ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 2002 - 2003 BUDGET

DEPARTMENT OF HUMAN SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 2002

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HUMAN SERVICES

Budget Pages....... C-17; C-25; C-31 to C-32; C-35; D-225 to D-295; G-3 to G-4.

Fiscal Summary ($000)

	Expended FY 2001	Adjusted Appropriation FY 2002	Recommended FY 2003	Percent Change 2002-03
State Budgeted	$3,442,496	$3,819,535	$4,149,492	8.6%
Federal Funds	2,859,127	3,562,053	3,601,521	1.1%
Other	658,174	509,204	593,082	16.5%
Grand Total	$6,959,797	$7,890,792	$8,344,095	5.7%

Personnel Summary - Positions by Funding Source

	Actual FY 2001	Revised FY 2002	Funded FY 2003	Percent Change 2001-03
State	12,580	12,936	13,797	6.7%
Federal	4,880	5,053	5,297	4.8%
Other*	526	528	525	(0.6)%
Total Positions	17,986	18,517	19,619	6.0%

FY 2001 and revised FY 2002 personnel data reflect actual payroll counts. FY 2003 data reflect the number of positions funded.
* Excludes positions funded through 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 2,150 patients at six psychiatric hospitals and provide nearly 279,500 episodes of community mental health services.
- Division of Medical Assistance and Health Services will provide various health services to nearly 688,000 Medicaid recipients, 120,700 children in NJ KidCare and 175,000 adults in the NJ FamilyCare program.
- Division of Developmental Disabilities will serve about 3,400 patients at seven developmental centers and will provide various community services to nearly 27,800 persons.
- Commission for the Blind and Visually Impaired provides education, vocational rehabilitation, prevention and social services to blind and visually impaired clients and

Introduction (Cont'd)

operates the Kohn Residential Center.

- **Division of Family Development** provides financial assistance to about 258,800 recipients monthly in the General Assistance, Work First New Jersey Client Benefits and SSI programs; provides Food Stamp benefits to over 311,700 persons monthly; and provides child care services to over 54,100 children monthly.
- **Division of Youth and Family Services** as the State's primary social services agency, will provide foster care, adoption assistance, residential and other social services to 52,000 children/27,600 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

DEPARTMENT OF HUMAN SERVICES (GENERAL)

Cost of Living Adjustment

Included within the recommended **Grants-In-Aid/State Aid** appropriations for the Divisions of Mental Health Services, Developmental Disabilities, Family Development, Youth and Family Services and Management and Budget, and the Commission for the Blind and Visually Impaired is approximately $24.3 million for Cost of Living Adjustments (COLAs) to direct care employees of provider agencies.

Elimination of Legislative Grants

Approximately $3.4 million in various Legislative initiatives are not continued.

DIVISION OF MENTAL HEALTH SERVICES

- **Direct State Services.** Recommended appropriations increase 6.0 percent, from $225.0 million to $238.6 million. Significant increases or decreases include:

  - Administration and Support. Recommended appropriations decrease 4.2 percent, from $4.5 million to $4.3 million. No funds are proposed for the Additions, Improvements and Equipment account.

  - Psychiatric Hospitals. Funding increases 6.4 percent, from $215.4 million to $229.2 million. The increases are for additional staff needed to retain accreditation primarily at Ancora, Trenton and Hagedorn facilities. Total staffing is expected to increase 5.7 percent, from approximately 4,530 to 4,780 personnel. The average daily census of the six psychiatric hospitals is expected to decrease 4.7 percent, from about 2,260 to 2,160 patients.

- **Grants-In-Aid.** Recommended appropriations decrease 2.6 percent, from $252.4 million to $245.9 million. The reduction reflects the shift of about $5.3 million in children's residential service costs to the Children's System of Care Initiative - Residential account within the Medicaid budget and the expected receipt of $6.0 million in new federal

Key Points (Cont'd)

Medicaid reimbursements for Programs for Assertive Community Treatment services and for services provided to adults in residential settings.

Although the $17 million recommended for the Greystone Park Psychiatric Hospital Bridge Fund is unchanged from the FY 2002 adjusted amount, the recommended appropriation actually represents a $10 million increase, since $10 million from the Greystone ... Bridge Fund is targeted by the Governor to be used to close the FY 2002 budget deficit.

- State Aid. Due to an increased utilization and rate increases approved by the State House Commission, recommended appropriations to reimburse county psychiatric hospitals are expected to increase 3.1 percent, from $91.7 million to $94.5 million.

- Capital Construction funds of $3.0 million are recommended to replace a steam and condensate line at Trenton Psychiatric Hospital.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

- Direct State Services. Recommended appropriations for Health Services Administration and Management increase 14.8 percent, from $27.2 million to $31.2 million. The increase is largely in the Payments to Fiscal Agent account for costs associated with a new Health Care Billing System for certain Medicare claims ($5.0 million). This increase is offset by a $1.0 million reduction in the Professional Standards Review Organization - Utilization Review account.

- Grants-In-Aid. Recommended appropriations for General Medical Services increase 13.7 percent from $1.75 billion to $1.99 billion. Although much of the increase reflects higher costs for many health services, based on estimated utilization and cost trends, approximately $159.6 million in new State funds are needed to offset the loss of a comparable amount of federal Intergovernmental Transfer (IGT) monies used in FY 2002.

  - Among the most significant increases for FY 2003 are: Managed Care Initiatives - $85.6 million; Prescription Drugs - $49.0 million; NJ FamilyCare - $48.1 million; Personal Care - $16.3 million; Outpatient Hospital - $16.2 million. Among the most significant reductions are: Inpatient Hospital - ($31.5 million) ; and Home Health - ($9.3 million).

  - Although the Lipman Hall ($9.4 million) and the Children's System of Care Initiative - Residential ($70.8 million) accounts appear as new programs, these programs were actually transferred from the Divisions of Mental Health Services and Youth and Family Services Grants-in-Aid accounts.

  - The recommended appropriation includes an $8.8 million increase in Medicaid reimbursement to physicians. Furthermore, $3.9 million in savings are anticipated through the implementation of initiatives intended to reduce program costs.

- Federal Funds. Recommended appropriations decrease 0.5 percent, from $2.09 billion to $2.08 billion, based on projected costs and current federal reimbursement of 50 percent for most Medicaid services and 65 percent for NJ KidCare services. The decrease reflects the loss of $159.6 million in federal IGT funds.

Key Points (Cont'd)

- **Other Funds** represent redirected payroll tax revenues. Recommended appropriations increase 19.6 percent, from $427.4 million to $511.3 million, as follows:

  - An additional $77.4 million is provided for New Jersey Health Care Hospital Payments (charity care).

  - An additional $6.5 million is provided for the NJ KidCare Children's Health Insurance Initiative.

DIVISION OF DEVELOPMENTAL DISABILITIES

The division's budget is presented in gross dollar terms, combining State, federal, Casino Revenue Funds and Other Funds. The discussion below focuses on recommended State appropriations, unless otherwise indicated.

- **Direct State Services.** Recommended appropriations increase 6.3 percent, from $204.6 million to $217.5 million. Significant increases or decreases include:

  - Community Programs - Appropriations decrease 1.2 percent, from $21.4 million to $21.2 million, primarily in the Personal Services account of the Education and Day Training program.

  - Developmental Centers - Appropriations for the seven facilities increase 7.4 percent, from $179.5 million to $192.8 million. The increase provides for additional staff, primarily at Hunterdon, New Lisbon, Woodbine and Woodbridge, that are needed to address staffing and program deficiencies and enable the centers to retain accreditation in order to continue to receive federal Medicaid reimbursements. Also, additional funds are provided to most developmental centers for Additions, Improvements and Equipment.

- **Grants-In-Aid.** Recommended State **General and Casino Revenue Fund** appropriations increase 10.6 percent, from $372.8 million to $412.5 million. As the amount of federal funds allocated to grant programs are reduced by $19.6 million, about one-half of the $39.6 million increase in recommended State appropriations is being used to offset this reduction. Among the largest dollar increases in State funds are: Group Homes - $20.3 million; Community Services Waiting List Reduction Initiatives - FY 2000, FY 2001 and FY 2002 - $6.0 million; and Home Assistance - $4.5 million.

  In addition:

  - Initial State funding of $5.7 million is provided for a new Community Services Waiting List Reduction Initiative - FY 2003. Informal information is that these monies would be used for support services and planning.

  - State funding is reduced by $5.8 million for the two Community Transition Initiatives - FY 2001 and FY 2002, from $12.1 million to $6.3 million, to better reflect anticipated expenditures. These initiatives attempt to place developmental center clients into appropriate community programs.

- **Federal Funds.** A 1.7 percent reduction, from approximately $385.6 million to $379.0

Key Points (Cont'd)

million, is anticipated. These funds, which primarily consist of Medicaid ICF-MR and Medicaid Community Care Waiver reimbursements, support the developmental centers and community programs.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

- **Capital Construction.** The Kohn Rehabilitation Center is allocated $1.2 million for emergency equipment upgrades.

DIVISION OF FAMILY DEVELOPMENT

The division's budget is presented in gross dollar terms, combining State and federal funds. The discussion below focuses on recommended State appropriations, unless otherwise indicated.

- **Direct State Services.** Recommended State appropriations increase over 133 percent, from $15.1 million to $35.3 million, as follows:

  - Personal Services. Funding increases from $2.3 million to $9.9 million, as unexpended FY 2001 balances, used to supplement the FY 2002 appropriation, will not be available in FY 2003.

  - An additional $12.7 million is recommended for various Special Purpose accounts: Electronic Benefits Transfer/Distribution System - $0.4 million; Child Support Medical Notice - $1.3 million; Work First New Jersey - Child Support Initiatives - $0.4 million; SSI Attorney Fees - $1.0 million; and Work First New Jersey - Technology Investment - $9.7 million. The FY 2002 appropriation for some of these programs was reduced as unexpended FY 2001 balances were to be used to supplement the State appropriation. Because of a reduction in the amount of unexpended balances expected to be available in FY 2003, a portion of the $12.7 million will be used to offset the reduction in FY 2002 unexpended balances.

- **Grants-In-Aid.** Recommended State appropriations increase 13.3 percent, from $275.3 million to $311.8 million:

  - Funding increases include: Work Activities - $26.6 million; and Abbott Expansion - $20.0 million. Also, a new DFD Homeless Prevention Initiative is recommended for $2.0 million.

  - Funding decreases include: Child Care - $7.8 million; Housing Diversion/Subsidy Program - $1.0 million; and Pre-Early Childhood Education - $3.7 million. The average number of children receiving child care services monthly is expected to decrease by about 1,000 from about 55,100 to 54,100. The Housing Diversion and Pre-Early reductions are offset by the use of federal funds.

  - Proposed budget language on p. D-282 would increase the Interfund Transfer from the New Jersey Workforce Development Partnership Fund to support grant funding of the Work First New Jersey - Work Activity and Training Related Expenses accounts from $5.0 million to $35.0 million.

- **State Aid.** Recommended State appropriations increase 7.6 percent, from $173.3 million

Key Points (Cont'd)

to $186.4 million. Major dollar increases include: WFNJ - Client benefits - $2.5 million; the two General Assistance (GA) programs - $14.5 million; and Payments for Supplemental Security Income - $1.3 million.

Monthly caseloads in GA are expected to increase 6.1 percent, from approximately 23,600 to 25,100 persons; in WFNJ, monthly caseloads are expected to decrease 13.4 percent, from about 106,000 to 91,900; and in the SSI program, monthly caseloads are expected to increase about 1.0 percent, from 140,600 to 141,800.

Offsetting the above increases, Food Stamp Administration - State funding is reduced by $6.5 million because Pub.L. 105-185, which reduced federal reimbursement for Food Stamp administrative costs, will expire and is not expected to be reauthorized by Congress.

- Federal Funds. Recommended appropriations increase 4.1 percent, from $833.0 million to $867.3 million. The increase is related to the expenditure of unexpended TANF funds that the State had accumulated over the past few fiscal years. Among the programs for which TANF funds will be used, are the Earned Income Tax Credit Program ($70 million) and Kinship Care Guardianship and Subsidy ($32.3 million).

DIVISION OF YOUTH AND FAMILY SERVICES

The division's budget is presented in gross dollar terms, combining State, federal, Casino Revenue Funds and Other Funds. The discussion below focuses on recommended State appropriations, unless otherwise indicated.

- Direct State Services. Recommended State appropriations increase 1.8 percent, from $66.5 million to $67.9 million, reflecting the annualization of staffing initiatives initiated in FY 2002.

- Grants-In-Aid. Appropriations decrease 14.9 percent, from $306.4 million to $260.8 million. The reduction is misleading as $74.9 million (gross) in various residential/group home services funds associated with the Children's System of Care Initiative are transferred to the Medicaid budget where federal Medicaid funds are realized.

Excluding the transfers to another division, the only significant State appropriations increases are: $10.5 million for Family Support Services, to $45.8 million, and $10.3 million for Foster Care, to $42.7 million.

In FY 2003, the number of Subsidized Adoptions is expected to increase about 4.1 percent, from approximately 7,100 to 7,400. The number of paid Foster Care placements is expected to remain unchanged at about 6,700.

- Federal Funds. Recommended appropriations decrease 1.4 percent, from $194.0 million to $191.2 million. The reduction is related primarily to the reallocation of federal Medicaid funds due to the transfer of certain children's residential programs to the Medicaid program. In addition, less federal funds are anticipated for the Statewide Automated Child Welfare Information System (SACWIS) computer system though sufficient unexpended federal funds remain available for the project.

Key Points (Cont'd)

DIVISION OF THE DEAF AND HARD OF HEARING

- The recommended $706,000 appropriation is unchanged from FY 2002 levels.

DIVISION OF MANAGEMENT AND BUDGET

- **Direct State Services.** Recommended appropriations decrease 13.8 percent, from $32.3 million to $27.9 million. The overall reduction is primarily attributable to a $4.9 million decrease in the Services Other Than Personal accounts, reflecting the discontinuance of a FY 2002 supplemental appropriation to reimburse consultants for certain services. (The budget language authorizing this supplemental appropriation is recommended to continue in FY 2003.) Offsetting this reduction, $500,000 is recommended for the Physician/Dental Fellowship program. The original FY 2000 $2.5 million appropriation remains unspent and the Governor has indicated that these monies will lapse to balance the FY 2002 budget.

- **Capital Construction.** To address federal concerns about the slow pace of implementation of the SACWIS computer project, $3.3 million is recommended.

- **Federal Funds.** A 73.1 percent increase in federal funds is anticipated, from $34.2 million to $59.2 million. These monies primarily represent federal cost recoveries for fringe benefits and indirect costs. It is uncertain whether the additional federal revenues will be realized.

BACKGROUND PAPERS

Program Description and Overview

DEPARTMENT OF HUMAN SERVICES (GENERAL)

Cost of Living Adjustment

The **Grants-In-Aid/State Aid** accounts of the various divisions include $24.3 million for a 2 percent Cost of Living Adjustment to direct care employees of provider agencies, effective July 1, 2002.

Elimination of Legislative Grants

Approximately $3.4 million in various FY 2002 Legislative initiatives are not continued.

DIVISION OF MENTAL HEALTH SERVICES (DMHS)

DMHS operates five psychiatric hospitals (Ancora, Greystone, Trenton, the Arthur Brisbane Child Treatment Center and the Senator Hagedorn Gero-Psychiatric Hospital) and the Ann Klein Forensic Psychiatric Center for persons who are criminally dangerous or are dangerous in other institutional settings. These facilities will serve about 2,150 clients during FY 2003. All psychiatric facilities 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 nearly 280,000 units of mental health services such as partial care, residential and case management. (Other community mental health expenditures are funded through the Medicaid budget.)

DMHS reimburses six county psychiatric hospitals 90 percent of the cost of non-Medicaid patients; certain patients are reimbursed at 100 percent. Over 710 patients daily will receive services at county hospitals.

In FY 2003, the **General Fund** anticipates $46.0 million in various psychiatric hospital reimbursements and $168.2 million in federal disproportionate share reimbursements for non-Medicaid patients at accredited State and county hospitals.

DMHS' FY 2003 recommended **General Fund** appropriation is summarized on the next page.

Direct State Services. DMHS Central Office appropriations decrease 2.1 percent, from $9.6 million to $9.4 million, as follows:

Community Services. Continuation funding of $5.1 million is recommended.

Administration and Support Services. Funding decreases 4.2 percent, from $4.5 million to $4.3 million, and is related to a $0.2 million reduction in the Additions, Improvements and Equipment account.

Funding for the six **Psychiatric Facilities** increases 6.4 percent, from $215.4 million to $229.2 million. Trenton, Ancora and Hagedorn each receive $4.1 million for direct patient care staff needed to maintain accreditation; and approximately $1.5 million is provided to various hospitals for Additions, Improvements and Equipment. Institutional populations are expected to

Program Description and Overview (Cont'd)

decline by over 100 patients, from about 2,260 to 2,160; the largest census reductions occur at Ancora (34), Greystone (20) and Trenton (47).

Division of Mental Health Services	Adj. Appropriation FY 2002	Recommended FY 2003	Percent Change
TOTAL ($000)	$569,658	$582,034	2.2%
Direct State Services:	$225,024	$238,580	6.0%
DMHS Central Office	$9,616	$9,417	(2.1)%
Psychiatric Hospitals	215,408	229,163	6.4%
Grants-In-Aid:	$252,424	$245,944	(2.6%)
Community Care	$216,159	$204,859	(5.2%)
Greystone Bridge Fund	17,000	17,000	- - -
COLA/Salary Supplement	n.a.	6,020	n.a.
Other Grants	18,065	18,065	- - -
State Aid	$91,710	$94,510	3.1%
Capital Construction	$500	$3,000	500%

Grants-In-Aid. Overall appropriations decrease 2.6 percent, from $252.4 million to $245.9 million. The reduction is somewhat misleading as follows:

- $5.3 million in children's residential services are transferred to the Medicaid budget as part of the Children's System of Care program.
- Providers are expected to realize an additional $6.0 million in Medicaid reimbursements for Program for Assertive Community Treatment services and certain services provided to adult clients in residential settings.
- Although the Greystone Park Psychiatric Hospital Bridge Fund receives no additional appropriations, funding will actually increase by $10 million, as $10 million of the $17 million FY 2002 appropriation will be lapsed to close the FY 2002 budget shortfall. Bridge Fund monies will be used to place about 400 clients from psychiatric facilities into various residential placements and develop new or expand existing community programs; these monies can also be used for design costs of a new hospital on the Greystone grounds.

State Aid to reimburse six county hospitals for services to approximately 710 patients daily will increase 3.1 percent, to $94.5 million. Most of the increase in costs is related to new rates approved by the State House Commission, coupled with an increase in utilization.

Capital Construction. To replace a steam and condensate line at Trenton, $3.0 million is provided.

Federal Funds of $15.7 million are used for community programs: Mental Health Block Grant ($11.7 million); the PATH program ($1.3 million); and the Burlington Partnership Program ($2.0 million). Other Funds of $2.5 million are used for education programs.

Program Description and Overview (Cont'd)

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 provides services to about 687,900 persons monthly, and the NJ FamilyCare/KidCare program, which will serve about 120,700 children and 175,000 adults monthly.

The State's Medicaid program provides most medical services permitted by federal law such as in/out patient hospital care, physician services and prescription drugs. The State develops rates of reimbursement for most services, within federal guidelines. Over 185,000, or 95 percent, of the State's Work First New Jersey families with dependent children, are enrolled in Medicaid managed care. Surveys indicate that, in general, Medicaid recipients are satisfied with the health care services provided by managed care. Managed care is being extended to disabled persons (not on Medicare); at present, nearly 38,000 disabled persons are enrolled in managed care plans.

DMAHS' FY 2003 recommended **General Fund** appropriations is summarized below:

Division of Medical Assistance and Health Services	Adj. Appropriation FY 2002	Recommended FY 2003	Percent Change
TOTAL ($000)	$1,776,162	$2,020,293	13.7%
Direct State Services:	$27,178	$31,203	14.8%
Medicaid Administration	$27,178	$31,203	14.8%
Grants-In-Aid	$1,748,984	$1,989,090	13.7%
Personal Care	$111,907	$128,228	14.5%
Managed Care Initiative	457,140	542,707	18.7%
Other Treatment Facilities	9,784	5,567	(43.1%)
Inpatient Hospital	203,370	171,904	(15.5%)
Prescription Drugs	290,354	339,321	16.9%
Outpatient Hospitals	150,523	166,754	10.8%
Physician	29,421	22,266	(24.3%)
Home Health	28,420	19,105	(32.8%)
Psychiatric Hospitals	11,670	8,624	(26.1%)
Clinic	55,551	45,138	(18.7%)
Transportation	23,255	33,200	42.8%
Eligibility Determination	7,230	4,800	(33.6%)
Health Benefits Coordination	7,725	6,055	(21.6%)
NJ FamilyCare	181,288	229,388	26.5%
Transfers of Programs	- -	80,190	- -
Other Grants	181,346	185,843	2.5%

Direct State Services expenditures increase 14.8 percent, from $27.2 million to $31.2 million:

- $5.0 million in the Payments for Fiscal Agent account is for a Health Care Billing System to meet new federal requirements concerning Medicare billings for patients at State institutions; as federal requirements are not known, system costs are uncertain; and

Program Description and Overview (Cont'd)

- $0.2 million in the Services Other Than Personal account is for professional services (consultants) to develop a new outpatient reimbursement system similar to the one adopted by Medicare.

Offsetting these increases, the Professional Standards Review Organization -Utilization Review account is reduced by $1.0 million. As this reduction reflects actual FY 2002 expenditure levels and was suggested by the division, it should not affect administrative operations.

Grants-In-Aid. Recommended appropriations increase 13.7 percent, from $1.75 billion to approximately $1.99 billion. Although much of the increase is based on utilization and cost trends, the following is noted:

- An additional $159.6 million is provided to offset an equal amount of federal Intergovernmental Transfer (IGT) funds used in FY 2002 to reduce State appropriations for Managed Care Initiative, Inpatient Hospitals and Prescription Drugs services. (IGT involved the State claiming nursing home costs at county and non-governmental facilities at the higher Medicare rate. The State's receipt of IGT funds will be limited to county nursing homes only beginning October 2002. The State is attempting to obtain a waiver from these federal regulations, which would enable the State to continue to receive and spend IGT funds in the Department of Health and Senior Services in FY 2003.)

- The Physician account includes $8.8 million to increase physician reimbursement, effective July 2002. (Approximately $17.5 million in FY 2002 funds that had been appropriated to increase fees will not be used for this purpose, but will be used to close the FY 2002 budget shortfall.)

- Various increases and decreases in Medicaid accounts reflect the enrollment of disabled persons (without Medicare) into managed care and the corresponding reduction in service costs. Between June 2001 and April 2002, the number of disabled persons enrolled in managed care grew from about 22,400 to nearly 37,700.

- NJ FamilyCare provides health insurance coverage to: parents with income up to 200 percent of the poverty level; and single persons and married adults with no children with income up to 100 percent of the poverty level. Regulations adopted in September 2001 limit the enrollment of single persons and married adults with no children to persons receiving General Assistance and require persons to be enrolled in a managed care program before health care services can be provided.

  Though recommended appropriations increase 26.5 percent, from $181.3 million to $229.4 million, actual State expenditures are expected to decrease 15.7 percent, from $272.2 million to $229.4 million. The reason for this disparity is that the FY 2002 adjusted appropriation does not reflect the transfer of additional State funds into the NJ FamilyCare account to meet program costs. The FY 2003 budget recommendation assumes that year end enrollment will be 175,000 and that a new system to provide health care for the GA population will be developed and implemented. It is uncertain whether these assumptions will be realized. Also, NJ FamilyCare expenditures have moderated since the September 2001 regulations were adopted: Annualized gross expenditures have been reduced by about $34 million, from approximately $440 million (July - September 2001) to $406 million (since October 2001).

Program Description and Overview (Cont'd)

Proposed budget language provisions would allow up to $6 million in FamilyCare funds to be used for program administration and enable the commissioner to adopt regulations to keep costs within available appropriations.

- Approximately $80.2 million in expenditures (Lipman Hall - $9.4 million and Children's System of Care Initiative - Residential - $70.8 million) are shifted from the budgets of the Divisions of Mental Health Services and Youth and Family Services.

- The recommended appropriation incorporates $3.9 million in savings: Implementation of a new hospital outpatient reimbursement system - $2.6 million; Miscellaneous savings - $0.9 million; and stricter enforcement of reimbursement rules affecting off-site clinics operated by hospitals - $0.5 million.

Federal Funds are expected to decrease 0.5 percent, from $2.09 billion to $2.08 billion. The reduction is attributable to the loss of $159.6 million in federal IGT funds that were used in FY 2002 to offset the cost of certain Medicaid programs.

Of the $2.08 billion in federal funds, $200 million is for the NJ FamilyCare program and $84.0 million is for the NJ KidCare program.

Other Funds. These funds represent redirected payroll tax revenues and recommended expenditures increase 19.6 percent from $427.4 million to $511.3 million. The monies will be used for:

New Jersey 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.). Recommended funding increase 19.9 percent, from $388.7 million to $466.1 million.

NJ KidCare provides health coverage to children with gross family income of up to 350 percent of the federal poverty level. Recommended funding for services and administration increases 16.7 percent, from $38.8 million to $45.2 million. Enrollment in the program is expected to increase to 120,700 children by the end of FY 2003. At present, nearly 96,000 children are enrolled.

DIVISION OF DEVELOPMENTAL DISABILITIES (DDD)

DDD evaluates various medical, social, and other factors of an individual to determine whether the person is developmentally disabled and qualifies for DDD's various residential/non-residential services. DDD serves a broad range of individuals, including persons with mental retardation, 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 provides autism services, services to adolescents "aging out" of DYFS and the Family Support Act. DDD has under supervision and provides day training, adult activities and other community services such as case management and group and skill development homes, to nearly 28,000 persons. In FY 2003, approximately $222.5 million in federal Community Care Waiver reimbursements will be received for these community services.

The division's seven developmental centers (Green Brook, Hunterdon, New Lisbon, North

Program Description and Overview (Cont'd)

Jersey, Vineland, Woodbine and Woodbridge) provide residential care, habilitation, health services, education and training about 3,400 clients. All developmental centers are currently accredited, resulting in an expected $202.3 million in federal ICF-MR reimbursements in FY 2003. Should any developmental center lose accreditation, there would be a significant loss of federal reimbursements. In the case of New Lisbon and Woodbridge (the two facilities whose accreditation is at risk) lost federal reimbursement could be in the $30 - $35 million range for each facility.

DDD's FY 2002 recommended General and Casino Revenue Fund appropriations are summarized below:

Division of Developmental Disabilities	Adj. Appropriation FY 2002	Recommended FY 2003	Percent Change
TOTAL ($000)	$597,028	$649,617	8.8%
Direct State Services:	$204,574	$217,521	6.3%
Administration	$3,618	$3,561	(1.6%)
Community Programs	21,432	21,171	(1.2%)
Developmental Centers	179,524	192,789	7.4%
Grants-In-Aid:	$353,184	$392,826	11.2%
Group Homes	$143,922	$164,237	14.1%
Comm. Nursing Init. FY 2002	720	547	(24.0%)
Comm. WL Init. FY 2000	4,459	8,175	83.3%
Comm. WL Init. FY 2001	17,747	18,954	6.8%
Comm. WL Init. FY 2002	14,610	15,652	7.1%
Comm. WL Init. FY 2003	- -	5,650	- -
Comm. Transition FY 2001	6,589	2,947	(55.3%)
Comm. Transition FY 2002	5,504	3,354	(39.1%)
Adult Activities	74,647	74,647	- -
Home Assistance	26,501	31,001	17.0%
Other Grants	58,485	67,662	15.7%
Casino Revenue Fund	$19,635	$19,635	- -

Direct State Services funding increases 6.3 percent, from $204.6 million to $217.5 million as follows:

- Administration and Support Services (Central Office). As no funds are recommended for Additions, Improvements and Equipment, funding decreases 1.6 percent, to about $3.6 million.

- Community Programs. Overall funding is reduced 1.2 percent, to $21.2 million, as funding for the Education and Day Training program is reduced by about $0.3 million in the Personal Services and Additions, Improvements and Equipment accounts. Funding for the other programs is unchanged: Purchased Residential Care ($1.0 million), Social Supervision and Consultation ($9.7 million) and Adult Activities ($1.0 million) programs.

- Developmental Centers appropriations increase 7.4 percent, from $179.5 million to $192.8

Program Description and Overview (Cont'd)

million. The New Lisbon, Woodbridge and Hunterdon centers each receive an additional $4.1 million - $4.2 million, primarily for additional staff related to accreditation issues. Additional funds are provided for Additions, Improvements and Equipment at the various centers.

During FY 2003, the census at the centers will be little changed at about 3,400 clients. This does not reflect planned transfers from developmental centers to community programs anticipated through the Community Transition Initiatives - FY 2001 and FY 2002. Though the Initiatives intend to relocate about 350 clients, the actual number that will be relocated during FY 2003 is uncertain. To date, the two Initiatives have relocated only 25 clients.

Grants-In-Aid. Recommended appropriations increase 11.2 percent, from $353.2 million to $392.8 million. Total grant funding - including Casino Revenue, federal and Other Funds - increases 3.2 percent, from $625.3 million to $645.3 million.

New or increased State appropriations are recommended for the following:

- Community Services Waiting List Reduction Initiative - FY 2000 - $3.7 million increase. The FY 2000 Initiative provides 500 community placements, 400 day program slots and additional funding for family support services. As of December 2001, nearly 260 placements have occurred.

- Community Services Waiting List Reduction Initiative - FY 2001 - $1.2 million increase. The FY 2001 Initiative provides 500 community placements, 400 day program slots and additional funding for family support services. As of December 2001, nearly 180 placements have occurred.

- Community Services Waiting List Reduction Initiative - FY 2002 - $1.0 million increase. The FY 2002 Initiative provides for 500 community placements, 400 day program slots and additional funding for family support services. As of December 2001, about 30 placements have occurred.

- Home Assistance - $4.5 million increase.

- Community Services Waiting List Reduction Initiative - FY 2003 - $5.6 million. Informal information is that these monies would be used for support services and planning.

Although funding is reduced for the following programs, the amounts requested better reflect anticipated expenditures:

- Community Transition Initiative - FY 2001 - a reduction of $3.6 million, to $2.9 million. The FY 2001 Transition Initiative would relocate 144 clients from developmental centers to community programs. As of December 2001, about 20 clients have been relocated.

- Community Transition Initiative - FY 2002 - a reduction of $2.2 million, to $3.4 million. The FY 2002 Transition Initiative would relocate 200 clients from developmental centers to community programs. Available information is that 5 clients have been or are in the process of being relocated.

- Community Nursing Care Initiative - FY 2002 - a reduction of $0.2 million, to $0.5 million.

Program Description and Overview (Cont'd)

The Nursing Care Initiative would relocate 25 developmentally disabled nursing home clients to community programs. The recommended appropriation would serve about 15 clients at an average annual cost of about $65,000.

Casino Revenue Fund. Appropriations of $19.6 million are unchanged from FY 2001 levels and are used to supplement Grants-In-Aid programs.

Federal Funds are expected to decrease 1.7 percent, from approximately $385.6 million to $379.0 million. ICF-MR ($202.3) and Community Care Waiver ($222.5 million) are the primary federal revenue sources. (Some portion of these federal reimbursements are used to reimburse the Department of the Treasury for fringe benefit expenses.) The allocation of federal ICF-MR and Community Care Waiver funds among the various programs is discretionary. Also, if additional federal funds are received above the amounts indicated, the additional federal funds could be used to either expand programs or to offset State appropriations.

Other Funds. Continuation funding of $57.6 million is recommended and includes Group Homes ($13.5 million) and Skill Development Homes ($12.5 million) recoveries, Client Co-Payments ($2.0 million) and Other Recoveries used for Waiting List Reduction Initiatives ($10.0 million). These funds are used to support various activities of the Purchased Residential Care program. An additional $19.6 million in State Facilities Education Funds are anticipated in support of activities in the Education and Day Training program and at various developmental centers.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED (CBVI)

CBVI will provide education services to 2,800 clients, vocational rehabilitation services to 2,600 clients, independent living services to 4,000 persons, and eye screens to 34,000 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.

Direct State Services. Continuation funding of $8.0 million is recommended, including $848,000 for Technology for the Visually Impaired.

Grants-In-Aid. Recommended funding increases 1.9 percent in FY 2003, from $4.4 million to $4.5 million, due to a COLA for provider agencies. Grant funding for Educational Services for Children ($2.1 million) and Services to Rehabilitation Clients ($1.9 million) is unchanged.

Capital Construction funding of $1.2 million is for emergency equipment upgrades at the Kohn Rehabilitation Center.

Federal Funds. Approximately $10.3 million is anticipated, unchanged from FY 2002 levels. Most of the federal funds are for Vocational Rehabilitation services ($6.7 million). Other Funds of $775,000 are anticipated: $475,000 in appropriated receipts and $300,000 in Social Security Administration reimbursements used for vocational rehabilitation services.

Program Description and Overview (Cont'd)

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 supervision of county and municipal welfare programs to one involving job training, employment and requiring TANF recipients to 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 employment and job training and provides financial assistance, child care, transportation, extended Medicaid benefits and on-going case management support. WFNJ also provides education and job training to GA recipients, although the GA program does not qualify for federal reimbursement.

Increases or reductions in General Fund appropriations for specific WFNJ activities are discretionary so long as the State meets its federal Maintenance of Effort requirement of $304 million. This enables the State to obtain approximately $404 million in federal TANF funds. Similarly, the State has discretion in allocating federal TANF funds among WFNJ programs.

DFD's FY 2003 recommended General Fund appropriation is summarized below.

Division of Family Development	Adj. Appropriation FY 2002	Recommended FY 2003	Percent Change
TOTAL ($000)	$463,642	$533,434	15.1%
Direct State Services:	$15,110	$35,265	133.4%
Administration	$9,274	$16,752	80.6%
Child Support Related Activities	4,168	5,869	40.8%
WFNJ Technology	- -	9,690	- -
Misc.	1,668	2,954	77.1%
Grants-In-Aid:	$275,258	$311,754	13.3%
WFNJ Related Activities	$131,375	$150,146	14.3%
TANF Abbott Expansion	106,000	126,000	18.9%
Kinship Programs	10,450	10,550	1.0%
Substance Abuse	11,105	11,455	3.2%
Misc.	16,328	13,603	(16.7%)
State Aid:	$173,274	$186,415	7.6%
General Assistance Programs	$83,493	$98,036	17.4%
WFNJ Client Benefits/Emergency Asst.	789	3,272	414.7%
SSI Programs	78,113	80,211	2.7%
Misc. State Aid	10,879	4,896	(55.0%)

Program Description and Overview (Cont'd)

Direct State Services. Recommended State appropriations increase 133.4 percent, from $15.1 million to $35.3 million, as follows:

- Personal Services funding is increased from $2.3 million to $9.9 million, as unexpended balances utilized in FY 2002 are no longer available.

- WFNJ Child Support Initiatives (including centralized collection of child support, New Hires reporting system, license revocation and public awareness) increase 10.8 percent, from $3.3 million to $3.7 million, as unexpended balances utilized in FY 2002 are no longer available.

- Electronic Benefit Transfer/Distribution System costs associated with providing various benefits through ATMs and other electronic devices increases over 31.7 percent, from $1.1 million to $1.5 million. The General Assistance program is to be incorporated into the system and as no federal funds are available for this program, additional State funds are required.

- WFNJ Technology Investment. A $9.7 million appropriation is recommended as unexpended balances utilized in FY 2002 are no longer available to support all activities. In addition, proposed budget language appropriates an additional $3.0 million for data processing activities, if needed.

- Child Support Medical Notice. Recommended funding increases from $0.3 million to $1.7 million. This federal mandate attempts to obtain better information on medical coverage that may be available to children who receive child support. Program costs are uncertain at this time.

- SSI Attorney Fees. Recommended funding increases from $0.5 million to $1.5 million. The division has contracted with a non-profit legal agency to assist General Assistance and WFNJ recipients in obtaining federal SSI benefits.

Grants-In-Aid. Recommended appropriations increase 13.3 percent, from $275.3 million to $311.8 million.

Recommended General Fund appropriations for various WFNJ activities increase 13.4 percent, from $142.5 million to $161.6 million:

Various Work First New Jersey Activities	FY 2002	FY 2003
WFNJ -Training Related Expenses	$2,415,000	$2,415,000
WFNJ - Work Activities	$46,383,000	$73,000,000
WFNJ - Community Housing for Teens	$200,000	$200,000
WFNJ - Child Care	$74,657,000	$66,847,000
WFNJ - Breaking the Cycle Pilots	$7,720,000	$7,684,000
Substance Abuse Initiative	$11,105,000	$11,455,000

Program Description and Overview (Cont'd)

Including federal funds, total WFNJ expenditures for the above activities decrease 2.9 percent, from $468.6 million to $454.9 million.

The monies listed above will provide: training related expenses to 12,200 recipients monthly; vocational training and education to about 5,300 teen parents monthly; 1,500 recipients monthly with community work experience projects; and child care to 54,100 children. Approximately 1,200 recipients monthly will enter employment.

Proposed budget language on D-282 would increase the amount of Workforce Development Partnership Funds available for WFNJ Work Activity/Training Related Expenses from $5.0 million to $35.0 million. This would reduce the actual amount of other **General Fund** resources needed for these activities from $75.4 million to $40.4 million. Also, up to $8.0 million in Workforce Development Partnership Funds fund may be used to supplement WFNJ Work Activity/Training Related Expenses .

New or additional **General Fund** support is provided for the following:

- TANF Abbott Expansion ($20.0 million) to support full day, year round child care programs in all Abbott districts. Upwards of 25,000 children would be supported with these programs. Because a portion of the FY 2002 appropriation will be lapsed to close the FY 2002 budget shortfall, the actual dollar increase in FY 2003 funding will exceed $20.0 million.

- DFD Homeless Prevention Initiative ($2.0 million) to provide 1,900 TANF/GA clients with housing subsidies of up to $150 per month and to provide case management services.

Funding is reduced for the following ongoing activities:

- Housing Diversion/Subsidy Program, $1.0 million reduction; however, federal funds will be used to offset the reduction in State funds and to increase total funding from $3.0 million to $4.5 million.

- WFNJ Child Care, $7.8 million reduction. A caseload reduction of about 1,000 children will reduce overall program expenditures. Child care Evaluation Data on page D-278 may be incorrect. The data indicate that child care services costs are unchanged at about $220 million, despite a reduction in the number of children served.

- Pre-Early Childhood Education, $3.7 million reduction. Federal funds will be used to offset the reduction in State funds.

State Aid appropriations are increased 7.6 percent, from $173.3 million to $186.4 million, as follows:

- General Assistance (GA) Programs. Total recommended appropriations increases 17.4 percent, from $83.5 million to $98.0 million.

  - Emergency Assistance appropriations increase 14.9 percent, from $24.6 million to $28.2 million. Although caseloads are largely unchanged at about 3,300 monthly, the average monthly cost is expected to increase.

Program Description and Overview (Cont'd)

- Payments to Municipalities appropriations increase 29.9 percent, from $36.4 million to $47.3 million and is attributable to caseload growth.

  Approximately 25,100 persons (13,100 employable and 12,000 unemployable) will receive assistance, a 6.1 percent increase from FY 2002 levels of 23,600 (12,400 employable and 11,300 unemployable).

- GA County Administration. Proposed funding of $22.5 million is unchanged from FY 2002 levels. (It is noted that $2.7 million of the FY 2002 appropriation has been placed in reserve and may be lapsed to close the budget shortfall.)

- WFNJ Client Benefits. Total (State/federal) appropriations decrease 16.3 percent, from $124.4 million to $104.2 million. Only $3.3 million from the **General Fund** is allocated for Client Benefits in FY 2003. Caseloads are expected to decline 13.4 percent, from 106,000 to 91,900.

- WFNJ Emergency Assistance. Although no **General Fund** monies are allocated for Emergency Assistance in FY 2003, total appropriations increase 6.2 percent, from $27.5 million to $29.2 million. The increase is attributable to caseload growth of 2.9 percent, from 5,200 to 5,400 persons, and an expected increase in the amount of monthly assistance provided to about $482.

- Payments for Supplemental Security Income. Recommended appropriations increase 2.0 percent, from $63.4 million to $64.6 million, due to increases in emergency assistance and burial costs. Approximately 141,800 aged and disabled persons will receive benefits monthly.

- SSI Administration. Recommended appropriations increase 4.8 percent, from $14.9 million to $15.6 million, reflecting an increase in the monthly per check processing fee charged by the federal government.

- Proposed funding for the Food Stamps Administration - State program, which reimburses counties for the loss of federal Food Stamp administration funds, is reduced from $6.5 million to $2.2 million. The federal law that reduced funding expires October 2002 and the budget assumes that the law will not be reenacted.

Federal Funds. Recommended appropriations increase 4.1 percent, from $833.0 million to $867.2 million. These federal funds are from a variety of sources such as Food Stamps, Child support, home energy assistance, etc. However, the largest single source of funds is the TANF Block Grant. The State continues to spend down the balances of prior federal TANF Block Grant allocations. In FY 2002 and FY 2003, TANF expenditures will be $510.9 million and $531.4 million, respectively, compared to the State's $404 million annual allocation. A listing of proposed federal TANF spending is on p. 62.

DIVISION OF YOUTH AND FAMILY SERVICES (DYFS)

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 responsibility for licensing and monitoring child care centers, family

Program Description and Overview (Cont'd)

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 2003 recommended General and Casino Revenue Fund appropriation is summarized below:

Division of Youth and Family Services	Adj. Appropriation FY 2002	Recommended FY 2003	Percent Change
TOTAL ($000)	$376,615	$332,214	(11.8%)
Direct State Services	$66,469	$67,680	1.8%
Grants-In-Aid:	$306,412	$260,800	(14.9%)
Group Homes	$26,020	$12,620	(51.5%)
Foster Care	32,439	42,693	31.6%
Subsidized Adoption	40,671	41,171	1.2%
Residential Placements	73,395	25,595	(65.1%)
Other Grants	133,882	138,721	3.6%
Casino Revenue Fund	$3,734	$3,734	- - -

Direct State Services appropriations increase 1.8 percent, from $66.5 million to $67.7 million, and is related to the additional funding provided by the Legislature for additional staff at the Adoption Resource Centers (ARCs) and District Offices (DOs) and to increase the minimum starting salary of caseworkers.

As of January 2002, staffing levels at the various DOs and ARCs, as a percentage of the Child Welfare League of America standard, were:

Central DOs - 80.1%
Metropolitan DOs - 78.7%
Northern DOs - 78.6%
Southern DOs - 70.2%
ARCs - 78.1%

Grants-In-Aid appropriations decrease 14.9 percent, from $306.4 million to $260.8 million. As previously noted, the reduction is misleading, as $74.9 million (gross) in residential services funding was transferred to Medicaid's Children's System of Care Initiative - Residential account. (Total grant funding - including Federal and Other Funds - decreases 12.5 percent, from $369.5 million to $323.3 million.)

The only accounts that receive significant increases in State funds are Foster Care, ($10.3 million) to $42.7 million and Family Support Services ($10.5 million) to $45.8 million. These increases are based on the estimated number of children/families expected to utilize these services.

Evaluation Data indicate that despite efforts to reduce the number of children in paid Foster Care, the number has remained essentially unchanged at about 6,700. (The total number of children in paid and unpaid Foster Care exceeds 8,000.) Also, while the number of Subsidized Adoptions will increase by about 300, to nearly 7,400, the increase is not significantly greater than

Program Description and Overview (Cont'd)

in prior years.

Casino Revenue Fund. Recommended funding of $3.7 million is used to support the Personal Attendant Program.

Federal Funds of approximately $191.2 million are recommended, a 1.4 percent reduction from the $194.0 million expected in FY 2002. The overall reduction is related to the transfer of certain residential programs to the Medicaid budget.

The division receives funds from various federal programs such as TANF, Titles IV-A, B and E and XIX, etc. It appears that the amount of federal Title IV-E funds anticipated has increased by $14.5 million. As the overall caseload is largely unchanged, whether this level of Title IV-E funds will be realized is uncertain.

Other Funds of $ 5.2 million are recommended and represent restricted grants and various recoveries from legally responsible relatives.

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.

Continuation funding of $706,000 million is recommended and includes $290,000 to continue a Legislative initiative, Services to Deaf Clients, to expand services to the deaf.

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 other 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 2003 recommended General Fund appropriation is summarized on the next page.

Direct State Services. The recommended appropriation of $27.9 million represents a 13.8 percent reduction from FY 2002. Services Other Than Personal appropriations decrease 40.9 percent, from $12.0 million to $7.2 million, as a one-time $4.9 million FY 2002 supplemental appropriation (primarily to reimburse a consultant for services related to federal recoveries) is not included in FY 2003, even though such supplementals occur annually.

Although continuation funding is provided for various Special Purpose accounts, $500,000 is proposed for the Physician - Dentist Fellowship and Educational Program. The Fellowship program had $2.5 million available from prior-year carry-forward balances, but these monies are

Program Description and Overview (Cont'd)

being lapsed to close the FY 2002 shortfall.

Division of Management and Budget	Adj. Appropriation FY 2002	Recommended FY 2002	Percent Change
TOTAL ($000)	$41,274	$37,210	(9.8%)
Direct State Services	$32,327	$27,872	(13.8)%
Grants-In-Aid	$5,947	$6,038	1.5%
Capital Construction	$3,000	$3,300	10.0%

Grants-In-Aid. Recommended funding is virtually unchanged at $6.0 million. Continuation funding is provided for the Office for Prevention of Mental Retardation and Developmental Disabilities , the New Jersey Youth Corps ($3.1 million) and the Community Supports to Allow Discharge from Nursing Home Program. (As federal approval of the Community Supports program has not been received as of this writing, the $2.0 million FY 2002 appropriation will either lapse or be used to offset other departmental deficits.)

Capital Construction. The budget recommends $3.3 million for the Statewide Automated Child Welfare Information System. These monies are recommended to address federal concerns over the system's slow development and implementation.

Federal Funds are mostly reimbursement for fringe benefits and indirect costs chargeable to federal programs. Approximately $59.2 million is recommended, a 73.1 percent increase, as departmental Federal Cost Recoveries are expected to increase by $25.0 million.

Other Funds of approximately $8.5 million are recommended and will be used for the following: Catastrophic Illness in Children Relief Fund (administration); Children’s Trust Fund; State Facilities Education; CapKold Food Production System (revolving fund); and Personal Needs Allowances for persons in institutions.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

DEPARTMENT OF HUMAN SERVICES (TOTAL)

	Expended FY 2001	Adj. Approp. FY 2002	Recom. FY 2003	Percent Change 2001-03	Percent Change 2002-03
General Fund					
Direct State Services	$595,064	$579,402	$626,790	5.3%	8.2%
Grants - In - Aid	2,520,024	2,946,580	3,210,908	27.4%	9.0%
State Aid	284,824	264,984	280,925	-1.4%	6.0%
Capital Construction	19,229	5,200	7,500	-61.0%	44.2%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	$3,419,141	$3,796,166	$4,126,123	20.7%	8.7%
Property Tax Relief Fund					
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%
Casino Revenue Fund	$23,355	$23,369	$23,369	0.1%	0.0%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	$3,442,496	$3,819,535	$4,149,492	20.5%	8.6%
Federal Funds	$2,859,127	$3,562,053	$3,601,521	26.0%	1.1%
Other Funds (a)	$658,174	$509,204	$593,082	-9.9%	16.5%
Grand Total	$6,959,797	$7,890,792	$8,344,095	19.9%	5.7%

(a) Includes Revolving Funds.

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2001	Revised FY 2002	Funded FY 2003	Percent Change 2001-03	Percent Change 2002-03
State	12,580	12,936	13,797	9.7%	6.7%
Federal	4,880	5,053	5,297	8.5%	4.8%
All Other (b)	526	528	525	-0.2%	-0.6%
	17,986	18,517	19,619	9.1%	6.0%

FY 2001 (as of December) and revised FY 2002 (as of September) personnel data reflect actual payroll counts. FY 2003 data reflect the number of positions funded.

(b) Does not include Revolving Fund positions.

AFFIRMATIVE ACTION DATA

Total Minority Percent	54.5%	55.2%	55.2%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page

DEPARTMENT OF HUMAN SERVICES (GENERAL)

Cost of Living Adjustment

Included within the recommended Grants-In-Aid/State Aid appropriations of the various divisions is approximately $24.3 million for Cost of Living Adjustments (COLAs) which will provide direct care employees of provider agencies with a 2 percent increase, effective July 1, 2002. These adjustments are funded throughout the various divisions within the department.

Elimination of Legislative Grants

Approximately $3.4 million in various FY 2002 Legislative initiatives are not continued.

DIVISION OF MENTAL HEALTH SERVICES

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Additions, Improvements and Equipment	$188	$0	($188)	(100.0)%	D-232

No funding is recommended for the division's Additions, Improvements and Equipment account, though the division may have access to prior year unexpended balances.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Greystone Park Psychiatric Hospital Bridge Fund	$17,000	$17,000	$0	0.0%	D-232

Although the recommended budget reflects no funding increase, funding actually will increase from $7.0 million to $17.0 million as $10.0 million in FY 2002 funds will be used to close the FY 2002 budget deficit. Actual FY 2002 expenditures are estimated at $5.0 million.

The $17 million will primarily be used to expand existing community programs (including group and independent living arrangements, integrated case management, and Programs for Assertive Community Treatment) for about 400 patients at the various State hospitals. The programs are expected to cost over $35 million when fully developed and phased-in. Some of the funds may be used for design work related to a new Greystone hospital building.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Community Care	$216,159	$204,859	($11,300)	(5.2)%	D-232

Community Care funding is reduced by $11.3 million: $6.0 million is related to the expected receipt of Medicaid reimbursement by agencies that provide Programs for Assertive Community Treatment services and certain services to adult clients in residential programs; and $5.3 million is related to the transfer of children's residential programs to the Medicaid budget.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Support of Patients in County Psychiatric Hospitals	$91,710	$94,510	$2,800	3.1%	D-232

The increase is related to State House Commission rate increases/adjustments, coupled with a slight increase in the number of clients at county facilities.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Trenton Psychiatric Hospital	$47,275	$54,635	$7,360	15.6%	D-235 to D-237
Ancora Psychiatric Hospital	$59,293	$63,409	$4,116	6.9%	D-239 to D-240
Hagedorn Gero-Psychiatric Hospital	$24,914	$29,612	$4,698	18.9%	D-242 to D-243

The increases at the three facilities are for additional staff needed to address staffing concerns raised by the federal government during recent inspections and to address censuses that are above anticipated levels. Trenton, Ancora and Hagedorn would each receive an additional $4.1 million for direct care staff. Additional Additions, Improvement and Equipment funds are also provided to each facility.

Trenton is also provided $3.0 million in Capital Construction funds to replace a steam and condensate line.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Services Other Than Personal	$5,010	$5,210	$200	4.0%	D-246

The additional $0.2 million is for professional services (consultants) to develop a new outpatient hospital reimbursement system similar to the one recently implemented by Medicare. The State expects to save about $2.6 million once a new system is implemented.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Payments to Fiscal Agents	$5,641	$10,641	$5,000	88.6%	D-246

The additional $5.0 million in the Payments to Fiscal Agents account is to develop a Health Care Billing System to implement changes that may be required pursuant to Pub.L. 104-191 and Pub.L. 106-113 affecting Medicare billings for patients at the State institutions. (As specific federal requirements have not been published, costs are uncertain.)

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Professional Standards Review Organization - Utilization Review	$2,179	$1,179	($1,000)	(45.9)%	D-246

The $1.0 million reduction was suggested by the division. As the division defines service parameters, the reduction should have little overall impact on utilization review activities.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Payments for Medical Assistance Recipients: Personal Care	$111,907	$128,228	$16,321	14.6%	D-247
Managed Care Initiative	$457,140	$542,707	$85,567	18.7%	D-247
Other Treatment Facilities	$9,784	$5,567	($4,217)	(43.1)%	D-247
Inpatient Hospital	$203,370	$171,904	($31,466)	(15.5)%	D-247
Prescription Drugs	$290,354	$339,321	$48,967	16.9%	D-247
Outpatient Hospital	$150,523	$166,754	$16,231	10.8%	D-247
Physician	$29,421	$22,266	($7,155)	(24.3)%	D-247
Home Health	$28,420	$19,105	($9,315)	(32.8)%	D-247
Psychiatric Hospital	$11,670	$8,624	($3,046)	(26.1)%	D-247
Clinic	$55,551	$45,138	($10,413)	(18.7)%	D-247
Transportation	$23,255	$33,200	$9,945	42.8%	D-247
Other Services	$7,253	$13,778	$6,525	90.0%	D-247

The amounts listed above are estimated FY 2003 expenditures to provide these services to Medicaid eligible clients:

- In FY 2002, State appropriations for Managed Care, Inpatient Hospitals and Prescription Drugs were reduced by $159.6 million by using federal Intergovernmental Transfer (IGT) funds to support these accounts. As these IGT funds will not be available for this purpose in FY 2003, State appropriations are increased by that amount. Also, the FY 2003 recommended appropriation for Inpatient Hospital payments is supplemented by an additional $48.4 million from the "off-budget" Health Care Subsidy Fund.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page

- The Physician account includes $8.8 million to increase physician reimbursement, effective July 2002. (When coupled with federal funds, the total increase will be about $17.6 million.)

- Recommended appropriations reflect savings expected to be realized by enrolling certain disabled persons into managed care programs; costs for such disabled persons are included within the Managed Care Initiative account.

- The recommended appropriation incorporates $3.9 million in savings: Miscellaneous recoveries - $0.9 million; implementation of a new outpatient hospital reimbursement system modeled after a system used by Medicare - $2.6 million; and stricter enforcement of reimbursement to hospital-based, off-site clinics - $0.5 million.

Unit Dose Contract Services	$9,855	$10,253	$398	4.0%	D-247

Costs associated with providing the State developmental centers, psychiatric hospitals and veterans nursing homes with pharmacy services and prescription drugs are expected to increase.

Consulting Pharmacy Services	$2,052	$2,733	$681	33.2%	D-247

This contract has just been rebid and contract costs are expected to increase because of higher salaries that pharmacists are being paid.

SSI-Disabled Back-to-Work Incentive	$1,500	$0	($1,500)	(100.0)%	D-247

Program costs are incorporated within the regular Medicaid accounts.

Eligibility Determination Services	$7,230	$4,800	($2,430)	(33.6)%	D-248

FY 2002 projected expenditures are around $5.0 million. As such, the recommended appropriation is being reduced.

Health Benefit Coordination Services	$7,725	$6,055	($1,670)	(21.6)%	D-248

Program costs are expected to decrease as most Medicaid/NJ FamilyCare eligibles have already been enrolled in the Managed Care Initiative.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Lipman Hall	N.A.	$9,387	$9,387	??	D-248
Children's System of Care Initiative - Residential	N.A.	$70,213	$70,213	??	D-248

The funding for Lipman Hall and the Children's System of Care Initiative - Residential are transferred from from the Divisions of Mental Health Services ($5.3 million) and Youth and Family Services ($74.9 million). No new monies are provided.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
NJ FamilyCare - Affordable and Accessible Health Coverage Benefits	$181,288*	$229,388**	$48,100	26.5%	D-248

* Supplemented by an additional $90.9 million in funds to be transferred from other State accounts, $168.3 million in federal funds and $3.5 million in employers/individual contributions.

** Supplemented by $200 million in federal funds and $4.0 million in employers'/individual contributions.

NJ FamilyCare covers parents with incomes up to 200 percent of the federal poverty level and single persons and married adults without children with incomes up to 100 percent of the federal poverty level. Program costs in FY 2002 will exceed the $181.3 million State appropriation due to higher enrollment and higher costs associated with the General Assistance (GA) single persons and childless couples. This will require an additional $90.9 million in State funds during FY 2002.

NJ FamilyCare expenditures have moderated since changes were implemented in September 2001 to limit enrollment of single persons and childless couples to those eligible for General Assistance, and to require new eligibles to enroll in a managed care program before services are provided. Beween July - September 2001, annualized costs were estimated at about $440.1 million (gross); since October 2001, annualized costs are projected at about $406 million (gross).

The FY 2003 NJ FamilyCare recommended appropriation is based on a June 30, 2003 enrollment of 175,000 persons and assumes that a new system to provide health care for the GA population will be developed and implemented. Based on this enrollment estimate, changes affecting the GA population and the allocation of costs between the State, federal and employers/individuals contributions, State expenditures are actually expected to decrease $42.8 million, even though it appears that an additional $48.1 million in General Fund appropriations are recommended for program.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page

The adequacy of the recommended $229.4 million State appropriation will depend on actual enrollments, how quickly changes affecting the GA population can be implemented, the number of people that qualify for federal reimbursement and the managed care rates that managed care organizations and division agree upon.

DIVISION OF DEVELOPMENTAL DISABILITIES

Education and Day Training	$9,704	$9,443	($261)	(2.7)%	D-255

The reductions are in the program's Personal Services account ($0.2 million), which would bring the funding to actual FY 2001 expenditures, and in the Additions, Improvements and Equipment account ($0.1 million).

Group Homes (Total)	$286,594	$286,594	$0	0.0%	D-257
General Fund	$136,449	$156,764	$20,315	14.9%	
Federal	$129,172	$108,857	($20,315)	(15.7)%	
Other Funds	$13,500	$13,500	$0	0.0%	
Casino Revenue Fund	$7,473	$7,473	$0	0.0%	

Overall Group Homes funding is unchanged. However, an additional $20.3 million in General Funds are provided to offset a comparable reduction in the amount of federal funds allocated to the program. Approximately 7,000 clients would receive residential services.

Community Nursing Care Initiative - FY 2002 (Total)	$1,000	$984	($16)	(1.6)%	D-257
General Fund	$720	$547	($173)	(24.0)%	
Federal	$280	$437	$157	56.1%	

The FY 2002 initiative would provide community services to 25 developmentally disabled nursing home clients at a cost of $1.6 million. At present, only one client has been placed. At a cost of about $65,000 per placement, the recommended appropriation would support the placement of about 15 clients.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Community Services Waiting List Reduction Initiative - FY 2000 (Total)	$23,441	$27,057	$3,616	15.4%	D-257
General Fund	$4,459	$8,175	$3,716	83.3%	
Federal	$8,982	$8,882	($100)	(1.1)%	
Other Funds	$10,000	$10,000	$0	0.0%	
Community Services Waiting List Reduction Initiative - FY 2001 (Total)	$28,509	$29,308	$799	2.8%	D-257
General Fund	$17,747	$18,954	$1,207	6.8%	
Federal	$1,623	$1,342	($281)	(17.3)%	
Community Services Waiting List Reduction Initiative - FY 2002 (Total)	$19,370	$20,296	$926	4.8%	D-257
General Fund	$14,610	$15,652	$1,042	7.1%	
Federal	$4,760	$4,644	($116)	(2.4)%	
Community Services Waiting List Reduction Initiative - FY 2003 (Total)	$0	$6,350	$6,350	—	D-257
General Fund	$0	$5,650	$5,650	—	
Federal	$0	$700	$700	—	

Each initiative, over a two-year period, was to provide 500 community placements, 400 day program slots and additional funds for family support services. As of December 2001, the following placements have occurred: FY 2000 Initiative - over 260 placement; FY 2001 Initiative - about 200 placements; and the FY 2002 Initiative - about 30 placements. It is noted that approximately $23.9 million in various Initiative funds have been placed in reserve and that $18.0 million is likely to lapse.

Informal information is that the monies for the FY 2003 Initiative would be used for support services and planning.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Community Transition Initiative - FY 2001 (Total)	$8,358	$4,716	($3,642)	(43.6)%	D-257
General Fund	$6,589	$2,947	($3,642)	(55.3)%	
Federal	$1,739	$1,769	$30	1.7%	
Community Transition Initiative - FY 2002 (Total)	$7,859	$6,176	($1,683)	(21.4)%	D-257
General Fund	$5,504	$3,354	($2,150)	(39.1)%	
Federal	$2,355	$2,822	$467	19.8%	

Over a two-year period, the FY 2001 C T Initiative and FY 2002 C T Initiative were to have relocated 144 and 200 developmental center clients to community programs, respectively. As of December 2001, the FY 2001 CT Initiative placed about 20 clients. Available information indicates that the FY 2002 CT Initiative has placed about 5 clients.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Home Assistance (Total)	$28,749	$33,249	$4,500	15.7%	D-257
General Fund	$26,501	$31,001	$4,500	17.0%	
Federal	$591	$591	$0	0.0%	
Casino Revenue Fund	$1,657	$1,657	$0	0.0%	

These funds would provide Home Assistance services to about 9,800 persons.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
New Lisbon Developmental Center	$28,356	$32,441	$4,085	14.4%	D-266 to D-268
Woodbridge Developmental Center	$23,857	$28,050	$4,193	17.6%	D-268 to D-270
Hunterdon Developmental Center	$25,414	$29,614	$4,200	16.5%	D-270 to D-272

The increases at New Lisbon, Woodbridge and Hunterdon are for additional staff and equipment needed to address concerns raised in recent federal and State inspections. Each facility would each receive about $4.1 million for direct care staff and equipment. An additional $0.1 million is recommended for the Hunterdon Materials and Supplies account for increased fuel costs associated with the Cogeneration facility.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED					
Capital Construction: Emergency Equipment Upgrades - J. Kohn Rehabilitation Center	$0	$1,200	$1,200	—	D-275

The budget recommends $1.2 million for equipment upgrades at the Kohn Rehabilitation Center.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
DIVISION OF FAMILY DEVELOPMENT					
Personal Services (Total):	$19,140	$26,733	$7,593	39.7%	D-279
General Fund	$2,323	$9,916	$7,593	326.9%	
Federal	$16,817	$16,817	$0	0.0%	

In FY 2002, the Personal Services appropriation was supplemented with unexpended FY 2001 balances. As less unexpended FY 2002 balances are expected to be available, an additional $7.6 million from the General Fund is recommended in FY 2003.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Electronic Benefits Transfer/Distribution System (Total)	$3,673	$4,023	$350	9.5%	D-279
General Fund	$1,104	$1,454	$350	31.7%	
Federal	$2,569	$2,569	$0	0.0%	

This system, which provides cash benefits and Food Stamps to eligible recipients through use of ATMs, is being extended to the General Assistance program, which does not qualify for federal reimbursements. Costs associated with developing this system are expected to increase.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Child Support Medical Notice (Total)	$1,639	$4,921	$3,282	200.2%	D-279
General Fund	$333	$1,673	$1,340	402.4%	
Federal	$1,306	$3,248	$1,942	148.7%	

The federal government has mandated that states notify employers and health care administrators concerning child support medical coverage and that states must do follow-up

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page

counseling and tracking of such coverage. The above represent estimated expenditures to comply with this federal requirement.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Child Support Initiatives (Total)	$11,665	$12,032	$367	3.1%	D-279
General Fund	$3,341	$3,702	$361	10.8%	
Federal	$8,324	$8,330	$6	0.1%	

In FY 2002, the Child Support Initiative appropriation was supplemented with unexpended FY 2001 balances. As less unexpended FY 2002 balances are expected to be available, an additional $0.4 million from the General Fund is recommended in FY 2003. This account supports various child support projects, including the New Hires monitoring system, centralized child support collections, financial institutions data match and various public relations activities.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Technology Investment (Total)	$19,305	$32,974	$13,669	70.8%	D-279
General Fund	$0	$9,690	$9,690	—	
Federal	$19,305	$23,284	$3,979	20.6%	

In FY 2002, the Technology Investment appropriation was supplemented with unexpended FY 2001 balances. As less unexpended FY 2002 balances are expected to be available, $9.7 million from the General Fund is recommended in FY 2003. This account supports various data processing projects affecting welfare, child support and General Assistance. An additional $3.0 million in State funds would be made available pursuant to proposed budget language on page D-282.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
SSI Attorney Fees (Total)	$1,500	$2,500	$1,000	66.7%	D-279
General Fund	$500	$1,500	$1,000	200.0%	
Federal	$1,000	$1,000	$0	0.0%	

This program funds a contract with Legal Services of New Jersey, Inc. to assist TANF and General Assistance recipients in obtaining federal SSI benefits.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
DFD Homeless Prevention Initiative (Total)	$0	$4,000	$4,000	—	D-280
General Fund	$0	$2,000	$2,000	—	
Federal	$0	$2,000	$2,000	—	

This new program will provide housing subsidies to TANF and General Assistance (GA) clients. The monies will provide about 1,100 TANF and 800 GA clients with a $150 per month subsidy. In addition, about $0.5 million will be used for case management services.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Work Activities (Total)	$141,624	$135,653	($5,971)	(4.2)%	D-280
General Fund	$46,383	$73,000	$26,617	57.4%	
Federal	$95,241	$62,653	($32,588)	(34.2)%	

The $135.7 million (gross) for Work Activities is expected to provide 3,500 clients with supported work projects, 400 clients with on-the-job training, 12,100 clients with alternative work experience, 1,500 clients with community work experience and 5,300 teen parents with vocational training/education on a monthly basis. Proposed language on p. D-282 increases the amount of General Fund expenditures for Work Activities and Training Related Expenses charged to amounts transferred from the Workforce Development Partnership Fund from $5 million to $35 million.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Child Care (Total)	$268,116	$260,084	($8,032)	(3.0)%	D-280
General Fund	$74,657	$66,847	($7,810)	(10.5)%	
Federal	$193,459	$193,237	($222)	(0.1)%	

The $260.1 million (gross) for Child Care supports administrative costs and will provide child care services to approximately 54,100 children monthly, a slight decline from the estimated 55,100 children expected to receive services in FY 2002. As the overall amount expended on child care is unchanged at about $220 million, according to budget Evaluation Data, it is not clear at this time what accounts for the $8.0 million reduction.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
TANF Abbott Expansion	$106,000	$126,000	$20,000	18.9%	D-280

The recommended appropriation represents the annualized costs associated with the phase-in to full-day, year round programs for three and four year old children and wraparound services to such children in the Abbott districts. An estimated 23,000 children will receive services. (It is

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page

noted that a portion of the FY 2002 appropriation will remain unspent due to the FY 2002 budget shortfall. Furthermore while overall funding for an Abbott-related program, Pre-Early Childhood Education, is unchanged at $3.7 million, General Fund appropriations are reduced by $3.7 million and federal funds are increased by a similar amount.)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Housing Diversion/Subsidy Program (Total)	$3,000	$4,500	$1,500	50.0%	D-280
General Fund	$1,000	$0	($1,000)	(100.0)%	
Federal	$2,000	$4,500	$2,500	125.0%	

This program provides ongoing rental assistance for up to 24 months and/or a one-time payment for a security deposit, moving expenses and/or utility turn-on costs and is available to current and former TANF recipients who have earned income of up to 150 percent of the federal poverty level. The program was implemented in early FY 2002, and limited data are available as to the number of persons being assisted.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Kinship Care Guardianship and Subsidy (Total)	$20,918	$36,628	$15,710	75.1%	D-280
General Fund	$4,300	$4,300	$0	0.0%	
Federal	$16,618	$32,328	$15,710	94.5%	

The kinship legal guardianship program was established pursuant to P.L. 2001, c.250, effective January 1, 2002. This new program will provide monthly cash subsidies for low income individuals who are raising children whose parents are unable or unwilling to do so. In certain circumstances, caregivers will be eligible for a subsidy of up to $250 per month per child. It is estimated that 8,000 children will be eligible for the program. (It is noted that $3.0 million in State FY 2002 funds have been placed in reserve and are not available for expenditure.)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
TANF Food Bank (Federal)	$5,000	$0	($5,000)	(100.0)%	D-280
Career Advancement Vouchers (Federal)	$2,500	$5,000	$2,500	100.0%	D-280
Medicaid Outreach (Federal)	$5,000	$0	($5,000)	(100.0)%	D-280

TANF Food Bank was established pursuant to P.L.2001, c.62, the New Jersey Hunger Prevention and Nutrition Assistance Program Act. The legislation appropriated $5.0 million in federal TANF funds to carry out its purposes. The department is in the process of implementing the act's provisions, and any unexpended federal funds will be available in FY 2003.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page

Career Advancement Vouchers. These monies would assist former TANF clients who are in entry-level jobs to obtain additional training and assistance to ensure that they remain gainfully employed. Through August 2001, about 150 persons have taken advantage of this program.

Medicaid Outreach. Costs associated with this program have been absorbed within the regular Medicaid budget.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Social Services for the Homeless (Total)	$8,772	$10,772	$2,000	22.8%	D-280
General Fund	$8,772	$8,772	$0	0.0%	
Federal	$0	$2,000	$2,000	—	

These monies are allocated to the 21 counties to provide various services to homeless persons, as determined by each county. Though the recommended budget indicates that an additional $2.0 million in federal TANF funds is made available to the program, this apparent increase may not be correct. Additional federal TANF funds made available to the program in FY 2002 are not reflected in the FY 2002 adjusted appropriation.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
General Assistance (Total):	$60,988	$75,531	$14,543	23.8%	
Emergency Assistance	$24,555	$28,212	$3,657	14.9%	D-281
Payments to Municipalities	$36,433	$47,319	$10,886	29.9%	D-281

The recommended appropriations provide emergency assistance to 3,300 persons monthly and basic public assistance to 13,100 employable and 12,000 unemployable recipients monthly. The recommended appropriation increases 23.8 percent, to $75.5 million, primarily due to a 6.1 percent caseload increase in the Payments to Municipalities component.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Client Benefits (Total):	$124,423	$104,177	($20,246)	(16.3)%	D-281
General Fund	$789	$3,272	$2,483	314.7%	
Federal	$123,634	$100,905	($22,729)	(18.4)%	

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Emergency Assistance (Total):	$27,492	$29,186	$1,694	6.2%	D-281
General Fund	$0	$0	$0	—	
Federal	$27,492	$29,186	$1,694	6.2%	

As permitted by federal law, most Client Benefits/Emergency Assistance costs are supported with federal TANF funds.

Despite increases in welfare caseloads nationally, the number of persons receiving Client Benefits is expected to decrease 13.4 percent, to approximately 91,900 persons monthly. However, the number of persons receiving Emergency Assistance continues to increase, and is expected to grow 2.9 percent, to about 5,400 persons monthly.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Payments for Supplemental Security Income	$63,352	$64,632	$1,280	2.0%	D-281

State expenditures are expected to increase due to higher emergency assistance costs, from $4.1 million to $4.5 million, and burial expenses, from $11.8 million to $12.3 million.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Food Stamp Administration - State	$8,600	$2,150	($6,450)	(75.0)%	D-281

Pub. L. 105-185 reduced federal reimbursment for Food Stamp administrative costs incurred by counties. The State has reimbursed counties for the loss of these federal funds. As Pub.L. 105-185 expires and is not expected to be reauthorized by Congress, State reimbursement to counties is anticipated to decrease by $6.5 million.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Earned Income Tax Credit (Federal)	$10,350	$70,000	$59,650	576.3%	D-281

This appropriation reimburses the Division of Taxation for the revenue loss of providing the Earned Income Tax Credit to eligible households. About $15 million of the increase is related to the credit's phase-in over a number of years. The balance of the increase appears related to how the credit is accounted for.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
		DIVISION OF YOUTH AND FAMILY SERVICES			
Division of Youth and Family Services (Total):	$206,382	$205,393	($989)	(0.5)%	D-286
General Fund	$66,469	$67,680	$1,211	1.8%	
Federal	$137,933	$135,733	($2,200)	(1.6)%	
Other	$1,980	$1,980	$0	0.0%	

The increase in Direct State Services reflects the annualized cost of FY 2002 funding for additional Adoption Resource Center and District Office staff.

As a percentage of the Child Welfare League of America standard, DYFS caseworker staffing (January 2002) averaged 70.5 percent at the district offices and 76.4 percent at the adoption resource centers. Monthly caseloads are expected to increase slightly from FY 2002 levels to 52,700 children and 25,700 families.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Group Homes (Total)	$26,020	$12,825	($13,195)	(50.7)%	D-287
Treatment Homes (Total)	$21,277	$10,860	($10,417)	(49.0)%	D-287
Residential Placements (Total)	$64,634	$12,765	($51,869)	(80.3)%	D-287
Grand Total	$111,931	$36,360	($75,571)	(67.5)%	
General Fund	$105,625	$32,225	($73,400)	(69.5)%	
Federal	$6,306	$4,135	($2,171)	(34.4)%	

The recommended budget on p. D-289 indicates that $74.9 million in costs associated with various residential placements have been transferred to Medicaid's Children's System of Care Initiative account on page D-248. (The detailed budget information provided to this office does not indicate which specific residential accounts are affected by the transfer. This would account for the small $1.5 million difference between the $74.9 figure cited in the budget and the $73.4 million figure.)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Family Support Services (Total)	$39,660	$50,684	$11,024	27.8%	D-287
General Fund	$35,276	$45,807	$10,531	29.9%	
Federal	$4,384	$4,877	$493	11.2%	

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page

Estimated costs of providing 52,000 children and 27,600 families with various community services, as appropriate. The services are provided by community providers.

Foster Care (Total)	$48,986	$55,832	$6,846	14.0%	D-288
General Fund	$32,439	$42,693	$10,254	31.6%	
Federal	$16,547	$13,139	($3,408)	(20.6)%	

The recommended appropriation assumes that the number of paid Foster Care placements will remain unchanged at about 6,700 per month, but that the average cost will increase 12.2 percent. (The total number of children in paid and unpaid Foster Care is over 8,000 at present.) The increase in the State appropriation offsets a reduction in the amount of federal funds allocated to the program. The amount of federal funds reflected for Foster Care does not represent the actual amount of received by the State; this federal reimbursement can be, and is, used to support other program costs.

Subsidized Adoption (Total)	$43,994	$47,185	$3,191	7.3%	D-288
General Fund	$40,671	$41,171	$500	1.2%	
Federal	$3,323	$6,014	$2,691	81.0%	

The recommended appropriation is based on a 300 increase in Subsidized Adoptions, from approximately 7,100 to about 7,400 monthly. The amount of federal funds reflected for Subsidized Adoption does not represent the actual amount of received by the State; this federal reimbursement can be, and is, used to support other program costs.

DIVISION OF MANAGEMENT AND BUDGET

Services Other Than Personal	$12,035	$7,108	($4,927)	(40.9)%	D-292

Although the Services Other Than Personal account is reduced by $4.9 million in FY 2003, it is noted that additional funds were provided in FY 2001 and will be provided in FY 2002. These additional funds are, for the most part, reimbursements for consultant services related to obtaining additional federal reimbursements. In all likelihood, additional monies will be made available during FY 2003 to reimburse for consultants for such services.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Special Purpose: Physician - Dentist Fellowship and Educational Program	$0*	$500	$500	—	D-292

(* $2.5 million was available from the prior fiscal year.)

P.L. 1999, c.353 established the Physician-Dentist Fellowship and Education program to provide physicians and dentists with graduate and fellowship training and continuing medical and dental education in providing services to persons with developmental disabilities. The legislation appropriated $2.5 million. The unspent appropriation was reappropriated in FY 2001 and FY 2002, but will be lapsed to close the FY 2002 budget shortfall.

The recommended budget provides $500,000 to implement the program. A Request for Proposal had already been issued before the $2.5 million became unavailable. The department will notify potential bidders as to the possible availability of these new funds.

Budget Item	Adj. Approp. FY 2002	Recomm. FY 2003	Dollar Change	Percent Change	Budget Page
Capital Construction	$3,000	$3,300	$300	10.0%	D-293

The $3.3million in Capital Construction funds will be used for the Statewide Automated Child Welfare Information System to address federal concerns about the system's slow development and implementation. The $3.0 million in FY 2002 Capital Construction funds are for Life Safety Improvements at the various institutions.

Language Provisions

ELIMINATION OF LANGUAGE AFFECTING UNEXPENDED BALANCES

The following is a summary listing of FY 2002 language provisions that reappropriated all or some portion of an account's unexpended balances, that are not continued in the recommended FY 2003 budget. In virtually all instances, the language is not recommended in the FY 2003 budget either because: (a) little, if any, unexpended balances will remain on June 30, 2002; or (b) the budget activity was considered one-time in nature.

DIVISION OF MENTAL HEALTH SERVICES

Family Support Services Program, Mercer County.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

Medicaid fraud and abuse initiatives - up to $370,000.
Health Benefits Coordinator.
Various NJ FamilyCare provisions involving the availability of unexpended balances.
Accelerated and/or early implementation of succeeding fiscal year initiatives.

DIVISION OF DEVELOPMENTAL DISABILITIES

Home Assistance.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

Camp Marcella.

DIVISION OF MANAGEMENT AND BUDGET

Physician-Dentist Fellowship and Educational Program.

OTHER LANGUAGE PROVISION CHANGES:

Language Provisions (Cont'd)

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-107.	p. D-249.
For the purposes of account balance maintenance, all object accounts in the General Medical Services program classification shall be considered as one object. This will allow timely payment of claims to providers of medical services but ensure that no overspending will occur in the program classification.	Similar language, except that after the first "classification," the following is added: "excluding the Children's System of Care Initiative, Children's System of Care Initiative - Residential, and Lipman Hall accounts,"
No comparable language provision.	For the purposes of account balance maintenance, the Children's System of Care Initiative, Children's System of Care Initiative - Residential, and Lipman Hall accounts shall be considered as one object. This will allow timely payment of claims to providers of medical services but ensure that no overspending will occur in the program.

Explanation

The amended and new language provisions are technical in nature. The amended language separates the various Children's System of Care programs from the General Medical Services program classification for payment purposes. The proposed new language then groups the various Children's System of Care programs as one object for payment purposes.

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-108.	p. D-249.
Notwithstanding the provisions of P.L.1962, c.222 (C.44:7-76 et seq.), the Medical Assistance for the Aged program is eliminated; provided however, that necessary medical services shall be available to those enrolled in the program as of June 30, 1982, until such time that those persons no longer require medical care or are eligible for alternative programs.	Notwithstanding the provisions of P.L.1962, c.222 (C.44:7-76 et seq.), the Medical Assistance for the Aged program is eliminated.

Language Provisions (Cont'd)

Explanation

There are no more people enrolled in the Medical Assistance for the Aged (MAA) program. Thus, language which enabled MAA recipients, enrolled as of June 30, 1982, to continue to receive medical services is no longer needed.

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-108.	
Combined State and federal funding for the development and implementation of a Medicaid Care Management Program not to exceed $1,000,000 is made available from accounts with the General Medical Services program classification, based on a plan approved in advance by the Director of the Division of Budget and Accounting.	No comparable language provision.

Explanation

Language is no longer necessary as the program was never fully implemented.

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-108.	
Notwithstanding any laws or regulations to the contrary, Medicaid fee-for-service payments for Graduate Medical Education (GME), including Indirect Medical Education (IME), shall not exceed the appropriated amount of combined State and federal funds. GME payments shall not be subject to final reconciliation. Allocations to hospitals shall be made based on adopted regulations. Any payments that would have been made prior to the adoption date had the regulations been in place the entire fiscal year shall be made subsequent to the adoption date.	No comparable language provision.

Explanation

Language is no longer necessary according to the division as regulations have been adopted

Language Provisions (Cont'd)

regarding the allocation of such payments to hospitals.

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-109.	
Of the amount appropriated herein for Payments for Medical Assistance Recipients - Inpatient Hospital, $15,000,000 in State funds and $15,000,000 in federal funds are place in reserve, subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language provision

Explanation

The above language was included in the FY 2002 appropriations act but is not relevant in FY 2003. It is noted that $7.5 million of the $15 million in State funds has been targeted by the Governor for use in closing the FY 2002 deficit. The remaining $7.5 million would be available for use in this or in other Medicaid accounts; or the monies may be transferred to other departmental accounts, as needed.

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-110.	
Notwithstanding any law to the contrary, prescription drug benefits provided to eligible beneficiaries in the General Medical Services program shall be subject to computer-based point-of-sale review.	No comparable language provision.

Explanation

All prescriptions provided to persons enrolled in the division's various programs are now subject to computer-based point-of-sale review; therefore, the language is not considered necessary.

Language Provisions (Cont'd)

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-110.	
Additional federal Title XIX revenue generated from the claiming of family planning services payments on behalf of individuals enrolled in the Medicaid managed care program is appropriated subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language provision.

Explanation

This language may have been eliminated in error, based on informal conversations with the department and the division. The Office of Legislative Services will attempt to clarify the Administration's intent as to whether this provision needs to be reinstated.

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-111.	
Notwithstanding any law to the contrary, all revenues received from health maintenance organizations covering ACCESS clients shall be deposited into the General Fund, subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language provision.

Explanation

The ACCESS program has been incorporated into the NJ FamilyCare program; therefore, the language is no longer required.

Language Provisions (Cont'd)

DIVISION OF DEVELOPMENTAL DISABILITIES

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-114.	
Such sums as are necessary from the unexpended balances in the Division of Developmental Disabilities' Community Services Waiting List - FY 2000, FY 2001, FY 2002, the Community Transition Initiative - FY 2001, FY 2002, and the Community Nursing Care Initiative - FY 2002, in the Department of Human Services are appropriated for the purpose of providing a salary increase for Direct Care Workers' Salaries of providers contracting with the Department of Human Services, subject to the approval of the Director of Division of Budget and Accounting.	No comparable language provision.

Explanation

The FY 2002 language provision was one-time in nature and related to the FY 2002 initiative to provide direct care workers with a $1.00 per hour salary increase and the monies needed to provide for this increase. A two percent cost of living adjustment, effective July 1, 2002, for the department's community providers is included in the FY 2003 recommended budget.

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-118.	p. D-272.
The State appropriation is based on ICF/MR revenues of $186,019,000, provided that if the ICF/MR revenues exceed $186,019,000, 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.	Similar language, except that the amount of ICF/MR revenues is $202,262,000.

Explanation

This technical change reflects the amount of federal ICF/MR revenues anticipated in FY 2003.

Language Provisions (Cont'd)

DIVISION OF FAMILY DEVELOPMENT

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-121.	p. D-282.
The unexpended balances as of June 30, 2001 in the Income Maintenance Management program classification direct state services accounts are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.	The unexpended balances as of June 30, 2002 in accounts where expenditures are required to comply with Maintenance of Effort requirements as specified in the federal "Personal Responsibility and Work Opportunity Reconciliation Act of 1996," P.L. 104-193 are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.
The unexpended balances as of June 30, 2001 in the Income Maintenance Management program classification Grants-In-Aid accounts are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.	Similar language as above.
The unexpended balances as of June 30, 2001 in the Income Maintenance Management Classification State Aid accounts are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.	Similar language as above except that the Payments for the Cost of General Assistance and General Assistance - Emergency Assistance accounts are also referenced.

Explanation

The amended language provisions would limit the reappropriation of unexpended balances to those Direct State Services, Grants-In-Aid and State Aid accounts that are needed to comply with the State's Maintenance of Effort requirements pursuant to federal law. Unexpended balances in the State Aid accounts for Payments for the Cost of General Assistance and General Assistance - Emergency Assistance would also be reappropriated.

The FY 2002 language reappropriated all Income Maintenance Management accounts regardless of whether the unexpended funds were needed to comply with federal law or were needed by the two General Assistance State Aid accounts.

Language Provisions (Cont'd)

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-121.	
Of the amounts appropriated for Work First New Jersey Child Support Initiatives, $50,000 shall be available for the Child Support Lien Network program.	No comparable language provision.

Explanation

The FY 2002 language was added by the Legislature and is not being continued in FY 2003. The program will continue using the $12.0 million (gross) recommended for Child Support Initiatives.

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-121.	p. D-282.
Notwithstanding any law to the contrary, of the amounts hereinabove for Work First New Jersey - Work Activity and Work First New Jersey - Training Related Expenses, an amount not to exceed $5,000,000 is appropriated from the Workforce Development Partnership Fund, section 9 of P.L. 1992, C. 43 (C.34:15D-9), subject to the approval of the Director of the Division of Budget and Accounting.	Similar language, except that the amount is increased to $35,000,000.

Explanation

The amended language would charge off $35 million in State expenditures for Work First New Jersey - Work Activity and Training Related Expense to revenue transferred from the Workforce Development Partnership Fund. This represents a $30 million increase in the amount being charged off to the fund.

Language Provisions (Cont'd)

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-122.	
Notwithstanding the provisions of any law or regulation to the contrary, effective July 1, 2001, or at the earliest date thereafter consistent with the notice provisions of 42 CFR 447.205 where applicable, no funds appropriated for the General Assistance (GA) program for pharmaceutical services shall be expended except under the following conditions: (a) reimbursement for the cost of legend and non-legend drugs, excluding nutritional supplements, shall not exceed their Average Wholesale Price (AWP) less a 10% discount; (b) prescription quantities of legend and non-legend drugs dispensed by a retail pharmacy shall be limited to a maximum 34-day supply for an initial prescription, and a 34-day supply or 100-unit dose supply, whichever is greater, for any prescription refill; 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, 2001 shall remain in effect through fiscal year 2002, including the current increments for patient consultation, impact allowances and allowances for 24-hour emergency services.	No comparable language provisions.
Effective July 1, 2000, no funding shall be provided from the Payments for Cost of General Assistance program for anti-retroviral drugs for the treatment of HIV/AIDS, as specified in the Department of Health and Senior Services' formulary for the AIDS Drugs Distribution Program (ADDP).	
Notwithstanding any law to the contrary and subject to the notice provisions of 42 CFR 447.205, effective July 1, 1999, approved nutritional supplements will be reimbursed in accordance with a fee schedule set by the Director of the Division of Medical Assistance and Health Services (DMAHS).	
(Continued on the next page.)	

Language Provisions (Cont'd)

Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 1999, the following provisions shall apply to the dispensing of prescription drugs through the Payments to Municipalities for the Cost of General Assistance account: (a) for all Maximum Allowable Cost (MAC) drugs dispensed shall state "Brand Medically Necessary" in the prescriber's own handwriting if the prescriber determines that it is necessary to override generic substitution of drugs, and each prescription order shall follow the requirements of P.L.1977, c.240 (C.24:6E-1 et seq.). The list of drugs substituted shall conform to the Drug Utilization Review Council approved list of substitutable drugs and all other requirements pertaining to drug substitution and federal upper limits for MAC drugs as administered by the State Medicaid Program.

Of the amounts appropriated for the Payments for Cost of General Assistance program, amounts may be transferred to the Department of Health and Senior Services for the cost of the AIDS Drugs Distribution Program (ADDP) and to the Division of Medical Assistance and Health Services for New Jersey Family Care, subject to the approval of the Director of the Division of Budget and Accounting.

Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 1999, each prescription order for protein nutritional supplements dispensed in the General Assistance program shall be filled with the generic equivalent unless the prescription order states "Brand Medically Necessary" in the prescriber's own handwriting.

<u>Explanation</u>

These six language provisions are no longer required. The provisions relate to medical and prescription drug services provided to the General Assistance population. As General Assistance recipients now receive medical and prescription drug services through the NJ FamilyCare program, that program's rules and regulations apply to these recipients.

Language Provisions (Cont'd)

DIVISION OF MANAGEMENT AND BUDGET

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-126.	
A portion of the amount hereinabove appropriated for the Division of Management and Budget, not to exceed $100,000, is available for transfer to the Department of Health and Senior Services for salary costs related to the Nursing Home Audit function.	No comparable language provision.

Explanation

The transfer of the nursing home audit function from the Department of Human Services (DHS) to the Department of Health and Senior Services (DHSS) occurred in the mid-1990s. Although the language authorizing the transfer of up to $100,000 has been included in the annual appropriations act for several years, no monies were ever transferred. Based on a lack of need, the language is not continued.

DEPARTMENT OF HUMAN SERVICES (GENERAL)

2002 Appropriations Handbook	2003 Budget Recommendations
p. B-127.	p. F-8.
Such sums as may be necessary are appropriated or transferred from existing appropriations within the Department of Human Services for the purpose of promoting awareness to increase participation in programs that are administered by the department, subject to the approval of the Director of the Division of Budget and Accounting.	Such sums as may be necessary are appropriated or transferred from existing appropriations for the purpose of promoting awareness to increase participation in programs that are administered by the State, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The language has been shifted from the Department of Human Services' budget to the General Provision section of the recommended budget and would apply to all State agencies that provide services to the public.

Language Provisions (Cont'd)

2002 Appropriations Handbook	2003 Budget Recommendations
	p. D-295.
No comparable language provision.	From the monies provided hereinabove for cost of living adjustments throughout the Department of Human Services, it is intended that these moneys shall be used to fund, at a minimum, a 2% cost of living increase for service workers' salaries, effective July 1, 2002.

Explanation

This language emphasizes the intended use of the $24.3 million in FY 2003 funding a two percent cost-of-living adjustment to provider agencies.

Discussion Points

DEPARTMENT OF HUMAN SERVICES (GENERAL)

1. The Governor's budget indicates that approximately $75 million in additional revenues will be realized from new or increased fees throughout State government.

- *Question:* Does the department's budget anticipate an increase in existing fees or the establishment of new fees in programs it administers? If so, what fees would be affected?

2. Changes in federal law and federal FY 2003 budget proposals often impact on the department's programs and fiscal resources.

- *Question:* What recent changes in federal law and the federal FY 2003 budget proposals will affect the department's fiscal resources and activities in FY 2003?

3.a. Schedule I revenues indicate that the department will receive $20.8 million in <u>Miscellaneous Federal Revenue Initiatives</u> as a result of efforts by various private sector vendors to maximize federal revenues. In FY 2000 and FY 2001, only $0.5 million and $1.1 million, respectively, in Miscellaneous Federal Revenue Initiatives monies were realized.

- *Question:* In view of the amounts of monies actually realized from federal revenue initiatives, can $20.8 million in additional federal revenues be realized?

3.b. Schedule I revenues indicate that the department will receive $39.0 million in <u>School Based Medicaid</u> revenues. The FY 2002 appropriations act had initially assumed that $39.0 million in such revenues would be realized, but this amount has been reduced to $34.5 million in the recommended FY 2003 budget. Available Medicaid data indicates that School Based Medicaid may be $29.1 million, or over $5 million less than the revised estimate.

- *Question:* As it appears that only $29.1 million in School Based Medicaid revenues will be collected in FY 2002, can $39 million in revenues be realized in FY 2003?

DIVISION OF MENTAL HEALTH SERVICES

4.a. <u>Greystone Park Psychiatric Hospital Bridge Funds</u> may be used for the "design of the new hospital" at the Greystone site (p. D-225).

- *Question:* How much of the $17 million will be used for capital costs related to the design, construction and renovations of buildings at Greystone?

4.b. To finance renovations, new construction and construction management at Greystone Park Psychiatric Hospital, the previous Administration intended to use the Economic Development Authority (EDA).

- *Questions*: Is the current Administration committed to EDA financing and providing construction oversight of the project? How much would the department/division be obligated to reimburse EDA for these costs?

5. The reduction in the Community Care account anticipates, in part, that agencies will receive Medicaid reimbursements of $1.5 million in Programs for Assertive Community Treatment (PACT)

Discussion Points (Cont'd)

services and $4.5 million for services to adults in residential programs (rehab); however, the federal funds section of the Medicaid budget identifies $4.6 million in PACT reimbursements and $3.5 million in rehab reimbursements.

- *Question:* Which amounts are correct and what accounts for the discrepancy in the amount of federal Medicaid reimbursements for PACT and rehab services?

6. The division is reexamining the adequacy of the number of hours of intensive case management services that can be provided through Medicaid to determine whether federal Medicaid reimbursement can be increased.

- *Question*: How much additional Medicaid reimbursements are expected to be realized once intensive case management standards regulations are finalized?

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

7. The phase-in of disabled Medicaid recipients (who were not on Medicare) into managed care was to have been completed during FY 2002. Available Medicaid data indicate about 41 percent of the disabled are enrolled with a managed care provider.

- *Question*: What accounts for the delay in enrolling the disabled and what financial impact has this delay had on Medicaid expenditures?

8. Included within the <u>Payments to Fiscal Agent</u> account is $5.0 million to develop a Health Care Billing System to comply with federal requirements concerning Medicare Parts A and B billing procedures for patients at public psychiatric hospitals and developmental centers. However, no guidance has yet been issued regarding the scope of this billing system.

- *Question:* Rather than appropriate $5.0 million, without knowing the scope of the billing system, would budget language that allows the Director of the Division of Budget and Accounting to make funds available for the system, if needed, be more appropriate?

9. Proposed new managed care rates provide for a three percent increase in reimbursements to the five remaining managed care organizations that Medicaid contracts with. The managed care organizations claim that the proposed rates exclude Aetna's experience and that the rate of increase for prescription drugs is considerably less than the rate of increase anticipated in either the Medicaid fee-for-service or PAAD programs. Two managed care organizations have indicated to the division that they will not participate in Medicaid managed care unless rates are increased by more than three percent.

- *Questions*: What is the current status of negotiations between the division and the various managed care organizations regarding the proposed rates? Will rates be increased above the proposed three percent?

10.a. The division has contracted with First Health Services (FHS) to provide certain drug utilization services: MPTP (which involves a review of all prescription claims of any individual who fills 12 or more prescriptions a month) and MEP (which screens prescriptions against certain medical criteria and requests additional medical information to fill certain prescriptions). FHS is paid between $5.34 - $14.19 for each claim reviewed, based on claims volume.

Discussion Points (Cont'd)

Since December 1999, FHS has reviewed over 268,400 MPTP claims and denied reimbursement for about 940 claims, about 0.35 percent. Since December 1999, FHS was reimbursed about $2.7 million for this service and the approximate dollar value of the denied claims is about $56,000. Based on current MPTP claims volume, discontinuing MPTP would result in savings of about $700,000 (net) annually.

- *Question*: Should the MPTP portion of the FHS contract be terminated?

10.b. The President's federal FY 2003 budget includes a proposal to change the way Pharmaceutical Manufacturers' Rebates are calculated: Instead of basing the rebate on the drug's Average Manufacturers' Price (AMP), the rebate would be based on the higher Average Wholesale Price (AWP). As the AWP is about 20 percent greater than AMP, rebates may increase by about 20 percent. Thus, the amount of rebates the Medicaid program may receive could increase from $85.8 million to $98.7 million (between October 2002 and June 2003).

- *Question:* Should the amount of Pharmaceutical Manufacturers' Rebates anticipated in the budget be increased under the assumption that the rebate proposal will be adopted effective October 2002?

10.c. At present, Medicaid recipients are able to refill a prescription once 75 percent of the prescription has been used. Increasing the refill threshhold percentage to 85 percent or even 90 percent would result in a one-time savings, as less medications would have to be dispensed.

- *Question*: How much would Medicaid save if the refill threshhold were increased to either 85 percent or 90 percent?

11. The Medicaid program pays the Medicare Part A deductible and copayment and the Medicare Part B premiums for Medicaid recipients who are Medicare eligible. Recommended appropriations for <u>Medicare Premiums</u> are reduced slightly to $67.4 million. Medicare B premiums increased eight percent in CY 2002 and are likely to increase significantly again in CY 2003 as the premium is based on the increase in Medicare costs. Other Medicare A copayments and deductibles are also likely to increase.

- *Question:* Is the $67.4 million recommended for Medicare Premiums sufficient in light of the recent increases in Medicare premiums?

12. <u>NJ FamilyCare</u> provides health insurance coverage to: parents with income up to 200 percent of the poverty level; and single persons and married adults with no children with income up to 100 percent of the poverty level. Gross <u>NJ FamilyCare</u> expenditures are estimated at around $433.4 million in FY 2003 based on a year end enrollment of 175,000. However, NJ FamilyCare enrollment is already at 170,000. As the number of people receiving General Assistance is expected to increase by 1,500 during FY 2003, enrollment will be close to the 175,000 level before enrollment increases in the number of parents with incomes of up to 200 percent of the federal poverty levels is considered.

- *Question:* As NJ FamilyCare enrollment is at the 170,000 level, is the 175,000 enrollment estimate upon which the recommended appropriation is based realistic?

13.a. The FY 2003 recommended budget provides $18.7 million for the <u>Children's System of Care Initiative</u>. How the funds are to be expended is not readily known.

Discussion Points (Cont'd)

- *Questions*: How much will be expended on the three Care Management Organizations? How much will be expended on the Parent's Caucus? How much will expended on the three Family Support Organizations? How much will be expended on the Contracted Systems Administrator? How much will be expended on the four Mobile Crisis Response programs? How much is earmarked for expansion into other counties?

13.b. When the Children's System of Care Initiative was announced in FY 2001, there were no specific statistical goals established in terms of a reduction in the length of stay in residential programs, readmissions, etc. for the children to be served by the program. To date, no statistical objectives have been established. Thus, contracted providers are being reimbursed without knowing whether there has been an overall reduction in either the length of stay in residential programs, readmissions, etc. for the children to be served by the program.

- *Question*: When will the department establish specific measurable objectives to determine whether these new contracted programs have resulted in a reduction in the length of stay in residential programs, readmissions, etc?

DIVISION OF DEVELOPMENTAL DISABILITIES

14.a. The FY 2003 budget recommends $6.4 million (gross) for a new Community Services Waiting List Reduction Initiative - FY 2003. As has been the case with other Waiting List Initiatives, much of the $6.4 million probably will be unexpended in FY 2003, and at the end of FY 2003, State funds will either be transferred or lapse. (Upwards of $24 million in various Initiative monies have been placed in reserve, of which $18 million is likely to lapse to the General Fund.)

- *Questions:* How will implementation of this initiative be different from other waiting list reduction initiatives given past implementation experience? Will the division, realistically, be able to spend the entire $6.4 million in FY 2003?

14.b. The FY 2003 budget recommends the following amounts (State/federal) for various Initiatives: Community Nursing Care Initiative - FY 2002 - $984,000; Community Services Waiting List Reduction Initiatives - FY 1999, FY 2000, FY 2001 and FY 2002 - $106.9 million; and the Community Transition Initiatives - FY 2001 and FY 2002 - $10.9 million.

All these Initiatives are at least two years behind schedule with respect to the number of placements to be created for reasons that may be beyond the division's control.

- *Question:* How many placements will the proposed funding support for each of the Initiatives?

15. Several developmental centers are in jeopardy of being decertified, with a corresponding loss of federal reimbursement. Part of the problem developmental centers confront is that the courts are sentencing younger, more violent persons who meet the developmental disability criteria, to the centers instead of State prisons. While there is one facility - the Moderate Security Unit at New Lisbon - that serves about 30 developmentally disabled criminals, other court referrals are placed in the general population, even though they require close supervision and monitoring.

- *Question:* Should other secure units, similar to the Moderate Security Unit, be established at developmental centers?

Discussion Points (Cont'd)

16. Although the amount of General and Federal Funds for Home Assistance increases from $28.7 million to $33.2 million, the number of persons to receive services is unchanged at about 9,800.

- *Question*: How will the additional funding be used?

DIVISION OF FAMILY DEVELOPMENT

17.a. The WFNJ - Technology Investment account is recommended to receive $33.0 million in State/federal funds in FY 2003. In addition, millions in unexpended balances will likely be available and proposed budget language would appropriate an additional $3.0 million, if needed.

- *Question*: What specific projects are to be undertaken and at what cost?

17.b. One of the Technology Investment projects the division had considered was the expansion of the General Assistance Finger Imaging project Statewide despite evidence that Finger Imaging was not cost effective.

- *Question*: What is the current status of the General Assistance Finger Imaging program and Statewide expansion?

18.a. WFNJ-Child Care (gross) funding for services and administrative costs are reduced by 3 percent, from $268.1 million to $260.1 million. Despite a slight decrease in the number of children receiving services, Evaluation Data on p. D-278 indicates that in FY 2003 child care service expenditures are unchanged at about $220 million.

- *Question*: What accounts for the $8.0 million reduction in State/federal funds allocated for child care?

18.b. Though Evaluation Data indicates that the number of children receiving child care services will decrease by about 1,000, over 7,700 children are on a waiting list for child care vouchers (April 2002).

- *Question*: Why is Child Care funding reduced when there is a waiting list of over 7,700 children who need child care services?

19. The FY 2003 budget recommends an increase in Kinship Care Guardianship and Subsidy appropriations (gross) from $20.9 million to $36.6 million; however, the December 2001 regulations estimated program costs at $6.9 million (FY 2002) and $13.7 million (FY 2003).

- *Question*: Are program costs reflected in the recommended budget overstated in light of the estimate provided in the December 2001 regulations?

20. The FY 2003 budget recommends $29.2 million for WFNJ Emergency Assistance based on an estimated enrollment of about 5,400 persons monthly. Current data indicates that FY 2002 enrollments are about 5,900 and that projected FY 2002 expenditures will be between $35 - $36 million.

- *Question*: As current FY 2002 caseloads and expenditures exceed FY 2003 estimates, are additional funds needed in the account in FY 2003?

Discussion Points (Cont'd)

21. The FY 2003 budget recommends $4.0 million for the Food Stamps for Legal Aliens program. At present, annualized administrative and Food Stamp expenditures are estimated at about $3.7 million. In addition, pending federal legislation, H.R. 2646 and S. 1731 (currently in conference committee), would restore Food Stamp benefits to many people in the State program.

- *Question*: In view of current expenditure patterns and the probable restoration of federal Food Stamp benefits to many legal aliens, can the recommended appropriation be reduced?

22. General Assistance County Administration funding of $22.5 million is unchanged from FY 2002 levels; however, $2.7 million of the FY 2002 appropriation has been placed in reserve and may lapse at the end of the fiscal year.

- *Question*: As $2.7 million has been placed in reserve in FY 2002, can the FY 2003 recommended appropriation be reduced?

23. The State receives approximately $404 million in federal TANF monies annually. In prior fiscal years the State did not expend its entire federal allocation of TANF funds, however in FY 2002 and FY 2003, the State expects to spend nearly $511 million and over $531 million in federal TANF funds, respectively. At some point, possibly as soon as FY 2004, the State will have little unexpended federal TANF monies available and State funds may have to be appropriated to continue the various programs currently supported with these federal funds.

- *Question*: At the end of FY 2003, how much unexpended federal TANF funds are expected to be available?

DIVISION OF YOUTH AND FAMILY SERVICES

24. As discussed in a Background Paper on p. 64, staffing levels at DYFS district offices (DOs) have generally increased; however, staffing levels at the Northern and Southern Region DOs are still below January 1998 levels.

- *Question:* Do these DOs experience recruitment and retention problems that are unique to these regions?

25. The division has initiated various Family Support Services, Family Preservation Services and Family Reunification Services programs to reduce the number of children in Foster Care. Nevertheless, the total number of children in paid and unpaid Foster Care has increased from 6,821 (January 1998) to 8,012 (January 2002).

- *Question*: In view of the increase in the total number of children in Foster Care, have any evaluations been conducted as to the effectiveness of these programs and initiatives?

26.a. The budget indicates that the number of Subsidized Adoptions are expected to increase from about 7,100 (FY 2002) to 7,400 (FY 2003); however, at present there are nearly 7,200 Subsidized Adoptions, and at the current rate of increase, the number may exceed 7,600 in FY 2003. Thus, an additional $1.9 million (gross) may be needed in the account.

- *Question*: Are program costs for Subsidized Adoptions underestimated in the FY 2003 recommended budget?

Discussion Points (Cont'd)

26.b. Available DYFS data indicate that only 2.5 percent of all adoptions involve children over the age of 15. Other DYFS data indicate that upwards of 10 percent of children with an adoption goal are over the age of 15. Thus, it is probable that many children with an adoption goal who are at least 15 years old will not be adopted.

- *Questions:* Should financial adoption incentives provided by DYFS be increased for those children over the age of 15? Is adoption still a viable goal for children over the age of 15, as only a small percentage of such children will be adopted?

DIVISION OF MANAGEMENT AND BUDGET

27. The division's overtime costs between FY 1998 and FY 2002 (projected) increased from about $850,000 to $1.2 million. Virtually all overtime is incurred by the department's Human Services Police and is partially related to mandatory police staffing at certain facilities such as Hagedorn.

To reduce overtime costs, previous commissioners had indicated that additional police officers would be hired, yet personnel data indicates that the number of staff assigned has remained between 75 - 78.

- Question: Will additional staff be provided to the Human Services Police or will mandatory staffing at certain facilities be reexamined to reduce overtime costs?

28. Continuation funding of $2.0 million is provided for the Community Supports to Allow Discharge from Nursing Home account, but the federal government has not yet approved the department's waiver request as of this writing. To date, none of the $2.0 million FY 2002 appropriation has been expended.

- Questions: When is approval of the waiver application anticipated? Rather than appropriate an additional $2.0 million for FY 2003, should language allowing the account to retain its unexpended balances be included?

29. The budget recommends $3.3 million for the Statewide Automated Child Welfare Information System (SACWIS) to address federal concerns about the project's slow development. In addition, $1.5 million in FY 2002 unexpended balances are likely to be available, as well as federal funds reflected in the DYFS budget.

- *Question*: What is the current estimate of SACWIS development and implementation costs?

30. Federal funds available to the division increase significantly, from $34.2 million (FY 2002) to $59.2 million, and is related to a $25 million increase in Federal Cost Recoveries. In FY 2001 and FY 2002 only $14.7 million in such recoveries were realized or anticipated.

- Questions: What is the basis for the $25 million increase? If recoveries do not reach the level anticipated, what are the fiscal implications for the division?

Background Paper: Division of Mental Health Services Community Care

Budget Pages.... D-232

Funding ($000)	Expended FY 2001	Adj. Approp. FY 2002	Recom. FY 2003
Community Care	$208,314	$216,159	$204,859

SUMMARY

The Community Care account provides Grant-in-Aid funds for various mental health services. The magnitude of mental health expenditures may now justify individual line-item appropriations to better identify where mental health dollars are allocated and to set priorities.

BACKGROUND

The FY 2003 Community Care recommended appropriation of $204.9 million supports various mental health services such as: Emergency Services; Outpatient Services; Partial Care; Residential; System Advocacy; Family Support/Misc.; Integrated Case Management; and Program for Assertive Community Treatment (PACT).

There are no specific appropriations for any of the services; therefore, the division could allocate more or less monies for individual services as it determines. For example, if the Legislature increased or reduced Community Care appropriations, the division would have the discretion to allocate the increase or reduction among the various services (in the absence of clear direction from the Legislature). Also, a single Community Care appropriation for all mental health services does not identify whether specific mental health services overspent or underspent their allocation.

Over the years, the Legislature has opted to appropriate funds for specific program activities rather than for one program-wide account. For example:

- In the Division of Developmental Disabilities, there are individual appropriations for such services as Private Institutional Care; Skill Development Homes; Group Homes; etc. rather than a single, Developmental Disabilities Community Services account.

- In Medicaid, there are 16 line item appropriations for specific Medicaid services.

To facilitate the movement of funds among individual mental health accounts, as actual expenditures may differ from the amount appropriated, budget language can be included to allow the division to transfer monies among accounts without formal Legislative approval. This is currently done in the Medicaid and public assistance programs.

ANALYSIS

The division indicates that the following amounts will be allocated to specific community mental health services:

- Emergency Services - $29.7 million;

Background Paper: Division of Mental Health Services Community Care (Cont'd)

- Outpatient Services - $36.9 million;
- Partial Care - $18.4 million;
- Residential - $55.6 million;
- Systems Advocacy - $5.2 million;
- Family Support/Supported Employment/Misc. - $18.2 million;
- Integrated Case Management - $25.5 million; and
- PACT - $15.3 million.

Making individual line item appropriations for specific community mental health services would enable the Legislature to identify more clearly which services the large sum of money is being expended on. By also providing the division with budget language to permit the transfer of monies among the individual appropriations, sufficient financial flexibility would be provided for the division to address financial matters.

Background Paper: Federal Temporary Assistance to Needy Families Funds and State Maintenance of Effort Allocations

SUMMARY

The State receives a block grant of approximately $404 million from the federal government for the Temporary Assistance to Needy Families (TANF) program. To obtain these funds, the State must spend at least $300 million annually of its own funds - its Maintenance of Effor (MOE) requirement.

The tables on the next two pages provide a breakdown of federal TANF and State MOE allocations for FY 2002 and FY 2003 (It is assumed that actual expenditures will approximate the amount allocated for particular activities.) The tables indicate that:

- Federal TANF spending allocations in FY 2002 and FY 2003 will exceed the $404 million in federal funds the State will receive. The State is spending or will spend down unexpended federal TANF funds that had accumulated from previous years. Additional State funds may be required to support these programs once the TANF balances have been expended.

- State MOE allocations are greater than the minimum amount needed to receive its allotment of federal TANF funds. Thus, the State could reduce State appropriations and still receive its entire allotment of federal TANF funds. However, if the State were to reduce State MOE appropriations, services for work activities, child care or the earned income tax credit or other programs and activities would have to be reduced.

The federal TANF program is set to expire this year and Congress will have to reauthorize the program. In addition to the several Congressional proposals that have been introduced to continue the TANF program, President Bush's TANF proposals include the following:

- Encourage the formation and maintenance of healthy two parent families and responsible fatherhood. States will have to identify how they will achieve these objectives.

- Establish a competitive $100 million grant program to develop innovative approaches to promoting healthy marriage and reducing out-of-wedlock births.

- Maintain the current TANF funding level meaning that New Jersey would continue to receive $404 million. The State's MOE requirment would remain at about $300 million, assuming that the State continued to meet its work participation requirements. The work participation requirement would be increased annually and would reach 70 percent in federal FY 2007. The caseload reduction credit which reduces a state's work participation requirement would be eliminated.

- Requires families to participate in work activities for 40 hours per week of which at least 24 hours are in certain specified activities. Only families that comply with both the 40 hour and 24 hour requirements would count in the participation rate.

- States would be allowed to distribute the entire amount of child support collected to families who have left welfare. The current $50 monthly child support disregard would be increased to $100 (beginning October 2004).

Background Paper: Federal Temporary Assistance to Needy Families Funds and State Maintenance of Effort Allocations
(Cont'd)

Table 1. Federal TANF Allocations ($000)

	FY 2002	FY 2003
TANF GRAND TOTAL	$510,924	$531,369
ADMINISTRATION TOTAL	$50,595	$49,151
State	13,595	13,207 est.
County	37,000	35,944 est.
TECHNOLOGY TOTAL	$8,660	$12,633
GRANTS-IN-AID TOTAL	$282,331	$321,738
Work Activities	82,939	51,874
Child Care	74,876	95,040
Training Related Expenses	17,007	15,000
TANF Transfers to SSBG	9,377	9,377
Substance Abuse	8,719	8,819
Post TANF Transportation	8,100	6,100
Kinship Care Initiatives	23,918	32,328
Individual Development Accounts	2,000	- -
Earned Income Tax Credit	10,350	70,000
Early Childhood Education	6,000	- -
21st Century City Projects	5,000	5,000
Medicaid Outreach	5,000	- -
Career Advancement Vouchers	5,000	5,000
Food Bank	5,000	- -
Adolescent Pregnancy - School Based	3,750	4,850
Criminal History Checks	2,615	1,000
Mental Health Assessment/Treatment	2,400	2,400
Wage Supplement Program	3,600	3,600
Social Services for the Homeless	2,000	4,000
Independent Living Expansion	1,500	1,500
Adolescent Pregnancy Prevention	1,100	- -
Faith Based Initiatives	1,000	1,000
Child Care Evaluation	630	- -
Domestic Violence Training	450	- -
Other	- -	2,450
STATE AID TOTAL	$169,338	$147,369
TANF Assistance Payments	129,245	100,905
Emergency Assistance	29,177	36,026
TANF Transfer SSBG	8,602	8,602
State Food Stamps - Legal Aliens	2,114	2,114
Other	200	200

Background Paper: Federal Temporary Assistance to Needy Families Funds and State Maintenance of Effort Allocations
(Cont'd)

Table 2. State MOE Allocations ($000)

	FY 2002	FY 2003
MOE TOTAL	$341,822	$334,150
ADMINISTRATION TOTAL	$39,950	$37,506
State	2,950	2,770
County	37,000	34,736
TECHNOLOGY TOTAL	$1,865	$1,859
GRANTS-IN-AID TOTAL	$260,245	$257,923
Work Activities	27,516	54,133
Child Care	26,374	26,374
Early Childhood Education	133,000	151,000
Housing Subsidy Program	2,500	- -
Earned Income Tax Credit	59,560	14,140
Substance Abuse Initiative	11,205	12,276
STATE AID TOTAL	$39,762	$36,862
TANF Assistance/EA Payments	15,860	16,589
Child Support Collections	23,902	20,273

Background Paper: Division of Youth and Family Services Staffing and Program Statistics

BACKGROUND AND ANALYSIS

Since FY 1998, nearly $200 million in additional funds have been provided to Division of Youth and Family Services (DYFS) to increase staffing, to increase the starting salaries of social workers and for programs to reduce the time children spend in out-of-home placement such as foster care and increase the number of adoptions.

The following tables provide various statistical data concerning DYFS' progress at increasing staffing and adoptions and reducing the amount of time children remain in foster care since the additional funds were first provided in FY 1998.

District Office (DO) and Adoption Resource Center (ARC) Staffing (a)

	January 1998	January 1999	January 2000	January 2001	January 2002
ARCs	62.9%	61.2%	59.8%	66.8%	78.1%
Central Region DOs	80.5%	81.4%	81.0%	75.5%	80.1%
Metropolitan Region DOs	79.2%	76.0%	80.2%	71.6%	78.7%
Northern Region DOs	85.5%	81.1%	80.9%	75.2%	78.6%
Southern Region DOs	78.5%	73.3%	67.2%	63.1%	70.2%

(a) As a percentage of the Child Welfare League of America standard.

Staffing levels, as a percentage of the Child Welfare League of America standard, have improved between January 2001 and January 2002. The legislation which provided additional funding to hire additional caseworkers and increased the minimum starting salary for caseworkers appears to have had a positive impact. However, with the exception of the ARCs, January 2002 staffing levels remain below January 1998 staffing levels as the number of resignations and retirements exceed the number of new staff hired.

Average Number of Children in Foster Care (including Para and Kinship Care)

	January 1998	January 1999	January 2000	January 2001	January 2002
Number of Children	6,821	6,863	6,961	7,147	8,012
% Change	n.a.	0.6%	1.4%	2.7%	12.1%

Despite programs intended to reduce the number of children in foster care, the number of children in foster care has increased and now exceeds 8,000. (The figures include children who are in a "free" placement, i.e., the State is not making a foster care payment.)

Background Paper: Division of Youth and Family Services (cont'd)

Avg. Months in Placement for Children in Foster Care with a DYFS Goal to Return Home (b)

All Foster Children			Children with One Placement		Children with Multiple Placements	
	Total # of Children	Avg. Total Months in All Foster Placements	# of Children	Avg. Total Months in Placement	# of Children	Avg. Total Months in All Placements
Jan. 1998	2,399	17.2	1,223	12.6	1,176	22.5
Jan. 1999	2,257	17.4	1,139	13.5	1,118	21.7
Jan. 2000	2,055	16.4	1,046	11.6	1,009	21.4
Jan. 2001	1,955	15.8	1,007	10.8	948	21.0
Jan. 2002	2,221	13.7	1,233	9.7	988	18.7

(b) Limited to children in foster care assigned to the District Offices with a "return home" goal.

Since January 1998, the number of children in foster care with a "return home" goal has decreased, either because more children are being returned home, or fewer children have "return home" as a goal. More importantly, there has been a 20 percent reduction in the average number of months such children are in placement, with the reduction being greater for those children for whom this is the first out-of-home placement (23 percent), compared to children with multiple placements (17 percent).

Average Number of Children in Subsidized Adoptions

	January 1998	January 1999	January 2000	January 2001	January 2002
Number of Children	5,769	6,045	6,208	6,594	7,102
% Change	n.a.	4.8%	2.7%	6.2%	7.7%

The number of children in subsidized adoptions has increased, but the increase has not significantly reduced the number of children in foster care who have a DYFS goal of "adoption": While there was a 23 percent (net) increase in the number of subsidized adoptions between January 1998 and January 2002, the number of children assigned to the ARCs during the same period increased by 49 percent (see below).

Available data indicates that about 88 percent of all new subsidized adoptions involve children who are under 11 years of age.

Background Paper: Division of Youth and Family Services (cont'd)

Avg. Months in Placement for Children in Foster Care with a DYFS Goal of "Adoption"(b)

All Foster Children			Children with One Placement		Children with Multiple Placements	
	Total # of Children	Avg. Total Months in All Placement	# of Children	Avg. Total Months in Placement	# of Children	Avg. Total Months in All Placements
Jan. 1998	2,315	41.5	966	34.7	1,349	46.4
Jan. 1999	2,556	40.5	1,083	33.4	1,472	45.7
Jan. 2000	3,122	39.6	1,350	32.8	1,772	44.8
Jan. 2001	3,274	40.9	1,355	34.2	1,919	45.6
Jan. 2002	3,457	39.7	1,432	32.3	2,024	44.9

(b) Limited to children in foster care assigned to the ARCs.

Consistent with the intent of the federal "Adoption and Safe Families Act", the number of children in foster care who have an "adoption" goal has increased. However, available data indicate that problems remain:

- Recruitment of individuals/families to adopt these children continues to be difficult despite financial incentives, particularly for children who are over the age of 10 years and for children who have had multiple placements.

- Recruitment problems have resulted in no significant reduction in the number of months children remain in placement before being adopted, with the length of stay in placement being nearly a year longer for children with multiple placements than for children with only one placement.

Background Paper: NJ FamilyCare

Budget Pages.... D-245; D-248

SUMMARY

Based on current enrollment data and the uncertainty as to whether a new system to reimburse for the health care services for the General Assistance (GA) population can be developed, the recommended appropriation of $229.4 million for NJ FamilyCare may be too low.

Funding ($000)	Actual FY 2001	Revised FY 2002	Recom. FY 2003
NJ FamilyCare (Total)*:	$247,606	$443,986	$433,388
General Fund	$174,430	$272,198	$229,388
Federal	72,576	168,253	200,000
Employers/Individual Share	600	3,535	4,000

* Financial data taken from the Evaluation Data section.

BACKGROUND AND ANALYSIS

NJ FamilyCare covers parents with incomes up to 200 percent of the federal poverty level and single persons and married adults without children (primarily the GA population) with incomes up to 100 percent of the federal poverty level.

As FY 2002 program costs exceeded initial estimates, due to higher enrollment and higher costs associated with the GA population, changes were implemented in September 2001 to limit enrollment of single persons and childless couples to those eligible for GA and to require new eligibles to enroll in a managed care program before services are provided. (Language in the FY 2002 appropriations act, which is again proposed for FY 2003, allows the Commissioner of Human Services to adopt regulations that would enable the NJ FamilyCare program to operate within the amount appropriated for the program.)

Program expenditures have moderated since September 2001 when enrollment and program limitations were adopted. Prior to the adoption of these changes, annualized program costs were projected at about $440.1 million. Since October 2001, annualized program expenditures are about $406 million, a $34 million reduction in annualized expenditures.

The recommended FY 2003 NJ FamilyCare appropriation of $229.4 million assumes a June 30, 2003 enrollment of 175,000. The recommended appropriation further assumes that a new system to provide health care for the GA population will be developed and implemented.

Program enrollment have steadily increased: Between January and March 2002, enrollment increased nearly 4.0 percent, from 162,600 to over 169,100, which exceeds the budget's June 30, 2002 estimate of 165,700. At the current rate of increase, enrollment by the end of FY 2002 will be at or exceed the 175,000 estimate for next year. It is also uncertain how quickly the division can develop and implement a new system to provide health care for the GA population.

Additionally, though expenditures have moderated since the September 2001 regulations were adopted (as discussed above), NJ FamilyCare is a relatively new program with little historical data upon which to develop expenditure patterns. Further complicating the uncertainty regarding

Background Paper: NJ FamilyCare (Cont'd)

the adequacy of the $229.4 million recommended appropriation is the new managed care capitation rates that the division has proposed to the remaining five managed care organizations. At least two managed care organizations have indicated that the proposed rates are insufficient and that they may have to terminate their participation in the division's managed care programs. To the extent that managed care capitation rates are increased above what had been assumed in the recommended budget, the NJ FamilyCare appropriation may be inadequate.

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Individuals wishing information and committee schedules on the FY 2003 budget are encouraged to contact:

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