ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 1999 - 2000 BUDGET

DEPARTMENT OF HUMAN SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 1999

NEW JERSEY STATE LEGISLATURE

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

Robert E. Littell (R), 24th District (Sussex and parts of Hunterdon and Morris), *Chairman*
Peter A. Inverso (R), 14th District (Parts of Mercer and Middlesex), *Vice Chairman*
Anthony R. Bucco (R), 25th District (Part of Morris)
Walter J. Kavanaugh (R), 16th District (Parts of Morris and Somerset)
Bernard F. Kenny, Jr. (D), 33rd District (Part of Hudson)
Joseph M. Kyrillos, Jr. (R), 13th District (Parts of Middlesex and Monmouth)
Wynona M. Lipman (D), 29th District (Parts of Essex and Union)

GENERAL ASSEMBLY APPROPRIATIONS COMMITTEE

Richard H. Bagger (R), 22nd District (Parts of Middlesex, Morris, Somerset and Union), *Chairman*
Leonard Lance (R), 23rd District (Warren and parts of Hunterdon and Mercer), *Vice Chairman*
Francis J. Blee (R), 2nd District (Part of Atlantic)
Joseph Charles, Jr. (D), 31st District (Part of Hudson)
Steve Corodemus (R), 11th District (Part of Monmouth)
Clare M. Farragher (R), 12th District (Part of Monmouth)
John C. Gibson (R), 1st District (Cape May and parts of Atlantic and Cumberland)
Guy R. Gregg (R), 24th District (Sussex and parts of Hunterdon and Morris)
John V. Kelly (R), 36th District (Parts of Bergen, Essex and Passaic)
Joseph R. Malone, III (R), 30th District (Parts of Burlington, Monmouth and Ocean)
William D. Payne (D), 29th District (Parts of Essex and Union)
Nellie Pou (D), 35th District (Part of Passaic)
Louis A. Romano (D), 33rd District (Part of Hudson)
Joseph Suliga (D), 20th District (Part of Union)
Bonnie Watson Coleman (D), 15th District (Part of Mercer)
Joel M. Weingarten (R), 21st District (Parts of Essex and Union)

OFFICE OF LEGISLATIVE SERVICES

Alan R. Kooney, *Legislative Budget and Finance Officer*
Allan Parry, *Assistant Legislative Budget and Finance Officer*

Glenn E. Moore, III, *Director, Central Staff*
Eleanor Seel, *Section Chief, Human Services Section*

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

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

DEPARTMENT OF HUMAN SERVICES

Budget Pages....... C-9, 17, 23; D- 181 to D-242; E-9 to E-11.

Fiscal Summary ($000)

	Expended FY 1998	Adjusted. Appropriation FY 1999	Recommended FY 2000	Percent Change 1999-00
State Budgeted	$3,079,249	$3,024,294	$3,167,207	4.7%
Federal Funds	2,376,988	2,674,410	2,849,384	6.5%
Other (a)	422,265	503,326	534,741	6.2%
Grand Total	$5,878,502	$6,202,030	$6,551,332	5.6%

Personnel Summary - Positions By Funding Source

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change 1999-00
State	12,618	11,771	11,866	0.8%
Federal	4,841	4,641	4,940	6.4%
Other (b)	524	536	517	(3.5)%
Total Positions	17,983	16,948	17,323	2.2%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 data reflect the number of positions funded.
(a) Includes Revolving Funds expenditures.
(b) Excludes positions funded by Revolving Funds.

Introduction

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

- Division of Mental Health Services will serve nearly 2,000 patients at six psychiatric hospitals and provide 257,600 episodes of community services to eligible persons.
- Division of Medical Assistance and Health Services will provide various health services to nearly 653,000 Medicaid and 97,100 KidCare recipients.
- Division of Developmental Disabilities will serve about 3,700 patients at seven developmental centers and will provide various community services to over 19,300 persons.

Introduction (Cont'd)

- **Commission for the Blind and Visually Impaired** provides education, vocational rehabilitation, prevention and social services to blind and visually impaired clients and operates the Kohn Residential Center.
- **Division of Family Development** will provide monthly financial assistance to about 24,100 recipients in the General Assistance program, 178,200 recipients in the Work First New Jersey Client program, 138,700 recipients in the SSI program and to nearly 360,300 recipients in the Food Stamp program.
- **Division of Youth and Family Services**, the State's main social services agency, will provide foster care, adoption assistance, residential and other social services to 48,500 children/26,000 families monthly.
- **Division of the Deaf and Hard of Hearing** advocates for the rights of deaf and hearing impaired persons, provides information and referral services and publishes a monthly newsletter.
- **Division of Management and Budget** provides centralized support services to the divisions and sets department policy.

Key Points

DIVISION OF MENTAL HEALTH SERVICES

! **Direct State Services.** Recommended appropriations are largely unchanged at $197.6 million.

- Community Services funding of $4.4 million is unchanged.

- Management and Administrative Services funding decreases 8.2 percent, from $4.9 million to $4.5 million. One-time Additions, Improvements and Equipment funds of $700,000 for security improvements/equipment for the institutions is not continued. A new $300,000 Fraud Abuse Initiative Special Purpose appropriation to target partial care mental health services is recommended.

- Psychiatric Hospitals. Recommended appropriations are largely unchanged at $188.8 million. Funding for Greystone, Ancora, Brisbane and Hagedorn is unchanged. The recommended appropriation for Trenton decreases 3.7 percent, to $43.2 million, as a One-Time Utility Cost Special Purpose appropriation of $1.5 million is not needed. Forensic's recommended appropriation increases 3.1 percent, to $14.8 million, as a new $455,000 Competency Evaluations (P.L. 1998, c.111) Special Purpose appropriation is recommended.

  As the number of patients at Greystone is expected to decline by 60, institutional populations will be reduced from 2,030 to 1,970.

! **Grants-In-Aid.** Recommended appropriations increase 1.7 percent, from $203.5 million to $207.0 million. Approximately $3.7 million is provided for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 and January 2000. The Community Care expenditures are reduced by $200,000, to $184.2 million, by refinancing high interest mortgages agencies hold.

! **State Aid.** Recommended appropriations of $80.3 million to reimburse the six county psychiatric hospitals for an estimated 700 patients daily are unchanged from FY 1999 levels.

Key Points (Cont'd)

- Capital Construction. Approximately $11.8 million is recommended for projects at Ancora ($1.5 million), Greystone ($2.0 million), Trenton ($.3 million), Forensic ($7.5 million) and Hagedorn ($0.5 million).

- Federal Funds. A 3.3 percent increase in federal funds, from $9.0 million to $9.3 million is anticipated for costs associated with the Fraud Abuse Initiative .

- Other Funds. Approximately $1.6 million is anticipated, the same as in FY 1999, and is used for education-related activities.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

- Direct State Services. Recommended appropriations for Health Services Administration and Management increase 24.1 percent, from $31.7 million to $39.3 million. Additional funds are recommended for: Salaries and Wages ($405,000) to increase staffing for medical utilization and fraud and abuse activities; and Health Benefits Coordinator ($7.1 million) for costs associated with an increase in SSI and NJ KidCare enrollment in managed care.

- Grants-In-Aid. Recommended appropriations for General Medical Services (Medicaid) increase 7.4 percent from $1.29 billion to $1.38 billion. This reflects higher costs for many health care services, an adjustment in health maintenance organization premiums (based on an actuarial report) and an increase in the number of SSI recipients enrolled in managed care.

  The recommended appropriation incorporates $38 million in Savings and Cost Avoidance such as: Delayed FY 1999 initiatives - $9.5 million; Medicare coverage of diabetic supplies and certain drugs - $4.6 million; and Independent assessments of personal care services - $6.7 million.

- Federal Funds. Recommended appropriations increase 6.6 percent, from $1.46 billion to $1.55 billion, based on a continuation of the current federal Medicaid program.

- Other Funds. The budget recommends $447.7 million in Other Funds, a 3.4 percent increase from FY 1999. These monies provide:

  - $421.5 million for New Jersey Health Care Hospital Payments, including the Hospital Relief Subsidy Fund which provides special financial assistance to certain hospitals that serve a disproportionate number of patients with AIDS/HIV, mental illness, etc.

  - $22.7 million for the NJ KidCare Children's Health Insurance Initiative (including $3.8 million for administration). To increase enrollment, income eligibility will be raised from 200 percent (approximately $27,300 for a three person household) to 350 percent of the federal poverty level (approximately $47,800 for a three person household) and the period of time a child must be uninsured prior to becoming eligible for the program will be reduced from 12 to six months, subject to federal approval.

Key Points (Cont'd)

DIVISION OF DEVELOPMENTAL DISABILITIES

! **Direct State Services.** Recommended appropriations of $205.9 million are unchanged from FY 1999 levels: Division of Developmental Disabilities (Central Office) - $3.4 million; Community Programs (Administration) - $19.1 million; and Developmental Centers - $183.4 million. Institutional populations are expected to remain unchanged at 3,660 clients.

! **Grants-In-Aid.** Recommended appropriations increase 6.7 percent, from $203.7 million to $217.3 million. Total grant funding from all fund sources increases 9.6 percent, from $441.8 million to $484.1 million.

- Community Services Waiting List Reduction Initiatives - FY 1997, 1998 and 1999. Gross funding for these initiatives increases from $66.6 million to $83.5 million. When completed, these initiatives will provide 1,500 community placements, nearly 1,000 day program slots and $4.5 million for family support services.

- Community Services Waiting List Reduction Initiative - FY 2000. The budget recommends $15.0 million ($5 million federal/$10 million other funds) for a new initiative to provide 500 residential placements, 400 day program slots and $3.0 million in additional family support services. FY 2001 costs are projected at $34.2 million. Proposed budget language would allow a portion of the recommended appropriation to be used for the initiative's administrative costs.

- Approximately $6.7 million is provided for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 and January 2000.

- The following grants funded by the Legislature in the FY 1999 appropriations act are reduced or not continued in FY 2000: Bergen ARC- Expanded Respite Care Services for Autistic Children ($75,000); Dental Program for Non-Institutionalized Children ($100,000); and Essex ARC - Expanded Respite Services for Autistic Children ($50,000).

! **Capital Construction.** Approximately $7.3 million is recommended for projects at Vineland ($5.1 million), Woodbridge ($250,000), and Hunterdon ($1.9 million).

! **Casino Revenue Fund.** Recommended appropriations for various community programs of $24.5 million are unchanged from FY 1999 levels.

! **Federal Funds.** Approximately $336.3 million is recommended, a 7.0 percent increase from FY 1999 levels. Most of the federal funds represent ICF-MR reimbursements of nearly $169.2 million (including $10 million in revenues realized through an assessment on all federally certified beds at State/private developmental centers) and Community Care Waiver revenue of $161.3 million.

! **Other Funds.** A 21.4 percent increase, from $46.9 to $57.0 million is anticipated due to the implementation of the fee policy which requires all persons who receive services to contribute towards the cost of the services they receive. Approximately $19 million represents State Facility Education Act monies used for education related activities; the balance of about $38 million represents appropriated receipts used for Group Homes, Skill

Key Points (Cont'd)

Development Homes and the FY 1997 and FY 2000 Waiting List Reduction Initiatives.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

! **Direct State Services.** Recommended appropriations of $7.4 million are unchanged from FY 1999 levels.

! **Grants-In-Aid.** Recommended appropriations of $4.2 million are virtually unchanged from FY 1999 levels and provide $70,000 for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 and January 2000.

! **Federal Funds.** Recommended appropriations of $9.2 million are virtually unchanged from FY 1999 levels.

! **Other Funds.** Social Security Administration reimbursements of $300,000 and appropriated receipts of $475,000 are anticipated.

DIVISION OF FAMILY DEVELOPMENT

! **Direct State Services.** Recommended State appropriations increase 3.5 percent, from $41.0 million to $42.4 million. The increase is related to changes in various Special Purpose accounts:

- A $314,000 appropriation for Finger Imaging is discontinued and incorporated in the Work First New Jersey - Technology Investment account whose appropriation increases from $25.8 million (gross) to $29.0 million (gross). (Proposed budget language appropriates as much as $4.1 million in additional State funds for technology.)

- Work First New Jersey - Child Support Initiatives appropriations increase from $8.1 million (gross) to $19.0 million (gross). (This account funds various child support activities such as the New Hires program and Centralized Collections).

- Child Support Consolidation. A new $3.5 million State/$23.2 million federal appropriation is recommended. This is related to the Administration's proposal to consolidate child support related functions within the department (from the Administrative Office of the Courts) and to provide greater control over county welfare agency child support activities. (A similar request in FY 1999 was not approved.)

- Electronic Benefit Transfer/Distribution System appropriations increase from $4.1 million (gross) to $6.9 million (gross) as the system will be operational Statewide during FY 2000.

- SSI Attorney Fees Though it appears that $7.0 million in funding is eliminated, the program does not yet exist. This program, to be established by the end of FY 1999 (and continue in FY 2000), would use a case management approach to qualifying welfare recipients for federal SSI benefits.

Key Points (Cont'd)

! Grants-In-Aid. Recommended appropriations are virtually unchanged at $146.4 million. However, excluding the $5.5 million for Second Year Medicaid Extension which is being included within the overall Medicaid budget and $5.0 million for Bright Beginnings Expansion which is being supported with federal funds, funding increases 8.2 percent.

- State funding for various WFNJ activities to assist clients in finding and retaining employment and various related services increases 7.5 percent, from $126.1 million to $135.2 million. Activities include: Training Related Expenses ($12.3 million); Work Activities ($48.2 million); Breaking the Cycle Pilots ($3.8 million); Child Care ($56.4 million); Community Housing for Teens ($.7 million); and Substance Abuse Initiatives ($13.5 million).

- Proposed budget language provisions on p. D-231: (a) appropriate up to $19 million from the Work Force Development Fund for additional Training Related Expenses and (b) charge off to the Work Force Development Fund $25.4 million of the $48.2 million in General Funds recommended for Training Related Expenses.

- Grant funding included by the Legislature in the FY 1999 appropriations act for Project Self Sufficiency, Sparta ($125,000) is not continued.

- A new $500,000 appropriation for Kinship Care is proposed to address the care of children by relatives.

- Approximately $1.6 million is provided for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 and January 2000.

! State Aid. Recommended appropriations decrease 7.8 percent, from $329 million to $303.2 million, as follows:

- Work First New Jersey - Client benefits. Gross costs are expected to decrease 3.6 percent, from $217.5 million to $209.7 million. Approximately 178,200 persons will receive assistance each month, a 5.1 percent reduction from FY 1999 levels.

  Proposed budget language on p. D-232 would permit the use of $7.6 million in funds for one-time costs associated with funding WFNJ costs on a 95 percent State/federal and 5 percent counties year round basis, effective January 2000, instead of the current system whereby the State/federal share is higher between January - June and lower between July - December.

- General Assistance (GA) related expenditures decrease 1.4 percent, from $131.9 million to $130.0 million. The recommended appropriation assumes savings of $9.2 million by various initiatives to reduce pharmaceutical and medical costs, such as requiring drug manufacturers to provide rebates. Monthly caseloads are expected to decline as follows: Employable - from 14,900 to 14,200; Unemployable - from 10,200 to 9,900; and Emergency Assistance - from 6,300 to 6,000 persons.

- Food Stamp Administration - State. The budget recommends $9.5 million to offset the loss of federal Food Stamp administrative funding resulting from Pub.L. 105-185.

Key Points (Cont'd)

- SSI Administrative Fee to the Social Security Administration. Administrative costs are expected to decrease 18.5 percent, from $12.6 million to $10.3 million, in anticipation of a private vendor being hired to administer the distribution of checks that the federal government now handles.

- Food Stamps for Legal Aliens. Recommended appropriations decrease 69.3 percent, from $3.3 million to $1.0 million, as changes in federal law reinstate benefits for certain legal aliens.

! Federal Funds. Recommended appropriations are expected to increase 11.4 percent, from $650.1 million to $724.3 million, based on current estimates as to the amount of federal funds that will be received. Increased federal funds are expected for child care, child support enforcement activities and Temporary Assistance for Needy Families programs.

! Other Funds. Approximately $5.6 million in child support incentive funds is recommended for costs associated with the proposed Child Support Consolidation.

DIVISION OF YOUTH AND FAMILY SERVICES

! Direct State Services. Recommended State appropriations increase 75.8 percent, from $37.0 million to $65.1 million. The increase in General Funds offsets a reduction in the amount of federal TANF Block Grant funds transferred to the Social Services Block Grant for personnel expenses, from $128.7 million to $102.6 million.

Monthly caseloads are unchanged from FY 1999 levels at 48,500 children and 26,000 families.

! Grants-In-Aid. Recommended appropriations increase 4.4 percent, from $191.0 million to $199.4 million. Total grant appropriations increase 6.2 percent, from $269.6 million to $286.4 million. The following changes occur in the various grant accounts:

- Various grants included in the FY 1999 appropriations act by the Legislature are not continued: Amanda Easel ($75,000); Domestic Abuse Services, Inc. - Sussex ($180,000); Substance Abuse Assessment ($50,000); Counseling for Families of Young Crime Victims - Pilot Program ($30,000); Monmouth County Day Care ($25,000); Juvenile Suicide Prevention Program - Mercer County ($500,000); Southern Region Advisory Board ($300,000); Robin's Nest ($50,000); and Hudson Cradle ($20,000).

- Family Friendly Centers: $2.5 million is requested for a new pilot program intended to provide greater use of existing schools for after-school youth activities and various adult education programs. A similar request in FY 1999 was not approved.

- Regional Diagnostic and Treatment Centers: $1.5 million in additional funds is requested for programs in Hackensack, Newark, New Brunswick and Stratford.

- The budget recommends $4.7 million for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 and January 2000.

Key Points (Cont'd)

! Casino Revenue Funds. The recommended appropriation of $3.7 million is unchanged from FY 1999 levels. These funds support a portion of the $6.3 million cost of the Personal Assistance Services Program.

! Federal Funds. Recommended appropriations decrease 8.7 percent, from $204.1 million to $186.3 million, as less federal TANF Block Grant funds are being transferred to support division activities. Offsetting this reduction, federal funds for a Foster Care and Permanency Initiative are expected to increase from $4.6 million to $13.0 million.

! Other Funds. Approximately $5.2 million is recommended, unchanged from FY 1999 levels. These funds represent restricted grants and recoveries.

DIVISION OF THE DEAF AND HARD OF HEARING

! The recommended $436,000 appropriation is unchanged from FY 1999 levels.

DIVISION OF MANAGEMENT AND BUDGET

! Direct State Services. The recommended appropriation of $11.2 million represents a decrease of about 1 percent from FY 1999. The reduction is in the division's Services Other Than Personal account.

! Grants-In-Aid. Recommended funding decreases 5.7 percent, from $3.9 million to $3.6 million as a $250,000 grant for Childhood Lead Poisoning Prevention included in the FY 1999 appropriations act by the Legislature is not continued.

! Capital Construction. The budget recommends $4.7 million for various department- wide capital projects in the areas of fire safety, roof repairs, etc.

! Federal Funds. The recommended appropriation of $29.8 million is unchanged from FY 1999 levels and primarily represent reimbursements for fringe benefits and indirect costs.

! Other Funds. The recommended appropriation of $7.2 million is unchanged from FY 1999 levels. These funds will support the Catastrophic Illness in Children Relief Fund, the Children's Trust Fund and State Facilities Education Act programs.

BACKGROUND PAPERS:

Program Description and Overview

DIVISION OF MENTAL HEALTH SERVICES (DMHS)

DMHS operates five psychiatric hospitals (Ancora, Greystone and Trenton, the Arthur Brisbane Child Treatment Center and the Senator Hagedorn Gero-Psychiatric Hospital) and the Forensic Psychiatric Hospital for persons who are criminally dangerous or are dangerous in other institutional settings. These facilities will serve about 1,970 clients during FY 2000. 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 120 agencies to provide 257,600 units of various mental health services such as partial care, residential and case management. (Other community mental health expenditures are incurred in the Medicaid and Division of Youth and Family Services' budgets.)

DMHS reimburses six county psychiatric hospitals 90 percent of the cost of non-Medicaid patients; certain patients who are not county residents are reimbursed at 100 percent. County hospitals expect to serve an average of about 700 patients daily.

In FY 1998, the General Fund realized $52.9 million in various psychiatric hospital reimbursements and $178.4 million in federal disproportionate share reimbursements for non-Medicaid patients at accredited State and county hospitals.

DMHS' FY 2000 recommended General Fund appropriation is summarized below.

	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change 1999-00
TOTAL ($000)	$484,367	$496,776	2.6%
Direct State Services:	$199,250	$197,635	(0.8)%
DMHS Central Office	$9,284	$8,884	(4.3)%
Psychiatric Hospitals	189,966	188,751	(0.6)%
Grants-In-Aid:	$203,485	$207,012	1.7%
Community Care	$184,382	$184,182	(0.1)%
Other Grants	19,103	22,830	19.5%
State Aid	$80,300	$80,300	--
Capital Construction	$1,332	$11,829	788.1%

DMHS Central Office. Administrative appropriations decrease 4.3 percent, from $9.3 million to $8.9 million. Community Services funding of $4.4 million is unchanged from FY 1999 levels and will support 78 positions. Administration and Support Services funding decreases 8.2 percent, from 4.9 million to $4.5 million, and will support 67 positions. One-time Additions, Improvements and Equipment funds for security improvements and equipment at State psychiatric hospitals is no longer required and funding is reduced from about $1.1 million to $400,000. Offsetting this reduction, a new $300,000 Fraud and Abuse Initiative Special Purpose appropriation is recommended. These funds (along with matching federal Medicaid funds) will support 12

Program Description and Overview (Cont'd)

positions to investigate community mental health services, particularly partial care. (The elimination of certificate of need requirements for non-hospital based mental health programs increased the number of partial care providers and related expenditures. The federal Department of Health and Human Services Inspector General has also been investigating partial care services reimbursed by Medicare.)

Psychiatric Hospitals. State appropriations decrease 0.6 percent, from $190.0 million to $188.8 million. Recommended funding for Ancora ($53.0 million), Brisbane ($8.9 million), Greystone ($47.0 million) and Hagedorn ($21.9 million) are unchanged from FY 1999 levels.

Trenton appropriations decrease 3.7 percent, from $44.9 million to $43.2 million. The reduction is due to a $1.5 million One-Time Utility Cost appropriation, to reimburse the local utility authority for bills that were not submitted on a timely basis, that is no longer required.

Forensic appropriations increase 3.2 percent, from $14.4 million to $14.8 million. A new $455,000 appropriation is requested for Competency Evaluations (P.L. 1998, c.111) to enable the department to conduct competency reviews on patients within 30 days of court referral.

Institutional populations are expected to decline by 60 patients, from 2,030 to 1,970. The census reduction occurs at Greystone whose census is expected to decline from 560 to 500.

Grants-In-Aid. Overall appropriations increase 1.7 percent, from $203.5 million to $207.0 million. The following is noted:

- Approximately $3.8 million is recommended for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 ($1.7 million) and January 2000 ($2.1 million).

- The Community Care account (which supports various community mental health services) is reduced by $200,000, from $184.4 million to $184.2 million in anticipation of savings by refinancing high interest mortgages of agencies providing community care services.

State Aid. Recommended appropriations to reimburse the six county psychiatric hospitals for approximately 700 patients monthly are unchanged at $80.3 million. Proposed budget language would allow the account to retain any unexpended FY 1999 balances.

Capital Construction. Approximately $11.8 million is recommended as follows:

- Greystone - $2.0 million for infrastructure improvements.
- Trenton - $0.3 million for ceiling repairs.
- Forensic - $7.5 million for construction of new residential buildings.
- Ancora - $1.5 million for a sewage treatment plant.
- Hagedorn - $0.5 million for life safety improvements.

Federal Funds. A 3.3 percent increase, from $9.0 million to $9.3 million, is anticipated. The $300,000 increase represents federal Medicaid reimbursement for the Fraud and Abuse Initiative. Mental Health Block Grant ($8.1 million) and the PATH program ($0.6 million) comprise most of DMHS' federal funds.

Other Funds. Approximately $1.6 million is recommended, the same as in FY 1999. These funds are 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 will provide services to about 652,900 persons and the NJ KidCare program which will provide services to over 97,100 children in FY 2000.

The State's Medicaid program provides most medical services permitted by federal law including in/out patient hospital care, physician services and prescription drugs. The State develops rates of reimbursement for most services, within federal guidelines. As of March 1999, nearly 276,500 (or 93.9 percent) of the State's Work First New Jersey families with dependent children, are enrolled in Medicaid managed care. In general, surveys of Medicaid recipients indicate that they are satisfied with managed care. Also, as of March 1999, over 25,100 children were enrolled in NJ KidCare.

Pending federal approval, managed care is to be extended to Supplemental Security Income (SSI) recipients in late FY 1999 or FY 2000. Managed care currently covers about 8,600 out of 179,000 SSI related recipients.

DMAHS' FY 2000 recommended General Fund appropriations are summarized below:

	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change 1999-00
TOTAL ($000)	$1,321,130	$1,423,663	7.8%
Direct State Services:	$31,686	$39,321	24.1%
Medicaid Admin.	$31,686	$39,321	24.1%
Grants-In-Aid:	$1,289,444	$1,384,342	7.4%
Managed Care Initiative	$307,582	$357,115	16.1%
Inpatient Hospitals	212,084	204,447	(3.6)%
Prescription Drugs	193,284	226,740	17.3%
Outpatient Hospitals	187,520	180,134	(3.9)%
Physician	25,458	32,462	27.5%
Other Medicaid Services	363,516	383,444	5.5%

Direct State Services. Administrative appropriations increase 24.1 percent, from $31.7 million to $39.3 million. This will support 181 positions. The budget indicates that the payroll count was 143 as of September of FY 1999.

- Recommended Salaries and Wages appropriations increase 3.4 percent, from $11.9 million to $12.3 million. The additional funds are for utilization and fraud and abuse initiatives in the areas of prescription drugs and partial care services. Proposed budget language (p. D-201) allows up to $400,000 in unexpended salary balances to be used for the utilization and fraud and abuse initiatives.

- The balance of the increase, about $7.1 million, is for the Health Benefits Coordinator. The independent coordinator counsels Medicaid and NJ KidCare clients about their managed care options. As managed care is to be extended to the SSI population, subject to federal approval, additional funds are being requested for this function.

Program Description and Overview (Cont'd)

Grants-In-Aid. Recommended funding increases 7.4 percent, from $1.29 billion to $1.38 billion, reflecting, in part, a general increase in health care costs. In particular, costs associated with managed care are now increasing faster than the overall inflation rate. For example, managed care rates will increase between 5.3 and 6.5 percent in FY 2000, depending upon the eligibility group, compared to a 1998 inflation rate of 1.3 percent.

The following is noted:

- The FY 2000 recommended appropriation for certain services brings projected expenditures in line with actual FY 1998 expenditures. For example, though the FY 1999 adjusted appropriation for Transportation is $32.8 million, actual FY 1998 Transportation expenditures were $39.1 million; the FY 2000 budget recommends $39.9 million for Transportation.

- The FY 1999 adjusted appropriation may not reflect revised expenditures, which magnifies any dollar and percentage increase or reduction. For example, even though the FY 1999 adjusted appropriation for Managed Care Initiative is $307.6 million, revised expenditures are estimated at about $332.2 million.

The recommended appropriation incorporates $38 million in savings and cost avoidance as follows:

- Implementation of delayed FY 1999 initiatives - $9.5 million.

- Require pharmacies to bill Medicare for diabetic supplies and certain prescription drugs - $4.6 million.

- Personal care management improvements - $6.7 million.

- Reimbursement for nutritional supplements on the basis of a fee schedule - $0.5 million.

- Recoupment of Medicaid overpayments - $2.3 million.

- Partial care evaluations - $6.5 million.

- Prior authorization for invalid coach (transportation) services and for filling prescriptions in excess of seven per month - $4.0 million.

Also, proposed budget language on p. D-203 would reward persons who report fraud and abuse in Medicaid (and other related programs). Persons could receive $1,000 or 10 percent of any recovery, whichever is less.

Federal Funds. A 6.6 percent increase is anticipated, from $1.46 billion to $1.55 billion, based on current federal Medicaid law. Federal Childrens Health Insurance Initiative (NJ KidCare) funds are expected to increase from $19.9 million to $48.1 million; at the current rate of expenditures, it appears unlikely that the entire federal allotment of $88 million can be expended by September 2000.

Program Description and Overview (Cont'd)

Other Funds. A 3.4 percent increase, from $433.1 million to $447.7 million, is anticipated. 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., is unchanged at $421.5 million. KidCare Children's Health Insurance Initiative increases from $11.6 million to $26.7 million. Approximately $4.3 million will be used for administration and $22.4 million for services.

To increase the number of children covered by the NJ KidCare program, subject to federal approval, income eligibility is to be increased from 200 percent (approximately $27,300 for a three-person household) to 350 percent (approximately $47,800 for a three-person household) of the federal poverty level and the number of months a child must be uninsured in order to qualify is to be reduced from 12 to six months. These changes are expected to increase enrollment from 44,500 to 97,100 by the end of FY 2000.

DIVISION OF DEVELOPMENTAL DISABILITIES (DDD)

DDD evaluates the medical, psychological, social, educational and related factors of an individual to determine whether the person is developmentally disabled and requires the division's various residential and non-residential services. DDD serves a broad range of individuals, including persons with cerebral palsy, epilepsy, spina bifida and other neurological impairments which were present before age 22, are likely to continue indefinitely and result in substantial functional limitations in certain areas of major life activities. DDD is responsible for the provision of autism services, services to developmentally disabled adolescents "aging out" of DYFS and the Family Support Act. DDD provides day training, adult activities and other community services such as case management and group and skill development homes to about 18,100 persons. Approximately $161.3 million in federal Community Care Waiver reimbursements will be received for these community services.

The division provides residential care, habilitation, health services, education and training to 3,660 clients at 7 developmental centers (Green Brook, Hunterdon, New Lisbon, North Jersey, Vineland, Woodbine and Woodbridge). All developmental centers are currently accredited which will enable DDD to receive $173.9 million in total federal ICF-MR reimbursements (including $10.0 million in assessment revenues on certified ICF-MR beds) in FY 2000.

DDD's FY 2000 recommended State funded appropriation is summarized on the next page.

Direct State Services. Recommended State appropriations for Administration and Support Services ($3.4 million) and Community Programs ($19.1 million) are unchanged from FY 1999 levels. The appropriations will support a total of 273 State funded positions.

Proposed budget language would allow the transfer of Community Services Waiting List Reduction Initiative - FY 2000 Grants-In-Aid appropriations for administrative costs of the initiative. At this time, how much, if any, funds DDD intends to use for administration is not known.

Program Description and Overview (Cont'd)

	Adjusted Approp. FY 1999	Recom. FY 2000	Percent Change 1999-00
TOTAL ($000)	$434,074	$454,943	4.8%
Direct State Services:	$205,894	$205,894	--
Administration...	$3,378	$3,378	--
Community Programs	19,124	19,124	--
Developmental Centers	183,392	183,392	--
Grants-In-Aid:	$203,693	$217,278	6.7%
Community ... Initiatives	$14,700	$26,800	82.3%
Private Institutional Care	7,504	7,504	--
Group Homes	103,921	103,171	--
Purchase of Adult Activities	25,046	23,546	(6.0)%
Other Grants	52,522	56,257	7.1%
Capital Construction	$0	$7,284	n.a.
Casino Revenue Funds	$24,487	$24,487	---

Appropriations for the seven developmental centers are unchanged at $183.4 million: Green Brook ($1.7 million), Hunterdon ($31.7 million), New Lisbon ($24.1 million), North Jersey ($23.6 million), Vineland ($43.9 million), Woodbine ($31.9 million) and Woodbridge ($26.5 million). Institutional populations of approximately 3,660, are unchanged from FY 1999 levels at 3,660. The number of State funded positions the appropriations will support is unchanged at about 4,100.

Grants-In-Aid. Recommended appropriations increase 6.7 percent, from $203.7 million to $217.3 million. (Total grant funding - including Casino Revenue, Federal and Other Funds - increases 9.6 percent, from $441.8 million to $484.1 million.)

New or increased State appropriations are recommended for the following:

- Group Homes. The budget recommends $200.8 million (gross), a 3.1 percent increase, from FY 1999 levels of $194.8 million. The increase is in the amount of federal funds. The amount of General Funds allocated for Group Homes is reduced by $750,000, to $103.2 million, in anticipation of savings through refinancing high interest mortgages of agencies. The number of contracted group home slots is expected to increase from about 5,800 to nearly 6,400.

- The budget recommends $6.7 million for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 ($3.2 million) and January 2000 ($3.5 million). (The division's Direct Care Supplement Funds allocation is included within the individual grant accounts. For other divisions, Direct Care Supplement Funds is a distinct line item.)

- Community Services Waiting List Reduction Initiatives - FYs 1997, 1998 and 1999. The amount of new State funds required for these initiatives will increase from $14.7 million to $26.8 million.

  The FY 1997 Initiative will provide 300 community placements and 240 day program slots at an estimated annual gross cost of $32.0 million. The FY 1998 Initiative will provide

Program Description and Overview (Cont'd)

700 community placements, 335 day program slots and $2.0 million in family support services at an estimated annual gross cost of $35.5 million. The FY 1999 Initiative will provide 500 community placements, 400 day program slots and $2.5 million in family support services at an estimated annual gross cost of $32.5 million.

- Community Services Waiting List Reduction Initiative - FY 2000. Initial funding of $5.0 million federal and $10.0 million Other Funds is provided. The FY 2000 Initiative will provide for 500 community placements, 400 day program slots and $3.0 million in family support services. FY 2001 costs are estimated at $34.2 million.

New or increased grant funding provided by the Legislature in the FY 1999 appropriations act is not continued for Dental Program for Non-Institutionalized Children - $100,000; Bergen ARC-Expanded Respite Care Services for Autistic Children - $75,000; and Essex ARC - Expanded Respite Services for Autistic Children - $75,000.

Casino Revenue Fund. Appropriations of $24.5 million are unchanged from FY 1999 levels and supplement General Fund appropriations for Grants-In-Aid.

Capital Construction. Approximately $7.3 million is recommended:

- Vineland - $5.1 million for HVAC improvements and renovations to convert the hospital building into additional ICF-MR space.
- Woodbridge - $250,000 for electrical repairs.
- Hunterdon - $1.9 million for electrical repairs.

Federal Funds. Approximately $336.3 million is anticipated, a 7.0 percent increase over FY 1999 levels, consisting primarily of ICF-MR revenues and Community Care Waiver revenues. The division's budget anticipates receiving about $169.2 million in ICF-MR revenues (including approximately $10 million in ICF-MR assessment revenues) on behalf of patients at the various developmental centers. Community Care Waiver revenues are expected to increase by 13.3 percent, from $143.3 million to $161.3 million due to an increase in the number of clients served in community programs and by being able to claim costs for supported employment programs.

Other Funds. Recommended funding increases 21.4 percent, from $46.9 million to $57.0 million. Approximately $19 million represents State Facility Education Act funds used for education related activities at day training and developmental centers. The remaining $38 million represents appropriated receipts to support Group Homes ($5.5 million), Skill Development Homes ($12.5 million), the Waiting List Reduction Initiative - FY 1997 ($10.0 million) and the Community Services Waiting List Reduction Initiative - FY 2000 ($10.0 million).

The increase in Other Funds is related to the implementation of the fee policy that requires all persons who receive services to contribute towards the cost of the services they receive.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED (CBVI)

CBVI provides education services to 2,300 clients, vocational rehabilitation services to 2,800 clients, independent living services to 4,200 persons, and prevention services to 19,500 persons. Services are provided through four offices (Camden, Newark, Pleasantville and Toms River). 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

Program Description and Overview (Cont'd)

programs for clients to enable them to live and function independently; the center serves about 200 clients annually.

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

CBVI's FY 2000 General Fund recommended appropriation is summarized below.

	Adjusted Approp. FY 1999	Recom. FY 2000	Percent Change 1999-00
TOTAL ($000)	$11,506	$11,576	0.6%
Direct State Services	$7,386	$7,386	--
Grants-In-Aid	$4,120	$4,190	1.7%

Direct State Services. Recommended FY 2000 appropriations of $7.4 million are unchanged from FY 1999 levels and support 240 State positions. The Technology for the Visually Impaired initiative begun in FY 1997 receives $848,000 to provide technology and related training.

Grants-In-Aid. Recommended funding of $4.2 million is virtually unchanged from FY 1999 levels. An additional $70,000 is provided for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 and January 2000.

Federal Funds. Approximately $9.2 million is anticipated, unchanged from FY 1999 levels. Most of the federal funds, $6.2 million, represent Vocational Rehabilitation.

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

DIVISION OF FAMILY DEVELOPMENT (DFD)

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

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

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

Program Description and Overview (Cont'd)

As of October 1998, the State's Work Participation Rates (WPR) of 26.6 percent for the main TANF program exceeded the federal adjusted WPR rate of 13.9 percent. However, the State's WPR rate of 28.6 percent for the two-parent TANF program did not meet the federal adjusted WPR rate of 43.9 percent. As a result of not meeting the two-parent TANF WPR, the State was penalized approximately $61,100 and the amount of funds the State must spend (Maintenance of Effort) to receive its allotment of federal TANF funds was increased from around $300 million to about $320 million.

DFD's FY 2000 recommended General Fund appropriation is summarized below.

	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change 1999-00
TOTAL ($000)	$515,798	$492,062	(4.6)%
Direct State Services:	$40,973	$42,414	3.5%
Administration/Other	$18,738	$18,652	(0.5)%
Electronic Benefit...	810	1,711	111.2%
Finger Imaging	314	0	(100)%
WFNJ Related Activities	14,111	18,561	31.5%
Child Support Consolidation	0	3,490	n.a.
SSI Attorney Fees	7,000	0	(100)%
Grants-In-Aid:	$145,807	$146,425	0.4%
Work First NJ Related...	$126,088	$135,230	7.3%
2nd Yr. Medicaid Extension	5,538	0	(100)%
Bright Beginnings...	5,000	0	(100)%
Other Grants	9,181	11,195	21.9%
State Aid:	$329,018	$303,223	(7.8)%
General Assistance Programs	$131,901	$130,028	(1.4)%
WFNJ Client Benefits	95,913	66,023	(31.2)%
SSI	60,647	61,519	1.4%
SSI Administration	12,604	10,268	(18.5)%
Food Stamps for Legal...	3,253	1,000	(69.3)%
Other State Aid	24,700	34,385	39.2%

Direct State Services. Recommended State appropriations increase 3.5 percent, from $41.0 million to $42.4 million:

- Technology Investment appropriations increase 6.3 percent, from $11.4 million to $12.1 million, for ongoing data processing improvements to the welfare and child support systems. In addition, proposed budget language on p. D-231 appropriates up to $4.1 million in additional funds for Technology Investments.
  The Finger Imaging account is discontinued as a distinct program and is incorporated into the Technology Investment account. The Finger Imaging program is limited to the General Assistance program in and around the City of Newark. As part of WFNJ, Finger Imaging was to be expanded to other public assistance programs Statewide.

Program Description and Overview (Cont'd)

- Child Support Initiative appropriations increase 136 percent, from \$2.7 million to \$6.5 million. Among the programs this account funds are: centralized collections of child support, New Hires reporting system, license revocation and public awareness.

- Funding for the Electronic Benefit Transfer/Distribution System increases 111.2 percent, from about \$800,000 to \$1.7 million. The system provides various public assistance benefits electronically, and will be operational Statewide in FY 2000.

- The budget recommends \$3.5 million (plus \$23.2 million in federal funds) for Child Support Consolidation. This appropriation is related to legislation that would have to be introduced to consolidate child support activities of the Administrative Office of the Courts within the department and to grant the department more administrative control of the child support activities of the county welfare agencies. The recommended appropriation assumes consolidation would occur on or about January 2000. (The Legislature did not approve a similar funding request in FY 1999.)

- Though it appears as a funding reduction of \$7.0 million, the SSI Attorney Fees account has not been established; the department intends to establish this program by the end of FY 1999. This program would take a case management approach to qualifying public assistance recipients, primarily unemployable persons on General Assistance, for federal SSI benefits.

- DFD's Administration appropriations of \$18.7 million, are unchanged from FY 1999 levels and will support 248 State funded positions.

Grants-In-Aid. Recommended appropriations of \$146.4 million is largely unchanged from FY 1999 levels of \$145.8 million. Excluding Second Year Medicaid Extension (\$5.5 million) which is shifted to the Medicaid budget and Bright Beginnings Expansion (\$5.0 million) which is being supported by federal funds, funding increases 8.2 percent over FY 1999 levels.

- Recommended General Fund appropriations for WFNJ activities increase 7.3 percent, from \$126.1 million to \$135.2 million:

	FY 1999	FY 2000
WFNJ -Training Related Expenses	\$12,337,000	\$12,337,000
WFNJ - Work Activities	\$43,466,000	\$48,199,000
WFNJ - Community Housing for Teens	\$690,000	\$711,000
WFNJ - Child Care	\$51,920,000	\$56,433,000
WFNJ - Breaking the Cycle Pilots	\$3,800,000	\$3,800,000
Substance Abuse Initiative	\$13,875,000	\$13,750,000

Including federal funds, expenditures on the above WFNJ activities increase 10.9 percent, from \$365.1 million to \$405 million.

The FY 2000 recommended appropriations are expected to provide: training related expenses to over 21,400 recipients monthly; vocational training and education to about 7,100 teen parents monthly; community work experience projects to 8,900 recipients monthly; and child care

Program Description and Overview (Cont'd)

to over 57,900 children. Approximately 2,100 recipients monthly are expected to enter employment.

- Proposed budget language provisions on p. D-231: increase the amount of funds appropriated from the New Jersey Workforce Development Partnership Fund for WFNJ - Work Activity and Training Related Expenses from $8.0 million to $19.0 million; and charge $25.4 million of the $48.2 million in General Fund appropriations for WFNJ - Training Related Expenses to the New Jersey Workforce Development Partnership Fund.

- The budget recommends $1.6 million for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 and January 2000.

- A new $500,000 appropriation is recommended for Kinship Care. This would enable a Request for Proposal to be issued to secure the services of an agency to assist grandparents and other relatives who care cor the children of their relatives with information.

- Funding the Legislature included in the FY 1999 appropriations act for Project Self Sufficiency, Sparta ($125,000) is not continued.

State Aid. Appropriations decrease 7.8 percent, from $329.0 million to $303.2 million, as follows:

- General Assistance. Total recommended appropriations decrease 1.4 percent, from $131.9 million to $130.0 million.

  Emergency Assistance. Appropriations decrease 4.9 percent, from $36.4 million to $34.7 million. The number of persons receiving assistance is expected to decline 4.5 percent, from about 6,300 to about 6,000. Included within the account is approximately $8.0 million for emergency housing assistance.

  Payments to Municipalities.... Recommended appropriations are virtually unchanged at $95.4 million. Assistance will be provided to approximately 24,100 persons (14,200 "employable"/9,900 "unemployable" persons), a 3.8 percent reduction from FY 1999 levels of 25,100 (14,900 "employable"/10,200 "unemployable" persons).

  The following initiatives are intended to save $9.2 million: Prior authorization for medical services - $2.5 million; Prior authorization for drugs - $3.0 million; Pharmacy lock-in - $1.0 million; Point-of-sale drug reviews - $0.7 million; and Manufacturers' drug rebates - $2.1 million. (It is noted that past proposals to require manufacturers' to provide rebates has not been approved by the Legislature.)

- WFNJ Client Benefits. Total (State/federal) appropriations decrease 3.6 percent, from $217.5 million to $209.7 million. Recommended State appropriations decrease 31.2 percent, from $95.9 to $66.0 million. Caseloads are expected to decline 5.1 percent, from 298,700 to 278,200.

  Proposed budget language on p. D-232 makes $7.6 million available from the Client Benefit account to pay for the one-time additional costs of changing how costs are shared between the State/federal and counties. At present, State/federal funds account for 87.5 percent of costs between January - June and 102.5 percent between July - December. Effective January 2000, the State/federal share would be 95 percent the entire year.

Program Description and Overview (Cont'd)

- WFNJ Emergency Assistance. Total (State/federal) appropriations increase 3.1 percent, from $22.3 million to $23.0 million. Recommended State appropriations of $14.8 million are unchanged from FY 1999 levels. Caseloads are expected to decline 8.3 percent, from 6,200 to 5,700.

- Payments for Supplemental Security Income. Recommended appropriations increase 1.4 percent, to about $61.5 million, due to a slight increase in the caseload from about 137,500 to 138,700.

- SSI Administration. Recommended appropriations decrease 18.5 percent, from $12.6 million to $10.3 million, despite an increase in the amount the federal government charges states for processing checks from $7.60 to $7.80 per check per month. Savings are anticipated by privatizing the check issuance process. The one proposal submitted in response to a Request for Proposal is being reviewed.

- General Assistance County Administration. The recommended FY 2000 appropriation of $9.9 million is unchanged from FY 1999 levels. However, a one-time, retroactive adjustment to those counties whose identified administrative costs exceed the current $35 per case per month reimbursement rate will be provided. Counties with identified costs of between $35 and $50 per case, will get their actual costs; counties with costs in excess of $50, will only get $50. This increase will be retroactive to January 1998 when consolidation was implemented. In FY 2000, counties will again receive $35 per case as computerization is expected to simplify and reduce overall administrative costs.

- Food Stamps Administration - State. The budget recommends $9.5 million for this program. Federal law, Pub.L. 105-185, reduced the amount of federal funds the State and the counties receive for Food Stamp administration. Without these State funds, counties would incur additional costs.

- Food Stamps for Legal Aliens. Recommended appropriations decrease 69.3 percent, from $3.3 million to $1.0 million. As federal law (Pub. L. 105-18) restored Food Stamp assistance to various groups of individuals who had previously been disqualified, program costs are expected to decrease. At present, assistance is being provided to about 3,200 persons, at a cost of about $300,000 a month.

Federal Funds. Approximately $724.3 million is anticipated, a 11.4 percent increase over the $650.1 million anticipated in FY 1999, based on current federal law. Increased federal funds are expected to be available for child care, child support enforcement activities and TANF programs. However, a supplemental appropriation bill moving through Congress would defer approximately $25.7 million in TANF funds to federal FY 2002, and reduce the amount of TANF funds available to the State from $404.0 million to $378.4 million.

Other Funds. The budget recommends using $5.6 million in child support incentive funds for costs associated with the proposed Child Support Consolidation. These funds would only become available upon enactment of legislation. At present, child support incentive funds are returned to the counties.

Program Description and Overview (Cont'd)

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 responsibilities for licensing and monitoring child care centers, family day care providers, residential programs, foster care and other programs. The division operates 36 district offices, four regional adoption centers and various residential facilities.

DYFS' FY 2000 recommended General and Casino Revenue Fund appropriations is summarized below.

	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change 1999-00
TOTAL ($000)	$231,764	$268,237	15.7%
Direct State Services	$37,037	$65,098	75.8%
Grants-In-Aid:	$190,993	$199,405	4.4%
Group Homes	$12,813	$12,813	--
Foster Care	20,728	20,728	--
Subsidized Adoption	27,758	27,758	--
Residential Placements	37,990	37,940	(0.1)%
Other Grants	91,704	100,166	9.2%
Casino Revenue Fund	$3,734	$3,734	--

Direct State Services. General Fund appropriations increase 75.8 percent, from $37.0 million to $65.1 million.

In FY 1999, the federal government allowed the State to transfer unexpended TANF funds to the Social Services Block Grant for use by DYFS. This made General Funds that were to have been used to support DYFS salary accounts available for other uses. As the State does not expect the federal government to allow the State to transfer unexpended TANF funds in FY 2000, additional General Funds are being requested to offset the reduction of $26.1 million in federal TANF funds.

The recommended appropriation supports about 2,500 positions. In addition, State funding for the Foster Care and Permanency Initiative (to comply with federal law) would increase 40.3 percent, from $4.9 million to $6.8 million.

Caseworker staffing levels have in general increased since the division was permitted to hire additional caseworkers: Between January 1997 and January 1999, case-carrying personnel have increased by nearly 200 positions, from 1,086 to 1,283. The chart below compares January 1997 and January 1999 staffing levels at the various district offices and adoption resource centers as a percentage of the Child Welfare League of America standard:

Program Description and Overview (Cont'd)

	January 1997	January 1999
Central District Offices	72.4%	79.7%
Metropolitan District Offices	78.5%	73.5%
Northern District Offices	67.3%	80.8%
Southern District Offices	63.5%	73.6%
Adoption Resource Centers	49.8%	58.7%

Certain caseworker positions that are assigned to central office and handle programs that are Statewide in nature, such as those involved in the Boarder Babies project, are not included in the above totals; thus, to some extent, the staffing percentages may be understated.

The division's active caseload of 48,500 children/26,000 families is unchanged from FY 1999 levels.

Grants-In-Aid. Appropriations increase by 4.4 percent, from $191.0 million to approximately $199.4 million. (Total grant funding - including Casino Revenue, Federal and Other Funds - increases 2.4 percent, from $283.3 million to $290.1 million.)

Excluding two new funding initiatives, continuation funding is provided to most programs based on estimates of the number of children expected to receive various services such as foster care (approximately 6,600 monthly), adoption subsidies (approximately 5,800 monthly), and group home and other residential placements (over 1,000 monthly). The recommended budget includes new funds for the following:

- $4.7 million is recommended for a 1.6 percent Cost of Living Adjustment to be distributed July 1999 ($2.0 million) and January 2000 ($2.7 million).

- Family Friendly Centers - $2.5 million. This program will provide greater use of existing schools for after-school youth activities and various adult activities. (It is noted that the Legislature did not approve a similar FY 1999 funding request.)

- Regional Diagnostic and Treatment Centers - $1.5 million. This appropriation provides additional funds to existing programs in Hackensack, Newark, New Brunswick and Stratford.

New or increased funding provided by the Legislature in FY 1999 for the following agencies or programs is eliminated: Amanda's Easel - $75,000; Domestic Abuse Services, Inc. - Sussex - $180,000; Substance Abuse Assessment - $50,000; Counseling for Families of Young Crime Victims - Pilot Program - $30,000; Monmouth County Day Care - $25,000; Juvenile Suicide Prevention Program - Mercer County - $500,000; Southern Region Advisory Board - $300,000; Robin's Nest - $50,000; Hudson Cradle - $20,000.

Casino Revenue Fund. The recommended appropriation of $3.7 million is unchanged from FY 1999 levels and is used to support the Personal Attendant Program.

Program Description and Overview (Cont'd)

Federal Funds. Approximately $186.3 million is anticipated, a 8.7 percent reduction from the $204.1 million expected in FY 1999. The reduction is due to a $26.1 million reduction in the amount of federal TANF monies transferred to the division. Offsetting this reduction, the division is undertaking a Foster Care and Permanency Initiative which is expected to increase federal revenues by $8.4 million, from $4.6 million to $13.0 million.

Other Funds. These funds represent restricted grants and various recoveries from legally responsible relatives. In FY 2000, approximately $5.2 million is recommended, which is unchanged from FY 1999 levels.

DIVISION OF THE DEAF AND HARD OF HEARING (DDHH)

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

DDHH's recommended appropriation of $436,000 is unchanged from the adjusted FY 1999 levels and will support five positions.

DIVISION OF MANAGEMENT AND BUDGET (DMB)

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

The division's FY 2000 recommended General Fund budget is summarized below.

	Adjusted Approp. FY 1999	Recom. FY 2000	Percent Change 1999-00
TOTAL ($000)	$25,219	$19,514	(22.6)%
Direct State Services	$11,300	$11,195	(0.9)%
Grants-In-Aid	$3,852	$3,632	(5.7) %
Capital Construction	$10,067	$4,687	(53.4)%

Direct State Services. The recommended appropriation of $11.2 million represents is a slight reduction from FY 1999 levels and will support 277 State funded positions. New Special Purpose appropriations funded in FY 1999 are continued at current funding levels:

Program Description and Overview (Cont'd)

- State Office of Disability Services: To implement the Governor's October 1997 directive establishing this office. - $450,000.

- Institutional Staff Background Checks: To reimburse the State Police for costs associated with conducting more frequent criminal history background checks on institutional employees as required by P.L. 1997, c.71. - $407,000.

Grants-In-Aid. Recommended funding deceases 5.7 percent, from $3.9 million to $3.6 million as funds provided by the Legislature for Childhood Lead Poisoning - Prevention ($250,000) are not continued.

Continuation funding is provided for the Office for Prevention of Mental Retardation and Developmental Disabilities ($648,000) and the New Jersey Youth Corps ($3.0 million) of which the New Jersey Work Force Development Partnership Fund would provide about $1.9 million.

Capital Construction. The budget recommends $4.7 million for various department-wide capital projects such as:

- Fire Safety Code Compliance Projects - $3.6 million.
- Preservation Improvements, Institutions and Community Facilities - $0.3 million.
- Preservation and Infrastructure Projects, Regional Schools - $0.8 million.

Federal Funds. Approximately $29.9 million is recommended, unchanged from FY 1999 levels. These funds represent reimbursement for fringe benefits and indirect costs chargeable to federal programs. In past fiscal years, a portion of these federal funds have been used to offset the department's salary deficits instead of reimbursing the General Fund.

Other Funds. Approximately $7.2 million is anticipated, the same as in FY 1999. The funds represent:

- Catastrophic Illness in Children Relief Fund (administration) - $1.1 million.
- Children's Trust Fund - $0.5 million.
- State Facilities Education - $5.0 million.
- Appropriated Receipts (personal needs allowances for institutional clients) - $0.6 million.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

DEPARTMENT OF HUMAN SERVICES (TOTAL)

	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change 1998-00	Percent Change 1999-00
General Fund					
Direct State Services	$623,951	$533,962	$569,379	-8.7%	6.6%
Grants - In - Aid	2,042,791	2,041,394	2,162,284	5.8%	5.9%
State Aid	376,431	409,318	383,523	1.9%	-6.3%
Capital Construction	8,240	11,399	23,800	188.8%	108.8%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	$3,051,413	$2,996,073	$3,138,986	2.9%	4.8%
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	$27,836	$28,221	$28,221	1.4%	0.0%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	$3,079,249	$3,024,294	$3,167,207	2.9%	4.7%
Federal Funds	$2,376,988	$2,674,410	$2,849,384	19.9%	6.5%
Other Funds (a)	$422,265	$503,326	$534,741	26.6%	6.2%
Grand Total	$5,878,502	$6,202,030	$6,551,332	11.4%	5.6%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change 1998-00	Percent Change 1999-00
State	12,618	11,771	11,866	-6.0%	0.8%
Federal	4,841	4,641	4,940	2.0%	6.4%
All Other (b)	524	536	517	-1.3%	-3.5%
Total Positions	17,983	16,948	17,323	-3.7%	2.2%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 data reflect the number of positions funded.
(a) Includes Revolving Fund expenditures.
(b) Does not include positions funded with revolving funds.

AFFIRMATIVE ACTION DATA

Total Minority Percent	59.1%	59.1%	59.1%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
		DIVISION OF MENTAL HEALTH SERVICES			
Administration and Support Services	$4,898	$4,498	($400)	(8.2)%	D-185; D-186
Special Purpose: Fraud and Abuse Initiative	$0	$300	$300	—	
Additions, Improvements and Equipment	$1,077	$377	($700)	(65.0)%	

A one-time Additions, Improvements and Equipment appropriation for security equipment/improvements at the State psychiatric hospitals is not continued.

This new $300,000 Special Purpose Fraud and Abuse Initiative appropriation (along with $300,000 in federal Medicaid revenues) will support 12 positions. The initiative targets partial care services where the number of providers and expenditures have increased; the federal Inspector General is also investigating partial care services reimbursed by Medicare.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Community Care	$184,382	$184,182	($200)	(0.1)%	D-186

The account supports various community mental health programs such as group homes, partial care and outpatient services, emergency screening, etc. Savings of $200,000 are anticipated by refinancing high interest mortgages of community mental health agencies.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Cost of Living Adjustments (COLA)	n.a.	$3,727	$3,727	—	D-186

Funds are recommended for a 1.6 percent COLA to be distributed July 1999 ($1.7 million) and January 2000 ($2.1 million).

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Trenton Psychiatric Hospital	$44,865	$43,195	($1,670)	(3.7)%	D-189

A One-Time Utility Cost appropriation ($1.5 million) to reimburse the local utility authority for charges the utility authority had failed to bill on a timely basis is no longer needed.

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
The Forensic Psychiatric Hospital	$14,382	$14,837	$455	3.2%	D-191

This new $455,000 Special Purpose appropriation for Competency Evaluations (P.L. 1998, c.111) will permit competency reviews to be conducted within 30 days when ordered by the court.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Capital Construction	$1,332	$11,829	$10,497	788.1%	E-9

Funds are recommended for infrastructure improvements at Greystone ($2.0 million), ceiling repairs at Trenton ($325,000), the construction of new residential buildings at Forensic ($7.5 million), sewage treatment plant improvements at Ancora ($1.5 million) and various life safety improvement at Hagedorn ($0.5 million).

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Salaries and Wages	$11,895	$12,300	$405	3.4%	D-199

The additional funds are for personnel related to fraud and abuse and utilization control initiatives with respect to prescription drugs, partial care and other services.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Drug Utilization Review Board -- Administrative Costs	$0	$90	$90	—	D-199

The increase is misleading as a $90,000 FY 1998 supplemental appropriation for the board that is available in FY 1999 is not reflected in the adjusted appropriation. The board will implement the new medical exception program to review the medical necessity of drugs prescribed in the Medicaid/PAAD programs.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Health Benefits Coordinator	$3,239	$10,379	$7,140	220.4%	D-199

The Health Benefits Coordinator is an independent entity which counsels Medicaid, NJ KidCare and other clients as to managed care choices. Additional funds are recommended to handle an increase in the number of SSI clients and NJ KidCare children enrolled in managed care.

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Payments for Medical Assistance Recipients: Personal Care	$88,757	$100,567	$11,810	13.3%	D-199
Managed Care Initiative	$307,582	$357,115	$49,533	16.1%	D-199
Waiver Initiatives	$16,641	$14,358	($2,283)	(13.7)%	D-199
Other Treatment Facilities	$212,084	$204,447	($7,637)	(3.6)%	D-199
Prescription Drugs	$193,284	$226,740	$33,456	17.3%	D-199
Physician	$25,458	$32,462	$7,004	27.5%	D-200
Home Health	$41,306	$34,720	($6,586)	(15.9)%	D-200
Dental	$9,656	$9,064	($592)	(6.1)%	D-200
Psychiatric Hospital	$9,701	$11,585	$1,884	19.4%	D-200
Medical Supplies	$16,653	$19,232	$2,579	15.5%	D-200
Clinic	$63,993	$67,781	$3,788	5.9%	D-200
Transportation	$32,833	$39,639	$6,806	20.7%	D-200
Other Services	$12,039	$8,840	($3,199)	(26.6)%	D-200

In some instances, the FY 2000 recommended appropriation for particular services would bring projected expenditures in line with actual FY 1998 expenditures. For example, though the FY 1999 adjusted appropriation for Transportation is $32.8 million, actual FY 1998 Transportation expenditures were $39.1 million; the FY 2000 budget recommends $39.9 million for Transportation. Also, even though the FY 1999 adjusted appropriation for Managed Care Initiative is $307.6 million, revised expenditures are estimated at about $332.2 million. Finally, health care costs, in general, are beginning to increase at a faster rate than the overall inflation rate. For example, managed care rates will increase between 5.3 percent and 6.5 percent in FY 2000, depending upon the eligibility group.

The recommended appropriations incorporate $38 million in cost avoidance and savings initiatives including:

- Delayed FY 1999 savings initiatives - $9.5 million.
- Billing Medicare for diabetic supplies and certain prescription drugs - $4.6 million.
- Independent personal care services assessments - $6.7 million.
- Partial care mental health utilization control - $6.5 million.
- Prior authorization for invalid coach services and for filling more than seven prescriptions a month - $4.0 million.

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page

- Overpayment recoupments - $2.3 million.
- Nutritional supplements reimbursement changes - $0.8 million.

Unit Dose Contract Services	$3,490	$6,935	$3,445	98.7%	D-200

The FY 1999 appropriations act had assumed savings by providing unit dose medications to patients at State institutions in a seven day blister pack. This savings initiative could not be implemented and unit dose contract costs are expected to increase.

Consulting Pharmacy Services	$2,240	$1,898	($342)	(15.3)%	D-200

The services was rebid and bids are currently being reviewed. The FY 2000 recommended appropriation assumes savings from any new contract.

DIVISION OF DEVELOPMENTAL DISABILITIES

Dental Program for Non-Institutionalized Children	$814	$714	($100)	(12.3)%	D-207
Bergen ARC - Expanded Respite Care Services for Autistic Children	$75	$0	($75)	(100.0)%	D-207
Essex ARC - Expanded Respite Services for Autistic Children	$125	$75	($50)	(40.0)%	D-207

New or additional funds to the above programs/agencies provided by the Legislature are not continued.

Group Homes (Total)	$194,814	$200,820	$6,006	3.1%	D-207
General Fund	$103,921	$103,171	($750)	(0.7)%	
Federal	$75,068	$81,824	$6,756	9.0%	
Other	$3,500	$3,500	$0	0.0%	
Casino Revenue Fund	$12,325	$12,325	$0	0.0%	D-208

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Private Institutional Care (Total)	$29,662	$26,963	($2,699)	3.1%	D-207
General Fund	$7,504	$7,504	$0	0.0%	
Federal	$20,847	$18,148	($2,699)	(12.9)%	
Casino Revenue Fund	$1,311	$1,311	$0	0.0%	D-208

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

The Group Homes appropriation includes $750,000 in savings by refinancing high interest mortgages of contract agencies. The number of contracted Group Home slots will increase by 10.5 percent, from 5,800 to nearly 6,400.

The Private Institutional Care appropriation includes initiatives to reduce the number of persons in out-of-State facilities from 540 to 385 and to apply managed care concepts to the services that are being provided.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Community Services Waiting List Reduction Initiative - FY 1997 (Total)	$28,800	$32,000	$3,200	11.1%	D-207
General Funds	$2,200	$5,400	$3,200	145.5%	
Federal	$16,600	$16,600	$2,700	0.0%	
Other	$10,000	$10,000	$0	0.0%	
Community Services Waiting List Reduction Initiative - FY 1999 (Total)	$18,750	$32,500	$13,750	73.3%	D-207
General Funds	$0	$8,900	$8,900	—	
Federal	$8,750	$13,600	$4,850	55.4%	
Federal ICF-MR Assessment	$10,000	$10,000	$0	0.0%	

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Community Services Waiting List Reduction Initiative - FY 2000 (Total)	$0	$15,000	$15,000	—	D-207
Federal	$0	$5,000	$5,000	—	
Other	$0	$10,000	$10,000	—	

The FY 1997 Initiative will provide 300 community placements and 240 day program slots at an annualized cost of $16.0 million. (The $32.0 million recommended appropriation consolidates funding for several other initiatives to reduce the waiting list that were undertaken around the same time to reduce the waiting list.)

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

The FY 2000 Initiative will provide 500 community placements, 400 day program slots and an additional $3 million for family support services at an annualized cost estimated at $34.2 million (gross) in FY 2001.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Purchase of Adult Activity Services (Total)	$80,372	$80,855	$483	0.6%	D-207
General Fund	$25,046	$23,546	($1,500)	(6.0)%	
Federal	$47,952	$49,935	$1,983	4.1%	
Casino Revenue Fund	$7,374	$7,374	$0	0.0%	

Funds represent the estimated costs of providing Adult Activity Services to 8,450 persons at an average cost of about $12,800.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Cost of Living Adjustments (COLA) - Community Programs	n.a.	$6,659	$6,659	—	D-207

Funds are recommended for a 1.6 percent COLA to be distributed July 1999 ($3.2 million) and January 2000 ($3.5 million).

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Capital Construction	$0	$7,284	$7,284	—	E-10

The funds will be used for: HVAC improvements and renovations at Vineland ($5.1 million), electrical repairs at Woodbridge ($250,000) and Hunterdon ($1.9 million). The Vineland renovations include the conversion of the hospital building into additional ICF-MR space.

DIVISION OF FAMILY DEVELOPMENT

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Electronic Benefits Transfer/Distribution System (Total)	$4,120	$6,883	$2,763	67.1%	D-229
General Fund	$810	$1,711	$901	111.2%	
Federal	$3,310	$5,172	$1,862	56.3%	

Program costs are expected to increase as the system is expected to be fully operational Statewide in FY 2000. The Electronic Benefit Transfer/Distribution System will enable clients to receive various public assistance benefits through ATMs and other electronic devices.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
SSI Attorney Fees	$7,000	$0	($7,000)	(100.0)%	D-229

The division may transfer funds to establish this new account during FY 1999. The program would take a case management approach in assisting Work First New Jersey recipients, primarily unemployable General Assistance clients, to qualify for federal SSI benefits.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Child Support Initiatives (Total)	$8,071	$19,044	$10,973	136.0%	D-229
General Funds	$2,744	$6,475	$3,731	136.0%	
Federal	$5,327	$12,569	$7,242	135.9%	

Funding is for projects in various stages of operation and development. Projects include: the New Hires monitoring system, centralization of collections, cross-checks with financial institutions and seizure of assets.

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Finger Imaging	$314	$0	($314)	(100.0)%	D-229
Work First New Jersey - Technology Investment (Total)	$25,819	$28,974	$3,155	12.2%	D-229
General Funds	$11,367	$12,086	$719	6.3%	
Federal	$14,452	$16,888	$2,436	16.9%	

The Finger Imaging program is incorporated within the overall Technology Investments account. The Finger Imaging program is currently limited to the General Assistance program involving municipalities in and around Newark. The program is to be extended to the entire Work First New Jersey program. As part of the expansion, the existing contract may be rebid.

The Technology Investments account funds various projects such as General Assistance automation, purchases and installs hardware and software at county welfare agencies and provides training. Proposed budget language (p. D-231) would appropriate up to an additional $4.1 million for Technology Investments.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Child Support Consolidation (Total)	$0	$26,718	$26,718	—	D-229
General Fund	$0	$3,490	$3,490	—	
Federal	$0	$23,228	$23,228	—	

The Governor has proposed the consolidation of child support activities in a new office, subject to enactment of enabling legislation. Child support activities currently handled by the Administrative Office of the Courts would be transferred to this new office. The new office would also have greater jurisdiction over the child support activities handled by the county welfare agencies. (A similar FY 1999 budget recommendation was not adopted by the Legislature.)

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Training Related Expenses (Total)	$25,973	$30,885	$4,912	18.9%	D-229
General Fund	$12,337	$12,337	$0	0.0%	
Federal	$13,636	$18,548	$4,912	36.0%	

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Work Activities (Total)	$87,143	$104,378	$17,235	19.8%	D-229
General Funds	$43,466	$48,199	$4,733	10.9%	
Federal	$43,467	$56,179	$12,712	29.2%	

Recommended appropriations are based on providing about 38,400 persons monthly with Training Related Expenses and various Work Activities such as supported work, community work experience, on-the-job training and vocational training. In FY 1999, approximately 31,500 persons monthly will receive services.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Breaking the Cycle Pilots (Total)	$6,134	$5,866	($268)	(4.4)%	D-229
General Funds	$3,800	$3,800	$0	0.0%	
Federal	$2,334	$2,066	($268)	(11.5)%	

Recommended appropriations represent the estimated costs of various ongoing Breaking the Cycle Pilots. Funds are used to provide family loans, entrepreneurial loans, various housing projects and the 21st Century Community Partnership.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Cost of Living Adjustments (COLA)	n.a.	$1,639	$1,639	---	D-229

Funds are recommended for a 1.6 percent COLA to be distributed July 1999 ($1.4 million) and January 2000 ($248,000).

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Child Care	$231,299	$244,380	$13,081	5.7%	D-229
General Funds	$51,920	$56,433	$4,513	8.7%	
Federal	$179,379	$187,947	$8,568	4.8%	

This account consolidates Child Care funding from different sources (Social Services Block Grant, Child Care Development Fund and Temporary Assistance to Needy Families) to provide a unified system of child care to current and former recipients of public assistance and to the working poor. The additional funds provide 3,000 new child care slots. In total, approximately 58,000 children will receive child care services.

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Second Year Medicaid Extension	$5,538	$0	($5,538)	(100.0)%	D-230

Program costs are included within the overall Medicaid budget as federal reimbursement will be obtained for eligible expenditures.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Substance Abuse Initiatives (Total)	$13,875	$18,750	$4,875	35.1%	D-230
General Fund	$13,875	$13,750	($125)	(0.9)%	
Federal	$0	$5,000	$5,000	—	

Continuation costs associated with Substance Abuse Initiatives awarded by the department towards the end of FY 1998 are funded in this account. (Approximately $1,250,000 is included in the Department of Health and Senior Services budget for costs associated with this initiative.)

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Project Self Sufficiency, Sparta	$125	$0	($125)	(100.0)%	D-230

Grant funding provided by the Legislature in the FY 1999 appropriations act is not continued.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Kinship Care	$0	$500	$500	—	D-230

This new appropriation will permit the issuance of a Request for Proposal to select a provider to assist grandparents and other relatives who provide care to the children of their relatives with information, referrals and support services.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Bright Beginnings Expansion (Total):	$5,000	$5,000	$0	0.0%	D-230
General Fund	$5,000	$0	($5,000)	(100.0)%	
Federal Funds	$0	$5,000	$5,000	—	

Program funding to expand early education and child care services in targeted school districts is being shifted from the General Fund to federal funds.

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
General Assistance (Total):	$131,901	$130,028	($1,873)	(1.4)%	
Emergency Assistance	$36,446	$34,657	($1,789)	(4.9)%	D-230
Payments to Municipalities...	$95,455	$95,371	($84)	(0.1)%	D-230

The recommended appropriation provides Emergency Assistance to approximately 6,000 persons monthly, a 4.5 percent reduction from FY 1999 levels; and basic General Assistance to 14,200 "employable" and 9,900 "unemployable" recipients monthly, which is a 4.7 percent reduction in the "employable" segment and a 2.5 percent reduction in the "unemployable" segment, respectively, from FY 1999 levels.

Total program costs are expected to decrease 1.4 percent due to $9.2 million in savings initiatives to reduce drug/medical expenditures:

- Manufacturers' drug rebates - $2.1 million.
- Drug prior authorization - $3.0 million.
- Pharmacy lock-in - $1.0 million.
- Point-of-sale reviews - $0.7 million.
- Medical services prior authorization - $2.5 million.

It is noted that past proposals concerning the provision of GA manufacturer drug rebates have not been approved by the Legislature.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Client Benefits (Total):	$217,549	$209,714	($7,835)	(3.6)%	D-230
General Fund	$95,913	$66,023	($29,890)	(31.2)%	
Federal	$121,636	$143,691	$22,055	18.1%	
Work First New Jersey - Emergency Assistance (Total):	$22,285	$22,971	$686	3.1%	D-230
General Fund	$14,837	$14,837	$0	0.0%	
Federal	$7,448	$8,134	$686	9.2%	

The recommended appropriations provides:

- Client Benefits to approximately 178,200 persons, a 5.1 percent reduction from FY 1999 levels of 187,700.

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page

- Emergency Assistance to about 5,700 persons monthly, an 8.3 percent reduction from FY 1999 levels of 6,200.

Proposed budget language on p. D-232 changes the manner in which costs are shared between the State and counties effective January 2000. At present, the State/federal governments pay 87.5 percent of costs between January - June and 102.5 percent of costs between July - December. The change would have the State/federal governments pay 95 percent of costs the entire year, and will simplify administration. The estimated $7.6 million in additional costs will be paid from the Client Benefit account.

State Supplemental Security Income Administrative Fee to SSA	$12,604	$10,268	($2,336)	(18.5)%	D-230

The amount required to reimburse the federal Social Security Administration for administrative costs related to the SSI program will increase from $7.60 to $7.80 per check per month. Savings are anticipated by having a private firm assume this administrative function from the federal government. The one bid received is being reviewed at this time.

Food Stamps for Legal Aliens	$3,253	$1,000	($2,253)	(69.3)%	D-230

Pub.L.105-18 restored federal Food Stamp benefits to various groups of legal aliens and will reduce the number of people who participate in the State funded program.

Food Stamps Administration - State	*	$9,500	$9,500	—	D-230

* $7.1 million in carry forward funds to be made available.

Pub.L. 105-185 reduced the amount of federal funds the State and the counties receive for Food Stamp administration. These State funds will offset the loss and, thus, prevent counties from incurring additional costs.

DIVISION OF YOUTH AND FAMILY SERVICES

Division of Youth and Family Services (Total):	$167,692	$169,653	$1,961	0.1%	
General Fund	$37,037	$65,098	$28,061	75.8%	D-236
Federal	$128,707	$102,607	($26,100)	(20.3)%	D-236
Other	$1,948	$1,948	$0	0.0%	D-236

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page

The increase in the amount of State funds allocated for administrative costs offsets a reduction in the amount of federal Temporary Assistance to Needy Families (TANF) funds allocated for that purpose. (The State had a one-time opportunity to transfer unexpended TANF funds to the Social Services Block Grant and free-up State funds.) The approximate difference, $2.0 million, relates to an increase in the Foster Care and Permanency Initiative which is being phased in.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Domestic Abuse Services, Inc. - Sussex	$180	$0	($180)	(100.0)%	D-236
Amanda Easel Project	$75	$0	($75)	(100.0)%	D-236
Substance Abuse Assessment	$50	$0	($50)	(100.0)%	D-236
Counseling for Families of Young Crime Victims - Pilot Program	$30	$0	($30)	(100.0)%	D-237
Monmouth County Day Care	$25	$0	($25)	(100.0)%	D-236
Juvenile Suicide Prevention Program - Mercer County	$500	$0	($500)	(100.0)%	D-236
Southern Region Advisory Board	$300	$0	($300)	(100.0)%	D-236
Robin's Nest	$50	$0	($50)	(100.0)%	D-237
Hudson Cradle	$20	$0	($20)	(100.0)%	D-237

Grant funding provided by the Legislature in the FY 1999 appropriations act is not continued.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Family Friendly Centers	$0	$2,500	$2,500	—	D-237

This new appropriation would promote greater use of existing schools for after-school youth activities and various adult education programs. (A similar FY 1999 budget recommendation was not adopted by the Legislature.)

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

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Regional Diagnostic and Treatment Centers	$0	$1,500	$1,500	—	D-236

Additional funds are requested for the four Regional Diagnostic and Treatment Centers located in Hackensack, Newark, New Brunswick and Stratford.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Cost of Living Adjustments (COLA) - Services to Children and Families	n.a.	$4,653	$4,653	—	D-236

Funds are recommended for a 1.6 percent COLA to be distribute July 1999 ($2.0 million) and January 2000 ($2.7 million).

DIVISION OF MANAGEMENT AND BUDGET

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Childhood Lead Poisoning -Prevention	$250	$0	($250)	(100.0)%	D-241

Grant funding provided by the Legislature in the FY 1999 appropriations act is not continued.

Budget Item	Adj. Approp. FY 1999	Recomm. FY 2000	Dollar Change	Percent Change	Budget Page
Capital Construction	$10,067	$4,687	($5,380)	(53.4)%	E-10; E-11

Funds are recommended for the following projects: Fire Safety Code Compliance Projects - $3.6 million; Infrastructure Projects, Regional Schools - $0.8 million; and Preservation Improvements, Institutions and Community Facilities - $0.3 million. In addition, unexpended FY 1999 Capital Construction funds would be available for department wide projects, including Roof Repairs/Replacements. At the end of February 1999, unexpended Capital Construction funds exceeded $9.9 million.

Language Provisions

DIVISION OF MENTAL HEALTH SERVICES

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-18.	
From the amount appropriated hereinabove for the Community Care grant account, $1,000,000 shall be allocated to expand on-call and after-hours crisis coverage and to stabilize salary structures for adjustments to staff members compensation. This allocation shall be made on a pro-rata basis to all Community Care mental health contract providers.	No comparable language provision.

Explanation

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

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-83.	p. D-201.
The unexpended balances as of June 30, 1998, in the Fraud and Abuse Initiative accounts are appropriated.	The unexpended balances as of June 30, 1999, not to exceed $400,000 in the Salaries and Wages account, related to Medicaid fraud and abuse initiative accounts are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The amended language limits the amount of unexpended balances available for fraud and abuse initiatives to a maximum of $400,000.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-83.	p. D-242.
Payment to the vendor for its efforts in federal maximizing initiatives is appropriated and shall be paid from the Maximization of Federal HCFA Reimbursement or the School Based Medicaid revenues received, subject to the approval of the Director of the Division of Budget and Accounting.	Payment to vendors for their efforts in maximizing federal revenues is appropriated and shall be paid from the federal revenues received, subject to the Director of the Division of Budget and Accounting.

Explanation

Language in the FY 1999 appropriations act applied to vendors assisting the State in maximizing federal reimbursement in two areas: federal HCFA reimbursement and School Based Medicaid. Amended language would applies to all vendors that are assisting the State in maximizing federal revenues.

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-201.
No comparable language provision.	Notwithstanding the provisions of any law to the contrary, all revenues received from health maintenance organizations shall be deposited in the General Fund.

Explanation

The New Jersey ACCESS subsidized health insurance program is to be transferred from the Department of Health and Senior Services to the Department of Human Services. As of this writing, an Executive Order or an Agency Reorganization Plan to effectuate this transfer has not been issued.

The ACCESS program receives refunds from health maintenance organizations that cover ACCESS clients if an organization spends less than 80 percent of its premiums on health care. Such refunds would now be deposited into the General Fund. The amount of refunds will vary from year to year, but has ranged from $2 to $3 million.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-22.	p. D-202.
Notwithstanding the provisions of any law or regulation to the contrary, effective July 1, 1998 or at the earliest date thereafter consistent with the notice provisions of 42 C.F.R. §447.205 where applicable, no funds appropriated in the Payments for Medical Assistance Recipients -- Prescription Drugs account shall be expended except under the following conditions: (a) reimbursement for legend and non-legend drugs shall be based on the Average Wholesale Price less a 10% volume discount, (b) prescription quantities of legend and non-legend drugs dispensed by a retail pharmacy shall be limited to a 34-day supply; 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, 1998 shall remain in effect through fiscal year 1999, including the current increments for patient consultation, impact allowances, and allowances for 24 hour emergency services.	Similar language except as follows: (a) reimbursement for legend and non-legend drugs **excluding nutritional supplements** shall be based on the Average Wholesale Price less a 10% volume discount, (b) prescription quantities of legend and non-legend drugs dispensed by a retail pharmacy shall be limited to a 34-day supply **for an initial prescription, and a 34-day supply or 100-unit dose supply, whichever is greater, for any prescription refill.**

Explanation

The proposed change in language excludes nutritional supplements from the methodology used to reimburse prescription drugs as proposed language on p. D-203 would reimburse nutritional supplements on the basis of a fee schedule that is to be adopted. Also, the other proposed change would make the amount of drugs dispensed by Medicaid consistent with the PAAD program (P.L. 1998, c.124). By limiting the amount of drugs that can be initially dispensed, Medicaid costs may be reduced somewhat.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-203.
No comparable language provision.	Notwithstanding any law to the contrary and subject to the notice provisions of 42 C.F.R. §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.

Explanation

Proposed language would establish a fee schedule to reimburse approved nutritional supplements. By adopting a fee schedule, the Medicaid program expects to save about $500,000.

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-203.
No comparable language provision.	Notwithstanding the provisions of any law to the contrary, no funds appropriated in the Payments to Medical Assistance Recipients - Prescription Drugs account shall be expended unless participating pharmacies are also approved medical suppliers in the Medicare program.

Explanation

The Medicare program covers the cost of certain diabetic supplies and prescription drugs used to treat specific medical conditions such as organ transplants. Proposed language would require pharmacies to bill Medicare for these items and drugs before billing Medicaid. Savings of $4.6 million are anticipated.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-203.
No comparable language provision.	The Division of Medical Assistance and Health Services (DMAHS) is authorized to pay financial rewards to individuals who report instances of fraud and/or abuse involving the programs administered by DMAHS, or Pharmaceutical Assistance to the Aged and Disabled (PAAD) program or Work First New Jersey General Public Assistance programs. Rewards are to be paid only when the reports result in a recovery by DMAHS, and shall be limited to 10% of the recovery or $1,000, whichever is less. Notwithstanding any State law to the contrary, receipt of such rewards shall not affect an individual's financial eligibility for the programs administered by DMAHS, or for PAAD or Work First New Jersey General Public Assistance programs.

Explanation

Proposed language would enable persons who report fraud and abuse in various drug programs to receive 10 percent of the amount recovered or $1,000, whichever is less.

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-24.	
The unexpended balance as of June 30, 1998, not to exceed $8,000,000, in the General Medical Services accounts is appropriated, subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language provision.

Explanation

The FY 1999 language provision concerning the reappropriation of up to $8.0 million in FY 1998 unexpended balances had been requested by the Administration. At this time, no carry forward language with respect to any unexpended FY 1999 balances is being requested.

Language Provisions (Cont'd)

DIVISION OF DEVELOPMENTAL DISABILITIES

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-25.	p. D-208.
A portion of the total amount appropriated in the Community Services Waiting List Reduction Initiative - FY 1999 is available for the operational costs of developing community placements, subject to the Director of the Division of Budget and Accounting of a plan as shall be submitted by the Commissioner of Human Services.	Similar language except that the FY 2000 Initiative is referenced.

Explanation

Proposed language allows a portion of the recommended $15 million FY 2000 Initiative appropriation to be used for related operational costs. At this time, the division does not intend to use any of the $15 million for operational costs.

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-25; G-17.	p. D-209.
Group Home recoveries during the fiscal year ending June 30, 1998, not to exceed $3,500,000, are appropriated for continued operations of Group Homes, and Group Home recoveries not to exceed $10,000,000, are appropriated for a Community Services Waiting List Reduction Initiative, subject to the approval of the Director of the Division of Budget and Accounting.	Developmentally disabled patients' and residents' cost recoveries during the fiscal year ending June 30, 2000, not to exceed $5,500,000, are appropriated for the continued operation of the Group Homes program, and an additional amount, not to exceed $20,000,000, is appropriated for Community Services Waiting List Reduction Initiatives, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Proposed language would appropriate $25.5 million in recoveries for Group Home operational costs and Community Services Waiting List Reduction Initiatives. In FY 1999, $13.5 million in appropriated recoveries are anticipated. The increase results from implementation of P.L. 1995, c. 155 which requires all persons receiving services from the division to contribute towards the cost of those services.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-25.	
The unexpended balances in the Community Services Waiting List Reduction Initiatives - FY 1997 account are appropriated for the same purpose.	No comparable language provision.

Explanation

Language no longer required as no FY 1997 Initiative balances are expected. However, at the end of January 1999, approximately $9.7 million in funds are uncommitted.

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-90.	p. D-222.
The State appropriation is based on ICF/MR revenues of $171,016,000, provided that if the ICF/MR revenues exceed $171,016,000, 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 is $173,902,000.

Explanation

The $173.9 million is the current estimate of federal ICF-MR revenues, including approximately $10 million to be realized from an assessment on State/private ICF-MR beds.

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-26.	p. D-222.
Such sums as may be necessary are appropriated from the General Fund for the payment of any provider assessments to Intermediate Care Facilities/Mental Retardation facilities, subject to the approval of the Director of the Division of Budget and Accounting of a plan as shall be submitted by the Commissioner of Human Services.	Similar language except that the following sentence has been added: Notwithstanding any other law to the contrary, only the federal share of funds anticipated from these assessments shall be available to the Department of Human Services for the purposes set forth in P.L. 1998, c. 40.

Language Provisions (Cont'd)

Explanation

The recommended language limits the department's access to assessment revenues to the approximately $10 million in federal revenues and not the matching State funds.

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-26.	
From the amount appropriated for the Purchased Residential Care program classification, $100,000 shall be allocated for a grant to the Union County ARC.	No comparable language provision.

Explanation

The language was added to the FY 1999 Appropriations Act by the Legislature and is not recommended for continuation.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-27.	
The unexpended balance as of June 30, 1998 in the Technology for the Blind and Visually Impaired - Talking Machine and Large Print Equipment account are appropriated subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language provisions.

Explanation

The FY 1999 appropriations act language is no longer recommended as all unexpended balances are expected to be expended by the end of FY 1999. At the end of February 1999, the account had about $1,100 in unexpended funds still available.

Language Provisions (Cont'd)

DIVISION OF FAMILY DEVELOPMENT

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-231.
No comparable language provision.	In addition to the amount hereinabove for the Work First New Jersey - Technology Investment account, such additional sums as may be required are appropriated from the General Fund, not to exceed $4,100,000, to meet the timely implementation of Work First New Jersey technology initiatives, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Proposed language would appropriate an additional $4.1 million, if needed, to the Work First New Jersey - Technology Investment account in addition to the FY 1999 budget recommendation of $29 million in State/federal funds.

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-28.	p. D-231.
In addition to the amounts hereinabove for the Work First New Jersey-Work Activity and Work First New Jersey-Training Related Expenses accounts, an amount not to exceed $8,000,000 is appropriated from the Workforce Development Partnership Fund, section 9 of P.L. 1992, c. 23 (C.34:15D-9).	Similar language except that the amount has been increased to $19,000,000.

Explanation

Proposed language increases the amount appropriated from the Workforce Development Partnership Fund for Work First New Jersey - Training Related Expenses from $8 million to $19 million.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-232.
No comparable language provision.	Notwithstanding the provisions of any law to the contrary, no funds appropriated for the General Assistance (GA) pharmaceutical services shall be expended unless participating pharmacies are also Medicare providers.

Explanation

The Medicare program covers certain diabetic supplies and prescription drugs used to treat specific medical conditions such as organ transplants. Proposed language would require pharmacies to become Medicare providers and obtain reimbursement from Medicare for these items and drugs before billing GA. As few, if any, GA recipients are Medicare eligible, minimal Medicare recoveries are anticipated.

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-232.
No comparable language provision.	Rebates from pharmaceutical companies during the fiscal year ending June 30, 2000 for prescription expenditures made to providers on behalf of General Assistance (GA) clients are appropriated for the Payments to Municipalities for Cost of General Assistance account.

Explanation

Proposed language requires drug manufacturers' to provide rebates on drugs purchased by the GA program. These rebates are part of the $9.2 million in GA drug/medical savings anticipated. Previous Administration proposals to obtain rebates for GA drugs were not approved by the Legislature.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-232.
No comparable language provision.	Notwithstanding any law to the contrary and subject to the notice provision of 42 C.F.R. §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).

Explanation

Proposed language establishes a fee schedule to reimburse for approved nutritional supplements. Changing the manner in which nutritional supplements are reimbursed is part of the $9.2 million in GA drug/medical savings anticipated.

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-232.
No comparable language provision.	The unexpended balances in the Exxon Oil Overcharge and Stripper Well accounts previously appropriated to the Department of Human Services are transferred to the Department of Transportation for the purpose of funding light rail and alternative fuel vehicle programs.

Explanation

Proposed language redirects certain monies the Department of Human Services (DHS) had received and which were used for energy assistance and conservation, to the Department of Transportation for certain transportation programs. Available information is that over $5.0 million will be available in FY 2000.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. D-12.	
Of the amount appropriated for Payments to Municipalities for Cost of General Assistance Emergency Assistance Program, $750,000 is made available to implement a General Assistance home visits program.	No comparable language provision.

Explanation

FY 1999 appropriations act language is no longer required. The division had intended to initiate a home visit program in certain municipalities such as Elizabeth and Camden to curb fraud and abuse. Elizabeth consolidated its General Assistance program into the county welfare program and Camden is in the process of consolidating its General Assistance program into the county welfare program. Other municipalities that had been included in the home visit program have or will consolidate their General Assistance program into the county welfare programs. As county welfare agencies are better staffed and are more computerized than municipal General Assistance programs, the need to implement a home visits program is less crucial and, thus, the FY 1999 appropriations act language is not recommended in FY 2000.

1999 Appropriations Handbook	2000 Budget Recommendations
p. D-11.	
In addition to the provisions of section 5 of P.L. 1959, c.86 (C.44:10-5), for payments that are not eligible for federal financial participation, payment of the State share of expenditures by the county welfare agency for the Work First New Jersey Program shall be at the rate of 115% during the period July 1 through December 31 of each year and at the rate of 75% during the period January 1 through June 30; provided, that the total payment of the State share of expenditures during the period January 1 through December 31 of each year shall not exceed 95%.	No comparable language provision.

Explanation

Language is no longer required as it referenced a program which no longer exists.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. D-12.	p. D-232.
There is created within the General Fund a restricted fund to be known as the Work First New Jersey Contingency Fund into which the first $46,000,000 of the unexpended balances as of June 30, 1998 in the Income Maintenance Management program classification State Aid and Grants-In-Aid accounts shall be credited, representing savings from lower public assistance caseloads and other Work First New Jersey initiatives, and may be appropriated by the Legislature for the Work First New Jersey program.	Notwithstanding any law to the contrary, the unexpended balances as of June 30, 1999 in the Work First New Jersey Contingency Fund are available for unanticipated public assistance caseload growth, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Amended language permits the $46.0 million in the Contingency Fund to be used for "unanticipated caseload growth" during FY 2000.

1999 Appropriations Handbook	2000 Budget Recommendations
p. D-12.	
In addition to the amounts appropriated hereinabove for the General Assistance Emergency Assistance Program, Payments to Municipalities for Cost of General Assistance, and General Assistance County Administration accounts, an amount not to exceed $20,000,000 is appropriated for the purposes of those accounts subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language provision.

Explanation

The FY 1999 appropriations act language concerning the additional appropriation of up to $20.0 million for General Assistance program costs had been requested by the Administration. At this time, no language of a similar nature is being requested.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. D-11.	p. D-232.
Notwithstanding the provisions of subsection a. of section 4 of P.L. 1997, c.37 (C.44:10-74); for cash assistance benefits to recipients with dependent children, the State and federal governments' share shall be at the rate of 87.5% for the period January 1 through June 30 of each year and at a rate of 102.5% for the period July 1 through December 31 of each year; except that the total payment of State and federal share of expenditures during January 1 through December 31 of each year shall not exceed 95%.	Similar language except that December 31, 1999 is referenced.
No comparable language provision.	Of the amount appropriated hereinabove for Work First New Jersey - Client Benefits, $7.6 million is available to offset the costs of the Property Tax Relief Act of 1991 (P.L. 1991, c.63, section 14). The matching rates will be maintained at 95 percent State/federal and 5 percent county, as stated in N.J.S.A. 44:10-74.4.a.

Explanation

These two language provisions taken together would change the reimbursement methodology by which client benefits are funded, to 95 percent State/federal and 5 percent county year round. At present, the State/federal share is 102.5 percent between July 1 and December 31 and 87.5 percent between January 1 and June 30.

The change in reimbursement would take effect January 2000. The estimated one-time additional cost of this change is $7.6 million.

Language Provisions (Cont'd)

1999 Appropriations Handbook

p. D-12.

Notwithstanding the provisions of any law or regulation to the contrary, effective July 1, 1997 or at the earliest date thereafter consistent with the notice provisions of 42 C.F.R. §447.205 where applicable, no funds appropriated for the General Assistance (GA) program for pharmaceutical services shall be expended except under the following conditions: (a) reimbursement for legend and non-legend drugs shall be based on the Average Wholesale Price less a 10% volume discount, (b) prescription quantities of legend and non-legend drugs dispensed by a retail pharmacy shall be limited to a 34-day; 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, 1998 shall remain in effect through fiscal year 1999, including the current increments for patient consultation, impact allowances, and allowances for 24 hour emergency services.

2000 Budget Recommendations

p. D-232.

Similar language except as follows:
(a) reimbursement for legend and non-legend drugs **excluding nutritional supplements** shall be based on the Average Wholesale Price less a 10% volume discount, (b) prescription quantities of legend and non-legend drugs dispensed by a retail pharmacy shall be limited to a 34-day supply **for an initial prescription, and a 34-day supply or 100-unit dose supply, whichever is greater, for any prescription refill.**

Explanation

The proposed change in language excludes nutritional supplements from the methodology used to reimburse prescription drugs. Proposed language on p. D-203 would reimburse nutritional supplements on the basis of a fee schedule that is to be adopted. Also, the other proposed language change would make the amount of drugs dispensed in the General Assistance program consistent with the PAAD program (P.L. 1998, c.124). By limiting the amount of drugs that can be initially dispensed, General Assistance drug costs may be somewhat reduced.

Language Provisions (Cont'd)

DIVISION OF MANAGEMENT AND BUDGET

1999 Appropriations Handbook	2000 Budget Recommendations
	p. D-241.
No comparable language provision.	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.

Explanation

When Medicaid's nursing home program was transferred to the Department of Health and Senior Services (DHSS), the Department of Human Services did not transfer personnel involved in the auditing of nursing homes. This language permits the transfer of up to $100,000 to DHSS for audit costs.

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-94.	
From the sum appropriated for Management and Administration, the Department of Human Services shall conduct a study of contracted service providers in relation to contract reform.	No comparable language provision.

Explanation

The FY 1999 appropriations act language applied only to the FY 1999 appropriations act and is not recommended in FY 2000. As of this writing, no formal study of contracted service providers has been initiated.

Language Provisions (Cont'd)

1999 Appropriations Handbook	2000 Budget Recommendations
p. C-31.	
The amount hereinabove for Salary Supplement for Direct Services Workers shall be allocated by the Commissioner of Human Services to grantees for the sole purpose of enhancing wages paid to direct service workers.	No comparable language provision.

Explanation

The FY 1999 appropriations act language is no longer required as the $3.2 million appropriated by the Legislature to supplement salaries of direct services workers in FY 1999 has been distributed to the appropriate divisions.

DEPARTMENT OF HUMAN SERVICES (GENERAL)

1999 Appropriations Handbook	2000 Budget Recommendations
p. B-95.	
From the amounts appropriated for Payments for Medical Assistance Recipients - Prescription Drugs, Pharmaceutical Assistance to the Aged - Claims, and Pharmaceutical Assistance to the Aged and Disabled - Claims, there is allocated to the Division of Medical Assistance and Health Services up to $100,000 from savings realized in these programs for personnel costs for the monitoring of prescription drug utilization in these programs, subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language provision.

Explanation

The FY 1999 appropriations act language provision is no longer required as these personnel costs are part of the division's ongoing operations.

Language Provisions (Cont'd)

1999 Appropriations Handbook

p. B-95.

The unexpended State balances as of June 1 of each fiscal year may be transferred among the Income Maintenance Management program classification accounts in order to comply with the State Maintenance of Effort requirements as specified by the federal "Personal Responsibility and Work Opportunity Reconciliation Act of 1996," P.L. 104-193, and as legislatively required by the Work First New Jersey program (N.J.S.A. 44:10-58 (4)(a)), subject to the approval of the Director of the Division of Budget and Accounting. Notice of such transfers shall be provided to the Joint Budget Oversight Committee. Any transfers that would result in appropriations or expenditures exceeding the State's Maintenance of Effort requirement obligation shall be subject to the approval of the Joint Budget Oversight Committee. In addition, unobligated balances remaining from funds allocated to the Department of Labor for Work First as of June 1 of each year are to be reverted to the Work First New Jersey - Client Benefits account in order to comply with P.L. 104-193, as required by section 4 of P.L. 1997, c.38 (C.44:10-58).

2000 Budget Recommendations

p. D-242.

Similar language except that the second and third sentences are amended as follows: Notice of such transfers that would result in appropriations or expenditures exceeding the State's Maintenance of Effort requirement obligation shall be subject to the approval of the Joint Budget Oversight Committee.

Explanation

The recommended language would eliminate the requirement that notice of all transfers affecting the Work First New Jersey program be provided to the Joint Budget Oversight Committee (JBOC). Only those transfers that would result in the State expending more than the approximately $324 million required to meet Maintenance of Effort requirements would be submitted to the JBOC.

Discussion Points

Department of Human Services (General)

1. At past budget hearings, the department had indicated that it would review: (a) the issue of high administrative compensation at provider agencies it funds and (b) address the disparity in executive compensation among provider agencies of similar funding size. Yet, little appears to have been done to address these issues. For example, one nonprofit agency in Salem County with an operating budget of about $3.0 million pays its executive director $74,000; another nonprofit agency in Atlantic County with a smaller operating budget of around $2.3 million pays its executive director $95,000. All or a significant portion of their salaries are paid with State funds.

! *Question:* What steps has or will the department take to address the issue of high executive director compensation at certain nonprofit agencies it contracts with?

2. At various legislative public hearings individuals and community organizations have testified that the State is paying more than fair market value for properties purchased as community residences.

Department procedures require an agency requesting State funds to purchase a property to present an independent appraisal of the property's value. The appraiser hired by the agency reviews three property transactions to determine the property's value. The department does not independently spot check the appraisals to determine their reasonableness. Thus, the State may pay more than fair market value for properties being acquired.

! *Question:* Should appraisals be independently reviewed to determine their reasonableness before providing funds to purchase a particular property?

3. Agencies under contract to the department are required to provide an independent financial audit. Though the State pays for the audit as part of contract costs, the agency hires the firm and the firm works for the agency, not the State.

The department receives and reviews the audits, but rarely conducts an independent audit to determine whether the audit work was done correctly. For example, an audit of one agency failed to note that the agency was depreciating a building that the agency leased. (The State had paid both the lease and depreciation costs as the agency's budget did not provide sufficient detail on these expenditures.) It was only after an outside party brought the issue to the department's attention that the matter was examined and State funds were recovered.

! *Question:* Should audits be independently reviewed to assess their accuracy and ensure the proper expenditure of State funds?

4. In 1996, the department contracted with Towers, Perrin for an independent staffing assessment of a developmental center and a State psychiatric hospital to serve as a staffing guide for State institutions. Two and a half years later, an official report has still not yet been released.

! *Question:* What is the status of the Towers, Perrin staffing report?

5. The Additions, Improvements and Equipment (AIE) account provides funds for minor repairs and improvements and to purchase equipment, including vehicles. A review of the AIE account at the State's institutions reveals a wide disparity in the recommended appropriations; the disparity is more noticeable on a per resident basis:

Discussion Points (Cont'd)

Facility	Green Brook	Hunterdon	New Lisbon	North Jersey	Vineland	Woodbine	Woodbridge
Approx.	$18,000	$26,000	$20,000	$20,000	$45,000	$130,000	$54,000
Per Resident	$160	$40	$30	$50	$75	$225	$90

Facility	Ancora	Brisbane	Forensic	Greystone	Hagedorn	Trenton
Approx.	$616,000	$140,000	$100,000	$532,000	$285,000	$480,000
Per Resident	$1,030	$3,500	$665	$1,065	$1,020	$1,200

! *Question:* What accounts for the funding disparity among the various institutions?

Division of Mental Health Services

6. The FY 2000 budget recommends $300,000 in State and $300,000 in federal funds for 12 positions related to a Fraud and Abuse Initiative. The positions are expected to be filled on July 1st as no turnover savings were taken. It is highly unlikely that these positions will be filled July 1999; it may take up to six months to fill the positions.

! *Question:* Can the $300,000 recommended appropriation be reduced to reflect turnover savings?

7. UMDNJ recently entered into an affiliation agreement with Greystone to improve clinical services at the institution. The annualized cost of this initiative is $2.0 million. There is no identifiable account where affiliation agreement costs are reflected in the budget.

! *Question:* Where are costs associated with the affiliation agreement reflected?

8. The chart below and on the next page provides overtime data for the FY 1998 - FY 2000 period for Ancora, Greystone and Trenton Psychiatric Hospitals:

Facility	FY 1998	FY 1999 (projected)	FY 2000 (proposed)
Ancora	$4.5 million	$5.5 million	$2.0 million
Greystone	$5.6 million	$6.2 million	$4.4 million
Trenton	$2.8 million	$3.6 million	$4.4 million

The projected increase in overtime occurs despite an increase in direct care staffing at the three institutions:

Discussion Points (Cont'd)

Facility	June 1998	December 1998
Ancora	992	1,034
Greystone	976	1,013
Trenton	625	748

The FY 2000 budget assumes that total overtime expenditures at Ancora and Greystone will be reduced by over 45 percent.

! *Question:* As staffing has increased at the three psychiatric hospitals, what accounts for the projected increase in overtime in FY 1999? What accounts for the anticipated reduction in overtime at the two facilities in FY 2000? Why are additional overtime funds being allocated to Trenton in FY 2000?

9. The Medicaid budget assumes $13.0 million (gross) in partial care utilization control savings. In addition, in response to a federal Inspector General report that partial care services reimbursed by Medicare were being abused, Medicare is implementing partial care utilization controls. Providers could lose millions in federal reimbursement for partial care.

Though the fraud and abuse initiative is targeted at mental health agencies that are not under contract to the division, some agencies under contract to the division may be affected by and may see a reduction in federal reimbursements. An agency could use unexpended contract funds to offset the loss of Medicare/Medicaid reimbursement.

! *Question:* How will the division prevent agencies which see a reduction in Medicaid/Medicare partial care revenues as a result of these initiatives from using other State funds to offset the loss?

10.a. Essex County intends to relocate its county psychiatric hospital to the vacant United Hospitals complex in Newark at a cost of approximately $23.5 million. The United Hospital complex was purchased at auction for about $800,000 by a group of physicians. The county has not provided information as to how much it will pay for the building to be used as the psychiatric hospital.

The State will indirectly pay for the relocation through its State Aid reimbursement, therefore, the amount the county will pay for the building is important.

! *Question:* How much is the county paying for the building that will be used as the psychiatric hospital?

10.b. The existing county psychiatric hospital complex in Cedar Grove is to be sold. How much the county will receive for the property is not known. The State has indirectly paid for the existing county psychiatric hospital complex through its State Aid reimbursements as building depreciation and maintenance are allowable costs. The State may be entitled to recover a portion of the sale proceeds just like any other recovery the hospital receives.

! *Question:* Is the State legally entitled to a portion of the sale proceeds once Essex County sells the existing hospital complex?

Discussion Points (Cont'd)

Division of Medical Assistance and Health Services

11. The FY 1999 appropriations act funded 639 positions, including an additional 54 positions for NJ KidCare administration. However, between June and December 1998, the number of full-time personnel declined by 10, to about 480. The FY 2000 budget funds 625 positions.

! *Question:* Is the number of funded positions overstated in view of the number of full-time employees on the payroll in December 1998?

12. The FY 2000 recommended budget would increase funding for the Health Benefits Coordinator from $3.2 million to $10.4 million. The increase is related to the enrollment of SSI recipients in to managed care, subject to federal approval. At present, about 8,600 SSI recipients are enrolled on a voluntary basis in managed care. If the waiver is approved, it is expected that up to 140,000 SSI recipients could be enrolled in managed care. However, in the past year, several managed care organizations have discontinued their participation with Medicaid.

! *Question:* Will federal approval be received by July 1999? Are the remaining managed care organizations capable of handling an additional 140,000 clients, many with complex medical conditions?

13. Personal Care appropriations are expected to increase 13.3 percent, from $88.8 million to $100.6 million. Approximately $6.7 million in savings are anticipated through the implementation of "an independent assessment system." The FY 1999 adjusted appropriation of $88.8 million had assumed savings of approximately $5.2 million through the implementation of a concurrent beneficiary review and assessment process in Essex and Hudson counties. Despite this savings initiative, FY 1999 expenditures are projected to exceed $88.8 million. Over the past several years, personal care expenditures increases have exceeded 20 percent.

! *Question:* As the $6.7 million in independent assessment system savings are uncertain, and as increases in annual program costs have exceeded 13.3 percent, is the account under funded?

14. Managed Care Initiative costs are expected to increase 16.1 percent, from $307.6 million to $357.1 million. Costs are expected to increase due to: a FY 2000 rate adjustment of between 5.3 and 6.5 percent and greater SSI enrollment in managed care.

! *Question:* Does the proposed premium increase include monies for the reserve fund managed care organizations may be required to maintain?

15. The Medicare program covers the cost of certain diabetic testing materials and certain prescription drugs such as those used in organ transplants. Proposed budget language (p. D-203) would require pharmacies to become Medicare providers and bill the Medicare program first for such covered items. Savings of $4.6 million are anticipated as a result of this proposal. The number of pharmacies that participate in Medicaid that are also Medicare providers is not known. The process to become a Medicare provider may take up to six months, according to Medicare's fiscal intermediary. In order to become a Medicare provider by July 1, 1999, pharmacies would have to submit the paperwork to become a Medicare provider now, even though there is no statutory requirement to do so.

Discussion Points (Cont'd)

! *Question:* If Medicare has not approved a pharmacy's application to become a Medicare provider by July 1, 1999, would the pharmacy be allowed to continue to bill Medicaid for Medicare eligible drugs? Or would the Medicaid recipient have to locate a participating Medicare pharmacy to obtain diabetic testing strips and other covered medications?

16. Several years ago the State increased the percentage discount it receives for drugs purchased by Medicaid from 0 - 6 percent (based on a pharmacy's PAAD/Medicaid volume) to 10 percent (irrespective of volume). Thus, claims processed by chain pharmacies are discounted 10 percent and claims processed by non-chain pharmacies also provide a 10 percent discount. However, chain pharmacies provide discounts of least 15 percent (and even more) to obtain health maintenance organization business according to independent pharmacies.

! *Question*: Should the percentage discount provided by chain pharmacies be increased?

17. The FY 2000 budget assumes $4.0 million in savings from prior authorization for invalid coach (transportation) services and for filling prescriptions in excess of seven per month. Patients residing at State institutions are generally prescribed more than seven prescriptions per month. Also, the State has a contract for <u>Consulting Pharmacy Services</u> to monitor the dispensing of drugs at State institutions.

! *Question:* Are prescriptions in excess of seven per month dispensed to patients at State institutions to be reviewed?

18. The FY 2000 budget recommends $1.9 million for <u>Consulting Pharmacy Services</u> (at State institutions), a 15.3 percent reduction from FY 1999 levels of $2.2 million. Savings are assumed by rebidding the existing contract. However, the bids that have been submitted indicate that costs will increase, not decrease.

! *Question:* Is the $1.9 million recommended appropriation too low in view of the bids received?

19. During the July - December 1998 period, the division processed $142.0 million (gross) in Community Care Waiver claims. Of the $142.0 million, approximately $77.3 million were FY 1998 billings and nearly $16.5 million were claims for FY 1996 or earlier. The delay in processing claims from FY 1996 or earlier means that the State subsidized the federal government for approximately $8.3 million in program costs.

! *Question:* What steps can be taken to expedite the processing of retroactive Community Care Waiver claims applicable to prior fiscal years?

20. There are approximately 1,600 children under the supervision of the Division of Youth and Family Services (Program Status Code 650) who receive Medicaid benefits without federal reimbursement. Approximately $6.4 million in State funds are expended annually on services for these children. The eligibility of these children for NJ KidCare is being reviewed. If 50 percent of the children are found eligible for NJ KidCare, State expenditures would be reduced by approximately $2.1 million.

! *Question:* How many of the 1,600 children have been determined eligible for NJ KidCare?

Discussion Points (Cont'd)

Division of Developmental Disabilities

21. The division has a backlog of nearly 2,300 individuals who have not been processed for court adjudication of incapacity and appointment of a guardian. Approximately 300 cases will be processed in FY 1999. Assuming no increase in the number of new referrals, it will take eight years to have guardians appointed for the existing caseload at the current rate of processing cases.

! *Question:* What additional resources are required to reduce the backlog?

22. The chart below provides overtime data for FY 1998 - FY 2000 period for Hunterdon, New Lisbon, Vineland , Woodbine and Woodbridge Developmental Centers:

Facility	FY 1998	FY 1999 (projected)	FY 2000 (proposed)
Hunterdon	$3.6 million	$4.0 million	$2.9 million
New Lisbon	$5.2 million	$5.5 million	$2.6 million
Vineland	$2.9 million	$3.6 million	$2.2 million
Woodbine	$2.4 million	$1.8 million	$2.9 million
Woodbridge	$4.1 million	$5.3 million	$2.5 million

The number of direct care positions increased slightly or remained relatively stable at most facilities:

Facility	June 1998	December 1998
Hunterdon	992	1,019
New Lisbon	1,088	1,107
Vineland	1,538	1,528
Woodbine	954	949
Woodbridge	971	950

The FY 2000 budget assumes that total overtime expenditures at Hunterdon, New Lisbon, Vineland and Woodbridge will be reduced by nearly 45 percent, even though FY 1999 overtime costs are projected to increase over FY 1998 overtime expenditures. On the other hand, Woodbine which reduced projected overtime, is provided additional overtime funds.

! *Question:* As staffing at Hunterdon, New Lisbon and Vineland has increased or remained stable, what accounts for the increase in overtime? As overtime expenditures at Hunterdon, New Lisbon, Vineland and Woodbridge are projected to increase in FY 1999, is the amount allocated for overtime in FY 2000 sufficient? Can Woodbine's recommended appropriation be reduced as its overtime costs are projected to decrease in FY 1999?

Discussion Points (Cont'd)

23. The budget anticipates approximately $173.9 million in federal ICF-MR revenues. This amount is determined by estimating individual ICF-MR rates for the various developmental centers and the number of patient days. For FY 2000, the ICF-MR revenue estimate is based on 1,263,000 patient days at an average per diem of $260 (for all centers).

Based on annualized July - December 1998 data, FY 2000 patient days may be overestimated by about 20,000. This 20,000 day difference is equal to about $2.6 million in federal ICF-MR reimbursement.

! *Question:* Are federal ICF-MR revenues overstated?

24. Appropriated recoveries for use by the various Waiting List Initiatives are expected to increase from $26.0 million to $38.0 million. The increase is due to legislation which requires all clients receiving services from the division to contribute towards the cost of the services. However, DDD may not collect as much revenue from clients at the developmental centers and from clients in the community for whom DDD is the guardian or representative payee.

At present, the State retains all monthly income after the client receives a personal needs allowance. For example, a client in a ICF-MR bed in a developmental center retains about $40 per month for a personal needs allowance and other purposes. The balance of the SSI check, which can be as much as $610 per month, is retained by the State.

Under the terms of N.J.A.C. 10:46-2.5(k)2, only "50 percent of Disposable Monthly Income [total monthly net income less personal needs allowance] shall be automatically contributed to cost of care an maintenance." The rest of the monthly income can be used by the client for various needs. Thus, instead of the State retaining about $610 per month (assuming a client receives the maximum allowable SSI check), the State can only retain $305 per month. Assuming that the 3,500 clients in ICF-MR beds receive the maximum SSI benefit, the potential loss of revenue under the fee policy may be significant. This reduction in income may offset any increase in revenues from clients who currently do not contribute or provide a minimal contribution towards the cost of services. (The State may ultimately get these monies back in that a client cannot have more than $2,000 in assets to be Medicaid eligible.)

! *Question:* As clients for whom DDD is the guardian/representative payee may contribute less under the fee policy, are the additional revenues attainable?

25. <u>The Community Services Waiting List Reduction Initiatives - FY 1997 - 2000</u>, when completed, will provide 2,000 community placements, nearly 1,400 day program slots and additional family support services at an annualized cost of about $118 million. Despite these community initiatives, the Waiting List continues to grow. Between January 1997 and December 1998, the "urgent" category has increased from about 1,700 to over 3,000. (The total Waiting List increased from about 4,700 to over 5,500).

In developing residential placements, DDD has primarily relied on developing group homes, skill development homes, supportive living and supervised apartments. According to the

Discussion Points (Cont'd)

New Jersey Association of Health Care Facilities, there are vacant beds in many Residential Health Care Facilities (RHCFs). Some clients on the Waiting List may qualify for RHCFs. Even if DDD supplemented the basic SSI RHCF rate of $650 per month, it might cost DDD less than the $50,000 per contracted group home slot it now spends. Also, by using existing RHCFs, capital/bond expenditures of between $200,000 and $300,000 to develop a group home for between four and six clients would be avoided.

! *Question:* Has the placement of clients from the Waiting List into vacant RHCF beds been considered?

26. Retroactive adjustments in the federal Community Care Waiver (CCW) program accounts for a significant portion of total CCW reimbursement. For the July - December 1998 period 66.1 percent of $140.0 million (gross) claims processed were retroactive claims. The magnitude of retroactive reimbursements may indicate that both the initial CCW rates being established and the $161.3 million in CCW revenues anticipated in FY 2000 are too low.

! *Question:* Are FY 2000 CCW revenues understated?

Division of Family Development

27.a. The FY 1999 appropriations act funded 462 positions, including 46 positions for Work First New Jersey activities. However, between June and December 1998, the total number of full-time personnel decreased from about 395 to 390. The FY 2000 budget provides funding for 462 positions.

! *Question:* Is the number of funded positions overstated in view of the number of full-time employees on the payroll in December 1998?

27.b. The division's overtime costs have increased from $200,000 (FY 1998) to a projected $300,000 (FY 1999). The FY 2000 budget includes $70,000 for overtime.

! *Question:* Is the $70,000 allotted for overtime sufficient in view of current overtime expenditures?

28. Electronic Benefit Transfer/Distribution System (EBT) appropriations (gross) increase from $4.1 million to $6.9 million as the system of providing various benefits to clients electronically is implemented Statewide. EBT is administered by a private vendor. While the contract with the vendor contains financial penalties, the penalties were developed in the early 1990s when EBT operated in three counties. These penalties may no longer be adequate. The Division of Purchase and Property determines whether penalties should not be imposed.

During February 1999, there was a major service disruption affecting both clients and vendors participating in EBT. There have also been other less publicized problems in extending EBT Statewide. The Division of Purchase and Property did not impose penalties on the vendor.

! *Question:* Are current financial penalties adequate? Why did the Division of Purchase and Property decide not to impose penalties on the vendor when the system went down in February?

Discussion Points (Cont'd)

29.a. The chart on the next page details actual and proposed Work First New Jersey technology expenditures for the FY 1997 - FY 2000 period:

	FY 1997 Actual	FY 1998 Actual	FY 1999 Adj.	FY 2000 Rec.
TOTAL (000)	$26,003	$11,204	$25,819	$28,974
State	$14,293	$3,809	$11,367	$12,086
Federal	11,710	17,395	14,452	16,888

In addition to the FY 2000 recommended appropriation, proposed budget language (p. D-231) appropriates up to $4.1 million "to meet the timely implementation of Work First New Jersey technology initiatives."

The technology funds are used for various projects such as FAMIS (public assistance and Food Stamps), ACSES (child support), General Assistance, One EZ Link and other projects. However, information is not readily available as to the amounts expended on specific data processing projects. For example, a General Assistance automation project was to have been implemented during February 1999; implementation has been delayed for at least six months.

! *Question:* How much State and federal funds have been expended on hardware, software development, software licenses, training, infrastructure improvements and consultant services on behalf of FAMIS, ACSES, General Assistance automation, One EZ Link and other computer projects?

29.b. The Work First New Jersey - Technology Investment account supports various technology projects such as the automation of General Assistance. A private vendor was hired to develop and implement a General Assistance automation system and the project was to have been operational February 1999. The vendor was not able to meet the February 1999 deadline and implementation has been delayed for at least six months.

! *Question:* Were financial penalties imposed on the private vendor for not having the system operational by February 1999? If not, why not?

30. Based on current collection patterns, gross child support recoveries anticipated in support of the Work First New Jersey - Client Benefits account appears overstated by at least $15 million. Proposed budget language on p. D-232 would allow the unexpended balances in the Work First New Jersey Contingency Fund to be used for "unanticipated public assistance caseload growth". As currently worded, the Contingency Fund could not be used to offset a shortfall in child support collections.

! *Question:* Should the proposed language be amended to include "unanticipated short falls in child support collections"?

31. General Assistance Emergency Assistance (GAEA) costs are expected to decline from $36.4 million to $34.7 million as fewer persons will receive assistance. Included within the GAEA appropriation is up to $8 million to provide permanent housing for recipients instead of placing them in hotels/motels at an approximate monthly cost of $716.

Discussion Points (Cont'd)

! *Question:* What specific housing initiatives are to be taken to reduce both GAEA expenditures and the number of people receiving assistance?

32. The appropriation for State Supplemental Security Income Administrative Fee to SSA (Social Security Administration) is expected to decrease, from $12.6 million to $10.3 million. The State intends to discontinue using SSA to process monthly checks and have a private vendor handle this function instead. The one bid that was received in response to the Request for Proposals (RFP) is currently being reviewed and consideration is being given to issuing a new RFP which would further delay privatization.

! *Question:* When will a contract be awarded? Until such time, are sufficient funds available in the account to continue to reimburse the SSA for this service in FY 2000?

33. The FY 2000 recommended General Assistance County Administration appropriation of $9.9 million is unchanged from FY 1999 levels. The $35 per case rate would remain in effect in FY 2000 as a new computer system is expected to reduce administrative costs and as economies of scale are realized as more General Assistance programs are transferred to the counties.

! *Question:* As several large municipalities -- Camden and Trenton -- are in the process of consolidating and it is uncertain whether the computer system will be operational during the first quarter of FY 2000, is the $9.9 million appropriation sufficient to cover all municipalities that have consolidated?

34. As a result of declining public assistance caseloads, the State's ability to spend either $304 million or $324 million in State funds (depending on the State's ability to meet Work Participation Rate requirements) to meet federal Maintenance of Effort (MOE) requirements has become more difficult. The division is in the process of determining whether a portion of the $3.0 million being expended on the New Jersey Youth Corps can count towards the MOE as Youth Corps clients may receive Work First New Jersey benefits. Enrollment data has been provided by the Youth Corps to cross match against the division's records.

! *Question:* Can any of the $3.0 million in State Youth Corps expenditures count towards the State's MOE requirement?

Division of Youth and Family Services

35. Between January 1998 and 1999, the number of children assigned to the four Adoption Resource Centers (ARCs) increased from about 8,700 to 9,200. As a percentage of the Child Welfare League of America standard, ARC staffing decreased slightly during the same period, from 59.3 percent to 58.7 percent. The federal Adoption and Safe Families Act's emphasis is on terminating parental rights whenever a child has been in placement for 15 of the most recent 22 months and making such children available for adoption.

! *Question:* Will additional staff be needed at the ARCs to implement the provisions of the Adoption and Safe Families Act?

36. The number of children in Subsidized Adoptions and related expenditures in the FY 2000 recommended budget are unchanged at about 5,840 adoptions and $33.3 million, respectively. In March 1999, over 6,100 children were receiving an adoption subsidy; current expenditures are projected at $33.3 million. The average number of subsidized adoptions has increased even before

Discussion Points (Cont'd)

the enactment of the federal Adoption and Safe Families Act as indicated below:

FY 1995	FY 1996	FY 1997	FY 1998	FY 1999 (thru March)
5,408	5,591	5,717	5,762	5,946

! *Question:* As the number of children in Subsidized Adoptions has been increasing and already exceeds the FY 2000 estimate of 5,840, is the account under funded?

37. The number of children in Foster Care is expected to decline from about 6,775 to 6,600 in FY 2000. Related gross expenditures (before recoveries) are expected to increase from $46.4 million to $53.1 million. However, as of March 1999, there were nearly 7,000 children in foster care, a slight increase from January 1998 levels. Current gross expenditures on behalf of the 7,000 children are projected at $45.8 million. As the FY 2000 budget does not anticipate an increase in either the number of children in subsidized adoptions or other residential placements, a reduction in the number of children in foster care can only be accomplished by returning children to their parents. There is no funding increase for Family Support Services ($41.6 million) in the FY 2000 budget to facilitate the return of children from foster care to their parents.

! *Question:* On what basis is the number of children in Foster Care expected to decrease in FY 2000?

38. The FY 2000 budget recommends $2.5 million for Family Friendly Centers. The intent of this recommended appropriation is to maximize the use of schools for after-school programs and adult education activities. (A similar request included in the FY 1999 recommended budget was not approved.)

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

39. The chart below indicates the amount of unexpended bond appropriations available to the division at the end of December 1997 and 1998. The chart indicates that the division has a considerable unexpended bond appropriations dating back to a FY 1984 Bond Issue:

Bond Issue	December 1997	December 1998
1994	$5.9 million	$5.5 million
1989	$3.1 million	$3.0 million
1984	$1.3 million	$1.2 million

Agencies providing residential and other services to the division have testified at past budget hearings regarding their capital needs for renovations and fire safety improvements. Using surplus property at existing State institutions, these unexpended bond funds could be used to establish new, specialized residential treatment programs in-State, rather than placing children in out-of-State residential programs.

Discussion Points (Cont'd)

! *Question:* Why has the division been unable to spend it bond appropriations, particularly those from 1984 and 1989 bond issues? Should these bond funds be used to expand existing residential programs to reduce the number of children placed in out-of-State programs?

Division of Management and Budget

40. The chart below provides overtime data for FY 1998 - FY 2000 period for Central Office; virtually all the overtime is attributable to the department's police force.

	FY 1998	FY 1999 (projected)	FY 2000 (proposed)
DHS Central Office	$900,000	$1.0 million	$800,000

When the overtime issue was raised last year, the department indicated that FY 1999 overtime costs would be reduced as the closing of Marlboro and North Princeton would make additional police personnel available. Yet the number of funded Institutional Security Services personnel decreased from 75 (FY 1998) to 72 (revised FY 1999); in FY 2000, the number of funded Institutional Security Services personnel is further reduced to 65.

! *Question:* Are additional police personnel needed to reduce overtime costs?

41. For costs associated with Institutional Background Checks, the FY 1999 appropriations act appropriated and the FY 2000 budget recommends $407,000. Through February 1999, annualized expenditures are projected at about $300,000.

! *Question:* Can the FY 2000 recommended appropriation be reduced?

42. Several years ago, a $500,000 Special Purpose account, Nursing Scholarship Program, was eliminated as a nursing shortage no longer existed. Reports in professional journals and newspapers now indicate that a nursing shortage is again developing; some of the department's institutions have indicated that it is becoming more difficult to recruit qualified nursing personnel.

! *Question:* As a nursing shortage appears to be developing, should a Nursing Scholarship Program be reestablished?

43. Medicare B revenues received on behalf of patients who are Medicare eligible at State institutions declined by over $100,000 between FY 1997 and FY 1998, from $2.0 million to $1.9 million, despite an increase in populations at the remaining institutions caused by the closing of Marlboro and North Princeton. The Medicare B billing process depends on State institutions assigning the appropriate personnel to properly code and complete the Medicare forms. However, State institutions have no financial incentive to maximize Medicare B revenues as revenues are deposited into the General Fund. Thus, State institutions may not assign appropriate staff to code and complete the Medicare forms. For example, Greystone and Woodbridge rely on non-medical personnel to determine the proper Medicare procedure code from physician's records.

In contrast to the Department of Human Services, budget language in the Department of Military and Veterans' Affairs allows the department to retain "40 percent of receipts in excess of the amount anticipated from ... federal reimbursements" as an incentive to maximize such

Discussion Points (Cont'd)

reimbursements. Each veterans nursing home assigns nursing personnel familiar with medical coding to complete the Medicare forms.

! *Question:* Would language similar to that included in the budget of the Department of Military and Veterans' Affairs provide an incentive to increase Medicare B collections?

44. Continuation funding of $3.0 million is recommended for the New Jersey Youth Corps. The 11 corps sites, primarily in urban centers, serve about 900 high school drop outs. Program officials have provided demographic information to the Division of Family Development to determine the number of Youth Corps clients who are receiving federal Temporary Assistance to Needy Families (TANF) benefits.

! *Question:* Assuming that the Youth Corps program serves a high percentage of TANF clients, can federal TANF funds be used to expand or establish new Youth Corps program sites?

Background Paper: Personal Care Services

Budget Pages.... D-199

Funding ($000)	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000
Payments for Medical Assistance Recipients - Personal Care	$79,140	$88,757	$100,567

SUMMARY

The recommended appropriation appears insufficient based on current expenditure patterns and that $6.7 million in "independent assessment system" savings seem uncertain.

BACKGROUND AND ANALYSIS

The FY 2000 budget recommends $100.6 million for Personal Care Services, a 13.3 percent increase over FY 1999 adjusted levels. The appropriation assumes $6.7 million in savings through the implementation of "an independent assessment system".

Personal Care Services are defined as "health related tasks performed by a qualified individual in a recipient's home, under the supervision of a registered professional nurse, as certified by a physician in accordance with a recipient's written plan of care" (N.J.A.C. 10:60-1.2). The services provided involve assisting recipients with activities of daily living such as: care of teeth and mouth; bathing; dressing; eating and preparing meals; shopping; cleaning; and other services (N.J.A.C. 10:60-1.10).

Personal Care Services must be prescribed by a physician, however, a registered professional nurse makes the determination as to the number of hours of services a person needs each week. In general, personal care services are limited to a maximum of 25 hours per calendar work week; an additional 15 hours per calendar work week may be provided under certain conditions. If more than 40 hours of personal care services are to be provided, written approval must be obtained from the Division of Medical Assistance and Health Services (DMAHS). Until recently, DMAHS's administrative oversight of personal care services was minimal.

DMAHS' monthly statistical reports indicate that Personal Care Services expenditures (gross) and the number of persons receiving such services are increasing:

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Expenditures ($000)	$66,232	$88,742	$111,431	$131,977	$162,454
Recipients	5,900	7,700	8,900	10,900	12,800

To reduce the rate of increase, in March 1998, DMAHS initiated a concurrent beneficiary review and assessment process for personal care recipients in six counties. (The increased administrative review was limited to these counties based on the volume of personal care services.) The FY 1999 appropriations act assumed that this initiative would save $5.2 million.

Background Paper: Personal Care Services (Cont'd)

Despite this initiative, personal care expenditures are projected to exceed available FY 1999 appropriations -- $190 to $193 million (gross) compared to the $177.6 million (gross) appropriation. One reason the concurrent beneficiary review and assessment process has not been as successful at curbing the rate of increase in personal care expenditures is that many clients have appealed any reduction in service hours. Pending the outcome of the appeal, the client continues to receive the original number of personal care hours.

Based on current personal care expenditure patterns, the FY 2000 recommended appropriation of $100.6 million (State share) appears insufficient. The $6.7 million in "independent assessment system" savings seem uncertain as FY 1999 expenditures will exceed appropriations despite $5.2 million in management improvements.

Background Paper: Increasing the Drug Discount Medicaid Receives From High Volume Pharmacies

Budget Pages.... D-199

Funding ($000)	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000
Payments for Medical Assistance Recipients - Prescription Drugs	$277,424	$193,284	$226,740

SUMMARY

Increasing the drug discount the Medicaid program receives from high volume pharmacies/providers from 10 to 12 percent would save an estimated $1.5 million (State share).*

BACKGROUND

The Medicaid program reimburses for the cost of prescription drugs on the basis of either: (a) a drug's "average wholesale price" (AWP) less 10 percent or (b) a drug's maximum allowable cost (as determined by the federal government). Approximately 75 percent of the drugs used in Medicaid are reimbursed on the basis of AWP less 10 percent. Medicaid receives the same 10 percent discount from pharmacies irrespective of volume.

Several years ago, the Medicaid program had received a discount of 0 to 6 percent, based on the volume of Medicaid/PAAD prescriptions filled by a pharmacy. The 0 to 6 percent discount acknowledged that high volume pharmacies are able to purchase drugs at lower cost than low volume pharmacies and could afford to provide the State with a larger discount than low prescription volume pharmacies. The 0 to 6 percent discount was pharmacy specific: Instead of looking at the total prescription volume of all stores with a pharmacy chain, the 0 to 6 percent discount was applied on a pharmacy-specific basis.

Articles in newspapers and professional journals generally acknowledge that managed care organizations and health insurers obtain discounts in excess of 15 percent from pharmacies that want to be part of their network. (Information on the percentage discount pharmacies provide is considered proprietary and is not available.) Thus, the 10 percent discount Medicaid receives may be less than the discount a pharmacy offers other health insurers or managed care organizations; the same pharmacy may provide a greater discount to the health maintenance organization which enrolls Medicaid clients than to Medicaid clients who are not enrolled in a health maintenance organization.

ANALYSIS

During CY 1997, high volume pharmacies/providers (those that filled more than 20,000 PAAD and Medicaid prescriptions*) accounted for about 40 percent of the total prescriptions filled by the Medicaid program, 3.7 million prescriptions out of a total of 9.2 million prescriptions.

Applying these statistics to the FY 2000 recommended appropriation, approximately 4.7 million prescriptions valued at $210 million will be filled by high volume pharmacies. A 2 percent

Background Paper: Increasing the Drug Discount Medicaid Receives From High Volume Pharmacies (Cont'd)

increase in the discount Medicaid receives from high volume pharmacies would save about $1.5 million (State share): 11.8 million Medicaid prescriptions X 40 percent chain volume X 75 percent AWP X $43 per claim X 2 percent additional discount X 50 percent State share.

It is noted that an increase in the percent discount received by the State would reduce the amount of manufacturers' rebates the State obtains. However, even with a reduction in the amount of manufacturers' rebates, the State would still benefit in that the $3.0 million (gross) in savings would be realized immediately; the State would not have to wait months to obtain manufacturers' rebates.

---

* The Background Paper focuses on pharmacies that process over 20,000 PAAD/Medicaid prescriptions annually.

Background Paper: NJ KidCare

Budget Pages.... D-200

Funding ($000)	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000
TOTAL	$1,902	$31,518	$74,856
NJ KidCare (Other Funds - State):	$668	$11,619	$26,198
Administration	$376	$3,887	$3,824
Services	292	7,732	22,374
Federal:	$1,234	$19,899	$48,658
Administration	$692	$5,539	$7,104
Services	542	14,360	41,554

BACKGROUND

Authorized by the federal Balanced Budget Act of 1997, New Jersey will receive $88.4 million each federal fiscal year (October 1 - September 30) for the NJ KidCare program. (The federal matching rates for program expenditures is 65 percent compared to 50 percent in the regular Medicaid program.) Including State matching funds of approximately $47.6 million, $136 million would be available for the program. The federal funds are available for three years. Thus, the $88.4 million in federal funds available in federal FY 1998 can be expended through September 2000; any unexpended federal funds would revert back to the federal government for possible redistribution. (Federal monies made available on October 1998 would be available for expenditure through September 2001.)

New Jersey's program covers children 18 years of age and under and will consist of four components:

Plan A. Expands financial eligibility of the current Medicaid program up to 133 percent of the federal poverty level (FPL).

Plan B. Provides coverage for children whose family income is between 133 percent and 150 percent of the FPL. No monthly premium is required and cost sharing cannot exceed 5 percent of family income.

Plan C. Provides coverage for children whose family income is between 150 percent and 200 percent of the FPL. A monthly $15 premium is required and there is a copayment for certain services, not to exceed 5 percent of family income.

Plan D (Proposed and currently pending federal approval). Will provide coverage for children whose family income is between 201 percent and 350 percent of the FPL. The following monthly premiums would apply: 201 - 250 percent of FPL - $30 per month; 251 - 300 percent of FPL - $60 per month; and 301 - 350 percent of FPL - $100 per month. Cost sharing may exceed the 5 percent limit.

Children in Plans B, C and D must be uninsured for a minimum of six calendar months prior to application.

Background Paper: NJ KidCare (Cont'd)

NJ KidCare services are provided through managed care agencies.

The chart below provides family income limitations for the program:

	Family Size			
Income	1	2	3	4
133% of FPL (1999)	$10,859	$14,710	$18,460	$22,211
150% of FPL (1999)	$12,360	$16,590	$20,820	$25,050
200% of FPL (1999)	$16,480	$22,120	$27,760	$33,400
350% of FPL (1999)	$28,840	$38,710	$48,580	$58,450

Enrollment

There has been concern over the slow pace of enrollment in NJ KidCare as initial estimates stated that 102,000 children would be enrolled:

	7/98	8/98	9/98	10/98	11/98	12/98	1/99	2/99	3/99
Total	6,500	9,400	11,900	14,600	17,000	18,900	21,100	23,300	25,100
Plan A	6,200	8,000	9,000	10,700	11,800	12,700	13,800	14,700	15,200
Plans B & C	300	1,400	2,900	3,900	5,200	6,200	7,300	8,600	9,900

The FY 2000 recommended budget projects that 44,500 children will be enrolled at the end of FY 1999; enrollment is expected to reach 97,100 by the end of FY 2000.

Reasons for Lower Enrollment

Enrollment Overestimates. Attention has been focused on the estimate that 102,000 children would be covered by the program. Evidence suggests that the 102,000 estimate was overstated.

- The 102,000 estimate was based on national data which are not necessarily statistically valid on a state level.
- Estimates as to the number of eligibles included children who are eligible for the primary Medicaid program and who would have to be enrolled in that program.
- Estimates include children who are not U.S. citizens or qualified aliens and who, therefore, would not be eligible for NJ KidCare.

A March 1998 Urban Institute report (The State of Children's Health Insurance Program: A Look at the Numbers noted, for example, that estimates include "a large number of uninsured children in families ... who are already Medicaid eligible."

State Medicaid data indicate that since NJ KidCare was initiated, the number of children

Background Paper: NJ KidCare (Cont'd)

enrolled in various Medicaid programs where eligibility is tied to family income, rather than receipt of public assistance benefits, has increased at a faster rate than before NJ KidCare. For example, between December 1994 and December 1996, the number of Program Status Code 481 children increased by nearly 30 percent; between December 1996 and December 1998, the number of children enrolled in this component of Medicaid has increased by 57 percent.

Enrollment Difficulties. It may have been unrealistic to expect over 100,000 children to enroll in Medicaid in a short period of time in light of Medicaid's past enrollment difficulties.

For example, when the State expanded Medicaid income eligibility limits to 100 percent of FPL for pregnant women in the late 1980s, it was estimated that 5,000 pregnant women would enroll in the program within a year. Even with presumptive eligibility, where a pregnant woman was presumed eligible without initial financial documentation, the 5,000 enrollment figure was not reached until the end of FY 1992. NJ KidCare income and insurance coverage verification provisions may make it even more difficult to enroll children in the program.

Recently, NJ KidCare did a mailing to over 23,000 WIC recipients who were not already enrolled in the Medicaid program. Several thousand letters were returned because the addressee was unknown or the recipient had provided the wrong address.

Reasons for Ineligibility:

- Citizenship/Alien Status. Over 47 percent of the children determined ineligible for NJ KidCare resulted from the child not being a U.S. citizen or qualified alien.

- Other Insurance Coverage and Six Month Uninsured Requirement. About 39 percent of the children had other government or private insurance coverage. Only 3 percent of the children were disqualified because they had health insurance during the past six months.

  Changes in the program's restrictions on prior or current health insurance coverage may result in additional children qualifying for the program, although the State may have to establish safeguards to ensure that employers do not drop dependent coverage and seek to replace NJ KidCare coverage with that provided by an employer.

- Income. The primary reason (78 percent) a household was denied eligibility into NJ KidCare was that household income exceeded 200 percent of FPL. Thus, increasing the income eligibility requirement to 350 percent of FPL should make additional households with children eligible for coverage.

Background Paper: Work First New Jersey - Client Benefits and Child Support Collections

Budget Pages.... D-230

Funding ($000)	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000
Work First New Jersey - Client Benefits (GROSS):	$260,801	$217,549	$209,714
General Fund	$104,629	$95,913	$66,023
Federal	156,172	121,636	143,691

SUMMARY

The FY 2000 recommended appropriation is under funded by at least $15 million as child support collections appears to be overstated by an equal amount.

BACKGROUND AND ANALYSIS

The FY 2000 recommended budget for Work First New Jersey - Client Benefits is $209.7 million (gross): $66.0 million State and $143.7 million federal. (The amount of federal funds allocated is discretionary on the State's part. The federal government is not concerned with the amount of State funds allocated for Client Benefits so long as the State meets its maintenance of effort requirement of around $320 million.)

Among the variables used to determine the amount of funds needed to pay Client Benefits is Gross Child Support Collections. The FY 2000 recommended budget assumes Gross Child Support Collections of $90 million, a 2.2 percent reduction from FY 1999 collections of about $92.1 million.

Child support collections on behalf of public assistance recipients have declined as fewer persons receive public assistance benefits. Between FY 1997 and FY 1998, reported collections decreased 10.3 percent, from $90.6 million to $81.3 million. The FY 1999 appropriations act had assumed child support collections of $92.1 million, an increase of $8.0 million over FY 1998 due to new federal initiatives to increase collections. The chart below presents the new initiatives and the amount of child support collections they were expected to generate in FY 1999 and FY 2000:

	FY 1999	FY 2000
Financial Institutions Match Fees	$1.3 million	$2.6 million
Centralized Collections	$0.5 million	$1.2 million
License Revocations	*	*
New Hires	$5.5 million	$5.1 million
Child Support Consolidation	n.a.	$0.6 million
Other	$0.7 million	$0.6 million
TOTAL	$8.0 million	$10.3 million

Available data indicate that about $70 million in child support collections will be collected in FY 1999, therefore, the various initiatives to increase collections do not appear to be generating additional monies.

Background Paper: Work First New Jersey - Client Benefits and Child Support Collections (Cont'd)

As child support collections on behalf of public assistance recipients are declining, there is no evidence that collections, even with the new initiatives, will increase in FY 2000 to $90 million from the current $70 million collection rate.

Assuming an increase in gross child support collections from its current $70 million level to $75 million in FY 2000, the recommended appropriation for Work First New Jersey - Client Benefits of $209.7 million (gross) would require an additional $15 million (gross) in funds to offset the reduced collection of child support benefits. Alternatively, proposed budget language on p. D-232 which allows unexpended balances in the Work First New Jersey Contingency Fund to be used for "unanticipated public assistance caseload growth," could be amended to reference "shortfalls in anticipated child support collections".

OFFICE OF LEGISLATIVE SERVICES

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

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

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

Individuals wishing information and committee schedules on the FY 2000 budget are encouraged to contact:

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

(609) 292-8030 Fax (609) 777-2442