriation represents federal funds.) The 1997 initiative provides for 300 community placements and 240 day program slots at an estimated annual cost of \$16.0 million.
- Community Services Waiting List Reduction Initiative - FY 1998. Recommended State appropriations increase from \$3.5 million to \$12.5 million. (The balance of the \$19.0 million represents federal funds.) The 1998 initiative provides for 700 community placements, 335 day program slots and \$2.0 million in family support services at an estimated annual cost of \$35.5 million.

State appropriations are eliminated for the following program:

- Institutional Closure Initiative. No funds are recommended as North Princeton is scheduled to close during the last quarter of FY 1998.

New or increased funding provided by the Legislature for the following agencies or programs in the FY 1998 appropriations act is eliminated:

- Dental Program for Non-Institutionalized Developmentally Disabled and Handicapped Children - \$100,000.
- The Training School at Vineland - \$300,000.
- Community Options - \$300,000.
- The ARC of Union County, Adult Training Center - \$100,000.

Casino Revenue Fund. Appropriations of \$24.5 million are unchanged from FY 1998 levels

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and are used to supplement the General Fund appropriation for Grants-In-Aid

Capital Construction. No capital funds are recommended.

Federal Funds. Approximately \$309.9 million is anticipated, a 6.8 percent increase over FY 1998 levels. ICF-MR revenues of \$171.0 million and Community Care Waiver revenues of \$136.8 million represent the majority of federal funds.

ICF-MR revenues are expected to decrease by 10.2 percent due to the closing of North Princeton. In contrast, Community Care Waiver revenues are expected to increase by about 40 percent due to an increase in claiming efforts. Community Care Waiver revenues also include \$10 million to be raised through an assessment on ICF-MR revenues. These monies are to be used to support the Community Services Waiting List Reduction Initiative - FY 1999 - Federal Funds.

The FY 1999 Initiative involves the creation of 500 residential placements, an additional 400 day program slots and an additional \$2.5 million in family support services at an estimated annual cost of \$32.5 million. The FY 1999 budget allocates \$18.8 million in **Federal Funds** for the FY 1999 Initiative.

Other Funds. Approximately \$50.6 million is anticipated, a 3.1 percent increase from FY 1998 levels. These funds represent education program funds and \$26 million in appropriated recoveries used to support the FY 1997 and FY 1998 Community Services Waiting List Reduction Initiatives.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED (CBVI)

CBVI provides education services to 2,300 clients, vocational rehabilitation services to 2,700 clients, independent living services to 4,200 persons, and prevention services to 25,500 persons. Services are provided through four offices (Camden, Newark, Pleasantville and Toms River). Certain services such as college and career counseling, screening programs and the operation of a toll-free telephone number are provided on a Statewide basis. CBVI operates the Kohn Residential Center (New Brunswick) which evaluates the vocational skills of clients and provides training programs for clients to enable them to live and function independently; the center serves about 200 clients annually.

The commission's programs are accredited by the National Accreditation Council for Agencies Serving the Blind and Visually Impaired.

CBVI's FY 1999 General Fund recommended appropriation is summarized below:

	Adjusted Approp. FY 1998	Recommended FY 1999	Percent Change 1998-99
TOTAL (\$000)	\$11,604	\$11,229	(3.2)%
Direct State Services	\$6,914	\$7,112	2.9%
Grants-In-Aid	\$4,690	\$4,117	(12.2)%

Direct State Services. A 2.9 percent increase, from \$6.9 to \$7.1 million is recommended.

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Funding for a Special Purpose appropriation, Technology for the Visually Impaired, would increase from \$500,000 to \$848,000. The additional funds would be used for training and computer equipment for blind and visually impaired individuals to enable them to use the Internet.

Grants-In-Aid. Recommended funding decreases 12.2 percent, from \$4.7 million to \$4.1 million, as legislative funding priorities are not continued or reduced as follows:

- Blind & Visually Impaired - Talking Machine & Large Print Equipment - \$400,000.
- Camp Marcella - Funding for capital improvements is reduced from \$300,000 to \$50,000.
- \$37,000 is recommended for the balance of a 2 percent Cost of Living Adjustment, effective July 1998, and \$40,000 is recommended for a 1.6 percent Cost of Living Adjustment, effective January 1999.

Federal Funds. A 2.0 percent increase is anticipated, from \$9.0 million to \$9.2 million, as additional vocational rehabilitation funds are expected.

Other Funds. The commission expects to receive \$475,000 in appropriated receipts and \$300,000 in reimbursement from the Social Security Administration to enhance vocational rehabilitation services.

DIVISION OF FAMILY DEVELOPMENT (DFD)

DFD supervises local administration of the federal Temporary Assistance for Needy Families (TANF) Block Grant, General Assistance (GA), Food Stamp, Low Income Home Energy Assistance, and federally mandated child support enforcement programs. (Other child support activities are administered by the Administrative Office of the Courts.)

DFD's primary responsibility has changed from monitoring and reviewing county and municipal welfare programs to one involving job training, employment and having TANF recipients assume more responsibility over their lives and financial circumstances.

DFD administers the Work First New Jersey (WFNJ) program which succeeds previous programs that attempted to train and find employment for welfare clients such as WIN, JPTA, REACH, JOBS and the Family Development Program. In general, the program emphasizes education and job training and provides child care, transportation, extended Medicaid benefits and on-going case management support. WFNJ also provides education and job training to GA recipients in certain municipalities, though the program does not qualify for federal reimbursement.

The chart on the next page summarizes major WFNJ related expenditures.

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Program	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
WFNJ Breaking the Cycle Pilots:	\$8,850,000	\$11,300,000	27.7%
General Fund	\$3,250,000	\$2,600,000	-20.0%
Federal	5,600,000	8,700,000	55.4%
WFNJ Developmental Fund	\$8,665,000	\$9,418,000	8.7%
General Fund	\$3,146,000	\$3,931,000	25.0%
Federal	5,519,000	5,487,000	-0.6%
WFNJ Technology Investment	\$53,187,000	\$24,303,000	-54.3%
General Fund	\$15,428,000	\$12,820,000	-16.9%
Federal	37,759,000	11,483,000	-69.6%
WFNJ Child Support Initiatives	\$6,896,000	\$17,046,000	147.2%
General Fund	\$2,362,000	\$0	-100%
Federal	4,534,000	17,046,000	276.0%
WFNJ Training Related Expenses	\$17,731,000	\$20,049,000	13.1%
General Fund	\$8,029,000	\$9,188,000	14.4%
Federal	9,702,000	10,861,000	12.0%
WFNJ Work Activities	\$60,596,000	\$86,552,000	42.8%
General Fund	\$41,498,000	\$41,695,000	0.5%
Federal	19,098,000	44,857,000	134.9%
WFNJ Community Housing for Teens	\$400,000	\$400,000	-
General Fund	\$400,000	\$400,000	-
Federal	0	0	-
WFNJ Child Care	\$151,663,000	\$201,777,000	33.0%
General Fund	\$74,380,000	\$74,380,000	-
Federal	77,283,000	127,397,000	64.8%
Second Year Medicaid Extension	\$10,000,000	\$11,076,000	10.8%
General Fund	\$10,000,000	\$11,076,000	10.8%
Substance Abuse Initiatives	\$250,000	\$18,750,000	n.a.
General Fund	\$0	\$18,750,000	n.a.
Federal	\$250,000	0	-100%
WFNJ Client Benefits	\$300,156,000	\$288,227,000	-4.0%
General Fund	\$62,964,000	\$44,366,000	-29.5%
Federal	237,192,000	243,861,000	2.8%
WFNJ Emergency Assistance	\$30,701,000	\$31,323,000	2.0%
General Fund	\$14,542,000	\$14,837,000	2.0%
Federal	16,159,000	16,486,000	2.0%
WFNJ Total	\$649,095,000	\$720,221,000	11.0%
General Fund	\$235,999,000	\$234,043,000	-0.8%
Federal	413,096,000	486,178,000	17.7%

The above chart does not include: (a) WFNJ related administrative expenditures incurred by the division; (b) county welfare agency expenditures related to WFNJ; and (c) other programs and expenditures that are used as to meet the State's Maintenance of Effort requirement under the federal Temporary Assistance for Needy Families Block Grant. Furthermore, how the department allocates federal funds among the various WFNJ programs is discretionary. Thus, the department could allocate federal funds to the Substance Abuse Initiatives; however, if the department would

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then have to reduce the amount of federal funds allocated to other WFNJ activities.

DFD's FY 1999 recommended General Fund appropriation is summarized below:

	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
TOTAL (\$000)	\$484,166	\$484,922	0.2%
Direct State Services:	<u>\$48,522</u>	<u>\$45,445</u>	<u>(6.3)%</u>
Administration	\$14,252	\$14,013	(1.7)%
Electronic Benefit...	62	1,711	2659.7%
Finger Imaging	314	1,794	471.3%
WFNJ Related Activities	33,894	17,709	(47.8)%
Child Support Consolidation	--	10,218	--
Grants-In-Aid:	<u>\$144,871</u>	<u>\$166,762</u>	<u>15.1%</u>
Work First NJ Related Projects	\$136,557	\$158,089	15.8 %
Other Grants	8,314	8,673	4.3 %
State Aid:	<u>\$290,773</u>	<u>\$272,715</u>	<u>(6.2)%</u>
General Assistance Programs	\$127,259	\$122,661	(3.6)%
WFNJ Client Benefits	62,964	44,366	(29.5)%
WFNJ Emergency Assistance	15,542	14,837	(4.5)%
SSI	59,246	58,823	(0.7)%
SSI Administration	10,363	12,043	16.2%
General Assistance... Cons.	3,812	9,863	158.7%
Food Stamps for Legal Aliens	9,525	6,683	(29.8)%
Misc.	2,062	3,439	66.8%

(The FY 1998 adjusted appropriation reflects changes that may be effectuated through a pending reallocation of funds within the division's accounts.)

Direct State Services. Recommended State appropriations decrease 6.3 percent, from \$48.5 million to \$45.4 million, largely do to reductions in WFNJ related activities:

	FY 1998	FY 1999
WFNJ Breaking the Cycle Pilots	\$1,000,000	\$0
WFNJ Developmental Fund	\$3,146,000	\$3,931,000
WFNJ Technology Investment	\$15,428,000	\$12,820,000
WFNJ Child Support Initiatives	\$2,362,000	\$0

The funding reductions are in activities that are informational (Breaking the Cycle Pilots) or multi-year in scope (Technology Investment and Child Support Initiatives). Elimination or reduction of funding will not affect the overall WFNJ program. Many of the above projects are supplemented with federal funds.

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Excluding WFNJ related programs, recommended appropriations for DFD's Administration, decrease by 1.8 percent, to \$14.0 million, as less funds are requested for Additions, Improvements and Equipment.

Recommended appropriations for Finger Imaging increase from about \$0.3 million to \$1.8 million and would enable the project to be extended Statewide and incorporate other public assistance programs. Finger Imaging is currently limited to the General Assistance program in and around the City of Newark.

Recommended appropriations for the Electronic Benefit Transfer/Distribution System increase from \$62,000 (excluding unexpended balances of over \$1.0 million) to \$1.7 million and would pay for operational costs of the program that provides Food Stamps, public assistance and the first \$50 of child support benefits electronically.

Funding for the Legal Alien Citizenship Assistance program of \$6.0 million is not continued in FY 1999, as this was a one-time program to provide aliens with legal assistance related to becoming U.S. citizens.

The budget recommends \$10.2 million (\$30.1 million including federal funds) for Child Support Consolidation. This appropriation is related to legislation that may be introduced to consolidate child support activities of the Administrative Office of the Courts within the department and to grant the department more administrative control of the child support activities of the county welfare agencies. The recommended appropriation assumes consolidation would occur on or about January 1999.

Grants-In-Aid. Recommended appropriations increase 15.1 percent, from \$144.9 million to approximately \$166.8 million. The increase is related to a recommended appropriation of \$18.8 million for Substance Abuse Initiatives. A Request for Proposal has recently been issued with respect to this initiative.

Recommended **General Fund** appropriations for most WFNJ activities to assist clients do not change significantly as noted below, though when Federal Funds are considered, most activities will see a significant increase in funding levels:

	FY 1998	FY 1999
WFNJ - Training Related Expenses	\$8,029,000	\$9,188,000
WFNJ - Work Activities	\$41,498,000	\$41,695,000
WFNJ - Community Housing for Teens	\$400	\$400
WFNJ - Child Care	\$74,380,000	\$74,380,000
WFNJ - Breaking the Cycle Pilots	\$2,250,000	\$2,600,000
Second Year Medicaid Extension	\$10,000,000	\$11,076,000

The FY 1999 recommended appropriations are expected to provide: training related expenses to over 27,200 recipients monthly; vocational training and education to about 6,800 teen parents monthly; 9,900 recipients monthly with community work experience projects; and nearly

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50,000 children with child care. Approximately 10,400 recipients monthly are expected to enter employment.

Proposed budget language increases the amount of funds allocated from the New Jersey Workforce Development Partnership Fund to supplement WFNJ funding from \$32.0 million to \$33.4 million.

Continuation funding is provided for: Social Services for the Homeless (\$7.8 million) and Mini Child Care Center Project Grants (\$316,000).

State Aid. Appropriations decrease 6.2 percent, from \$290.8 million to \$272.7 million, as follows:

General Assistance. Total recommended appropriations decrease 3.6 percent, from \$127.3 million to \$122.7 million. (The program will benefit indirectly from a proposed reduction in the dispensing fee high volume Medicaid/PAAD providers will receive.)

- **GA Emergency Assistance.** Recommended appropriations increase 2.7 percent, from \$37.5 million to \$38.5 million, due to an increase in the average monthly cost of emergency assistance provided. Approximately 6,200 persons monthly are expected to receive emergency assistance.
- **GA Client Assistance.** Recommended appropriations decrease 6.2 percent, from \$89.8 million to \$84.2 million, due to a 10.5 percent reduction in monthly caseloads, from about 27,100 to 24,300.

WFNJ Client Benefits. Total (State/federal) appropriations decrease 4.0 percent, from \$300.2 million to \$288.2 million. Recommended State appropriations decrease 29.5 percent, from \$63.0 to \$44.4 million. Caseloads are expected to decrease 6.8 percent, from 245,400 to 228,800.

WFNJ Emergency Assistance. Total (State/federal) appropriations increase 2.0 percent, from \$30.7 million to \$31.3 million. Recommended State appropriations decrease 4.5 percent, from \$15.5 million to \$14.8 million. Caseloads are largely unchanged at about 10,000 persons monthly.

SSI. Recommended appropriations are reduced slightly to about \$58.8 million. The average monthly caseload is expected to decrease from about 139,300 to 138,400.

SSI Administration. Appropriations increase 16.2 percent, to \$12.0 million, as the administrative fee charged by the federal government will increase from \$6.20 to \$7.60 per case per month. This function was to have been privatized during FY 1997, but to date, no Request for Proposal has been issued.

General Assistance County Administration. The FY 1999 budget recommends \$9.9 million for county administrative costs related to the January 1998 assumption of the GA program from certain municipalities. As of January 1998, approximately 43 percent of the caseload was to be transferred to the counties including the caseloads of Camden, Elizabeth, Jersey City, Passaic and Paterson. However, the municipality with the largest caseload, Newark, and the caseloads of certain other large municipalities (Atlantic City, East Orange and Trenton) continue to be administered by the respective municipalities.

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Food Stamps for Legal Aliens. This new State program was initiated during September 1997 to provide Food Stamps benefits (at State expense) to legal aliens who were disqualified from participation in the federal Food Stamps program. The FY 1999 budget recommends \$6.7 million to provide Food Stamps to eligible legal aliens. As legal aliens become citizens and qualify for the federal Food Stamps program, expenditures are expected to decrease.

Federal Funds. Approximately \$768.4 million is anticipated, a 13.3 percent increase from FY 1998, based on current federal law. Potential increases or decreases in federal funds resulting from the proposed federal budget in the areas of the Social Services Block Grant and child care are not factored into the recommendation.

Other Funds. A 69.7 percent increase from \$8.4 million, to \$14.3 million, is expected. Approximately \$8.4 million is related to the Income Maintenance Information System Revolving Fund. The remaining \$5.9 million is for Child Support Initiatives (to be defined). Funding for these child support projects would come from federal child support incentive payments which the department proposes to retain as part of the proposed child support consolidation.

DIVISION OF YOUTH AND FAMILY SERVICES (DYFS)

(The division's budget does not reflect programmatic and fiscal changes recommended by the Governor's Blue Ribbon Panel on Child Protection Services as the panel's report was released subsequent to the budget.)

DYFS is responsible for investigating all reports of child abuse and neglect; providing services to abused, neglected and delinquent children and their families; supervising the provision of social services by county welfare agencies; and approving and monitoring county Youth Services Plans. DYFS has regulatory responsibilities for licensing and monitoring child care centers, family day care providers, residential programs, foster care and other programs. The division operates 36 district offices, four regional adoption centers and various residential facilities.

DYFS' FY 1999 recommended budget is summarized below:

	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
TOTAL (\$000)	\$264,644	\$271,878	2.7%
Direct State Services	\$79,708	\$78,157	(1.9)%
Grants-In-Aid:	<u>\$181,239</u>	<u>\$189,987</u>	<u>4.8%</u>
Group Homes	\$9,221	\$12,491	35.5%
Foster Care	20,092	20,092	--
Subsidized Adoption	29,992	27,091	(9.7)%
Residential Placements	34,343	35,685	3.9%
Other Grants	87,591	94,628	8.0%
Casino Revenue Fund	\$3,697	\$3,734	1.0%

Direct State Services. General Fund appropriations decrease 1.9 percent, from \$79.7 million to \$78.2 million, primarily in the Special Purpose account Child Protection Initiative. The

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reduction is in one time equipment expenditures related to the hiring of about 360 caseworkers and support personnel.

Caseworker staffing levels have in general increased since the division was permitted to hire additional caseworkers: Between January 1997 and February 1998, case-carrying personnel has increased by nearly 170 positions, from 1,086 to 1,256. As of February 1998 staffing levels at the various district offices and adoption resource centers were at the following percentages of the Child Welfare League of America standard:

Central Region District Offices - 79.4%
Metro Region District Offices - 75.7%
Northern Region District Offices - 82.7%
Southern Region District Offices - 77.9%
Adoption Resource Centers - 62.6%

The division's active caseload of 48,500 children/25,500 families is unchanged from FY 1998 levels.

Grants-In-Aid. Appropriations increase 4.8 percent, to approximately \$190.0 million. Essentially, continuation funding is provided to most programs based on estimates as to the number of children expected to receive various services such as foster care (approximately 6,700 monthly), adoption subsidies (approximately 5,900 monthly), group home and other residential placements (over 1,100 monthly). The recommended budget includes new funds for the following:

- \$2.7 million for the balance of a 2 percent cost of living adjustment, effective July 1998, and \$2.8 million 40,000 for a 1.6 percent cost of living adjustment, effective January 1999.
- Family Friendly Centers - \$2.5 million. This pilot program would facilitate greater utilization of school buildings for after-school youth activities and various adult education programs.

New or increased funding provided by the Legislature in FY 1998 for the following agencies or programs is eliminated:

- Morris/Sussex/Sexual Abuse Victims Program (\$1,450,000).
- Amanda Easel Project (\$50,000).
- Counseling for Families of Young Crime Victims - Pilot Program (\$75,000).
- Freedom House, Glen Gardner (\$100,000).

Casino Revenue Fund. The recommended appropriation of \$3.7 million is virtually unchanged from FY 1998 levels and is used for the Personal Attendant Program.

Federal Funds. Approximately \$162.5 million is anticipated, a 0.5 percent increase from FY 1998 levels. The increase is in the area of Medicaid reimbursement where the accreditation of additional residential programs is expected to generate about \$500,000 in additional revenues.

Other Funds. Approximately \$5.2 million is recommended, an 8.1 percent increase from

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FY 1998 levels. These funds consist of education funds, restricted grants and various recoveries.

DIVISION OF THE DEAF AND HARD OF HEARING (DDHH)

The division advocates on behalf of the deaf with public and private organizations and conducts training programs for such groups. DDHH distributes information on telecommunication devices, decoders and other auxiliary aids for the deaf and hearing impaired; provides public information and publishes the Monthly Communicator newsletter; and acts as the certifying agency for the 25 percent rate reduction for phone customers who use a telecommunication device for the deaf and for the half-fare transportation card for the disabled.

DDHH's recommended appropriation of \$430,000 is unchanged from the adjusted FY 1998 levels.

DIVISION OF MANAGEMENT AND BUDGET (DMB)

DMB implements legislation, formulates policy and coordinates program planning activities among the seven other operating divisions. The division provides various centralized services to the divisions such as financial management, auditing, purchasing and security services; prepares cost reports for the State developmental centers and psychiatric hospitals; and develops per diem rates for these facilities, subject to the approval of the State House Commission. The Catastrophic Illness in Children Relief Fund is included in the division for organizational purposes.

The division's FY 1999 recommended budget is summarized below:

	Adjusted Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
TOTAL (\$000)	\$40,464	\$25,116	(37.9)%
Direct State Services	\$27,645	\$11,447	(58.6)%
Grants-In-Aid	\$4,090	\$3,602	(11.9) %
Capital Construction	\$8,729	\$10,067	15.3%

Direct State Services. The recommended appropriation of \$11.4 million represents a 58.6 percent decrease from FY 1998 levels as no additional funds are required to reimburse counties pursuant to the Essex I and II Settlement. In addition, one time funds of approximately \$1.5 million to reimburse a vendor that has been contracted with to maximize federal reimbursement is not continued. Excluding Essex I and II Settlement and vendor reimbursement funds, appropriations increase by 19.4 percent as new funds are requested for the following activities:

- Contract Reform - \$1.0 million. However, the manner in which these funds is to be used is not known at this time. The monies may be used to hire a consultant to review the department's contracting activities as questions have been raised regarding the department's contracting policies and procedures.
- State Office of Disability Services - \$450,000. This would provide funding to implement the Governor's October 1997 directive that the department establish such an office.

Program Description and Overview

(Legislation has been introduced to establish this office by law.)

- Institutional Staff Background Checks - \$407,000. Most of these monies would be used to reimburse the State Police for the cost of more frequent criminal history record background checks on institutional employees.

Grants-In-Aid. Recommended funding would decrease 11.9 percent, from \$4.1 million to \$3.6 million as a legislative funding initiative, Childhood Lead Poisoning - Prevention (\$500,000) is not continued.

Continuation funding is provided for the Office for Prevention of Mental Retardation and Developmental Disabilities (\$648,000) and the New Jersey Youth Corps (\$3.0 million) of which the New Jersey WorkForce Development Partnership Fund would provide about \$1.9 million in funds. (The New Jersey Youth Corps is in the process of being transferred to the Department of Human Services.)

Capital Construction. The budget recommends \$10.1 million for various department-wide capital projects such as: Fire Safety Code Compliance (\$6.1 million), Preservation Improvements, Institutions and Community Facilities (\$100,000), Roof Repair/Replacements, Various Facilities (\$3.6 million) and HVAC Improvements (\$300,000).

Federal Funds. Approximately \$29.8 million is recommended, virtually unchanged from FY 1998 levels. Most federal funds represent reimbursement for fringe benefits and indirect costs chargeable to federal programs. **(In past fiscal years, a portion of these federal funds was used to cover the department's salary deficits instead of reimbursing the General Fund.)**

Other Funds. Approximately \$8.5 million is recommended, unchanged from FY 1998 levels. These funds include the administrative costs of the Catastrophic Illness in Children Relief Fund (\$7.2 million), the Capkold Food Production System (\$1.3 million) and various education programs.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

DEPARTMENT OF HUMAN SERVICES (TOTAL)

	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change	
				1997-99	1998-99
<u>General Fund</u>					
Direct State Services	\$585,164	\$653,140	\$562,808	-3.8%	-13.8%
Grants - In - Aid	1,991,456	1,930,254	2,044,025	2.6%	5.9%
State Aid	417,363	366,773	351,515	-15.8%	-4.2%
Capital Construction	4,424	11,084	11,399	157.7%	2.8%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$2,998,407	\$2,961,251	\$2,969,747	-1.0%	0.3%
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
<u>Casino Revenue Fund</u>	\$55,888	\$28,184	\$28,221	-49.5%	0.1%
<u>Casino Control Fund</u>	\$0	\$0	\$0	0.0%	0.0%
State Total	\$3,054,295	\$2,989,435	\$2,997,968	-1.8%	0.3%
<u>Federal Funds</u>	\$2,457,915	\$2,617,969	\$2,791,008	13.6%	6.6%
<u>Other Funds (a)</u>	\$408,629	\$497,335	\$554,170	35.6%	11.4%
Grand Total	\$5,920,839	\$6,104,739	\$6,343,146	7.1%	3.9%

(a) Includes Revolving Funds

The FY 1997 expended figures include certain Juvenile Services expenditures/credits in federal and other funds.

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change	
				1997-99	1998-99
State	12,430	12,629	11,582	-6.8%	-8.3%
Federal	4,782	4,806	4,896	2.4%	1.9%
All Other (b)	537	526	520	-3.2%	-1.1%
Total Positions	17,749	17,961	16,998	-4.2%	-5.4%

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

(b) Does not include Revolving Fund positions

AFFIRMATIVE ACTION DATA

Total Minority Percent	52.8%	52.8%	52.8%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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DIVISION OF MENTAL HEALTH SERVICES

Community Services	\$3,890	\$4,386	\$496	12.8%	D-146
Management and Administrative Services	\$3,865	\$4,715	\$850	22.0%	D-146

Recommended appropriations are expected to increase 12.8 percent in the Community Services program, primarily in the Salaries and Wages account, and 22.0 percent in the Management and Administrative Services program, primarily in the Additions, Improvements and Equipment account. The monies are to be used to conduct unannounced inspections at the psychiatric hospitals and to purchase surveillance equipment.

Greystone Park Psychiatric Hospital	\$49,711	\$45,021	(\$4,690)	(9.4)%	D-148
Trenton Psychiatric Hospital	\$38,647	\$41,617	\$2,970	7.7%	D-149
Ancora Psychiatric Hospital	\$44,655	\$51,089	\$6,434	14.4%	D-154
Senator Garrett W. Hagedorn Gero- Psychiatric Hospital	\$10,558	\$21,013	\$10,455	99.0%	D-156
Marlboro Psychiatric Hospital	\$58,711	\$0	(\$58,711)	(100.0)%	D-152

Increases or decreases in the recommended appropriations reflect the realignment of service delivery areas necessary to facilitate the closing of Marlboro Psychiatric Hospital. Marlboro's appropriations are reallocated among the remaining hospitals and community programs, as appropriate.

(It is noted that support services are to be privatized on a pilot basis at Greystone. As monies had previously been taken out of the department's budget in anticipation of privatization of support services, no additional monies are taken from Greystone in anticipation of future savings.)

The Forensic Psychiatric Hospital	\$12,844	\$13,864	\$1,020	7.9%	D-151
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Salaries and Wages appropriations in the Patient Care and Health Services program increase as more sexual offenders are being committed pursuant to the civil commitment laws.

Arthur Brisbane Child Treatment Center	\$8,989	\$8,607	(\$382)	(4.3)%	D-154
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Salaries and Wages appropriations in the Patient Care and Health Services program are being reduced because of anticipated reductions in overtime and special services costs.

Collier Group Home, Marlboro Twp.	\$50	\$0	(\$50)	(100.0)%	E-17
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The above program was funded by the Legislature and is not continued.

Community Care	\$142,919	\$180,464	\$37,545	26.3%	E-17
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The recommended appropriation supports various community mental health services along with community mental health programs initiated to facilitate the closing of Marlboro such as the Programs in Assertive Community Treatment (approx. \$14.2 million), and over 300 community placements (approx. \$14.9 million), etc.

Support of Patients in County Psychiatric Hospitals	\$76,000	\$78,800	\$2,800	3.7%	F-12
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The recommended appropriation would reimburse the six county psychiatric hospitals for an estimated average daily population of 715 clients. The budget assumes \$1.0 million in savings by discontinuing reimbursement for outpatient services provided by Bergen Pines. Outpatient services would be provided by other community mental health providers in the county.

Capital Construction	\$1,650	\$1,332	(\$318)	(19.3)%	G-8 to G-9
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Funds are recommended for projects at Greystone to upgrade security systems (\$750,000) and renovate residential cottages (\$400,000) and Brisbane to replace a boiler (\$182,000).

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

Eligibility Determination	\$5,600	\$6,600	\$1,000	17.9%	D-160
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Additional funds are recommended for the 21 county welfare agencies that conduct this service.

Payments for Medical Assistance Recipients:

Personal Care	\$76,433	\$88,757	\$12,324	16.1%	E-18
Managed Care Initiative	\$350,288	\$307,582	(\$42,706)	(12.2)%	E-18
Waiver Initiatives	\$13,488	\$16,641	\$3,153	23.4%	E-18
Inpatient Hospital	\$232,696	\$212,084	(\$20,612)	(8.9)%	E-18
Prescription Drugs	\$174,780	\$190,584	\$15,804	9.0%	E-18
Outpatient Hospital	\$137,539	\$187,520	\$49,981	36.3%	E-18
Physician	\$43,025	\$25,458	(\$17,567)	(40.8)%	E-18
Dental	\$12,634	\$9,656	(\$2,978)	(23.6)%	E-18
Medical Supplies	\$13,046	\$16,653	\$3,607	27.6%	E-18
Clinic	\$47,518	\$63,993	\$16,475	34.7%	E-18
Medicare Premiums	\$57,587	\$60,924	\$3,337	5.8%	E-18
Psychiatric Hospital	\$11,272	\$9,701	(\$1,571)	(13.9)%	E-18
Transportation	\$38,357	\$32,833	(\$5,524)	(14.4)%	E-18
Other Services	\$18,752	\$12,039	(\$6,713)	(35.8)%	E-18

Estimated FY 1999 expenditures to provide the above services to Medicaid eligible clients. It is noted that in many instances the FY 1998 adjusted appropriation may not reflect revised expenditures, which magnifies any dollar and percentage increase or reduction. For example, even though the FY 1998 adjusted appropriation for Managed Care Initiatives is \$350.3 million, revised expenditures are estimated at about \$315.5 million. Similarly, the FY 1998 adjusted appropriation for Outpatient Hospital is \$137.5 million, though revised expenditures are estimated at about \$177.7 million.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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The recommended appropriations incorporate \$64 million in cost avoidance and savings initiatives including:

- Limiting Medicaid payments of Medicare Part B premiums and deductibles to Medicaid rates.
- Partially reducing funding for Graduate Medical Education.
- Prohibiting the enrollment of new aliens.
- Conducting independent assessment of personal care services.
- Modifying the outpatient and home health reimbursement methodologies.
- Securing Medicaid eligibility for the spouse of a SSI recipient.
- Reducing the dispensing fee to high volume pharmacies from \$3.73 - \$4.07 per prescription to \$3.00 for generic drugs and \$2.75 for brand name drugs.
- Reimbursing on the basis of lower Medicaid rates for persons who Medicare/Medicaid eligible.

Whether the above initiatives (and others not cited) achieve the cost avoidance and savings objectives cannot be readily determined.

Unit Dose Contract Services	\$6,240	\$3,490	(\$2,750)	(44.1)%	E-17
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The reduction assumes the provision of unit dose medications to patients at State institutions in a seven day blister pack. This would reduce transportation costs related to the delivery of medications.

DIVISION OF DEVELOPMENTAL DISABILITIES

Green Brook Bond Payments	\$393	\$313	(\$80)	(20.4)%	D-167
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The reduction in the account is based on scheduled interest and principal payments.

New Lisbon Developmental Center	\$22,105	\$23,315	\$1,210	5.5%	D-173
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The increase is due to the opening of a new medium security unit to serve about 40 clients to be transferred from a similar unit at North Princeton Developmental Center.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
North Princeton Developmental Center	\$32,411	\$0	(\$32,411)	(100.0)%	D-178

The facility will close by the end of FY 1998. Appropriations have been reallocated to community programs and other developmental centers, as appropriate.

Institutional Closure Initiative	\$1,100	\$0	(\$1,100)	(100.0)%	E-21
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No funds are requested as North Princeton Developmental Center is scheduled to close during the last quarter of FY 1998.

Dental Program for Non-Institutionalized Developmentally Disabled and Handicapped Children	\$814	\$714	(\$100)	(12.3)%	E-21
The Training School at Vineland	\$300	\$0	(\$300)	(100.0)%	E-21
The ARC of Union County	\$100	\$0	(\$100)	(100.0)%	E-21
Community Options, Inc.	\$200	\$0	(\$200)	(100.0)%	E-21

The Legislature provided new or additional funds to the above programs or agencies. The new or additional funding is not continued.

Group Homes (Total)	\$164,601	\$182,025	\$17,424	10.6%	E-21
General Fund	\$68,712	\$87,780	\$19,068	27.8%	
Federal	\$83,564	\$81,920	(\$1,644)	(2.0)%	
Casino Revenue Fund	\$12,325	\$12,325	\$0	0.0%	I-18

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 1998</u>	<u>Recom. FY 1999</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Purchase of Adult Activity Services (Total)	\$83,525	\$86,131	\$2,606	3.1%	E-21
General Fund	\$20,825	\$23,431	\$2,606	12.5%	
Federal	\$55,326	\$55,326	\$0	0.0%	
Casino Revenue Fund	\$7,374	\$7,374	\$0	0.0%	I-18

Estimated costs of providing Group Homes and Adult Activities services are based on current estimates of the number of clients to receive the various services and their estimated cost.

Under the recommended budget, the number of Group Home clients will increase by over 400, to over 4,600; and the number of clients in Adult Activity Services will increase by about 400, to over 7,100.

Community Services Waiting List Reduction Initiative - FY 1997	\$13,900	\$18,800	\$4,900	35.3%	E-21
General Fund	\$0	\$2,200	\$2,200	—	
Federal	\$13,900	\$16,600	\$2,700	19.4%	

Community Services Waiting List Reduction Initiative - FY 1998	\$3,500	\$19,000	\$15,500	442.9%	E-21
General Fund	\$3,500	\$12,500	\$9,000	257.1%	
Federal	\$0	\$7,500	\$7,500	—	

Community Services Waiting List Reduction Initiative - FY 1999 - Federal Funds	\$0	\$18,750	\$18,750	—	E-21
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The FY 1997 initiative is to provide 300 community placements and 240 day program slots at an annualized cost originally estimated at \$16.0 million.

The FY 1998 initiative is to provide 700 community placements, 335 day program slots and an additional \$2 million for family support services at an annualized cost originally estimated at

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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\$35.5 million (gross).

The FY 1999 initiative will provide 500 community placements, 400 day program slots and an additional \$2.5 million for family support services at an annualized cost of \$32.5 million.

Social Services (Total)	\$3,130	\$3,797	\$667	21.3%	E-21
General Fund	\$1,359	\$2,070	\$711	52.3%	
Federal	\$1,771	\$1,720	(\$51)	(2.9)%	

The funding levels are the estimated cost of providing the various social services such as respite care and contracted case management based on estimates of the number of clients to receive the various services and their cost.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

Commission for the Blind and Visually Impaired	\$6,914	\$7,112	\$198	2.9%	D-181
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Funding for a Special Purpose appropriation, Technology for the Visually Impaired, would increase from \$500,000 to \$848,000. These additional funds are to be used to train and provide computer equipment to the commission's clients and enable them to access the Internet for employment and educational opportunities.

Technology for the Blind & Visually Impaired - Talking Machine & Large Print Equipment	\$400	\$0	(\$400)	(100.0)%	E-23
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The Legislature provided funds to purchase the equipment. The equipment is in the process of being acquired. Additional funding is not requested.

Camp Marcella	\$300	\$50	(\$250)	(83.3)%	E-23
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The Legislature provided the additional funds for various capital improvements to Camp Marcella. These capital improvements are being undertaken. In FY 1999, \$50,000 is requested for costs associated with these projects.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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DIVISION OF FAMILY DEVELOPMENT

(The FY 1998 adjusted appropriation reflects changes that may be effectuated through a pending reallocation of funds within the division's accounts.)

Finger Imaging (Total)	\$314	\$3,274	\$2,960	942.7%	D-185
General Fund	\$314	\$1,794	\$1,480	471.3%	
Federal	\$0	\$1,480	\$1,480	—	

The Finger Imaging program is currently limited to the General Assistance program involving municipalities in and around Newark.

As part of the overall Work First New Jersey technology initiative, Finger Imaging is to be extended Statewide and include the TANF program administered by the county welfare agencies. The recommended appropriation would provide additional funds to reimburse a vendor for costs associated with the program. At this time, it is not known whether the existing contract would be extended or whether the entire project would be re-bid.

Electronic Benefits Transfer/Distribution System (Total)	\$2,789	\$8,205	\$5,416	194.2%	D-185
General Fund	\$62	\$1,711	\$1,649	2659.7%	
Federal	\$2,727	\$6,494	\$3,767	138.1%	

The budget recommends an increase of \$5.4 million in General Funds and Federal Funds for operational costs associated with the Electronic Benefit Transfer/Distribution System. The system will enable clients to receive various public assistance benefits, Food Stamp benefits and certain child support benefits electronically.

Legal Alien Citizenship Assistance	\$6,000	\$0	(\$6,000)	(100.0)%	D-185
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One time funding was provided in FY 1998 to assist legal aliens to become citizens. A contract was awarded to the New Jersey Immigration Policy Network (Newark) to provide the service.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Work First New Jersey - Breaking the Cycle Pilots	\$1,000	\$0	(\$1,000)	(100.0)%	

One time funding in was provided in FY 1998 for pilot projects termed, Breaking the Cycle. Other monies have been included in the Grants-In-Aid account. These monies fund a contract with Foundation Health to provide education and information to Work First New Jersey participants.

Work First New Jersey - Child Support Initiatives (Total)	\$6,896	\$17,046	\$10,150	147.2%	D-185
General Fund	\$2,362	\$0	(\$2,362)	(100.0)%	
Federal	\$4,534	\$17,046	\$12,512	276.0%	

Proposed projects are in various stages of development. Projects may include: the New Hires monitoring system, centralization of collections, cross-checks with financial institutions and seizure of assets.

Work First New Jersey - Developmental Fund (Total)	\$8,665	\$9,418	\$753	8.7%	D-185
General Fund	\$3,146	\$3,931	\$785	25.0%	
Federal	\$5,519	\$5,487	(\$32)	(0.6)%	

The Developmental Fund is for projects and activities that are in various stages of development and that cannot be placed into any of the other Work First New Jersey categories. The \$9.4 million recommended in FY 1999 includes funds for 46 additional personnel that are to hired to implement the Work First New Jersey program.

Work First New Jersey - Technology Investment (Total)	\$53,187	\$24,303	(\$28,884)	(54.3)%	D-185
General Fund	\$15,428	\$12,820	(\$2,608)	(16.9)%	
Federal	\$37,759	\$11,483	(\$26,276)	(69.6)%	

This account funds various Technology Investments with respect to purchase and installation

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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of hardware and software. As this is a multi-year project, a funding reduction would have no overall impact on the projects that have been initiated.

Child Support Consolidation (Total)	\$0	\$30,053	\$30,053	—	D-185
General Fund	\$0	\$10,218	\$10,218	—	
Federal	\$0	\$19,835	\$19,835	—	

The Governor has proposed the consolidation of child support activities in a new office, subject to enactment of legislation (to be introduced). Child support activities currently handled by the Administrative Office of the Courts would be transferred to this new office. The new office would also have greater jurisdiction over the child support activities handled by the county welfare agencies.

The recommended appropriation involves the State's contracting with the various county welfare agencies for child support related activities, effective on or about January 1999.

Work First New Jersey - Training Related Expenses (Total)	\$17,731	\$20,049	\$2,318	13.1%	E-24
General Fund	\$8,029	\$9,188	\$1,159	14.4%	
Federal	\$9,702	\$10,861	\$1,159	11.9%	

Work First New Jersey - Work Activities (Total)	\$60,596	\$86,552	\$25,956	42.8%	E-24
General Fund	\$41,498	\$41,695	\$197	0.5%	
Federal	\$19,098	\$44,857	\$25,759	134.9%	

Recommended appropriations are based on providing about 27,200 persons monthly with Training Related Expenses and providing almost 33,300 persons monthly with various Work Activities.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Work First New Jersey - Breaking the Cycle Pilots (Total)	\$7,850	\$11,300	\$3,450	43.9%	E-24
General Fund	\$2,250	\$2,600	\$350	15.6%	
Federal	\$5,600	\$8,700	\$3,100	55.4%	

The estimated costs of various Breaking the Cycle Pilots to be awarded through competitive bid.

Second Year Medicaid Extension	\$10,000	\$11,076	\$1,076	10.8%	E-24
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The estimated cost of providing Medicaid benefits to TANF clients who obtain employment and are no longer eligible for regular Medicaid benefits.

Work First New Jersey - Child Care	\$151,663	\$201,777	\$50,114	33.0%	E-24
General Fund	\$74,380	\$74,380	\$0	0.0%	
Federal	\$77,283	\$127,397	\$50,114	64.8%	

This account consolidates Child Care funding from various different sources (Social Services Block Grant, Child Care Development Fund and Temporary Assistance to Needy Families) so that there is a unified system to provide child care to current and former recipients of public assistance and to the working poor.

Substance Abuse Initiatives (Total)	\$250	\$18,750	\$18,500	7400.0%	E-24
General Fund	\$0	\$18,750	\$18,750	—	
Federal	\$250	\$0	(\$250)	(100.0)%	

The department has just issued a Request for Proposals to develop Substance Abuse Initiatives. (As with all Work First New Jersey programs and activities, the allocation of federal TANF block grant funds is discretionary on the State's part. Federal funds could be allocated to this activity, though it would reduce the amount of federal funds allocated to other activities.)

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Project Self Sufficiency, Sparta	\$150	\$0	(\$150)	(100.0)%	E-24

The Legislature provided funds to the above program in the FY 1998 budget. Funding is not continued.

General Assistance (Total):	<u>\$127,259</u>	<u>\$122,661</u>	<u>(\$4,598)</u>	<u>(3.6)%</u>	
Emergency Assistance	\$37,491	\$38,492	\$1,001	2.7%	F-13
Payments to Municipalities...	\$89,768	\$84,169	(\$5,599)	(6.2)%	F-14

The recommended appropriation provides for the estimated cost of providing emergency assistance to approximately 6,200 persons monthly and to provide basic public assistance to 13,900 employable and 10,400 unemployable recipients monthly.

Total program costs are expected to decrease 3.6 percent due to a 10.5 percent reduction in monthly caseloads, from 27,100 to 24,300. However, emergency assistance expenditures are expected to increase by 2.7 percent, to \$38.5 million, due to an increase in the average amount of emergency assistance provided.

Work First New Jersey - Client Benefits (Total):	<u>\$300,156</u>	<u>\$288,227</u>	<u>(\$11,929)</u>	<u>(4.0)%</u>	F-13
General Fund	\$62,964	\$44,366	(\$18,598)	(29.5)%	
Federal	\$237,192	\$243,861	\$6,669	2.8%	

Work First New Jersey - Emergency Assistance (Total):	<u>\$30,701</u>	<u>\$31,323</u>	<u>\$622</u>	<u>2.0%</u>	F-14
General Fund	\$14,542	\$14,837	\$295	2.0%	
Federal	\$16,159	\$16,486	\$327	2.0%	

The recommended appropriations provides:

- Client Benefits to approximately 228,800 persons, a 6.8 percent reduction from revised FY 1998 enrollment levels of 245,400.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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- Emergency Assistance to about 10,000 persons monthly, approximately the same as in FY 1998.

**Payments for
Supplemental Security
Income**

	\$59,246	\$58,823	(\$423)	(0.7)%	F-14
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Estimated expenditures are expected to decrease by 0.7 percent due to a reduction in the number of recipients, from about 139,300 to 138,400.

**State Supplemental
Security Income
Administrative Fee to
SSA**

	\$10,363	\$12,043	\$1,680	16.2%	F-14
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The amount required to reimburse the federal Social Security Administration for administrative costs related to the SSI program is expected to increase 16.2 percent as the administrative fee charged will increase from \$6.20 to \$7.60 per case per month.

**General Assistance
County Administration**

	\$3,812	\$9,863	\$6,051	158.7%	F-14
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This account funds the estimated cost of reimbursing county welfare agencies for administrative costs associated with the administration of General Assistance for those municipalities which decided to transfer administration to the county. As of January 1998, approximately 43 percent of the General Assistance caseload was to be transferred to the counties. Among those municipalities that transferred their program to the county were: Camden, Elizabeth, Jersey City, Passaic and Paterson. Atlantic City, East Orange, Newark and Trenton will continue to administer their own programs.

**Food Stamps for Legal
Aliens**

	\$9,525	\$6,683	(\$2,842)	(29.8)%	F-14
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The estimated cost of providing Food Stamp benefits to legal aliens is expected to decrease \$2.8 million as legal aliens become U.S. citizens and obtain federally funded Food Stamp benefits. This program was initiated during September 1997 to provide Food Stamps to legal aliens who could not receive federally funded Food Stamp benefits.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
DIVISION OF YOUTH AND FAMILY SERVICES					
Division of Youth and Family Services (Total):	\$174,545	\$169,969	(\$4,576)	(2.6)%	D-189
General Fund	\$79,708	\$78,157	(\$1,551)	(1.9)%	
Federal	\$94,837	\$91,812	(\$3,025)	(3.2)%	

The reduction in General Funds is in the Special Purpose account, Child Protection Initiative, where one time equipment costs do not have to be funded.

As of February 1998, staffing percentages at the various district offices and the adoption resource centers were at 78.6 percent and 62.6 percent, respectively, of the Child Welfare League of America staffing standard.

Caseloads are expected to remain unchanged at 48,500 children and 25,500 families.

Group Homes Placements (Total)	\$15,176	\$18,446	\$3,270	21.5%	E-25
General Fund	\$9,221	\$12,491	\$3,270	35.5%	
Federal	\$5,955	\$5,955	\$0	0.0%	
Treatment Homes (Total)	\$10,212	\$12,151	\$1,939	19.0%	E-25
General Fund	\$2,626	\$4,565	\$1,939	73.8%	
Federal	\$7,586	\$7,586	\$0	0.0%	
Residential Placements (Total)	\$39,890	\$42,032	\$2,142	5.4%	
General Fund	\$34,343	\$35,685	\$1,342	3.9%	
Federal	\$5,547	\$6,347	\$800	14.4%	

The recommended appropriations are based on: 345 clients in Group Homes at an average annual cost of \$54,500; 380 clients in Treatment Homes at an average annual cost of \$32,600; and 670 clients in Residential Placements at an average annual cost of \$64,500.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Domestic Abuse Services, Inc. - Sussex	\$180	\$0	(\$180)	(100.0)%	E- 26
Amanda Easel	\$50	\$0	(\$50)	(100.0)%	E-26
Freedom House	\$100	\$0	(\$100)	(100.0)%	E-26
Counseling for Families of Young Crime Victims - Pilot Program	\$75	\$0	(\$75)	(100.0)%	E-26
Morris/Sussex/Sexual Abuse Victims' Program	\$1,765	\$315	(\$1,450)	(82.2)%	E-26

Funding for the above items was provided by the Legislature in FY 1998 and is not continued.

Family Friendly Centers	\$0	\$2,500	\$2,500	—	E-26
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This new appropriation would provide "greater use of existing schools for after-school youth activities and provide adult education programs such as parent training, adult literacy, and computer workshops" on a pilot basis. The schools or school districts selected would be through a Request for Proposal process.

DIVISION OF MANAGEMENT AND BUDGET

Services Other Than Personal	\$2,353	\$847	(\$1,506)	(34.2)%	D-192
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The 34.2 percent reduction in the FY 1999 recommended appropriation reflects a one-time cost of \$1.5 million used to reimburse a vendor that was hired to maximize federal revenues. Excluding the \$1.5 million, the recommended appropriation is virtually unchanged from FY 1998 levels.

Essex I and II Settlement	\$16,549	\$0	(\$16,549)	(100)%	D-192
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An appropriation to reimburse counties pursuant to the Essex I and II court decisions is no

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>_____</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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longer required as counties have been reimbursed in full.

Contract Reform	\$0	\$1,000	\$1,000	___	D-192
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As of this writing, no information is available regarding this recommended appropriation and how it is to be used. However, as questions have been raised as to what costs should or should not be reimbursed and the extent to which limits should be imposed on those costs that are reimbursed, these funds may be used to hire a consultant to review the department's overall contracting policies.

State Office on Disability Services	\$0	\$450	\$450	___	D-192
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The appropriation provides funding for a new office as requested by the Governor. (Legislation to establish an office is pending.) The appropriation would support eight employees.

Institutional Staff Background Checks	\$0	\$407	\$407	___	D-192
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The recommended appropriation is associated with conducting more frequent criminal history background checks of employees at State institutions. The funds would be used to reimburse the State Police.

Childhood Lead Poisoning -Prevention	\$500	\$0	(\$500)	(100.0)%	E-27
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Funding for the program that had been included by the Legislature in the FY 1998 appropriations act is not continued. These funds were awarded to various agencies for activities related to lead poisoning prevention activities.

Capital Construction	\$8,729	\$10,067	\$1,338	15.3%	G-10
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Funds are recommended for the following projects: Fire Safety Code Compliance Projects - \$6.1 million; Roof Repair/Replacement, Various Facilities - \$3.6 million; Preservation Improvements, Institutions and Community Facilities - \$0.1 million; and HVAC Improvements - \$0.3 million.

Language Provisions

DIVISION OF MENTAL HEALTH SERVICES

1998 Appropriations Handbook1999 Budget Recommendations

p. B-106; C-16.

Savings realized by the Marlboro closure initiative shall be transferred to other State operated mental health institutions, developmental centers and community programs in the Divisions of Mental Health Services and Developmental Disabilities, subject to the approval of the Director of the Division of Budget and Accounting of an itemized closure and client treatment plan for the achievement of such savings, as shall be submitted by the Commissioner of the Department of Human Services.

No comparable language provisions.

The unexpended balance as of June 30, 1997 in the Marlboro Closure Initiative account is appropriated.

Explanation

Language provisions are no longer required as the Marlboro Closure Initiative account has been completed. The account has been incorporated into other accounts as appropriate.

1998 Appropriations Handbook1999 Budget Recommendations

p. B-106.

An amount, not to exceed \$1,000,000 may be transferred from the Department of Human Services grant accounts to the Marlboro Psychiatric Hospital Salary and Wages account from savings generated by salary screens and rate based reimbursement systems, subject to the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

Language applicable to FY 1998 and is not recommended for continuation in FY 1999. As the department has not adopted salary screens and rate based reimbursement systems in its grant

Language Provisions

accounts, no savings were realized for transfer.



1998 Appropriations Handbook

1999 Budget Recommendations

p. C-16.

From the amount appropriated hereinabove for the Community Care grant account, \$1,000,000 shall be allocated to expand on-call and after-hours crisis coverage and to stabilize salary structures for adjustments to staff members compensation. This allocation shall be made on a pro-rata basis to all Community Care mental health contract providers.

No comparable language.

Explanation

The language is no longer required. The \$1.0 million appropriation added by the Legislature has been distributed in accordance with the language provisions.



DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

1998 Appropriations Handbook

1999 Budget Recommendations

No comparable language provision.

p. D-161.

The unexpended balances as of June 30, 1998, in the Fraud and Abuse Initiative accounts are appropriated.

Explanation

The proposed language would reappropriate the unexpended balances in accounts called Fraud and Abuse Initiative. As of this writing, approximately \$1.1 million is unexpended in these accounts.



Language Provisions

1998 Appropriations Handbook

p. B-111.

Sufficient funds from the Health Care Subsidy Fund are appropriated to the Division of Medical Assistance and Health Services for payment to disproportionate share hospitals for uncompensated care costs as defined in P.L. 1992, c.160 (c.26:2H-18.51 et al) and P.L. 1996, c.28.

1999 Budget Recommendations

p. D-161.

Similar language except that "and for subsidized children's health insurance in the NJ KidCare program" is added after "costs" and "P.L. 1997, c.263" is also referenced.

Explanation

The amended language would appropriate sufficient funds for both uncompensated care payments and the new NJ KidCare program.

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-20.

Such sums as may be necessary are appropriated from the General Fund for the payment of any provider assessments to Intermediate Care Facilities/Mental Retardation facilities, subject to the approval of the Director of the Division of Budget and Accounting of a plan as shall be submitted by the Commissioner of Human Services.

Explanation

The Governor's FY 1999 Developmental Disabilities Waiting List Initiative includes \$10 million in federal revenues to be realized through a provider assessment on federally certified beds at the State developmental centers. In order to generate the \$10 million in federal revenues, the State has to spend \$10 million in order to obtain federal Medicaid reimbursement. This language appropriates "such sums as may be necessary" from the General Fund to enable the State to generate the \$10 million in federal revenues. (Similar language is also included in the Division of Developmental Disabilities section of the budget.)

Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

p. C-18

The State Treasurer is authorized to sell part or all of the assets of the Garden State Health Plan on such terms and conditions as the State Treasurer, in consultation with the Commissioner of Human Services, determines to be in the best interest of the State. In addition, payment to a vendor for its assistance in the sale of the Garden State Health Plan shall be paid from the sale of the Garden State Health Plan revenue, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provisions.

A revolving fund for the operation of the Garden State Health Plan is continued until such time as a sale can be implemented, subject to the approval of the Director of the Division of Budget and Accounting. If continuation is necessary, funds shall be allocated from the Managed Care Initiative account and deposited into the fund. There are appropriated for transitional costs additional funds from Garden State Health Plan revolving fund balances or the General Fund, as determined necessary by the Director of the Division of Budget and Accounting. Also, subject to the approval of the Director of the Division of Budget and Accounting, there are appropriated within the Garden State Health Plan revolving fund sufficient payments for a management services contract if such a contract is entered into during the process of selling the Plan.

Explanation

The language provisions are no longer necessary as the Garden State Health Plan has been sold.



Language Provisions

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-20.

Premiums received from families enrolled in the NJ KidCare program are appropriated for NJ KidCare payments.

Explanation

The proposed language would appropriate monthly premiums that are collected for NJ KidCare costs. Depending on total family income, some families will be required to pay a \$15 monthly premium. For every 1,000 families enrolled in KidCare, approximately \$180,000 in premium revenues would be generated annually.

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-20.

Notwithstanding any law to the contrary, such sums are appropriated as necessary for the development and implementation of a Medicaid Disease State Management demonstration project, based on a plan approved in advance by the Director of the Division of Budget and Accounting.

Explanation

The division is developing a demonstration project to control medical costs for certain high cost diseases such as asthma. The proposed language would appropriate an unspecified sum of funds to develop and implement such a demonstration plan. There is no guarantee that the federal government will approve this demonstration plan when submitted for its review and approval. It is not known whether the State would implement such a program if federal approval is not obtained.

Language Provisions

1998 Appropriations Handbook

No comparable language provision.

1999 Budget Recommendations

p. E-20.

The amounts hereinabove appropriated for Payments for Medical Assistance Recipients are available for the payments of the residual claims from the Garden State Health Plan.

Explanation

Providers may submit claims up to one year after the date of service. Thus, it is possible that a provider that had participated in the Garden State Health Plan may submit claims on behalf of a beneficiary even though the Plan no longer exists. This language allows for the payment of such claims.



1998 Appropriations Handbook

No comparable language provision.

1999 Budget Recommendations

p. E-20.

Notwithstanding any law to the contrary, the Commissioner of Human Services shall have the authority to convert individuals enrolled in a State-funded program who are eligible for a federally matchable program, to the federally matchable program without the need for regulations.

Explanation

There are approximately 3,500 Medicaid beneficiaries (primarily the spouses of SSI recipients) whose Medicaid costs are paid with State funds and for whom no federal match is available. The division estimates that a closer review of the income and assets available to such individuals will enable 50 percent to qualify for federal Medicaid reimbursement and that about \$3.0 million in federal Medicaid reimbursement would be realized. This language would enable such persons to be transferred to existing Medicaid programs for which a federal match is available.



Language Provisions

1998 Appropriations Handbook

p. C-19.

Notwithstanding any law to the contrary and subject to the notice provisions of 42 C.F.R. §447.205, Personal Care Assistant services shall be limited to no more than 25 hours per week. Additional hours, up to 40 per week, shall be authorized by the Division of Medical Assistance and Health Services prior to the provision of services not provided by clinics under the contract with the Division of Mental Health Services. The hourly weekend rate shall be \$16. Additional savings shall be achieved by an increase in the frequency of the assessments performed to determine the need, scope and duration of Personal Care Assistant services.

1999 Budget Recommendations

p. E-20.

Similar language except that the last sentence is being eliminated.

Explanation

The last sentence is being eliminated as the division intends to establish an "independent assessment" system in Essex and Hudson counties during the last quarter of FY 1998 that is expected to produce net savings of \$5.2 million.



Language Provisions

1998 Appropriations Handbook

p. C-19.

Notwithstanding the provisions of any law or regulation to the contrary, effective July 1, 1997 or at the earliest date thereafter consistent with the notice provisions of 42 C.F.R. §447.205 where applicable, no funds appropriated in the Payments for Medical Assistance Recipients -- Prescription Drugs account shall be expended except under the following conditions: (a) reimbursement for prescription drugs shall be based on the Average Wholesale Price less a 10% volume discount, (b) prescription quantities of legend and non-legend drugs dispensed by a retail pharmacy shall be limited to a 34-day or 100 unit dose supply, whichever is greater, and (c) the current prescription drug dispensing fee structure set as a variable rate of \$3.73 to \$4.07 in effect on June 30, 1997 shall remain in effect through fiscal year 1998, including the current increments for patient consultation, impact allowances, and allowances for 24 hour emergency services.

1999 Budget Recommendations

p. E-20.

Similar language except in (a) "prescription drugs" is changed to "legend and non-legend drugs".

Explanation

Medicaid covers both "legend" (prescription) and certain "non-legend" (non-prescription) drugs. The FY 1998 language was limited to prescription drugs. The proposed language references both types of drugs. As a practical matter, the proposed language has no fiscal impact, as non-legend drugs were reimbursed in the same manner as legend drugs.



Language Provisions

DIVISION OF DEVELOPMENTAL DISABILITIES

1998 Appropriations Handbook

p. B-122.

In addition to the amounts appropriated hereinabove, upon the completion of an independent audit of Cogeneration costs and upon the approval of the Director of the Division of Budget and Accounting and the Joint Budget Oversight Committee, there is appropriated \$737,000 for increased utility costs.

1999 Budget Recommendations

p. D-177.

Similar language except that the amount is "\$885,000".

Explanation

The \$885,000 is the current estimate for increased utility costs associated with the cogeneration facility. It is noted that in FY 1997, the Joint Budget Oversight Committee did not approve \$613,000 for similar costs. However, pursuant to the Director of the Division of Budget and Accounting's authority to "transfer sums sufficient to pay any obligation due and owing in any other department or agency," funds were reallocated to meet the department's fiscal obligation.

1998 Appropriations Handbook

p. B-124.

The State appropriation is based on ICF/MR revenues of \$190,508,000, provided that if the ICF/MR revenues exceed \$190,508,000, there will be placed in reserve a portion of the State appropriation equal to the excess amount of ICF/MR revenues, subject to the approval of the Director of the Division of Budget and Accounting.

1999 Budget Recommendations

p. D-179.

Similar language except that the amount is "\$171,016,000".

Explanation

The \$171.0 million is the current estimate of federal ICF-MR revenues. The decrease in revenues is due to the closing of the North Princeton Developmental Center.

Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

p. B-124.

Operating savings realized by the North Princeton Developmental Center closure initiative shall be transferred to community programs in the Division of Developmental Disabilities, subject to the approval of the Director of the Division of Budget and Accounting of an itemized closure and client placement plan for the achievement of such savings, as shall be submitted by the Commissioner of Human Services.

No comparable language provision.

Explanation

The language provision is no longer required as the North Princeton Developmental Center is expected to close during the 4th quarter of FY 1998 and funds have been incorporated into the appropriate operating accounts.



1998 Appropriations Handbook

1999 Budget Recommendations

p. C-21.

Notwithstanding N.J.S.A. 30:1-1 et seq. or any other law or regulation to the contrary, the Director of the Division of Developmental Disabilities is authorized to waive statutory, regulatory or licensing requirements for the placement of individuals funded by a self determination pilot program included in the Community Services Waiting List Reduction Initiatives - FY 1997 account, subject to the approval of a plan by the Director of the Division of Developmental Disabilities which will allow an individual to be removed from the waiting list.

No comparable language.

Explanation

The language applied to the Community Services Waiting List Reduction Initiatives - FY 1997 and is no longer necessary as this aspect of the Initiative has been largely completed.



Language Provisions

1998 Appropriations Handbook

p. C-20.

A portion of the total amount appropriated in the Community Services Waiting List Reduction Initiative - FY 1998 is available for the operational costs of developing community placements, subject to the approval of the Director of the Division of Budget and Accounting of a plan as shall be submitted by the Commissioner of Human Services.

1999 Budget Recommendations

p. E-22.

Similar language except that the FY 1999 Initiative is referenced.

Explanation

The proposed language allows a portion of the recommended \$18.8 million (federal) appropriation to be used for the FY 1999 Initiative's operational costs. At this time, none of the \$18.8 million is to be used for operational costs of the FY 1999 Initiative.



1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-22.

The total amount appropriated in the Community Services Waiting List Reduction Initiatives - FY 1997, FY 1998 and FY 1999 are available for transfer to community and community support programs, subject to the Director of the Division of Budget and Accounting.

Explanation

The proposed language would permit the transfer of monies from the various Initiative accounts to other appropriate accounts as necessary.



Language Provisions

1998 Appropriations Handbook

p. C-21; G-16.

Skill development homes recoveries during the fiscal year ending June 30, 1998, not to exceed \$12,000,000, are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Group Home recoveries during the fiscal year ending June 30, 1998, not to exceed \$3,500,000, are appropriated for continued operations of Group Homes, and Group Home recoveries not to exceed \$7,000,000, are appropriated for a Community Services Waiting List Reduction Initiative, subject to the approval of the Director of the Division of Budget and Accounting.

1999 Budget Recommendations

pp. E-22; I-18.

Similar language provisions except that the amount of skill development home recoveries is increased from \$12,000,000 to \$12,500,000 and the amount of Group Home recoveries has been increased from "\$7,000,000" to "\$10,000,000".

Explanation

The proposed change reflects the amount of skill development homes and group home recoveries expected to be realized in FY 1999.



1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-23.

Such sums as may be necessary are appropriated from the General Fund for the payment of any provider assessments to Intermediate Care Facilities/Mental Retardation facilities, subject to the approval of the Director of the Division of Budget and Accounting of a plan as shall be submitted by the Commissioner of Human Services.

Explanation

The Governor's FY 1999 Developmental Disabilities Waiting List Initiative includes \$10 million in federal revenues to be realized through a provider assessment on federally certified beds at the State developmental centers. In order to generate the \$10 million in federal revenues, the State has to show to the federal government that it spend \$10 million in order to obtain federal Medicaid reimbursement. This language appropriates "such sums as may be necessary" from the General Fund to enable the State to generate the \$10 million in federal revenues. (Similar language is also

Language Provisions

included in the Division of Medical Assistance and Health Services section of the budget.)

1998 Appropriations Handbook

1999 Budget Recommendations

p. C-21.

The unexpended balances as of June 30, 1997, in the Institutional Closure Initiative account is appropriated for the same purpose. No comparable language provision.

Explanation

Language is no longer required due to the expected closing of North Princeton Developmental Center. The Institutional Closure Initiative account has been incorporated within other accounts as appropriate.

DIVISION OF FAMILY DEVELOPMENT

1998 Appropriations Handbook

1999 Budget Recommendations

p. B-127.

The unexpended balances as of June 30, 1997 in the Electronic Benefit Transfer/Distribution System Account is appropriated. No comparable language provision.

Explanation

Language is no longer necessary as no unexpended balances are anticipated. The program is in the process of becoming operational on a Statewide basis.

1998 Appropriations Handbook

1999 Budget Recommendations

p. B-127.

The unexpended balances as of June 30, 1997 in the above accounts are appropriated for Work First New Jersey, subject to the approval of the Director of the Division of Budget and Accounting. No comparable language provision.

Language Provisions

Explanation

Language is no longer necessary as the establishment of the various Work First New Jersey accounts occurred late in FY 1997. As most of the funds in the accounts would not be expended in FY 1997, the FY 1998 language was included to allow unexpended balances to be reappropriated.

1998 Appropriations Handbook

1999 Budget Recommendations

p. B-127.

The unexpended balance as of June 30, 1998 in the Legal Alien Citizenship Assistance account is appropriated. No comparable language provision.

Explanation

Language is no longer necessary as this account was established in late FY 1997. As funds were not expected to be expended in FY 1997, the FY 1997 language was included to allow unexpended balances to be reappropriated.

1998 Appropriations Handbook

1999 Budget Recommendations

p. C-23.

p. E-24.

Notwithstanding any law to the contrary, of the amount hereinabove for Work First New Jersey - Training Related Expenses and Work First New Jersey - Work Activities, \$24,000,000 is appropriated from the New Jersey Workforce Development Partnership Fund, section 9 of P.L. 1992, c.43 (C.34:15D-9).

Similar language except that the \$24,000,000 has been increased to \$25,400,000.

Explanation

The proposed language increases the amount of funds available from the New Jersey Workforce Development Partnership Fund to supplement the Work First New Jersey program from \$24,000,000 to \$25,400,000.

Language Provisions

1998 Appropriations Handbook1999 Budget Recommendations

p. C-23

A portion of the amount hereinabove appropriated for Payments to Municipalities for Cost of General Assistance, not to exceed \$1,400,000, is available for transfer to the Department of Labor, Division of Employment Services, for support costs related to the workfare program established pursuant to P.L. 1947, c.156 (C.44:8-107 et seq.). Any funds transferred to the Department of Labor shall be used solely to fund employability teams and other costs to implement this General Assistance work program.

No comparable language provision.

Explanation

Language is no longer required as the workfare program has been replaced by the work requirements of the Work First New Jersey program.

1998 Appropriations Handbook1999 Budget Recommendations

p. D-10.

Subject to federal approval, all General Assistance recipients that receive interim assistance after July 1, 1995 shall reimburse the division for maintenance assistance, emergency assistance, and temporary assistance payments that are not otherwise reimbursed by the federal government; provided however, that the amount an individual shall reimburse the division shall not exceed the amount of that individual's retroactive SSI check.

No comparable language provision.

Explanation

Language is no longer required as the provision was incorporated into the Work First New Jersey regulations, N.J.A.C. 10:90-14.5.

Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

p. D-10.

Notwithstanding any provision of State law to the contrary, there shall be no further payment for benefits previously provided under the General Assistance program for the costs of hospitalization for such expenses incurred on or after July 1, 1991. Provided however, that the amount appropriated for the General Assistance program shall provide reimbursements for inpatient hospitalization costs for recipients of general public assistance who are admitted to a special hospital licensed by the Department of Health and Senior Services which is not eligible to receive charity care subsidy from the Health Care Subsidy Fund and to which payments were made prior to July 1, 1991 under the General Assistance program.

No comarable language provisions.

Notwithstanding the provisions of section 18 of P.L. 1947, c.156 (C.44:8-124) to the contrary, outpatient services, including, but not limited to, emergency room, clinic and diagnostic services rendered on or after July 1, 1992 to recipients of General Assistance by hospitals shall not be reimbursed. Furthermore, municipalities shall not provides reimbursement for inpatient or outpatient medical services provided in prior fiscal years if submitted for reimbursement after July 31, 1992.

Explanation

Language provisions are no longer necessary as the provision was incorporated into permanent law (section 7 of P.L. 1997, c. 13 (C.44:10-40)).



Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

pp. D-10; D-11.

Notwithstanding the provisions of P.L. 1947, c.156 (C.44:8-107 et seq.) to the contrary, assistance shall not be granted to an illegal alien or to aliens admitted as students or visitors. To be eligible for assistance an individual shall be either a citizen of the United States or otherwise permanently residing in the United States under color of law, including any alien who is lawfully present in the United State as a result of the application of section 207(c), section 203(a)(7) (prior to April 1, 1980), section 208, and section 212(d)(5) of the "Immigration and Nationality Act," 8 U.S.C. § 1157(c), 1153(a)(7), 1158, and 1182(d)(5).

No comparable language provisions.

Notwithstanding the provisions of P.L. 1959, c.86 (C.44:10-1 et seq.) to the contrary, assistance shall not be granted to an illegal alien or to aliens admitted as students or visitors. To be eligible for assistance an individual shall be either a citizen of the United States or otherwise permanently residing in the United States under color of law, including any alien who is lawfully present in the United State as a result of the application of section 207(c), section 203(a)(7) (prior to April 1, 1980), section 208, and section 212(d)(5) of the "Immigration and Nationality Act," 8 U.S.C. § 1157(c), 1153(a)(7), 1158, and 1182(d)(5).

Explanation

These language provisions are no longer necessary due to enactment of the Work First New Jersey program.

Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

p. D-11; D-12.

Notwithstanding the provisions of P.L. 1947, c.156 (C.44:8-107 et seq.), nursing home services shall no longer be a covered service effective July 1, 1995 under the General Assistance program except under the following conditions: services for those residents residing in non-Medicaid certified nursing homes prior to June 30, 1995, and who are unable to qualify for nursing home services through the Medically Needy Program coverage for Long Term Care recipients, pursuant to Title XIX of the Social Security Act; and resident legal aliens who resided in a Medicaid certified nursing home prior to August 22, 1996 and no longer qualify for benefits under Old Age Assistance, Disability Assistance, and Assistance for the Blind under the Supplemental Security Income (SSI) program pursuant to the Social Security Act, Pub.L.92-693 or the Medically Needy program for long term recipients.

No comparable language provisions.

Notwithstanding any law to the contrary, the cost of an attorney or a legal entity providing legal services that represents a recipient of General Assistance pursuant to P.L.1947, c.156 (C.44:8-107 et seq.) in an appeal of a claim for federal Supplemental Security Income benefits pursuant to the federal Social Security Act, Pub. L. 92-603, shall be reimbursed from the recipient's retroactive interim Supplemental Security Income payment if the appeal is decided in favor of the recipient.

Explanation

Language provisions are no longer required as they have been incorporated into permanent law (section 7 of P.L. 1997, c.13 (c.44:10-40) and N.J.A.C. 10:90-14.5, respectively).



Language Provisions

1998 Appropriations Handbook

p. D-12.

Of the amount appropriated for Payments to Municipalities for Cost of General Assistance and for General Assistance Emergency Assistance Program, \$750,000 is made available to implement a General Assistance home visits program for the July 1 through December 31, 1997 period. An additional \$750,000 shall be available for the home visits program during the January 1 through June 30, 1998 period.

1999 Budget Recommendations

p. F-14.

Similar language, although the total amount is limited to \$750,000 instead of \$1.5 million.

Explanation

The division had intended to implement a home visits program in certain municipalities including Camden, Elizabeth and Jersey City. As these municipalities shifted the administration of General Assistance to their respective counties, a home visits program would only be implemented in Newark and Trenton which continue to administer their own program.

DIVISION OF YOUTH AND FAMILY SERVICES

1998 Appropriations Handbook

p. C-25.

Of the amount appropriated hereinabove for Regional Child Abuse Treatment Centers, \$200,000 shall be allocated for a new Regional Child Abuse and Diagnostic Treatment Center at Hackensack Medical Center.

1999 Budget Recommendations

No comparable language provision.

Explanation

Language is no longer required as the funds and how the funds are to be used are part of a contract between the division and the medical center.

Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

p. C-25

In addition to the amount appropriated hereinabove for Residential/Group Home Placements, an amount not to exceed \$1,500,000 is appropriated for the same purpose, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

The language is not continued in FY 1999 as the language had been added to the budget by the Legislature to provide an additional \$1.5 million for Residential/Group Home Placements in FY 1998.



DIVISION OF MANAGEMENT AND BUDGET

1998 Appropriations Handbook

1999 Budget Recommendations

p. E-27.

No comparable language provision.

Notwithstanding any law to the contrary, of the amount hereinabove for the New Jersey Youth Corps, \$1,850,000 is appropriated from the New Jersey Workforce Development Partnership Fund, section 9 of P.L. 1992, c.43 (C.34:15D-9).

Explanation

This language appropriates \$1,850,000 from the New Jersey Workforce Development Partnership Fund for the New Jersey Youth Corps program which is to be transferred to the Department of Human Services pursuant to Reorganization Plan No. 001-1998.



Language Provisions

DEPARTMENT OF HUMAN SERVICES (GENERAL)

1998 Appropriations Handbook1999 Budget Recommendations

p. D-193.

No comparable language provisions.

Payment to the vendor for its efforts in maximizing federal revenue is appropriated and shall be paid from the federal revenues received, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Proposed language would reimburse a vendor that the State has contracted with to maximize federal revenues from any federal revenues the vendor is able to generate.

1998 Appropriations Handbook1999 Budget Recommendations

p. D-194.

No comparable language provision.

The unexpended State balances as of June 1 of each fiscal year may be transferred among the Income Maintenance Management program classification accounts in order to comply with the State Maintenance of Effort requirements as specified by the federal "Personal Responsibility and Work Opportunity Reconciliation Act of 1996," P.L. 104-193, and as legislatively required by the Work First New Jersey program (N.J.S.A. 44:10-58 (4)(a)), subject to the approval of the Director of the Division of Budget and Accounting. In addition, unobligated balances remaining from funds allocated to the Department of Labor for Work First as of June 1 of each year are to be reverted to the Work First New Jersey - Client Benefits account in order to comply with P.L. 104-193, as required by N.J.S.A. 44:10-58 (4)(a).

Language Provisions

Explanation

The proposed language:

- Reallocates unexpended balances among various Income Maintenance Management accounts to comply with federal requirement that states continue to spend a certain amount of State funds on public assistance programs in order to receive full federal block grant funding.
- Transfers unexpended Work First New Jersey funds that have been allocated to the Department of Labor to the Division of Family Development's Work First New Jersey - Client Benefit account.



Discussion Points

DEPARTMENT OF HUMAN SERVICES (GENERAL)

1. The Budget in Brief (p. 40) indicates that 450 positions will be eliminated as support services at two institutions (Greystone Park Psychiatric Hospital and North Jersey Developmental Center) are privatized on a pilot basis. However, another budget document, "Employee Impact" places the number of positions to be lost through privatization at 225.

! **Questions:** Are 450 positions or are 225 positions to be lost? Are the positions to be restored if the pilot project is not continued?

2. Between pay period 26 in FY 1997 and pay period 26 in FY 1998, cumulative overtime expenditures and hours increased significantly at most psychiatric hospitals, several developmental centers and the Division of Youth and Family Services (DYFS) despite a mild winter which reduced the need for weather related overtime:

	Cumulative Overtime Expenditures		Cumulative Overtime Hours	
	FY 1997, pp 26	FY 1998, pp 26	FY 1997, pp 26	FY 1998, pp 26
Brisbane	\$140,500	\$192,200	6,200	8,000
Forensic	347,600	463,700	13,100	17,200
Greystone	1,970,900	2,617,500	90,700	120,100
Hagedorn	348,600	389,200	15,700	17,900
Trenton	851,600	1,132,000	38,100	48,900
Green Brook	133,500	151,700	6,700	7,400
Hunterdon	1,499,100	1,933,300	78,000	96,900
Woodbine	825,500	1,405,100	43,500	71,200
DYFS	536,900	613,200	21,800	24,400

! **Question:** What accounts for the increase in overtime? What is being done to minimize overtime?

3. Interest costs incurred by agencies under contract to the department is an allowable expense, within certain limits, and is reimbursed by the department. Though the total amount of allowable interest costs reimbursed by the department is not readily known, it is assumed that most of the interest expense is associated with mortgages. Such financing is largely obtained from private sources, such as banks. For example, Volunteers of America has mortgage balances of about \$1.1 million at an average interest rate of 9.5 percent.

As interest costs are reimbursed by the department, contract agencies have no financial incentive to refinance their existing debt. However, the department does have a financial incentive

Discussion Points

to reduce its contract interest cost: For every \$10 million in principal that is refinanced at one percent below what an agency currently pays, contract expenses would be reduced by \$100,000 (gross) annually.

(Since the department became aware of this matter, the department has met with the New Jersey Economic Development Authority regarding the refinancing of contract agency debt.)

! Question: How much could be saved by refinancing contract agency debt? What is the status of refinancing discussions with NJEDA?

4. Lease/rent costs incurred by agencies under contract to the department is an allowable expense and is reimbursed by the department. In many instances, rental or lease costs exceed debt service costs associated with owning a property. For example, the State reimburses Ocean ARC over \$57,000 a year to rent eight condominium units. Each unit has an approximate market value of around \$50,000. If the eight units were purchased at a 7.5 percent interest rate for 20 years, annual principal/interest payments would be \$39,000, a savings of around \$18,000 annually. (As Ocean ARC is a tax exempt agency, additional savings would be realized by making an in lieu tax payment for the municipal portion of local property taxes.)

! Question: What obstacles are there to allowing agencies to purchase rather than lease/rent properties, where savings can be documented?

5. The Legislature provided new or additional funds to various agencies and programs as part of the FY 1998 appropriations act. The FY 1999 recommended budget discontinues or reduces funding for most, but not all, of the agencies and programs funded by the Legislature as follows:

FUNDED IN FY 1999

Essex ARC - \$75,000.
 LARC School, Inc. - \$160,000.
 Camp Marcella - \$50,000.*
 Morris/Sussex ... Program - \$315,000.**

* Funding reduction of \$250,000.
 ** Funding reduction of \$1,450,000.

NOT FUNDED IN FY 1999

Collier Group Home, Marlboro Twp. - \$50,000.
 Dental ... Handicapped Children - \$100,000.
 The Vineland Training School - \$100,000.
 Community Options - \$200,000.
 The ARC of Union County - \$100,000.
 Project Self Sufficiency, Sparta - \$150,000.
 Domestic Abuse ... Sussex - \$180,000.
 Amanda's Easel - \$50,000.
 Freedom House, Glen Gardner - \$100,000.
 Counseling ... Pilot Program - \$75,000.
 Childhood ... Poisoning Prevention - \$500,000.

! Questions: Why is funding continued in FY 1999 for certain projects or agencies whereas funding for other projects or agencies is discontinued? What is the impact of discontinuing funding in terms of clients receiving services and agency personnel?

6. Estimated revenues cited in the FY 1998 appropriations act are revised in the FY 1999 recommended budget for the following Department of Human Services revenues:

Discussion Points

Revenue	FY 1998 Initial	FY 1998 Revised	\$ Change
Medicaid Uncompensated Care:			
Acute	\$160.0 million	\$163.9 million	\$3.9 million
Mental Health	\$18.0 million	\$21.9 million	\$3.9 million
Psychiatric	\$169.6 million	\$166.6 million	-\$3.0 million
UMDNJ	\$52.6 million	\$59.4 million	\$6.8 million
Piscataway	0	\$6.8 million	\$6.8 million
Patients' and Residents' Cost Recoveries:			
Developmental Disabilities	\$22.8 million	\$20.1 million	-\$2.7 million
Psychiatric Hospitals	\$48.3 million	\$42.4 million	-\$5.9 million
Special Residential Services	\$1.2 million	0	-\$1.2 million

! *Question:* What accounts for the various increases and decreases in specific departmental revenues?

7. Medicaid Uncompensated Care - Mental Health revenues of \$166.6 million (FY 1999) are estimated. Proposed changes at Bergen Pines such as staffing reductions of approximately 266 FTEs may reduce the amount of revenues the State can claim for the hospital.

! *Question:* Are FY 1999 Medicaid Uncompensated Care - Mental Health revenue estimates overstated due to proposed operational changes at Bergen Pines?

8. The FY 1999 recommended budget estimates \$38.8 million in Patients' and Residents' Cost Recoveries - Psychiatric Hospitals revenues. The estimate may not include recoveries for Phoebe's Residential Treatment Center located at Arthur Brisbane. Phoebe may generate between \$400,000 and \$500,000 annually, depending on the number of Medicaid eligible adolescents, the number of billable days and the Medicaid reimbursement rate.

! *Question:* Does the \$38.3 million include Phoebe's Residential Treatment Center revenues?

9. The department indicated in testimony on the FY 1998 budget that its policy of reimbursing contract agencies for administrative salaries deemed excessive would be amended to preclude reimbursement for administrative staff who earned more than division directors or the commissioner. To date, no action has been taken on this matter by the department.

! *Question:* What is the status of this change in the department's contract policy?

10. The department contracted with Towers, Perrin in 1996 for an independent staffing assessment of a developmental center and psychiatric hospital to serve as a guide for staffing other facilities. Though preliminary findings have been prepared, an official report has not been issued as of this writing:

! *Question:* Based on the report's preliminary findings, are the nearly 3,800 positions

Discussion Points

recommended for the State psychiatric hospitals and the nearly 7,200 positions recommended for the State developmental centers sufficient?

11. The amount of federal Social Services Block Grant (SSBG) funds the State expects to receive in FY 1998 has been reduced from \$72.1 million to \$69.1 million. The department absorbed the \$3.0 million reduction and did not reduce funding to agencies that receive SSBG monies.

The FY 1999 budget estimates \$69.1 million in federal SSBG funds. The proposed federal FY 1999 budget would further reduce SSBG funding to the State by about \$12.0 million, though increases in other federal social services funding may offset a portion of any SSBG reduction.

! *Question: If federal SSBG funds are further reduced in FY 1999, does the department intend to absorb these reductions or would they be passed through to provider agencies?*

DIVISION OF MENTAL HEALTH SERVICES

12. The division was to have initiated a behavioral health managed care program for clients who are Medicaid eligible during Spring 1998. Implementation has been delayed until the latter part of FY 1999 at the earliest.

! *Question: What accounts for the delay in implementation?*

13. Programs for Assertive Community Treatment (PACT) will cost an estimated \$14.7 million in FY 1999. Though PACTs are relatively new, division data indicate that the number of persons enrolled in the various PACTs are below initial estimates, which results in a high per client cost.

! *Question: What steps are being taken to increase the number of clients enrolled in PACT programs and reduce per capita costs?*

14.a. The FY 1999 budget recommends \$78.8 million to reimburse the six county psychiatric hospitals, including Bergen Pines. Supplementary budget information indicates that savings of about \$1.0 million are anticipated by no longer reimbursing Bergen Pines for outpatient services. Bergen Pines provides about 16,400 outpatient visits and such services would be provided by other community mental health agencies.

! *Questions: Can the division discontinue reimbursement for outpatient services Bergen Pines can legally provide? Can existing community mental health agencies in Bergen County absorb the additional outpatient volume?*

14.b. Bergen County is in the process of turning the daily management of Bergen Pines over to a for-profit management firm. Staffing reductions of approximately 266 FTEs are anticipated, including the psychiatric facility. Due to these changes, the facility's 1996 cost report, used to determine the 1998 State House Commission rate, may result in higher reimbursement rates than it costs to provide services. Thus, Bergen Pines may receive more reimbursement from the State than warranted. While the State may recover any overpayment in several years, when Bergen Pines is audited, any recovery is without penalty.

Discussion Points

- ! **Question:** Should the Bergen Pines State House Commission Rate of \$563 per day for inpatient and \$166 for acute partial care services be reduced to reflect the reduction in costs at the facility?

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

15. Eleven health maintenance organizations (including Oxford which will end its participation at the end of the fiscal year) provide services to eligible Medicaid beneficiaries. The division had indicated that it intended to competitively bid the State's managed care contract to obtain the lowest capitation rate possible. To date, a Request for Proposal has not been issued.

- ! **Question:** What is the status of the managed care rebidding RFP?

16. The FY 1999 budget recommends that Medicaid reimbursement for graduate medical education (GME) be reduced by about \$20 million (gross) and existing GME funds would be targeted at those hospitals that serve the largest number of Medicaid recipients. Under the proposal, 19 hospitals would lose GME funding entirely.

Information provided by the division, however, indicates that GME funding would be reduced by about \$15.2 million (gross).

- ! **Question:** What accounts for the different amounts GME reimbursement is to be reduced?

17. The Balanced Budget Act of 1997, Pub.L. 105-33, imposes additional financial requirements on suppliers of durable medical equipment and home health agencies. These requirements are intended to eliminate providers that are financially weak and who are more likely to commit fraud.

- ! **Question:** What impact have these financial requirements had on the number of home health agencies and durable medical equipment providers that participate in the Medicaid program?

18. Medicare will limit the number of home health visits Medicare recipients may receive. This limitation could increase Medicaid home health expenditures, if the State does not adopt a similar limitation on the number of home health visits.

- ! **Question:** What financial impact will Medicare's limits on the number of home health visits have on Medicaid's FY 1999 recommended appropriation for home health services?

19. The HCFA-64 (September 1997) indicates that \$17.2 million (gross) in drug rebates remain uncollected due to disputes with manufacturers and "limited staff resources." Federal law does not preclude the State from negotiating a settlement with manufacturers for some percentage of the rebate amount in dispute.

- ! **Question:** Should the State negotiate a settlement with manufacturers' to resolve the matter of outstanding drug rebates?

Discussion Points

20. Prescription drugs are reimbursed by Medicaid as follows:

- For those drugs for which the federal government has set a Maximum Allowable Cost (MAC), reimbursement is based on the MAC price.
- For those drugs that do not have a MAC price, reimbursement is based on the drug's Average Wholesale Price (AWP) less 10 percent or 12 percent (at State institutions).

Several drug manufacturers offer a Direct Price that is below AWP less 10 percent or 12 percent. Of the top 25 drugs used by Medicaid's community/institutional program, 11 have a Direct Price that is between \$0.03 - \$0.85 per dose below current reimbursement. As Medicaid spends upwards of \$25.4 million annually on the 11 drugs, if savings of only 5 percent were realized expenditures would be reduced by about \$1.3 million (gross).

! *Question: How much might be saved by reimbursing on the basis of Direct Price, instead of AWP, where applicable?*

21. A recent federal Inspector General report, Medicaid Pharmacy - Actual Acquisition Cost of Generic Prescription Drug Products, estimated that "pharmacies pay an average of 42.5 percent less than AWP for drugs sold to Medicaid beneficiaries." (The figure would be 32.5 or 30.5 percent in New Jersey as the State obtains a 10 or 12 percent discount.)

Generic drugs represent 65 percent of total recommended Medicaid drug expenditures, or approximately \$123.9 million. Of the generics being used, approximately 50 percent, or about \$62 million, are reimbursed on the basis of AWP. If the 10 percent discount the State receives when it reimburses for prescription drugs were increased to 11 percent, the State would save about \$600,000.

! *Question: In light of the federal report, should Medicaid reimbursement for generic drugs be changed?*

22. In FY 1999, the department will spend upwards of \$17 million (gross) to reimburse for medications used at the various State institutions. Expenditures could be reduced by purchasing medications directly from manufacturers that sell directly to government agencies. (The cost of medications purchased directly from a manufacturer is below what the State currently reimburses for such medications.)

! *Question: Should the State purchase medications directly from a manufacturer where the cost would be below what the State currently reimburses?*

23. The FY 1999 budget recommends \$3.4 million (State share) for Unit Dose Contract costs, a 44.1 percent reduction from FY 1998 levels. The recommendation assumes implementation of a seven-day unit dose system, instead of the current daily delivery of unit dose medications, which would reduce delivery costs.

Though implementation of a seven-day unit dose system would reduce delivery costs, a seven-day unit dose system cannot be implemented at all institutions by July 1998 as:

Discussion Points

- Clients at State institutions have not been assessed to determine which clients can be safely converted to a seven-day unit dose system.
- Existing unit dose equipment has not been examined to determine whether it can accommodate a seven-day system or whether new equipment has to be acquired.
- ! **Questions:** Is the recommended appropriation sufficient as a seven-day unit dose system cannot be implemented at all State institutions by July 1998?

24. The FY 1999 budget recommends \$2.2 million for Consulting Pharmacy Services. The department recently rebid this contract, though as of this writing, no formal award has been announced.

- ! **Questions:** Has a contract been awarded? Is the \$2.2 million FY 1999 recommended appropriation adequate?

25. Proposed budget language on pp. E-20 and E-23 appropriates "such sums as may be necessary ... from the General Fund for the payment of any provider assessment to Intermediate Care Facilities/Mental Retardation...." The provider assessment will produce \$10 million in federal revenues for use in the Community Services Waiting List Reduction Initiative - FY 1999 - Federal Funds without the State actually expending any funds.

As of this writing, the amount to be appropriated and the accounting procedures to be used to impose a provider assessment and generate federal Medicaid revenues are being developed.

- ! **Questions:** How much State funds are to be appropriated pursuant to the proposed language appropriation? How will the payment of a provider assessment be documented to the federal government?

DIVISION OF DEVELOPMENTAL DISABILITIES

26. The Vineland Developmental Center Special Hospital has been operating at 50 percent occupancy levels for over a decade. To maximize federal revenues and make better use of the available space, there have been various internal reviews of the feasibility of closing the hospital and converting the space into additional ICF-MR certified beds or a nursing home for developmentally disabled patients who no longer require ICF-MR level care.

- ! **Question:** What are the current plans regarding the hospital?

27. In FY 1999, approximately \$1,129,000 is recommended for Woodbine Developmental Center's "fuel and utilities" account, the same as in FY 1998.

The center is in the process of converting to natural gas to be supplied by the Cape May landfill. Though fuel oil is to be used as a backup energy source, savings of 10 percent were anticipated by converting to natural gas.

- ! **Question:** Can Woodbine's "materials and supplies" account be reduced to reflect

Discussion Points

anticipated energy savings?

28. Budget language permitting the transfer of \$885,000 to cover costs of purchasing energy from the Hunterdon Cogeneration Facility, subject to the approval of the Joint Budget Oversight Committee, is proposed in the FY 1999 recommended budget.

At the end of FY 1997, pursuant to language appropriating \$613,000 for additional energy costs associated with the Hunterdon Cogeneration Facility, the department sought the Joint Budget Oversight Committee's approval of the appropriation. The committee did not approve the transfer because improvements to the cogeneration facility as recommended in Evaluation of Energy Services (November 1996) were not implemented.

However, other funds were made available to cover the additional energy costs.

! *Question:* What is the status of implementing the recommendations of the independent audit?

29. Costs associated with the Community Services Waiting List Reduction Initiative - FY 1997 were originally estimated at \$16.0 million. The FY 1999 budget recommends \$18.8 million for the project.

! *Question:* What accounts for the increase in annualized costs from \$16.0 to \$18.8 million?

30. The FY 1999 budget estimates federal ICF-MR reimbursement of approximately \$171.0 million based on certain assumptions on ICF-MR reimbursement rates and the number of patient days.

The ICF-MR rate increase used by the Office of Management and Budget to estimate FY 1999 rates appears greater than the historical increases in interim rates at the various developmental centers:

Developmental Center	OMB Rate Increase	FY 94-98 Avg. Rate Increase
Green Brook	4.18%	2.03%
Hunterdon	1.36%	2.64%
New Lisbon	2.27%	-0.46%
North Jersey	1.88%	-1.42%
Vineland	1.48%	4.18%
Woodbine	1.68%	0.43%
Woodbridge	1.75%	1.41%

Also, OMB's estimate on the number of ICF-MR patient days at New Lisbon Developmental Center may be too high. Whereas OMB estimated 252,500 patient days, based on July - December 1997 data, New Lisbon is projected to have about 236,000 patient days in FY 1998. As the number of ICF-MR patients is not expected to increase, patient days may be overstated by about 16,000.

Discussion Points

Using the historical increase in interim ICF-MR reimbursement rates and reducing the number of patient days at New Lisbon, federal ICF-MR reimbursement may be about \$900,000 too high.

! **Question:** Should the amount of federal ICF-MR revenues anticipated be reduced?

31. Retroactive rate adjustments in the federal Community Care Waiver (CCW) program accounts for a significant portion of total CCW reimbursement. Based on Medicaid reports, in FY 1996 and FY 1997, retroactive reimbursements represented 30 percent and 39 percent, respectively, of total CCW reimbursements. For the July - December 1997 period, retroactive reimbursement represented nearly 60 percent of total CCW reimbursement.

The magnitude of retroactive reimbursements indicates that the initial CCW rates being established are too low.

! **Question:** Should FY 1999 CCW reimbursement be increased?

32. Included in the \$136.8 million in federal Community Care Waiver revenues is approximately \$10 million in federal revenues to be realized through a provider assessment on ICF-MR expenditures. (See Discussion Point 25.) The \$10 million would be used in the Community Services Waiting List Reduction Initiative - FY 1999 - Federal Funds.

! **Questions:** Is federal approval, through a State Plan amendment to the State's Medicaid program, required before this provider assessment can be imposed? Will the assessment be raised through the monthly ICF-MR billings or through some other mechanism?

DIVISION OF FAMILY DEVELOPMENT

33.a. Federal child support incentive payments of \$13.9 million are estimated for FY 1998. In January 1998, the federal government notified the department that it would be eligible to receive about \$12.5 million in federal Child Support Incentive Payments.

! **Questions:** Are FY 1998 federal Child Support Incentive payments of \$13.9 million overstated?

33.b. The FY 1999 budget assumes \$15.0 million in federal Child Support Incentive Payments.

Congress is considering a federal Department of Health and Human Services proposal to restructure how child support incentive payments are calculated. The new formula would base payments on: Paternity establishments; Establishment of support orders; Collections on current child support due; Collection on child support arrearages; and Cost effectiveness.

! **Questions:** What effect would a new formula have on the \$15.0 million in federal incentive payments the State expects to receive?

33.c. Gross child support collections of \$93.5 million (FY 1998) and \$111.1 million (FY 1999) are projected. Through December 1997, gross child support collections are projected at \$80.0 million,

Discussion Points

or over \$13 million below FY 1998 estimates.

! *Question: Are FY 1999 gross child support collections of \$111.1 million overstated?*

34. Recommended funding for Finger Imaging would increase from \$314,000 to \$3.3 million(gross): \$1.8 million State and \$1.5 million federal. These monies would enable Finger Imaging to be extended Statewide and include various programs administered by the county welfare agencies. (The current Finger Imaging program is limited to the General Assistance program in and around the City of Newark.)

There is little empirical evidence that Finger Imaging is cost effective. Finger Imaging has uncovered relatively few cases where people received benefits in more than one jurisdiction and the dollar amounts uncovered do not offset Finger Imaging's operational costs.

! *Questions: As there has been no assessment as to whether the current Finger Imaging pilot program has been cost effective, is Statewide expansion warranted?*

35. The FY 1999 budget indicates that \$6.0 million has been appropriated for Legal Alien Citizenship Assistance. A \$4.0 million contract was recently awarded to the New Jersey Immigration Policy Network (Newark) for this service.

! *Questions: How is the remaining \$2.0 million to be used?*

36. The FY 1999 budget recommends \$30.1 million (\$10.2 million in General Funds and \$19.8 million in Federal Funds) for Child Support Consolidation (pending enactment of enabling legislation). These funds would be used to contract with county welfare agencies for child support related services, effective January 1999.

In State FY 1998, county welfare agencies reported child support enforcement related expenses of over \$37 million, or about \$3.1 million monthly.

! *Question: Can funding be reduced as the \$30.1 million recommended appropriation would only be needed for six months.*

37. General Assistance expenditures are expected to decrease 3.6 percent, from \$127.3 million to \$122.7 million.

In urging the consolidation of the GA program at the county welfare agency level, the department claimed that GA expenditures would be reduced significantly as counties had better data processing capabilities and expended more on fraud activities than municipalities. Though only 43 percent of the GA caseload has been consolidated at the county welfare agency level, savings of more than 3.6 percent should be achieved in light of the department's argument for consolidation.

! *Question: How much of the reduction in the FY 1999 GA appropriation can be attributed to consolidation at the county level?*

Discussion Points

38. The budget recommends \$12.0 million to reimburse the federal government for State Supplemental Security Income Administrative Fees. This service was to have been privatized during FY 1997 and savings of \$750,000 were expected to be achieved. As of this writing, no Request for Proposal to privatize the program has been issued.

! *Question: Is this service to be privatized?*

39. The budget recommends \$6.7 million for the Food Stamps for Legal Aliens program, a State program to provide Food Stamps to legal aliens who are no longer eligible to receive federal Food Stamps.

As the program was initiated during September 1997, it is relatively new and many people who may be eligible for the program may not be aware of the program. As of December 1997, about 3,000 people were enrolled in the program and monthly benefits are about \$300,000.

! *Question: Can the \$6.7 million appropriation be reduced?*

40.a. The FY 1999 budget recommends \$9.8 million for General Assistance (GA) County Administration. This appropriations assumes that federal reimbursement for a portion of the total administrative cost would be available through the federal Food Stamps program as many GA recipients are eligible for Food Stamps. County welfare agencies have indicated that the per case reimbursement rates adopted by the division, approximately \$35 per case per month, do not cover their reasonable costs as required by State law.

! *Questions: Does the State have to submit a cost allocation plan to the federal government that identifies and differentiates between Food Stamps and GA related administrative costs in order to obtain federal reimbursement? If yes, has such a plan been submitted and approved? Based on this plan, what percentage of total administrative costs will federal Food Stamp reimbursement represent?*

40.b. County welfare agencies are currently reimbursed approximately \$35 per case per month for General Assistance cases handled by the county. County welfare agencies have indicated that the per case reimbursement rate adopted by the division do not cover their reasonable costs as required by State law.

! *Question: How will actual unreimbursed county welfare agency GA administrative costs be reconciled with the reimbursement currently provided?*

DIVISION OF YOUTH AND FAMILY SERVICES

41. Agencies under contract to the division for residential and other services have testified at past budget hearings as to their need for capital funds for renovations and life safety improvements. As of December 1997, the division had the following unexpended bond balances available that could be used for renovations, etc.:

1994 Bond Issue - \$5.9 million
1989 Bond Issue - \$3.1 million

Discussion Points

1984 Bond Issue - \$1.3 million

- ! **Question:** What accounts for the division's difficulties in expending bond funds, particularly funds from 1984 and 1989 bond issues?

42.a. Pub. L. 105-89, the Adoption and Safe Families Act of 1997, makes numerous changes to federal law to encourage adoption and minimize the time children spend in out-of-home placements such as foster care. Among the requirements of the law are:

- Termination of parental rights must be initiated for all children who have been in foster care for 15 of the most recent 22 months.
- A permanency hearing must be held 12 months after a child enters foster care, rather than 18 months.

These and other changes required by the federal law may require changes to the division's current operating procedures. For example, division statistics indicate that of the 6,600+ children currently in foster care, on average, children have been in their current placement nearly 23 months. Thus, termination of parental rights would have to be initiated for most children in foster care.

- ! **Question:** Of the children in foster care and other out-of-home placements, how many have been in placement for 15 of the most recent 22 months? Of that number, in how many cases has the division initiated proceedings to terminate parental rights?

42.b. To increase the number of children that are adopted, the federal law also provides incentive payments to states of \$4,000 per child plus an additional \$2,000 per special needs adoption, above a certain base level.

Though staffing at the adoption resource centers increased from 93 to 115 positions between January 1996 and February 1998, the focus on staffing has been at the district offices. As a result, staffing at the adoption resource centers is at 62.6 percent of the Child Welfare League of America standard, compared to 78.6 percent for all district offices.

- ! **Question:** To comply with the provisions of Pub. L. 105-89 will additional staff be required at the adoption resource centers?

43. The number of subsidized adoptions is expected to increase by about 100, from 5,780 to 5,884, during FY 1999. Over the past several years, the number of subsidized adoptions has increased by between 200 and 300 annually.

- ! **Question:** Have the number of subsidized adoptions and related appropriations been underestimated, particularly as Pub. L. 105-89 seeks to increase the number of adoptions?

44. The FY 1999 budget recommends \$2.5 million for a new program, Family Friendly Centers. This appropriation would maximize the "use of existing schools" for after-school programs and adult education activities.

Discussion Points

- ! *Question:* How will this new program differ from after-school programs and adult education activities currently available in most school districts?

DIVISION OF MANAGEMENT AND BUDGET

45. Between pay period 26 FY 1997 and pay period 26 FY 1998, overtime expenditures increased 13.1 percent from about \$367,000 to \$415,000. Most, if not all, of the increase can be attributed to the department's police force where overtime hours increased 18.4 percent (Jan. - Oct. 1996 to 1997). Most of the overtime was incurred at the State psychiatric hospitals because of legislative concerns over patient escapes and patient security.

- ! *Question:* Should additional Human Services police be employed to reduce overtime costs?

Background Paper: Overtime

SUMMARY

Department overtime expenditures are projected at between \$47 and \$49 million in FY 1998 compared to nearly \$43 million in FY 1997, an increase of about between 9.3 and 14 percent.

Charts I and II summarize cumulative overtime expenditures and hours for pay periods 26 (roughly the end of December) 1997, 1996 and 1995. (Pay period 26 represents expenditures for approximately half the fiscal year and expenditure patterns are well defined.)

Comparing overtime expenditures and hours in FY 1998 to FY 1997 (through pay period 26), expenditures and hours increased by more than 10 percent at the Division of Youth and Family Services (DYFS) and the following State institutions: The Green Brook Regional Center; the Hunterdon and Woodbine Developmental Centers; the Arthur Brisbane Child Treatment Center; the Senator Garrett W. Hagedorn Gero-Psychiatric Hospital; and the Forensic, Greystone Park and Trenton Psychiatric Hospitals.

There were no weather related conditions that might account for the increase in the number of overtime hours and related expenditures. Also, as DYFS experienced an overall increase in caseworker staff, overtime would have been expected to decrease.

The department should examine the reasons for the increase in overtime at the various institutions and at DYFS and explore management options to reduce unnecessary overtime hours and expenditures.

Chart I. Cumulative Overtime Expenditures.

FACILITY/DIVISION	pp. 26, FY 1996	pp.26, FY 1997	pp. 26, FY 1998
Green Brook	\$173,400	\$133,500	\$151,700
Hunterdon	\$1,989,000	\$1,499,100	\$1,933,300
New Lisbon	\$1,883,900	\$2,247,800	\$1,478,000
North Jersey	\$677,600	\$785,200	\$782,700
Vineland	\$1,567,200	\$1,369,900	\$1,442,900
Woodbine	\$1,168,100	\$825,500	\$1,405,100
Woodbridge	\$1,846,600	\$1,784,900	\$1,890,900
Ancora	\$1,627,000	\$2,173,700	\$2,349,000
Brisbane	\$192,200	\$140,500	\$192,200
Forensic	\$596,300*	\$347,600	\$463,700
Greystone	\$1,568,500	\$1,970,900	\$2,617,500
Hagedorn	\$254,100	\$348,600	\$389,200
Trenton	\$732,300	\$851,600	\$1,132,000
DYFS	\$437,000	\$536,900	\$613,200
Other DHS**	\$5,366,300	\$5,362,000	\$5,233,400
TOTAL, DHS	\$20,079,500	\$20,377,700	\$23,074,800

Background Paper: Overtime

Chart II. Cumulative Overtime Hours.

FACILITY/DIVISION	pp. 26, FY 1996	pp.26, FY 1997	pp. 26, FY 1998
Green Brook	9,300	6,700	7,400
Hunterdon	101,700	78,000	96,900
New Lisbon	93,400	112,600	119,100
North Jersey	34,500	39,800	38,000
Vineland	77,100	67,300	68,900
Woodbine	61,100	43,500	71,200
Woodbridge	93,600	90,600	92,700
Ancora	77,600	105,500	113,000
Brisbane	9,100	6,200	8,000
Forensic	22,800*	13,100	17,200
Greystone	70,500	90,700	120,100
Hagedorn	11,400	15,700	17,900
Trenton	34,100	38,100	48,900
DYFS	18,100	21,800	24,400
Other DHS**	253,700	249,500	238,200
TOTAL, DHS	968,000	979,100	1,081,900

* High overtime expenditures and hours related to opening of new building.

** Includes Marlboro and North Princeton which accounts for the bulk of overtime expenditures and hours.

Background Paper: Reducing Contract Interest and Rent Costs

SUMMARY

Department costs related to interest and rent for community-based, non profit human services agencies may be reduced by:

- Assisting community agencies in refinancing outstanding debt; or
- Encouraging agencies to purchase rather than rent or lease properties in certain situations.

Actual savings cannot be determined as numerous factors must be considered before a decision is made to refinance existing debt or to purchase, rather than rent/lease, particular properties.

BACKGROUND

Interest Costs

Interest costs incurred by community agencies is an allowable expense, in most situations, and, thus, is reimbursed by the department through its Grants-In-Aid appropriation.

Though individual contracts report the amount of allowable interest costs, information on the principal balance and the interest rate being charged is generally not provided as part of the contract. For purposes of this Background Paper, principal and interest information was obtained on several agencies:

- The YMCA of Camden County has mortgage balances of approximately \$298,000 at prime (currently 8.5 percent).
- Volunteers of America has mortgage balances of about \$1.1 million at an average interest rate of 9.5 percent.
- The Training School at Vineland has a five year balloon mortgage of \$2.1 million at an 8.5 percent interest rate.
- Healthcare Commons has a mortgage balance of \$198,000 at an 8.75 percent interest rate.

Rental Costs

Rent/lease costs incurred by community agencies is an allowable expense in most situations and, thus, is reimbursed by the department through its Grants-In-Aid appropriation. In many instances, however, it may be less expensive for an agency to purchase a particular property than to rent as the following example shows:

Ocean ARC is reimbursed over \$57,000 a year to rent eight condominium units, approximately \$600 per month per unit including property taxes. Each unit has an approximate market value of around \$50,000. If the eight units were purchased for \$400,000 at a 7.5 percent interest rate for 20 years, annual principal/interest payment would be \$39,000. Thus, the department may potentially save about \$18,000 annually if Ocean ARC owned the condominiums.

Background Paper: Reducing Contract Interest and Rent Costs

ANALYSIS

Interest Costs

Once information on principal balances and the interest rate being charged is known, the department has several options to refinance community agency debt, assuming that using bond funds is not an option:

- Negotiate with financial institutions;
- Negotiate with the New Jersey Economic Development Authority, the New Jersey Housing and Mortgage Finance Agency or the New Jersey Health Care Facilities Financing Authority; and
- Negotiate with an investment banker.

Under any of these options, the department may be able to obtain a lower interest rate than individual community agencies could obtain. Many banks, for example, base the interest rate on the amount borrowed: the larger the amount borrowed, the lower the interest rate. Thus, the department renegotiating \$10 million in mortgages should be able to obtain a lower interest rate than 100 agencies borrowing \$100,000 each.

Though total savings the department may realize by refinancing contract agency debt cannot be determined as the total amount of principal that could be refinanced is not known and the interest rate the department could obtain (compared to what is currently paid) is not known, for every one percent reduction in interest rate, the department would save \$100,000 (gross) for every \$10 million in mortgages that are refinanced.

Rental Costs

As the Ocean ARC example on the previous page demonstrates, the potential exists for the department to realize considerable savings in rental/lease costs by allowing agencies to purchase properties. Total savings cannot be determined as the decision to purchase a particular property, rather than rent/lease must be made on a case by case basis.

Background Paper: County Psychiatric Hospitals -- Bergen Pines

Budget Pages.... F-12

Funding (\$000)	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999
Support of Patients in County Psychiatric Hospitals	\$84,184	\$76,000	\$78,800

SUMMARY

The FY 1999 recommended appropriation may reimburse Bergen Pines too much for the provision of inpatient and acute partial care services as the 1998 State House Commission rates were calculated based on a cost report that may not reflect current operational costs at Bergen Pines. Also, the recommended appropriation does not provide funding to reimburse Bergen Pines for outpatient mental health services, saving about \$1.0 million in State funds.

BACKGROUND AND ANALYSIS

The State reimburses the six counties which operate psychiatric hospitals for 90 percent of the cost of providing services to patients, net of various recoveries and third party reimbursements. Reimbursement is set annually by the State House Commission based on cost reports for each county hospital. Bergen Pines' approved daily 1998 rates are: **Inpatient** - \$563.43; **Outpatient** - \$135.31; and **Acute Partial** - \$166.37.

The \$78.8 million recommended for FY 1999 to reimburse counties assumes that the State will not reimburse Bergen Pines for approximately 1,500 outpatient visits per month, saving about \$1.0 million annually. Bergen Pines would receive about \$20.1million of the recommended appropriation for inpatient and acute partial mental health services based on prior years expenditure patterns.

The 1998 State House Commission rates for Bergen Pines is based on a 1996 cost report that did not envision the proposed transfer of the Bergen Pines complex to the Bergen County Utilities Authority or the hiring of a private management firm to operate the hospital. The management firm will make annual lease payments of \$5.2 million, adjusted for inflation. The management firm has indicated that overall staffing at the complex will be reduced by nearly 266 FTE positions.*

The proposed staffing reductions will reduce Bergen Pines's 1998 psychiatric hospital expenditures, but since Bergen Pines' reimbursement is based on a 1996 cost report, the State will pay more for psychiatric services than 1998 costs warrant.

Though the State would recoup any overpayments upon audit, such audits may not occur for several years. For example, if in 2001 an audit determines that Bergen Pines was overpaid for services in 1998 by \$1.0 million, reimbursement to Bergen Pines would be reduced by that amount. But as no interest is charged on the \$1.0 million overpayment, the management firm operating Bergen Pines has received an interest free loan from the State.

Instead of waiting several years until Bergen Pines is audited to recoup any overpayments,

Background Paper: County Psychiatric Hospitals -- Bergen Pines

it may be appropriate to reexamine the 1998 State House Commission rates for Bergen Pines and reduce the rates, if appropriate, based on updated financial information on the cost of providing psychiatric services at the facility.

With respect to reimbursement for outpatient services, there is no budget language in the FY 1999 recommended budget that would allow the Division of Mental Health Services (DMHS) to discontinue reimbursement for outpatient services patients may receive at Bergen Pines. In the absence of such language, it may be difficult for DMHS to stop reimbursing Bergen Pines for outpatient services it provides.

* The number of direct and indirect positions related to the operation of the psychiatric hospital cannot be readily identified. Though the number of positions directly related to psychiatric services appears to be reduced by 75, the majority of the reductions are in central support services of a medical and administrative nature. For example, 5.6 FTEs in the Department of Medicine, Dentistry and Surgery were to be eliminated; the number of positions in Dietary, Executive Administration and Credit/Collections/Patient Accounts was to be reduced by 10, 4.2 and 18.8 FTEs, respectively. The extent to which such reductions affect psychiatric services is not readily known.

Background Paper: Graduate Medical Education (GME)

Budget Pages... E-18

Funding (\$000)	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999
Payments for Medical Assistance Recipients - Inpatient Hospitals	\$205,332	\$232,696	\$212,084

The FY 1999 recommended budget would reduce payments for GME to realize savings of \$10 million State, or gross savings of \$20 million. GME reimbursement would be targeted to hospitals that serve the greatest number of Medicaid recipients. The justification for reducing GME is that hospitals, in general, will receive additional charity care subsidies and the Hospital Relief Fund, the new NJ KidCare program and the recently approved federal waiver for a managed care program affecting persons receiving charity care will reduce charity care costs.

Under the proposal:

- 19 hospitals would lose GME reimbursement of \$3.5 million entirely.
- 22 hospitals would have their GME reimbursement reduced by about \$11.3 million.
- 3 hospital would have GME reimbursement increased by about \$400,000.

Division of Medical Assistance and Health Services data puts the GME reduction at about \$15.2 million (gross), or about \$4.8 million less than the \$20.0 million figure cited in budget documents. This \$4.8 million difference should be reconciled.

The GME reduction in general and the 19 hospitals that will lose GME reimbursement entirely may impact on the number of primary care physicians being trained as the reduction does not target speciality medical professions that are said to be in oversupply. For example, Overlook Hospital, which would lose about \$385,000, had 70 physicians in various primary health care specialties. Hackensack Medical Center, which would lose nearly \$812,000, had 39 physicians in primary health care specialties.

ALLOCATION OF GME REIMBURSEMENT: CURRENT V. PROPOSED.

HOSPITAL	CURRENT GME REIMBURSEMENT	PROPOSED GME REIMBURSEMENT	DIFFERENCE
UMDNJ	\$11,125,114	\$5,392,850	(\$5,732,264)
Cathedral Healthcare	1,970,019	824,751	(1,145,268)
Jersey City M.C.	2,244,835	1,326,557	(918,278)
Cooper Hospital	2,454,299	1,621,877	(832,422)
St. Joseph's Hospital	3,786,324	2,960,830	(825,494)
R.W.Johnson	1,830,029	1,246,126	(583,903)
Newark Beth Israel	2,237,371	1,756,525	(480,846)
Monmouth M.C.	910,886	590,495	(320,391)
Kennedy Memorial	1,237,828	970,605	(267,223)
Bergen Pines	469,268	239,082	(230,186)

Background Paper: Graduate Medical Education (GME)

HOSPITAL	CURRENT GME REIMBURSEMENT	PROPOSED GME REIMBURSEMENT	DIFFERENCE
Jersey Shore M.C.	839,710	634,323	(205,387)
St. Mary's (Hob.)	273,473	137,531	(135,942)
Christ Hospital	123,389	15,324	(108,065)
Helene Fuld	287,492	204,452	(83,040)
Raritan Bay	279,042	203,014	(76,028)
Muhlenberg	181,667	120,281	(61,386)
Elizabeth General	128,771	85,002	(43,769)
Our Lady of Lourdes	207,674	166,908	(40,766)
Hosp. Cen. - Orange	20,435	15,560	(4,875)
Kessler Memorial	3,273	1,900	(1,373)
Zurbrugg	2,835	2,152	(683)
Atlantic City M.C.	407,022	416,072	9,050
St. Elizabeth	129,318	166,249	36,931
St. Peter's	567,360	901,532	334,172
Hackensack	811,909	0	(811,909)
St. Barnabus	746,196	0	(746,196)
Morristown Mem.	427,192	0	(427,192)
Overlook	384,661	0	(384,661)
W. Jersey Hosp. Sys.	209,181	0	(209,181)
Englewood	204,016	0	(204,046)
St. Francis (T)	172,417	0	(172,417)
Mountainside	105,707	0	(105,707)
Kennedy (Edison)	97,066	0	(97,066)
Underwood	67,439	0	(67,066)
Memorial Health All.	55,187	0	(55,187)
Somerset	49,565	0	(49,565)
Princeton	46,333	0	(46,333)
Union	45,657	0	(45,657)
Deborah Heart	39,579	0	(39,579)
Warren	29,021	0	(29,021)
Holy Name	18,540	0	(18,540)
Hunterdon	18,469	0	(18,469)
Meadowlands	1,482	0	(1,482)
TOTALS	\$35,247,051	\$20,000,000	\$15,247,051

Background Paper: Medicaid Reimbursement of Prescription Drugs - Alternative Savings Option

Budget Pages... E-18

Funding (\$000)	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999
Payments for Medical Assistance Recipients - Prescription Drugs	\$215,082	\$174,780	\$190,584

SUMMARY

State Medicaid expenditures for prescription drugs could be reduced by:

- Requiring manufacturers to provide rebates for drugs prescribed to non-Medicaid clients at State institutions (who are not eligible for rebates under federal law).
- Purchasing prescription drugs used at State institutions directly from the manufacturer, where available.
- Reimbursing on the basis of Direct Price, where available.

BACKGROUND AND ANALYSIS

The FY 1999 budget recommends \$190.6 million in General Funds for Medicaid prescription drug costs (excluding prescription drugs provided by managed care providers). Of the \$190.6 million, approximately \$12.8 million will be spend on behalf of patients at State insitutions.

Prescription drugs in the Medicaid program are reimbursed as follows: (a) For those drugs that the federal government has set a maximum allowable cost (MAC), drugs are reimbursed on the basis of the MAC price; and (b) For those drugs that do not have a MAC price, the drug is reimbursed on the basis of its average wholesale price (AWP) less 10 percent at retail pharmacies and 12 percent at State institutions.

The discussion below is limited to those drugs reimbursed on the basis of AWP which represent approximately 75 percent of the drugs reimbursed by Medicaid.

Manufacturers' Rebates. Federal law requires pharmaceutical manufacturers to provide rebates for medications provided to Medicaid clients; rebates are not provided for medications provided to non-Medicaid patients. Out of an estimated \$16.0 million (gross) in institutional expenditures, \$9.5 million in expenditures are not eligible for rebates.

Requiring manufacturers to provide rebates for the estimated \$9.5 million in prescription drugs for non-Medicaid patients at State institutions would result in an additional \$1.0 million in rebates.

Direct Purchase from Manufacturers. Some drug manufacturers sell directly to State agencies. The cost of purchasing medications directly from a manufacturer may be less than what the State may currently reimburse for the drug. For example, reimbursement for a certain medication used to treat schizophrenia is \$3.01 for a 100 mg. tablet (\$3.42 AWP less 12 percent). The manufacturer will sell directly to government agencies at a cost of \$2.92 per 100 mg. tablet. During a recent month, the State used about 20,000 doses of the medication. At a \$.09 per tablet savings, the State would save nearly \$22,000 (gross) annually by purchasing the medication directly from the

Background Paper: Medicaid Reimbursement of Prescription Drugs - Alternative Savings Option

manufacturer. The medications would be delivered to the State's vendor for distribution to State institutions.

Actual savings cannot be determined as administrative matters have to be resolved before direct purchase can be implemented. For example, it must be determined which drugs make financial sense to purchase directly from a manufacturer and whether the manufacturer will sell directly to the State. However, it may be possible for the department to significantly reduce its \$16.0 million (gross) in institutional drug costs if it can purchase some drugs directly from the manufacturer.

Direct Price Reimbursement. While not prevalent, some drug manufacturers have a Direct Price that is less than the AWP (less 10 percent) paid by the State. A review of the top 25 prescription drugs paid by Medicaid in the retail and institutional sectors identified 11 with a Direct Price. The chart below identifies these drugs, their current Medicaid reimbursement, their Direct Price and the dollar and percent savings Medicaid could realize by reimbursing on the basis of the Direct Price. (AWP and Direct Price data were obtained from the 1997 Drug Topics Red Book.) As reimbursement for drugs used at State institutions is AWP less 12 percent, Direct Price savings would be less at State institutions.

Chart I. AWP vs. Direct Price Reimbursement

PRESCRIPTION DRUG	AWP(LESS 10%)	DIRECT PRICE	\$ SAVINGS: DIRECT V. AWP	% SAVINGS: DIRECT V. AWP
Aricept 5mg. tab	\$3.60	\$3.37	\$0.23	6.4%
Biaxin 500 mg. tab	\$3.11	\$2.76	\$0.35	11.3%
Buspar 10 mg. tab	\$0.95	\$0.92	\$0.03	3.2%
Crixivan 400 mg. cap	\$2.25	\$2.00	\$0.25	11.1%
Depakote 500 mg. tab	\$1.06	\$1.00	\$0.06	5.7%
Diflucan 100 mg. tab	\$6.18	\$5.79	\$0.39	6.3%
Norvasc 5 mg. tab	\$1.11	\$1.04	\$0.07	6.3%
Pepcid 20 mg. tab	\$1.44	\$1.28	\$0.16	11.1%
Pepcid 40mg./5ml. susp.	\$7.64	\$6.79	\$0.85	11.1%
Procardia XL 60 mg. tab	\$2.01	\$1.88	\$0.13	6.5%
Zoloft 50 mg. tab	\$1.94	\$1.82	\$0.12	6.2%

Direct Price reimbursement would reduce prescription drug costs between \$0.03 and \$0.85 per tablet/capsule/dose for the above 11 medications when compared to their AWP (less 10 percent) reimbursement. As information on the total number of prescription drugs reimbursed by Medicaid which have a Direct Price and the quantity of medications used are not known, actual savings cannot be determined. However, as Medicaid spends upwards of \$25.4 million on the above medications, even if Direct Price reimbursement saves only 5 percent, savings would total \$1.7 million (gross).

It is also noted that if the department were to Direct Purchase drugs from a manufacturer or reimburse on the basis of Direct Price, the State would receive less rebates from drug manufacturers. However, the savings realized through lower reimbursement should exceed any reduction in manufacturers' rebates. Also, the State would improve its cash flow: Whereas it may take months or even years until manufacturers' rebates are received, the Direct Purchase of drugs from a manufacturer or Direct Price reimbursement would represent an immediate savings.

Background Paper: The Green Brook Regional Center

Budget Pages.... D-166 to D-167

Funding (\$000)	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999
Green Brook Regional Center	\$1,632	\$1,735	\$1,705

SUMMARY

Phasing out the Green Brook Regional Center and transferring the 110+ patients to the Vineland and Woodbine Developmental Centers could increase federal ICF-MR reimbursements between \$500,000 and \$1.3 million annually and reduce State appropriations by nearly \$900,000.

BACKGROUND

The Green Brook Regional Center is the smallest developmental center with a census of between 110 - 115 geriatric patients. The Department of Human Services (DHS) has operated Green Brook since 1981 when it agreed to use the former Raritan Valley Hospital and assume certain debt associated with the property. Appropriations associated with the mortgage will end after FY 2000.

As the smallest developmental center, a greater percentage of funds is expended on Physical Plant and Support Services and Management and Administrative Services than at other developmental centers. Conversely, a smaller percentage of funds is expended on Residential Care and Habilitation Services than at other developmental centers. (Green Brook percentages exclude mortgage related costs.)

	Residential Care and Habilitation Services	Physical Plant and Support Services	Management and Administrative Services
Green Brook	34%	40%	26%
Avg., Other Developmental Centers	76%	14%	10%

Green Brook also has the lowest estimated FY 1999 federal ICF-MR rate among all the developmental centers:

Green Brook	Hunterdon	New Lisbon	North Jersey	Vineland	Woodbine	Woodbridge
\$238	\$253	\$244	\$287	\$301	\$264	\$249

The Vineland and Woodbine Developmental Centers are the two facilities that can most readily accommodate Green Brook residents as certain underutilized buildings could be renovated to accommodate additional patients.

ANALYSIS

In view of Green Brook's small size, the low percentage of funds being expended on direct

Background Paper: The Green Brook Regional Center

patient care and its low federal ICF-MR reimbursement rate, transferring Green Brook's residents to Vineland and Woodbine accomplishes the following:

INCREASED FEDERAL REIMBURSEMENT. Transferring Green Brook's residents to Vineland or Woodbine Developmental Centers would increase federal reimbursement by between \$500,000 and \$1.3 million annually (depending on the number of clients placed at each facility). In addition, Vineland's and Woodbine's ICF-MR reimbursement rate would increase as additional square footage can be claimed on federal cost reports. For every \$1.00 increase in Vineland's and Woodbine's ICF-MR rates, federal reimbursement would increase by nearly \$100,000 annually.

To achieve an increase in federal reimbursement, certain buildings at Vineland and Woodbine would have to be renovated. The cost of such renovations would not be known until the buildings are examined by architects and engineers. The cost of such renovations could be recouped within two to three years through increased federal reimbursements.

REDUCED STATE APPROPRIATIONS. Phasing out Green Brook could reduce State appropriations by about \$900,000 for Physical Plant and Support Services and Management and Administrative Services. Existing appropriations for such activities at Vineland and Woodbine should be able to absorb any additional administrative and support services costs associated with 110 patients. (Green Brook appropriations for Residential Care and Habilitation Services would be transferred to other developmental centers for costs associated with providing patient care to such patients.)

SURPLUS PROPERTY. Phasing out Green Brook would enable the State to declare the property surplus and make it available for sale. The amount the State may be able to obtain for the building and property cannot be determined at this time.

Background Paper: DYFS Staffing

Budget Pages.... D-189

Staffing at the various district offices (DOs) and adoption resource centers (ARCs) operated by DYFS has been a matter of ongoing legislative concern. As indicated in the chart below, DYFS staffing had been below standards deemed adequate by the Child Welfare League of America (CWLA):

PERCENTAGE OF WORKLOAD STANDARD*			
OFFICE	JANUARY 1996	JULY 1996	JANUARY 1997
Central Region DOs	73.9%	63.3%	72.4%
Metro Region DOs	82.3%	73.5%	78.5%
Northern Region DOs	77.7%	72.8%	67.3%
Southern Region DOs	65.5%	65.9%	63.5%
ARCs	53.9%	53.0%	49.8%

Responding to these concerns, DYFS announced (September 1996) that it would hire 120 new employees, though civil service requirements delayed the hiring of significant numbers of new employees until the end of FY 1997. As part of the FY 1998 appropriations act, \$13.8 million was appropriated to enable DYFS was to hire an additional 175 staff and for related equipment. In total approximately 260 case carrying caseworkers and 100 support staff are to be hired.

Staffing, as a percentage of CWLA staffing standard, has increased at DOs and ARCs, in general, as a result of the new caseworker hirings. (At individual DOs or ARCs, staffing may not have increased. Also, month to month variations can result in percentage increases or decreases.) The chart below summarizes staffing at the DOs and ARCs since the new caseworkers were hired:

PERCENTAGE OF WORKLOAD STANDARD*			
OFFICE	JULY 1997	OCTOBER 1997	FEBRUARY 1998
Central Region DOs	73.5%	82.0%	79.4%
Metro Region DOs	75.6%	74.9%	75.7%
Northern Region DOs	72.2%	85.7%	82.7%
Southern Region DOs	70.5%	76.0%	77.9%
ARCs	65.4%	63.3%	62.6%

Achieving 100 percent of the standard would require hiring about 375 additional caseworkers and about 75 support personnel at a cost of about \$16 million, excluding benefits.

* The staffing standard is formula driven, based on total caseload and caseload characteristics. Based on this formula it is possible for the workload standard percentage to decrease despite an increase in the number of case-carrying workers.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 1999 budget are encouraged to contact:

Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625

(609) 292-8030

Fax (609) 777-2442