

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE, No. 136**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: NOVEMBER 28, 2022

**SUMMARY**

**Synopsis:** Establishes annual cost of living adjustment based on Consumer Price Index for certain children, youth, and family services organizations.

**Type of Impact:** Annual increase in State expenditures and revenues.

**Agencies Affected:** Department of Children and Families.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost Increase</b>	\$81.6 million	Indeterminate	Indeterminate
<b>State Revenue increase</b>	\$19.6 million	Indeterminate	Indeterminate

- The Office of Legislative Services (OLS) concludes that State expenditures would increase by approximately \$81.6 million in the first year of implementation for the Department of Children and Families (DCF) to provide a cost of living adjustment to certain service providers under contract with the department.
- Because the bill stipulates that the cost of living adjustment is to be extended to State programs that are partially or fully funded by Medicaid, the OLS estimates that the bill may increase State revenues by \$19.6 million in the first year of implementation from higher federal Medicaid reimbursements.

**BILL DESCRIPTION**

This bill requires that a contract between the DCF and a children, youth, and family organization include an annual increase in the cost of living adjustment received by the organization. The cost of living adjustment would be based on the Consumer Price Index for the previous 12-month period beginning October 1 and ending September 30, as published by the United States Bureau of Labor Statistics in the Department of Labor. The requirements under the bill would extend to State programs partially- or fully-funded by the State Medicaid program.

**FISCAL ANALYSIS*****EXECUTIVE BRANCH***

None received.

***OFFICE OF LEGISLATIVE SERVICES***

The OLS concludes that State expenditures would increase by \$81.6 million in the first year of implementation for the DCF to provide a cost of living adjustment to certain service providers under contract to the department. The estimate assumes current contracts will continue. The increase in State spending in the subsequent years is indeterminate and will be driven primarily by changes to the Consumer Price Index. Total State spending on affected programs is calculated by the OLS to be \$995.6 million. The Consumer Price Index for the 12-month period ending September 30, 2022 was 8.2 percent. Applying this inflator, DCF spending under the bill would increase by \$81.6 million in the first year of implementation.

Because the bill extends the cost of living adjustment to State programs that are partially or fully-funded by Medicaid, the OLS estimates that the bill may increase State revenues by \$19.6 million in the first year of implementation from higher federal reimbursements. In general, Children's System of Care services for Medicaid-eligible children and youth qualify for federal Medicaid matching funds, as do certain services for Division of Child Protection and Permanency-involved children and families. Pursuant to the bill, entities eligible for a cost of living adjustment include organizations rendering services to children, youth, and families under cost-based contracts with the DCF and those billing the DCF on a fee-for-service basis.

*Section: Human Services*

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Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).