



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
CHILDREN AND FAMILIES**

FISCAL YEAR

2008 - 2009

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF CHILDREN AND FAMILIES

Budget Pages..... C-7; C-14; C-21; D-34 to D-46

Fiscal Summary (\$000)

	Expended FY 2007	Adjusted Appropriation FY 2008	Recommended FY 2009	Percent Change 2008-09
State Budgeted	\$946,164	\$1,080,910	\$1,075,703*	(0.5%)
Federal	346,493	385,559	376,545	(2.3%)
<u>Other</u>	<u>57,868</u>	<u>58,013</u>	<u>57,544</u>	<u>(0.8%)</u>
Grand Total	\$1,350,525	\$1,524,482	\$1,509,792	(1.0%)

Personnel Summary - Positions By Funding Source

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change 2008-09
State	5,098	5,020	5,037	.3%
Federal	883	1,502	1,502	—
<u>Other</u>	<u>478</u>	<u>453</u>	<u>453</u>	<u>—</u>
Total Positions	6,459	6,975	6,992	.2%

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded.

* Does not include \$175,000 in capital funds for improvements at the Ewing Residential Center that is included in a Long Term Obligation and Capital Expenditure Reserve account.

Key Points

- **Direct State Services** appropriations decrease by \$6.3 million, from \$327.0 million to \$320.6 million.

Recommended appropriations for Child Behavioral Health Services (\$1.7 million), Prevention and Community Partnerships (\$2.1 million), Education Services (\$10.5 million), Safety and Security Services (\$4.6 million) and Administration and Support Services (\$46.5 million) are unchanged from FY 2008 levels.

Proposed appropriations are reduced for the following programs: Child Protective and Permanency Services, -\$5.3 million, to \$246.1 million, and Child Welfare Training Academy Services and Operations, -\$1.0 million, to \$9.2 million.

Though the Personal Services appropriation reflects a \$3.4 million reduction, from \$431.2 million to \$427.7 million, the reduction is in the amount of federal funds available. The federal fund reduction should not have any impact, as the overall number of positions is unchanged at about 1,500. The amount of State funds allocated

Key Points (Cont'd)

for Personal Services is unchanged at \$258.3 million and will support over 5,000 positions.

Of the \$6.3 million overall reduction, \$5.0 million is in the Additions, Improvements and Equipment account. Other reductions include: Services Other Than Personal (\$0.3 million), Maintenance and Fixed Charges (\$0.3 million), and two Special Purpose accounts related to training are reduced by \$0.7 million.

- **Grants-in-Aid** appropriations increase by \$1.1 million, from \$754.0 million to \$755.1 million. The increase is misleading in that \$10.2 million is provided for the second half of a FY 2008 Cost of Living Adjustment to provider agencies.

In addition to the Cost of Living Adjustment increase the following increases or reductions are noted:

Treatment Homes and Emergency Behavioral Health Services: A \$11.8 million reduction, to \$152.8 million, is recommended due to revised expenditure estimates.

Subsidized Adoption: Recommended appropriations increase by \$1.0 million, from \$86.7 million to \$87.7 million due to an increase in caseloads.

Family Support Services: Funding is increased by \$2.0 million, to \$16.8 million (gross). The increase is related to the Differential Response Program, where two counties were awarded contracts in late 2007.

The Amanda Easel Project (\$250,000) initiated by the Legislature in the late 1990s is discontinued.

There are various technical or accounting changes in the Grants-in-Aid accounts as certain expenditures that were included within other accounts are now identified separately, e.g., various accounts related to the State Children’s Health Insurance Program within the Division of Child Behavioral Health Services; the Court Appointed Special Advocate program within Child Protective and Permanency Services; and the reallocation of funds between the Purchase of Social Services and Child Health Units accounts.

- **Federal Funds** decrease \$9.0 million, from \$385.6 million to \$376.5 million. Much of the reduction is related to the federal Title IV-E program where a decline of \$4.9 million is expected.
- **Other Funds** decrease by over \$0.5 million from \$58.0 million to \$57.5 million. Most of these monies, \$53.9 million, are for costs of the Office of Education and are provided by the Department of Education.

Background Paper:

- NJ Spirit/SACWIS.....p. 20

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2007	Adj. Approp. FY 2008	Recomm. FY 2009	Percent Change	
				2007-09	2008-09
<u>General Fund</u>					
Direct State Services	\$282,907	\$326,958	\$320,636	13.3%	(1.9%)
Grants-In-Aid	656,341	753,952	755,067	15.0%	0.1%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	6,916	0	(a)	(100.0%)	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$946,164	\$1,080,910	\$1,075,703	13.7%	(0.5%)
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$946,164	\$1,080,910	\$1,075,703	13.7%	(0.5%)
Federal Funds	346,493	385,559	376,545	8.7%	(2.3%)
Other Funds	57,868	58,013	57,544	(0.6%)	(0.8%)
Grand Total	\$1,350,525	\$1,524,482	\$1,509,792	11.8%	(1.0%)

(a) Does not include \$175,000 in capital funds for improvements at Ewing Residential Center included in the Long Term Obligation and Capital Expenditure Reserve account.

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change	
				2007-09	2008-09
State	5,098	5,020	5,037	(1.2%)	0.3%
Federal	883	1,502	1,502	70.1%	0.0%
All Other	478	453	453	(5.2%)	0.0%
Total Positions	6,459	6,975	6,992	8.3%	0.2%

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	66.0%	61.0%	61.0%	---	---
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2008</u>	<u>Recomm. FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
DIRECT STATE SERVICES	<u>\$326,958</u>	<u>\$320,636</u>	<u>(\$6,322)</u>	<u>(1.9%)</u>	D-42
Child Protective and Permanency Services	<u>\$251,428</u>	<u>\$246,106</u>	<u>(\$5,322)</u>	<u>(2.1%)</u>	D-41
Child Behavioral Health Services	<u>\$1,669</u>	<u>\$1,669</u>	<u>0</u>	<u>--</u>	D-41
Prevention and Community Partnership Services	<u>\$2,099</u>	<u>\$2,099</u>	<u>0</u>	<u>--</u>	D-41
Education Services	<u>\$10,514</u>	<u>\$10,514</u>	<u>0</u>	<u>--</u>	D-42
Child Welfare Training Academy Services and Operations	<u>\$10,155</u>	<u>\$9,155</u>	<u>(\$1,000)</u>	<u>(9.8%)</u>	D-42
Safety and Security Services	<u>\$4,575</u>	<u>\$4,575</u>	<u>0</u>	<u>--</u>	D-42
Administration and Support Services	<u>\$46,518</u>	<u>\$46,518</u>	<u>0</u>	<u>--</u>	D-42

Overall, Direct State Appropriations are reduced by more than \$6.3 million as follows:

- Services Other Than Personal costs decrease by \$0.3 million in the Child Welfare Training Academy Services and Operations program. Certain non-recurring costs are eliminated.
- Maintenance and Fixed Charges costs decrease by \$0.3 million in the Child Protective and Permanency Services program. Rental costs are being reduced.
- Special Purpose appropriations decrease by \$0.7 million in the Child Welfare Training Academy Services and Operations program. Costs associated with the Rutgers MSW Program (\$0.2 million) and the NJ Partnership for Public Child Welfare (\$0.5 million) are reduced. Fewer employees will participate in the MSW program and fewer students will receive social worker training as the department's overall staffing levels are adequate at this time.
- Additions, Improvements and Equipment expenditures are reduced by \$5.0 million in the Child Protective and Permanency Services program.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2008</u>	<u>Recomm. FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
State appropriations related to <u>Personal Services</u> are unchanged at \$258.3 million. Although there is a \$3.4 million reduction in the amount of federal funds allocated for <u>Personal Services</u> , the reduction should have no impact as the overall number of federal supported positions is unchanged at about 1,500. Overall, the \$427.7 million <u>Personal Services</u> appropriation will support nearly 7,000 positions.					
GRANTS-IN-AID	\$753,952	\$755,067	\$1,115	0.1%	D-43
Child Protective and Permanency Services	\$410,254	\$417,103	\$6,849	1.7%	D-42
Division of Child Behavioral Health Services	\$284,401	\$276,792	(\$7,609)	(2.7%)	D-42
Prevention and Community Partnership Services	\$59,297	\$61,172	\$1,875	3.2%	D-43

The recommended \$755.1 million State appropriation is supplemented by \$194.3 million in federal funds and \$30.7 million in Other Funds. It is noted that in past years, the recommended budget had overestimated federal funds. When such federal funds did not materialize, additional State funds were provided to offset the shortfall. For example, the adjusted FY 2007 appropriation included \$15.0 million in supplemental State appropriations that were provided to address the shortfall in federal funds.

The following recommended appropriations are noted:

Child Protective and Permanency Services

The majority of the \$6.8 million increase is related to the second half of the FY 2008 Community Provider Cost of Living Adjustment (\$6.0 million) and an increase in Subsidized Adoptions (\$1.0 million) due to an increase in the number of children receiving adoption subsidies. The FY 2009 recommended budget does not include funds for an additional Cost of Living Adjustment to provider agencies after calendar year 2008.

Various other increases and decreases are technical adjustments in which funds are redistributed from accounts such as Family Support Services (\$0.3 million) and Purchase of Social Services (\$2.1 million) to newly established accounts such as Court Appointed Special Advocates (\$1.2 million) and Child Health Units (\$1.1 million).

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2008</u>	<u>Recomm.</u> <u>FY 2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Child Behavioral Health Services

The \$7.6 million reduction, from \$284.4 million to \$276.8 million, primarily reflects revised cost estimates for the Treatment Homes and Emergency Behavioral Health Services program, from \$165.8 million to \$154.0 million. Funding for other programs such as Care Management Organizations (\$33.7 million), Youth Case Managers (\$16.0 million), Mobile Response (\$10.4 million) and Family Support Organizations (\$4.7 million) are unchanged from FY 2008 levels. Included within the \$276.8 million recommended appropriation is \$4.2 million for the second half of the CY 2008 Cost of Living Adjustment

Various other increases and decreases are technical adjustments in which monies are redistributed from existing accounts to newly established accounts. The overall appropriations in these accounts are unchanged.

Prevention and Community Partnership

Recommended appropriations are reduced by \$1.9 million, to \$61.2 million as follows:

The Amanda's Ease grant (\$125,000), for which the Legislature has initiated funding for many years, is eliminated.

Funding for Family Support Services, which supports the Family Success Centers¹ and the Differential Response² programs, is increased by \$2.0 million, from \$13.3 million to \$15.3 million (State). The \$2 million increase supports two additional Differential Response programs in Middlesex and Union counties that were announced in November 2007.

¹ Family Success Centers attempt to "strengthen families and neighborhoods" by developing family services to reduce child abuse and neglect, foster healthy families and strengthen ties between families and the neighborhoods persons live in. The budget indicates that there will be 36 centers at an average cost of \$225,000 per center.

² Differential Response programs attempt to provide various services to children and families that may not require the services of the Division of Youth and Families Services. The services provided through these programs are intended to reduce the need for more intensive services in the future.

Language Provisions

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-15.

p. D-45.

Of the amount hereinabove appropriated for Safety and Permanency in the Courts, an amount not to exceed \$6,688,000 shall be transferred to the Department of Law and Public Safety in accordance with the approved Child Welfare Reform Plan, subject to the approval of the Director of the Division of Budget and Accounting.

Of the amount hereinabove appropriated for Safety and Permanency in the Courts, an amount not to exceed \$8,688,000 shall be transferred to the Department of Law and Public Safety and is appropriated for legal services implementing the approved child welfare settlement with the federal court, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The amount made available for legal services provided by the Department of Law and Public Safety is increased by \$2.0 million, to \$8.7 million.

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-15.

Of the amounts hereinabove appropriated for Safety and Permanency in the Courts, \$1,150,000 shall be allocated to the Court Appointed Special Advocate Program.

No comparable language provision.

Explanation

The language is not required, as a line item appropriation is provided for the Court Appointed Special Advocate Program.

Language Provisions (Cont'd)**2008 Appropriations Handbook****p. B-16.**

Notwithstanding the provisions of any law or regulation to the contrary, there is appropriated an amount not to exceed \$2,400,000 for the State Automated Child Welfare Information System, subject to the approval of the Director of the Division of Budget and Accounting. The Commissioner of the Department of Children and Families shall provide the Office of Management and Budget, the Office of Legislative Services, and the Commission on Capital Budgeting and Planning with two reports, due in September and March, containing the details of the status of project deliverables, release dates of each phase, details of any required change orders, and current cost estimates for the State Automated Child Welfare Information System.

2009 Budget Recommendations**p. D-45.**

In reference to the State appropriation provided in prior fiscal years for the State Automated Child Welfare Information System (SACWIS) program, the Commissioner of the Department of Children and Families shall provide the Office of Management and Budget, the Office of Legislative Services, and the Commission on Capital Budgeting and Planning with two written reports, due on September 15, 2008 and March 15, 2009, containing the details of the status of project deliverables, the description of problems encountered and proposed solutions, details of any required change orders, and operating cost estimates for the NJ Spirit System.

Explanation

Amended language eliminates the FY 2008 language appropriation of the \$2.4 million for the SACWIS/NJ Spirit System, as no additional capital funds are recommended for the project at this time. In addition, specific dates, September 15, 2008 and March 15, 2009, are cited as to when status reports are to be submitted to various entities.

2008 Appropriations Handbook**p. B-19.**

County-based Differential Response programs funded by the Department of Children and Families to prevent child abuse and neglect shall provide services to families and follow intervention strategies that are defined with the participation of local community-based organizations and shall assure cultural competency to serve families within their respective counties. The Department of Children and Families staff who serve children and families in the field, who have not already received training in
(Continued on the next page.)

2009 Budget Recommendations**p. D-46.**

Of the amounts hereinabove appropriated for Salaries and Wages for the Child Welfare Training Academy Services and Operations, such sums as may be necessary shall be used to train the Department of Children and Families staff who serve children and families in the field, who have not already received training in cultural competence, in cultural competence. The Department of Children and Families shall also offer training opportunities in cultural competence to staff of community-based organizations
(Continued on the next page.)

Language Provisions (Cont'd)

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-19.

p. D-46.

cultural competence, will be trained in cultural competency. The Department of Children and Families shall also offer training opportunities in cultural competence to staff to community-based organizations serving children and families under contract to the Department of Children and Families.

serving children and families under contract to the Department of Children and Families.

Explanation

The revised language allows the \$2.0 million (gross) FY 2009 recommended appropriations for Salaries and Wages of the Child Welfare Training Academy to be used to provide "cultural competency training" to DCF field staff and contract agencies.

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-17.

p. D-46.

Any change by the Department of Children and Families in the rates paid for the foster care and adoption subsidy programs shall first be approved by the Director of the Division of Budget and Accounting

Any change by the Department of Children and Families in the rates paid for the foster care and adoption subsidy programs **from the sums hereinabove appropriated for Foster Care and Subsidized Adoption, other than an adjustment based on Cost of Living,** shall be approved by the Director of the Division of Budget and Accounting.

Explanation

The proposed language clarifies that rate adjustments related to a Cost of Living Increase do not require approval of the Director of the Division of Budget and Accounting. The director's approval would only be required for rate increases not related to a Cost of Living increase.

Language Provisions (Cont'd)

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-17.

Of the amount hereinabove appropriated for Foster Care and Subsidized Adoption, the Division of Youth and Family Services may expend up to \$225,000 for recruitment of foster and adoptive families; provided, however, that a plan for recruitment and training first shall be approved by the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

The deleted language was first added to the annual appropriations act in the late 1970s to allow the expenditure of \$225,000 for the recruitment of foster and adoptive parents. At that time there were no programs to recruit families to become foster parents or to adopt children. As the department spends considerably more than \$225,000 on the recruitment activities, the language is no longer considered necessary by the Administration.

2008 Appropriations Handbook

2009 Budget Recommendations

pp. B-17, 18.

Receipts in the Marriage License Fee Fund in excess of the amount anticipated are appropriated.

Of the amount hereinabove appropriated for the Domestic Violence Program, \$1,309,000 is payable out of the Marriage License Fee Fund. If receipts to that fund are less than anticipated, the appropriation shall be reduced by the amount of the shortfall.

p. D-46.

Receipts in the Marriage **and Civil Union** License Fee Fund in excess of the amount anticipated are appropriated.

Of the amount hereinabove appropriated for the Domestic Violence Program, \$1,309,000 is payable out of the Marriage **and Civil Union** License Fee Fund. If receipts to that fund are less than anticipated, the appropriation shall be reduced by the amount of the shortfall.

Explanation

The highlighted changes include Civil Unions in the language provisions. There is no significant fiscal impact as Civil Union fees are already deposited into the fund.

Language Provisions (Cont'd)

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-17.

The unexpended balances at the end of the preceding fiscal year in the Capital Improvements for Child Advocacy Centers account are appropriated, subject to the approval of the Director of the Division of Budget and Accounting

No comparable language provision.

Explanation

These monies were for capital improvements at five child advocacy centers in Burlington, Essex, Hudson, Monmouth and Union counties. As of this writing approximately \$155,000 remains unexpended and is in "reserve."

2008 Appropriations Handbook

2009 Budget Recommendations

No comparable language provision.

p. D-46.

Notwithstanding the provisions of any law or regulation to the contrary, of the amount hereinabove appropriated for the Department of Children and Families no such grant monies shall be paid to the grantee for the costs of any efforts by the grantee or on behalf of the grantee for lobbying efforts.

Explanation

Proposed language attempts to strengthen the current requirement that prohibits the use of State grant funds for direct or indirect lobbying efforts. At this time, no information is available as to what type of lobbying efforts the department is attempting to control or which grantees may have violated the prohibition against lobbying.

Discussion Points

DEPARTMENT OF CHILDREN AND FAMILIES (GENERAL)

1. The FY 2009 recommended budget reduces the number of State employees through an Early Retirement Initiative (ERI) and layoffs. A department's ability to hire employees to fill these vacant positions will be limited. The impact these personnel actions will have on the department's programs and services is not clear.

- **Question:** How many employees are eligible for the ERI or may be laid off, by division? To the extent that new employees cannot be hired to fill the vacated positions, what services or programs does the department intend to reduce or eliminate? How will the reductions affect the department's monitoring and oversight of contracts and its efforts to maximize federal reimbursements?

2. The FY 2008 appropriations act included about \$8.8 million (gross) for overtime, primarily in the Division of Youth and Family Services (DYFS). DYFS caseloads have declined from 51,300 (February 2007) to nearly 45,500 (July 2007), according to the September 2007 Quarterly Data Update. With lower caseloads, overtime expenditures should be reduced.

- **Question:** What are the department's projected FY 2008 overtime expenditures? Have overtime costs been reduced as a result of the caseload decline? If not, why not?

3.a. The FY 2007 recommended budget estimated \$135 million in federal Title IV-E Foster Care revenues. Actual FY 2007 revenues were \$113.9 million, approximately 16% less than anticipated.

- **Question:** What accounted for the \$21.1 million reduction in Title IV-E reimbursements?

4.b. Federal Title IV-E Foster Care revenues are expected to decrease by about 5.0%, from \$99.2 million (FY 2008) to \$94.3 million (FY 2009).

- **Question:** As the number of subsidized adoptions has increased, what accounts for the \$4.9 million reduction in federal Title IV-E reimbursements?

4.c. The federal government had deferred approximately \$2.2 million in reimbursement pending the receipt of additional information/documentation concerning: Foster care administrative costs - \$0.6 million; Other foster care costs - \$1.2 million; and NJ Spirit/SACWIS costs - \$0.4 million.

- **Question:** What is the status of these deferrals? Has the federal government deferred any subsequent claims? If so, how much additional claims have either been deferred or denied?

5. In 2007, \$15.6 million was made available to develop additional residential beds to serve 200 children. As construction costs have increased during the past year, the \$15.6 million may be insufficient to create the 200 beds.

Discussion Points (Cont'd)

- **Question:** Is the \$15.6 million adequate to develop 200 new beds? If not, how much additional funding may be required? Alternatively, will fewer beds be developed?

CHILD PROTECTIVE AND PERMANENCY SERVICES

6. Approximately \$214.8 million (State) is recommended for Personal Services for the Division of Youth and Family Services (FY 2009).

Due to a change in how caseload data are reported, the recommended budget no longer provides information as to the average monthly number of children and families receiving services from the Division of Youth and Family Services. However, when such data was last reported, the number of children receiving services had declined from 51,300 (February 2007) to 45,500 (July 2007).

- **Question:** As caseloads appear to be declining, can overall caseworker staffing be reduced? If not, why not? How many children currently receive services?

7. To provide medical services to children in out-of-home placement under DYFS supervision, the department prioritized enrollment of children into Medicaid managed care. While the percentage of children enrolled in managed care increased from about 49% (December 2005) to nearly 66% (December 2007), upwards of 7,200 children in out-of-home placements are still not enrolled.

- **Question:** What accounts for the difficulties in enrolling these children into managed care?

8. During CY 2007, the department licensed about 1,300 new resource families, or 25% above its goal. The 1,300 new licensees do not reflect resource families that dropped out of the program.

- **Question:** What was the net increase in the number of resource families during CY 2007? Between July – December 2007, what was the net increase or decrease in resource family homes?

9. FY 2008 appropriations act language allowed the unexpended balances from the Capital Improvements for Child Advocacy Centers to be available in FY 2008. This language is not continued in FY 2009. As of this writing, the account has about \$155,000 in unexpended funds. These monies are in “reserve” and may possibly lapse at the end of FY 2008.

- **Question:** Will these monies lapse?

10. The Child Health Units program appropriation of \$19.0 million (gross) assumes \$9.5 million in federal Medicaid reimbursements.

As Child Protective and Permanency Services are available to all children and many of the children receiving services are not Medicaid eligible, it is questionable whether 50% of the program's costs qualify for federal Medicaid reimbursement.

Discussion Points (Cont'd)

- **Question:** What is the basis for assuming federal Medicaid reimbursements of \$9.5 million?

CHILD BEHAVIORAL HEALTH SERVICES

11.a. In December 2007, interim final rules concerning Medicaid reimbursement for case management were adopted by the federal government.

The rules prohibit per diem, weekly or monthly reimbursement rates. Rather, reimbursement would be on a fee-for-service basis. This reimbursement change would particularly affect Care Management Organization (CMOs). The FY 2009 recommended budget assumes \$9.9 million in federal reimbursements to CMOs.

- **Question:** Assuming that implementation of these regulations is not delayed, is the \$9.9 million in federal reimbursement CMOs are expected to still valid

11.b. Proposed federal regulations, August 2007, clarify the definition of "rehabilitation services" and impose other requirements with respect to Medicaid reimbursement for such services. The FY 2009 recommended budget assumes nearly \$110 million in federal Medicaid reimbursements for these types of services.

- **Question:** Assuming that implementation of these regulations is not delayed, is the \$110 million in federal reimbursement for "rehabilitation services" still valid?

11.c. During November 2007, the department proposed new rules concerning in-community mental health rehabilitative services for children. These rules may differ from proposed federal rules and may impose additional costs that may not qualify for federal reimbursement. These additional costs would be funded entirely with State funds.

- **Question:** What additional costs do the proposed November 2007 regulations impose that may not qualify for federal reimbursement?

12. The FY 2009 recommended budget for the Department of Human Services, Division of Medical Assistance and Health Services reduces Medicaid reimbursement for children's partial care services provided by hospitals. This would save approximately \$12.1 million (gross), or over \$6.0 million (State).

In general, partial care programs and other out-patient mental health services provided by hospitals are more expensive than similar programs provided by non-hospital providers for numerous reasons, such as higher compensation and benefits for employees and higher overhead costs.

- **Question:** Have any hospital based programs indicated that they may discontinue providing partial care services to children if reimbursement is reduced? To the extent that hospitals discontinue to provide partial care services, is sufficient capacity available at non-hospital based programs to provide this service?

13.a. The FY 2009 budget recommends \$43.5 million (gross) for Care Management Organizations and \$18.3 million (gross) for Youth Case Managers.

Discussion Points (Cont'd)

As the case management services provided by these programs are similar to a large extent, the department was to implement a pilot program to merge these services in three counties in late FY 2008.

- **Question: What is the status of this consolidation?**

13.b. The department indicated that any consolidation would be cost neutral. However, the elimination of duplicative administrative functions should generate savings even if additional direct care staff is hired.

- **Question: What is the approximate dollar value of the administrative positions to be eliminated through consolidation?**

14. The FY 2009 recommended budget indicates that over 14,000 youth will be served by Case Management Services (Care Management Organizations and Youth Case Management). At the end of February 2008, nearly 7,000 children were receiving services.

- **Question: What accounts for the doubling of the number of children from 2008 to the estimated number for 2009?**

15. In FY 2008, approximately 12% of the \$18.3 million Youth Case Manager appropriation was reimbursed by Medicaid. The FY 2009 recommended budget also indicates that Medicaid reimbursement will represent approximately 12% of total program costs.

The department was to provide technical assistance to agencies to increase their Medicaid reimbursement. It appears that such assistance was not successful in increasing Medicaid reimbursement.

- **Question: What accounts for the department's difficulties in increasing Medicaid reimbursement for Youth Case Managers services?**

16. The FY 2008 and FY 2009 appropriations for Outpatient services (\$5.7 million) and Partial Care services (\$6.9 million) assumed no federal Medicaid reimbursements. The department had indicated that federal Medicaid reimbursements would be available, though no amount was identified.

- **Question: As no federal Medicaid reimbursements are reflected in either the FY 2008 or FY 2009 budgets for these two programs, what is the status of obtaining Medicaid reimbursement for Outpatient and Partial Care services?**

17. The various child behavioral health programs were intended, in part, to reduce admissions to expensive inpatient psychiatric hospitals known as the Children's Crisis Intervention System (CCIS).

In FY 2006, there were over 4,450 admissions to CCIS programs, including 260 from Care Management Organizations which provide the most intensive services to children.

Discussion Points (Cont'd)

- **Question:** In FY 2007, how many admissions were there to CCIS programs? How many admissions came from CMOs?

18. The department had been expected to release a Request for Proposal towards the end of 2007 for Contracted Systems Administrator services. Value Options currently handles this function.

- **Question:** What is the status of the RFP for Contracted System Administrator services?

19. During hearings on the FY 2008 budget, legislators questioned certain expenditures of the Family Support Organizations (FSOs) and the extent to which the department audited and monitored FSO expenditures as to their reasonableness.

- **Question:** What audits of FSOs did the department conduct? As a result of such audits, how much, if any, funds were recouped from FSOs?

PREVENTION AND COMMUNITY PARTNERSHIPS

20. The FY 2009 budget recommends \$1.6 million for Personal Services. FY 2008 data indicate that expenditures may total \$300,000.

- **Question:** Can the FY 2009 recommended appropriation be reduced?

21.a. In May 2007, \$2.4 million in contracts to eight agencies were awarded to provide "positive parenting and healthy growth and development of infants and children." Services are provided by nurses.

It does not appear that any federal Medicaid reimbursements are anticipated to offset the \$2.4 million cost although some of the clients who receive services are Medicaid/NJ FamilyCare eligible. The services provided appear to qualify for Medicaid reimbursement under N.J.A.C.10:77-5.1 et seq.

- **Question:** Is federal Medicaid reimbursement being obtained for the program? If yes, how much? If not, why not?

21.b. Under the program, 600 families with "complex health-related or social problems and may present a risk for child abuse or neglect" are to be served. Little information is available as to whether the program's objectives are being met.

- **Question:** How many families have been or are currently receiving services? Of the families that have been or are currently receiving services, how many are Medicaid/NJ FamilyCare eligible? Of the families involved in the program, how many reports of abuse or neglect were received before and after involvement in the program?

22. During 2007, \$4.0 million in contracts were awarded to 20 organizations to operate "neighborhood-based family success centers." Information as to the number of children and

Discussion Points (Cont'd)

families served by these centers and the extent to which the programs are being monitored fiscally and programmatically is limited.

- **Question:** How many children and families have been served at each of these centers during FY 2008, to date? To what extent are these programs being monitored programmatically and fiscally? How many agencies have been or are in the process of being terminated due to program or fiscal problems?

23. A \$233,000 contract was awarded to train physicians to prevent and recognize child abuse and neglect among their patients. This program is known as EPIC-SCAN.

- **Question:** Under the program, how many physicians received training? How many cases of abuse and neglect have these physicians reported compared to before the training was provided?

24. Approximately \$7.0 million is available for “differential response” programs in six counties. The programs attempt to provide various services to children and families to prevent abuse and neglect.

It is likely that some number of the children and families referred to the differential response programs may already receive services from county welfare agencies, the Medicaid program, and even from other programs funded by the department.

- **Question:** To date, how many children/families have received services? What services have been provided and at what cost? What controls are in place to assure that the programs do not provide services that are available from other governmental or private agencies?

OFFICE OF EDUCATION

25. The Office of Education (OOE) provides educational services to children/adolescents under the department’s jurisdiction. The State Department of Education (DOE) establishes the rates that OOE charges school districts for education services.

In several prior fiscal years, OOE had operating deficits as the rates set by the DOE did not cover the office’s operating costs. Available information is that OOE may have operating deficits in FY 2008 and possibly in FY 2009.

- **Question:** Will the office have a deficit in FY 2008? Are the FY 2009 rates proposed by DOE adequate? If not, what is the projected FY 2009 shortfall?

CHILD WELFARE TRAINING ACADEMY

26. The FY 2009 budget recommends \$3.3 million for Personal Services. FY 2008 expenditures are estimated at about \$2.8 million.

- **Question:** Can the FY 2009 recommended appropriation be reduced?

Discussion Points (Cont'd)

27.a. Under the New Jersey Partnership for Public Child Welfare, the department contracts with Rutgers to provide specialized training for workers and foster families. Subcontracts have been awarded to three State colleges and universities.

Available information is that the contract includes over \$400,000 for consulting services.

- **Question:** What consulting services are being provided? Who has been awarded the consulting contracts?

27.b. The contract's deliverables include over 1,000 trainings and nearly 1,000 classes.

- **Question:** Are the contract's deliverables being met? If not, is funding being withheld pending delivery of these services?

28.a. The FY 2008 appropriations act provided \$1.7 million for Services Other Than Personal, primarily for consulting services. Projected expenditures are about \$600,000.

- **Question:** What individuals or organizations have been awarded contracts?

28.b. The FY 2009 budget recommends \$1.4 million for Services Other Than Personal.

- **Question:** As FY 2008 projected expenditures are about \$0.6 million, can the recommended appropriation be reduced?

SAFETY AND SECURITY SERVICES

29. Recommended appropriations for the program are unchanged at \$4.6 million. As of this writing, no funds have been expended.

- **Question:** Can the FY 2009 recommended appropriation be reduced?

ADMINISTRATION AND SUPPORT SERVICES

30. The Center for the Study of Social Policy prepares and submits monitoring reports to the federal court as part of the State's modified settlement agreement.

- **Question:** What is the cost of the services provided by the Center for the Study of Social Policy? Are the center's costs monitored for reasonableness? For example, are hotel/motel costs reimbursed at the rate charged to government agencies as opposed to the higher non-government rate?

31.a. NJ Spirit/SACWIS is being developed by CGI Technologies. The contract with CGI is scheduled to end July 11, 2008, unless extended.

Various reports indicate that a significant number of issues and problems related to NJ Spirit were outstanding at the beginning of 2008. Whether all these issues and any new issues that are identified prior to July 2008 can be resolved before July 11th is unclear.

Discussion Points (Cont'd)

- **Question:** What are CGI's responsibilities to correct any unresolved issues after the contract ends on July 11, 2008?

31.b. The department filed various complaints against CGI for project delays related to NJ Spirit and withheld payments to CGI pending resolution of these complaints.

- **Question:** What is the status of the various complaints filed against CGI? How much, if any, monies are currently withheld from CGI at present?

31.c. Ongoing operational and maintenance costs of NJ Spirit, post implementation, have yet to be determined.

- **Question:** Has it been determined what such costs are and whether the State or an outside vendor will be responsible for operational matters?

31.d. Proposed federal rules, January 2008, concerning the Adoption and Foster Care Analysis and Reporting System (AFCARS) will require the collection of additional data on children in out-of-home placement and the collection of data on children for whom no federal reimbursement is claimed. It is likely that states will incur additional costs to modify their data processing systems, irrespective of whether federal rules are modified to reduce the financial burden on states.

- **Question:** Based on the January 2008 AFCARS rules, what modifications will be required for NJ Spirit? What additional costs will the State incur for such modifications?

31.e. Available information indicate that of the \$9.6 million in funds available for the SACWIS program in FY 2008, \$4.0 million has been placed in "reserve" and is not available for expenditure.

- **Question:** What is the status of the \$4.0 million in funds that are in "reserve"?

Background Paper: NJ Spirit/SACWIS

Budget Page.... D-45

Funding (\$000)	Expended FY 2007	Adj. Approp. FY 2008	Recomm. FY 2009
State Automated Child Welfare Information System	\$6,916	\$0³	\$0

Expenditure Summary

The table below provides a summary of appropriations and expenditures for the NJ Spirit/State Automated Child Welfare Information System (SACWIS) since FY 2001.

FISCAL YEAR	(\$000) Appropriated	(\$000) Reappropriated⁴	(\$000) TOTAL	(\$000) Expended/ Encumbered
2001 ⁵	\$3,500	n.a.	\$3,500	\$238
2002	--	\$1,500	\$1,500	--
2003	\$3,300	\$63	\$3,363	\$2,133
2004	\$5,600	\$1,189	\$6,789	\$1,981
2005	\$10,400	\$4,688	\$15,088	\$10,593
2006	\$3,500	\$4,582	\$8,082	\$5,276
2007	\$10,000	\$2,881	\$12,881	\$3,249
2008	See fn 3.	\$9,632	\$9,632 ⁶	\$5,633

Through FY 2008, \$36.3 million has been appropriated for the system, of which \$3.2 million was lapsed. Through March 2008, State expenditures/encumbrances have totaled \$29.1 million. These expenditures/encumbrances generate an equal amount of federal funds.

September 2007 and March 2008 Status Report

The FY 2008 appropriations act required the department to submit reports in September and March, on the status of the project. The two reports indicate that the last phase of the project, Release 2, Phase 2, was implemented during August 2007 with no major problems. The report indicates that the project's total cost should not exceed \$70.4 million (gross).

The department and other parties are negotiating with the vendor, CGI Technologies and Solutions, Inc. (CGI) regarding a contract extension for services related to NJ Spirit.

It is noted that proposed budget language on D-45 would require the status reports to be submitted on September 15, 2008 and March 15, 2009.

³ \$2.4 million is available pursuant to budget language. As of this writing, none of the \$2.4 million has been appropriated.

⁴ Reappropriated refers to monies that were not expended/encumbered during a fiscal year that were retained by the program for expenditure during the next fiscal year.

⁵ Of the \$3.5 million appropriated, about \$3.2 million lapsed.

⁶ \$4.0 million has been placed in "reserve" and is not available for expenditure at this time.

Background Paper: NJ Spirit/SACWIS

Potential Issues

- The contract with CGI ends on July 11, 2008. What CGI's responsibilities will be after July 11th are not clear, particularly with respect to unresolved issues. For example, in December 2007, there were nearly 1,400 open incidents involving various releases of NJ Spirit that need to be resolved. It is not known how many unresolved incidents will be outstanding on July 11th or whether CGI will be responsible for resolving these issues after July 11th.

The March 2008 status report notes that the State is negotiating with CGI regarding a contract two-year contract extension at which time responsibility for the system would transition to the State.

- The department filed various complaints against CGI for project delays and funds have been withheld from CGI. The status and outcome of these complaints is not known.
- During January 2008, the federal government proposed regulations concerning the Adoption and Foster Care Analysis and Reporting System (AFCARS). In February 2008, the federal government adopted final rules concerning the Chafee National Youth in Transition Database.

Both the adopted and proposed rules may require modifications to the NJ Spirit/SACWIS systems. At present, upwards of \$70 million in State/federal funds are available for the NJ Spirit/SACWIS.

Additional State funds may be required to support modifications to NJ Spirit/SACWIS required by the newly adopted and proposed federal regulations. At this time, it is not known what additional costs the State may incur to meet the new federal requirements or whether sufficient State funds are available to meet these additional costs. Any additional State expenditures will likely qualify for 50% federal reimbursement.

OFFICE OF LEGISLATIVE SERVICES

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

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Individuals wishing information and committee schedules on the FY 2009 budget are encouraged to contact:

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