SENATE BUDGET AND APPROPRIATIONS COMMITTEE
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Good morning, Chairwoman Buono and the distinguished members of the Senate Budget and Appropriations Committee.

I am joined today by several members of our Department's senior staff, whom I will introduce to you during the course of our testimony. By way of quick background, the Department of Human Services is comprised of eight operating divisions, and a central office that oversees a number of critical functions. Included under our department's purview are the Divisions of Developmental Disabilities, Mental Health Services, Family Development, Medicaid, Addiction Services, Deaf and Hard of Hearing, Disability Services, and the Commission for the Blind and Visually Impaired.

You heard from the Treasurer just last week that never in our state's history has it been more challenging to balance the needs of our state with the financial resources available to us. Indeed we see this across the entire country. It has been widely reported that our nation's deepening recession has created severe budget shortfalls in so many states – leading them to slash critical safety net programs and curtail necessary services. A particularly ominous headline on the front page of this past Sunday's New York Times echoed this reality. It said: "States Slashing Social Programs for Vulnerable." From Arizona to Florida to New York and California – states are absolutely struggling with painful choices – with one state official testifying to her Legislature that "it's like trying to decide whether to give up your first-born boy or your first-born girl."

We too have struggled with some very difficult choices – and we've also worked hard to adhere to the Governor's commitment to protect the most vulnerable as best we can – and I believe the Department's budget reflects that hard work.

Our current year FY09 budget totals $4.9 billion (State share dollars). However, due to the current year shortfall, the Department had offered $108 million as part of the 2009 midyear reductions. For FY10, our proposed budget is $4.6 billion, a reduction of $366 million or 8%, even after covering over $490 million in entitlement or other mandatory growth obligations. Our driving philosophy was to offer reductions that would minimize any negative impact upon people. In many ways we were able to hold true to that approach; in others, we have in fact reduced services or benefits. Again, these were very difficult choices – and certainly others exist.

Our management teams struggle to develop furlough plans, workforce reduction plans, various contingency plans, and continue to realign a shrinking staff to critical functions. It is sobering to note that over 80% of our department's employees care directly for individuals with developmental disabilities or mental illness, or support the work that the direct care, professional and medical staff perform each day – and so we're limited in what we can safely absorb through furloughs. With administrative staff, however, we have reduced the capacity of certain key functions. We have reduced and realigned human resources, licensing, and auditing capacity through attrition and we struggle to maintain our responsiveness to client and constituent issues and concerns.

Because the economic downward spiral has affected so many people, I want to provide to you the latest information relating to our efforts to shore up the social safety net. Much of that work is administered by the Division of Family Development – and, by extension, the county and municipal welfare offices. These offices serve as the locus points for many people seeking immediate assistance for Food Stamps, Medicaid, TANF, General Assistance, Emergency Housing, child support, and child care.

Since 2007, the sheer number of people coming to the welfare offices has increased between 18 and 50% - depending upon the county – but it's safe to say that no county has been untouched by the volume of people applying for benefits, and the long lines of individuals, kids and families out the doors.

The Food Stamps program (now called SNAP – Supplemental Nutrition Assistance Program) has seen a tremendous amount of activity – which is expected in a weak economy. Several things to report on that front: In calendar year 2008, the food stamp caseload has increased 12% to 231,000 households – nearly half of that occurring in the last four months of 2008. In January 2009 alone, the caseload increased by 1,478 households – to a new total of 232,414.

We are expanding categorical eligibility for households – up from 135% to 185% of the Federal Poverty Guidelines – beginning in the fall of this year. This policy change will enable us to capture an additional 35,500 households. The anti-hunger advocates have long advocated for this policy change. There are other improvements such as online applications and telephone interviewing that we are implementing to ease the process for seniors and those with disabilities.

Along with policy changes to help ease the application process for both consumers and counties, the American Recovery and Reinvestment Act of 2009 (ARRA) has provided funds to alleviate some of the increased administrative costs associated with increased food stamp caseloads. Each of the 21 County Welfare Agencies will directly benefit from these funds.

Another bright spot of the ARRA is the increase in the SNAP monthly benefit allotment – which we successfully implemented on time. As of April 1st, all SNAP recipients received approximately a 13.6% increase in their benefit – without having to do a thing.

Finally, child care is a critical safety net support for working families – and there is some very good news from the ARRA. Last week, we announced that NJ stands to receive just over $34 million – most of which will be used to support time-limited funding to cover about half of the families of the 6,000 children who are now on our waiting list for child care. Another $2.8 million will be used to support quality expansion and infant/toddler services.

Shifting to Mental Health, last year at these hearings, Ancora Psychiatric Hospital was a focus of discussion due to a series of high profile incidents and quality of care concerns. Many of these problems developed over a decade and will not be fixed overnight. After an initial period of containment, I issued Administrative Order 1:91, setting out short and mid-range plans for improving the hospital's performance.

We await findings from a US Department of Justice review at the hospital, but significant progress has been made during the past year, including the hire of a new CEO following a national search, treatment improvements, and reductions in patient census. In fact, we are the only state in the country to now publicly post state hospital incident data on its web-site. Ancora also opened an on-grounds patient self-help center, one of only a handful across the country, and it is based on a nationally recognized evidence-based practice known as peer support.

A national report card released just last month from the National Alliance on Mental Illness (NAMI) commended Governor Corzine's personal commitment to reforming Ancora. The NAMI report goes further to state "New Jersey has much promise.... and innovative DMHS stewardship provide(s) the potential for a state-of-the art public mental health system." NAMI commended Deputy Commissioner Kevin Martone, and our Division of Mental Health Services, with implementation of nationally recognized evidence-based practices, such as PACT (Programs in Assertive Community Treatment) teams and supportive housing, in all 21 counties. The Governor's Council on Mental Health Stigma activities rated in the top three across the country, and other Division activities achieved top rankings as well.

The Division's Olmstead efforts have resulted in a significantly reduced state hospital census - the lowest in NJ's history of operating state hospitals despite the State's population growth. And, the Division has facilitated greater coordination with the law enforcement community resulting in more people being appropriately diverted into treatment.

The Division of Developmental Disabilities was also a major focus of last year's hearings – and I believe we have significant news to report here as well. Through much more active management, and after making hundreds of phone calls to families, the size of the waiting list was dramatically reduced by 540 individuals (between July 1, 2008 and January 6, 2009) – some of whom were already receiving residential services. Additionally, and I believe for the first time in the Division's history – we sent notification letters to 4,600 families about their placement on the Priority Waiting List – and we've committed to do that every year. And finally, with the funding we received in last year's budget, we contacted another 100 individuals regarding their placement off of the list. It's important to note that nearly half of the individuals (44 of the 100) requested in-home services – not an out of home placement – and the services for which they are eligible will be paid for by Medicaid – not state only dollars. Despite the unprecedented revenue shortfall in this current fiscal year for the amount available to serve those on the waiting list, we nonetheless booked additional money in the FY10 budget for this purpose.

Some individuals who testified at the Legislative public budget hearings a few weeks ago expressed concern about the availability of day services for new graduates. Two things to report there: one is that there had previously been a waiting list for day services – and that has been virtually eliminated. This means that NO ONE should be at home without some program to attend, if that's what they so desire. The second is that this year's graduates should soon be receiving a letter from us that their day services will be funded.

It is also of note that over the past 18 months we have not sent any adults or children to an out of state placement unless it has been court ordered. Rather, we have developed services to keep consumers with developmental disabilities in state. This policy shift alone has cost avoided or saved $5 million.

With respect to both divisions, overtime was a huge concern last year and on balance, we've got very good news. For actual overtime hours and dollars expended, we can report that for the first time since 1996, both overtime hours and expenditures have decreased department-wide against the previous year.

Finally – Medicaid. Some very important pieces of good news – one is with respect to the ARRA, our preliminary estimate is that we will receive $2.2 billion over 27 months. The final amount of federal matching funds (FMAP) is dependent upon two factors: increased caseload and increased unemployment rate. This additional funding provides financial support for the increased caseload and helps to minimize any reductions in services. For this current fiscal year (2009), NJ will receive approximately $600 million. For FY 10, we should receive just over $1 billion.

Another piece of very good news is that yesterday we announced that New Jersey is among three states to capture household insurance status through tax filing information – and we're the first state to utilize Express Lane Eligibility – as outlined in the new Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) law – to match those filers with NJ FamilyCare eligibility. Through these efforts, we expect to reach over 300,000 children whose parents self-reported that their children were uninsured. While we have streamlined the application process, we have built in controls for the processing of self-employed applicants.

Finally, we have eliminated premiums for children in low income families up to 200% of the Federal Poverty Guidelines. This premium elimination will decrease the churning that takes place in the system and will ensure that many more children will remain insured.

This was a difficult budget year with very difficult choices. In the end, our goal was to minimize any detrimental effect of these choices upon the individuals who rely on our services.