



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF LABOR
AND
WORKFORCE DEVELOPMENT**

FISCAL YEAR

2008 - 2009

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Commerce, Labor and Industry Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Robin C. Ford Gregory L. Williams was the primary author of the background papers entitled "New Jersey's Workforce Development Programs" and "History of Diversions from the Unemployment Insurance, the Temporary Disability Insurance and Various Workers' Compensation Funds."

Questions or comments may be directed to the OLS Commerce, Labor and Industry Section (609-984-0445) or the Legislative Budget and Finance Office (609-292-8030).

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Budget Pages..... C-9, C-17, C-24, C-25, D-232, D-241
to D-258, D-410, F-7, H-26, H-28, H-30, H-32, H-42

Fiscal Summary (\$000)

	Expended FY 2007	Adjusted Appropriation FY 2008	Recommended FY 2009	Percent Change 2008-09
State Budgeted	\$170,133	\$138,670	\$138,367	(0.2%)
Federal Funds	369,409	428,917	435,423	1.5%
<u>Other</u>	<u>159,599</u>	<u>204,930</u>	<u>207,634</u>	<u>1.3%</u>
Grand Total	\$699,141	\$772,517	\$781,424	1.2%

Personnel Summary - Positions By Funding Source

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change 2008-09
State	250	256	259	1.2%
Federal	2,946	2,776	2,782	0.2%
<u>Other</u>	<u>443</u>	<u>423</u>	<u>423</u>	<u>0.0%</u>
Total Positions	3,639	3,455	3,464	0.3%

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

Key Points

- The proposed budget recommends \$138.4 million in State funding for the Department of Labor and Workforce Development. This is a \$303,000 decrease from the adjusted FY2008 appropriation level. Most of the department's programs are supported by federal (55.7%) and dedicated "Other" funds (26.6%).
- Subsequent to the release of the FY2009 budget, the Governor requested that the Legislature enact a \$260 million supplemental FY2008 appropriation to the Unemployment Compensation Fund, as well as a temporary change in the date of evaluating the fund's balance, in order to avoid an increase in employer payroll taxes.
- The proposed budget estimates a \$319.6 million balance in the State Disability Benefit Fund (SBDF) at the end of FY2009 (page H-28). The Governor's Budget includes a general language provision (page F-6) allowing the State Treasurer, in consultation with the Commissioner of Labor and Workforce Development, to transfer an unspecified

Key Points (Cont'd)

amount of revenue from the SBDF to the General Fund as State revenue. For historical information on the transfer of SBDF monies to the General Fund, see the background, *History of Diversions from the Unemployment Compensation Insurance, the Temporary Disability Insurance and various Workers' Compensation funds*, on page 18 of this report.

- The proposed budget estimates that the Workforce Development Partnership Fund (WDPF) will receive revenues of \$103.8 million in FY2009 (page H-26). The proposed budgets for the Departments of Labor and Workforce Development and Human Services include multiple language provisions (pages D-258, D-232) transferring at least \$55.6 million from the WDPF to the Work First New Jersey Program (at least \$53.7 million) and the New Jersey Youth Corps (\$1.9 million).
- Through recommended language (page D-232), an additional \$20 million would be transferred from the WDPF to the Division of Family Development in the Department of Human Services in the event that federal funding is reduced because the State fails to meet workforce participation rate requirements as defined under the federal Deficit Reduction Act of 2005 (Pub.L.109-171). Similar budget language appeared in the FY2008 Appropriations Act, but according to the department, no funds are expected to be transferred in the current fiscal year.
- The proposed budget estimates that the Supplemental Workforce Fund for Basic Skills (SWFBS) will receive total revenue of \$30.6 million in FY2009 (page H-30). The proposed budget continues a Special Purpose appropriation of \$2 million from the SWFBS for the Workforce Literacy and Basic Skills program, representing a 10 percent administrative allowance (page D-255). The budget also includes language authorizing the transfer of \$14 million from the SWFBS to County Colleges for operating aid (page D-410). This appropriation is a \$6 million decrease (or 30%) from the amount appropriated from the SWFBS to County Colleges in FY2008.
- The proposed budget continues a \$289,000 appropriation for a cost of living adjustment to community providers of sheltered workshops (page D-256).
- The proposed budget estimates that federal funds received by the department will increase to \$435.42 million in FY 2009, up 1.5 percent or \$6.56 million, from the adjusted FY2008 level of \$428.91 million.
- The budget proposes language (page D-251) stating that, of the \$242 million in Reed Act funds made available to the State in the Federal Economic Stimulus legislation (federal FY2002) and deposited in the Unemployment Compensation Fund, \$35 million may be expended by the department to improve services to claimants by modernizing the benefit payment system, continuing development of One-Stop Career Center Offices, and further upgrading technology investments to enhance employment opportunities. This brings the total amount of Reed Act funds appropriated for these purposes to \$210 million for FY2003 – FY2009.
- The proposed budget estimates that the Unemployment Compensation Auxiliary Fund (UCAF) will receive total revenues of \$31.7 million in FY2009 (page H-32). The proposed budget contains new language providing for the appropriation of funds from the UCAF to the Disadvantaged Youth Employment Council (\$50,000) and the Council

Key Points (Cont'd)

on Gender Parity (an amount not to exceed \$72,000). In addition to these two new funding provisions, the budget authorizes the following appropriations from the UCAF: up to \$4 million to support collection activities in the unemployment compensation auxiliary program (page D-251); \$2.446 million in Direct State Services funding for Vocational Rehabilitation Services (page D-257); \$484,000 for the Private Sector Labor Relations program (page D-257); up to \$22.614 million to the Vocational Rehabilitation Services program (page D-258); and \$475,000 for the New Jersey Youth Corps program (page D-258). The UCAF is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulations.

Background Paper:

- History of Diversions from the Unemployment Compensation Insurance, the Temporary Disability Insurance and Various Workers' Compensation Funds p. 18
- New Jersey's Workforce Development Programs p. 20

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2007	Adj. Approp. FY 2008	Recom. FY 2009	Percent Change	
				2007-09	2008-09
General Fund					
Direct State Services	\$111,777	\$64,973	\$64,881	(42.0%)	(0.1%)
Grants-In-Aid	54,468	69,735	69,524	27.6%	(0.3%)
State Aid	1,448	1,522	1,522	5.1%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$167,693	\$136,230	\$135,927	(18.9%)	(0.2%)
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	\$2,440	\$2,440	\$2,440	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$170,133	\$138,670	\$138,367	(18.7%)	(0.2%)
Federal Funds	\$369,409	\$428,917	\$435,423	17.9%	1.5%
Other Funds	\$159,599	\$204,930	\$207,634	30.1%	1.3%
Grand Total	\$699,141	\$772,517	\$781,424	11.8%	1.2%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change	
				2007-09	2008-09
State	250	256	259	3.6%	1.2%
Federal	2,946	2,776	2,782	(5.6%)	0.2%
All Other	443	423	423	(4.5%)	0.0%
Total Positions	3,639	3,455	3,464	(4.8%)	0.3%

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

AFFIRMATIVE ACTION DATA

Total Minority Percent	41.2%	40.9%	41.5%	---	---
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2008</u>	<u>Recomm. FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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ECONOMIC ASSISTANCE AND SECURITY**ALL OTHER FUNDS**

Unemployment Insurance	\$2,000	\$4,000	\$2,000	100.0%	D-251
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The FY2009 budget recommendation anticipates an increase of \$2 million from Other funds for the Unemployment Insurance (UI) program. According to the department, the additional \$2 million in "off budget" funding from the Unemployment Compensation Auxiliary Fund is needed to supplement administrative costs for the increased costs of UI collection activities.

MANPOWER AND EMPLOYMENT SERVICES**DIRECT STATE SERVICES**

Council on Gender Parity	\$95	\$23	(\$72)	(75.8%)	D-255
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The FY2009 budget recommendation decreases the on-budget funding to the Council on Gender Parity in Labor and Education by \$72,000. However, language in the proposed budget (page D-258) would offset this reduction in General Fund monies through an appropriation of \$72,000 to the council from the Unemployment Compensation Auxiliary Fund, thus maintaining the council's current funding level of \$95,000. The council was established pursuant to P.L.1999, c.354 (C.34:15C-21 et seq.) to oversee the State's efforts to provide gender equity in labor, education and training.

GRANTS-IN-AID

Sheltered Workshop Support Community Provider Cost of Living Adjustment – Sheltered Workshops	\$20,039	\$19,539	(\$500)	(2.5%)	D - 256
	\$0	\$289	\$289	100.0%	D - 256

The FY2009 budget recommends an overall decrease of \$211,000 in funding for Grants-in-Aid funding for sheltered workshops. This change includes a decrease of \$500,000 for vocational rehabilitation providers of sheltered workshops. The decrease rolls back a FY2008 increase added by the Legislature and reduces funding to the providers. Also recommended is an increase of \$289,000 for a cost of living adjustment to vocational rehabilitation providers of sheltered workshops. This funding is equivalent to the cost of living adjustment included in the FY2008 Appropriations Act that commenced January 1, 2008, and thus fully funds the adjustment through calendar year 2008.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2008</u>	<u>Recomm. FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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FEDERAL FUNDS

Workplace Standards	\$4,371	\$5,150	\$779	17.8%	D-256
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The FY2009 budget recommendation anticipates an increase in federal funds for the workplace standards programs, primarily due to enhanced funding under the Occupational Health and Safety Act for on site consultation activity.

Language Provisions

2008 Appropriations Handbook

No comparable language.

2009 Budget Recommendations

p. F-7

Notwithstanding the provisions of any law or regulation to the contrary and when not restricted by any other State law or federal law, upon entering into a construction contract in excess of \$1,000,000, which is funded, in whole or in part by an appropriation under this Act, the State agency entering into the contract shall transfer an amount equal to one half of one percent (.5%) of the appropriated portion of such contract amount to the Department of Labor and Workforce Development, subject to the approval of the Director of the Division of Budget and Accounting. Such transferred funds are hereby appropriated to the Department of Labor and Workforce Development to provide on-the-job and/or off-the-job outreach and training programs for minorities and women in the construction trades, including reimbursement to the Department of Labor and Workforce Development for direct costs incurred in administering such programs as approved by the Director of the Division of Budget and Accounting. Such programs shall not be limited to the term of the public works project and no part of the outreach and training funds shall be used to pay the salary of any trainee.

Explanation

The proposed language provides that unless otherwise prohibited, a State agency entering into a construction contract in excess of \$1,000,000, which is funded by State appropriation, must transfer an amount equal to one half of one percent (0.5%) of the amount to the Department of Labor and Workforce Development. The transferred funds are to be used by the department to provide on-the-job and/or off-the-job outreach and training programs for minorities and women in the construction trades, including reimbursement to the department for direct costs incurred in administering such programs. These programs are not to be limited to the term of the public works project and no part of the outreach and training funds authorized are to be used to pay the salary of any trainee.

The department has not yet provided the Office of Legislative Services with an estimate for total revenue to be generated as a result of this provision or the types of programs that will be offered.

Language Provisions (Cont'd)

The following three language provisions are appropriations authorized from the Unemployment Compensation Auxiliary Fund (UCAF). The UCAF is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulations. The FY 2009 year-end balance in the UCAF is estimated to be \$26.9 million (page H-32).

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-125

p. D-251

In addition to the amounts appropriated hereinabove, there is appropriated out of the Unemployment Compensation Auxiliary Fund, an amount not to exceed **\$2,000,000** to support collection activities in the unemployment insurance program subject to the approval of the Director of the Division of Budget and Accounting

In addition to the amounts hereinabove appropriated, there is appropriated out of the Unemployment Compensation Auxiliary Fund, an amount not to exceed **\$4,000,000** to support collection activities in the program subject to the approval of the Director of the Division of Budget and Accounting

Explanation

The FY2009 budget recommendation anticipates an increase of \$2 million from Other funds for the Unemployment Insurance (UI) program. According to the department, the additional \$2 million in "off budget" funding from the Unemployment Compensation Auxiliary Fund is needed to supplement administrative costs for the increased costs of UI collection activities.

2008 Appropriations Handbook

2009 Budget Recommendations

No comparable language.

p. D-258

The amount hereinabove appropriated for the Disadvantaged Youth Employment Council is appropriated from the Unemployment Compensation Auxiliary Fund.

Explanation

The proposed budget provides for a \$50,000 appropriation for the Disadvantaged Youth Employment Council (page D-255). P.L. 2007, c.189, which became effective in February, 2008, statutorily authorized an initial appropriation of \$50,000 for FY2008 from the General Fund to the Department of Labor and Workforce Development for the costs of administering the Youth Employment and After School Incentive Pilot Program established by P.L.2001, c.446 (C.34:15F-12 et seq.). The proposed language would continue funding of this pilot initiative in FY2009 with \$50,000 from the UCAF.

Language Provisions (Cont'd)**2008 Appropriations Handbook**

No comparable language.

2009 Budget Recommendations**p. D-258**

Notwithstanding the provisions of any law or regulation to the contrary, in addition to the amount hereinabove appropriated for the Council on Gender Parity, an amount not to exceed \$72,000 is appropriated from the Unemployment Compensation Auxiliary Fund, subject to the approval by the Director of the Division of Budget and Accounting.

Explanation

The proposed budget provides for FY2009 appropriation of \$23,000 for the Council on Gender Parity in Labor and Education (page D-255). This amount represents a \$72,000 decrease from the FY2008 General Fund appropriation which will be offset by the proposed language. The FY 2009 proposed budget language would authorize an appropriation of \$72,000 from the UCAF for the Council on Gender Parity in Labor and Education. The council was established pursuant to P.L.1999, c.354 to oversee the State's efforts to provide gender equity in labor, education and training (C.34:15C-21 et seq.).

Discussion Points

1. The proposed budget reduces the number of State employees through an early retirement initiative and layoffs. The Governor has proposed that the ability to hire new employees to fill these vacant positions will be limited to approximately 10% of the positions vacated. The impact of this reduction of personnel on the department's programs and services is not clear. However, the proposed budget for the Department of Labor and Workforce Development increases the total number of funded positions by nine from 3,455 to 3,464 positions.

- **Question:** How many current employees of the department are eligible for the early retirement initiative as proposed by the Governor? What is the current number of funded employees and what is the projected number of employees after this reduction in force? How is the department estimating an increase in its number of funded positions in light of the Governor's proposal?

2. The Governor's proposed budget includes language (page F-7) that provides that when not restricted by any other State law or federal law, a State agency entering into a construction contract in excess of \$1,000,000, which is funded by the State budget, must transfer an amount equal to one half of one percent (0.5%) of the appropriation to the department. The transferred funds are to be used by the department to provide on-the-job and/or off-the-job outreach and training programs for minorities and women in the construction trades, including reimbursement to the department for direct costs incurred in administering such programs. These programs are not to be limited to the term of the public works project and no part of the outreach and training funds authorized are to be used to pay the salary of any trainee.

- **Question:** What is the amount of revenue estimated by the department to be raised through this mechanism? Please detail how these funds will be disbursed to provide on-the-job and/or off-the-job outreach and training programs for minorities and women in the construction trades? Does the department currently provide these services to minorities and women in the construction trades? What is the current funding mechanism for providing these services? Please estimate how many participants have been provided outreach and training through these programs for 2007 and thus far in 2008. Please detail how many participants are anticipated to receive training and outreach under this new funding mechanism.

3. Commissioner Socolow in his testimony before the Senate Budget and Appropriations committee in April, 2007 discussed the problem of misclassification of employees and its impact on employee benefits and State revenue. He expounded on these problems in his testimony on July 24, 2007 before the U.S. House of Representatives Joint Hearing of the Subcommittees on Workforce Protections and Health, Employment, Labor and Pensions. Commissioner Socolow testified that there are two related employer practices by which employees are improperly classified: one, they are treated as self-employed; and two, these workers are paid in cash "off the books." Both of these practices deprive the employee of access to benefits routinely accrued through employment and lead to reduced tax revenue and less funding for benefit programs.

The department conducts yearly audits on both randomly selected and targeted employers, who are chosen because misclassified workers have applied for benefits. In his testimony before the U.S. House of Representatives' Subcommittees, Commissioner Socolow reported that recent yearly audits of 2.2 percent of employers (approximately 6,000) uncovered

Discussion Points (Cont'd)

violations in 42 percent of cases. Even among the more than 750 employers randomly selected for an audit, 38 percent of the firms violated the law by misclassifying their employees.

- **Question:** a. Please provide the number of randomly performed audits for FY 2006, FY 2007 and to date for FY 2008. Please provide data for the number of employers who were found to misclassify workers. Please provide identifying industry data for the offending employers. Please break this information down to the number of employees who were misclassified as independent contractors, and those that were paid in cash with no respective taxes paid on them.

b. Please provide the number of targeted investigations completed in FY 2006, FY2007 and to date for FY 2008. Please provide data for the number of employers who were found to misclassify workers. Please provide identifying industry data for the offending employers. Please break this information down to the number of employees who were misclassified as independent contractors, and those that were paid in cash with no respective taxes paid on them.

c. Please provide the total amount of fees or fines collected as a result of these audits.

d. Please detail the number of department employees dedicated to these audits and the salary and wages paid to these employees.

e. Does the department intend to intensify its efforts in this regard as a result of its findings? To what does the department attribute the misclassification of employees: lack of knowledge of employment law, or other causes? Please elaborate.

4. The Governor's proposed budget continues a provision that allows up to 5.5% of the total revenue collected for the Workforce Development Partnership Fund, created pursuant to section 9 of P.L.1992, c.43 (C.34:15D-9), to be used to support initiatives recommended by the Commissioner in support of the "Governor's Economic Growth Strategy" (page D-257). Total WDP revenue collected in FY2009 is estimated to equal \$103.8 million (page H-26). Therefore, approximately \$5.7 million could be used to support these initiatives.

The "Governor's Economic Growth Strategy," unveiled in September 2006, is intended to grow the "New Jersey's economy while creating well-paying private sector jobs" in "partnership with business, labor, education and community leaders" and implemented by various state agencies.

- **Question:** Please provide the amount of WDP funds used to support the "Governor's Economic Growth Strategy" in FY2008 and anticipated to be spent in FY2009. Please detail the initiatives undertaken by the department in support of the strategy; the other State agencies with which the department coordinated these initiatives; and the funds allocated by governmental entity and by initiative.

5. The State Disability Benefits Fund (SDBF) is used by the State's Temporary Disability Insurance (TDI) program to provide partial wage replacement for workers who become disabled due to injury or illness unrelated to work and to pay for administration of the benefits from the SDBF. The Governor's proposed budget allows funds to be transferred from the SDBF

Discussion Points (Cont'd)

to the General Fund (page F-6) during FY2009. The amount transferred must be based upon the actual receipt of revenue in the SDBF.

- **Question:** Please detail the amount of funds the department anticipates transferring from the SDBF to the General Fund in FY2009 and the planned uses of those funds. Please provide the value of revenues, benefits, and administrative expenditures, and the cash balance in the SDBF for: each month in calendar year 2007; as many months as possible for calendar year 2008; and an estimate for 2009.

6. The federal Deficit Reduction Act of 2005 (Pub.L.109-171) reauthorized the Temporary Assistance for Needy Families (TANF) program and changed many TANF provisions. Included in the act were revisions to the State's obligations regarding workforce participation rates and work verification plans. If the State's workforce participation rate fails to meet the federal standards, a financial penalty of up to 5% of TANF funding could be applied to the State. According to the Federal Funds for the States, Issue Brief 08-12, this could result in a \$20.2 million cut of federal funds for New Jersey in federal FY2009.

Moreover, if the State's work verification plan is not in operation by the start of federal FY 2008, the State will incur a 1% decrease in the TANF block grant for the first year of non-compliance (federal FY2009) and a 2% decrease for the second year (federal FY2010). According to the Federal Funds for the States, Issue Brief 08-12, this could result in a \$4 million decrease in federal funds for New Jersey.

Proposed budget language permits up to a \$20 million diversion from the Workforce Development Partnership Fund to the Department of Human Services (page D-232). These funds are to be used in the event federal funding is reduced because the State fails to meet the workforce participation rate as defined under the federal Deficit Reduction Act of 2005(Pub.L.109-171). Similar budget language appeared in the Appropriations Act FY2008 (page B-116), but according to the department was not needed and the funds have not been transferred thus far in FY2008.

- **Question:** Please provide the current participation rates for TANF recipients on a Statewide level and on a county by county level. When these rates are combined with the federally allowed offset, what is the status of the State's obligation to meet the federal standard for work participation rates? What steps is the department taking to increase these rates in counties that do not currently meet the federally mandated participation rate? How is the department working in conjunction with the Department of Human Services to increase these rates and avoid any loss of funding to the State? What is the most recent status of the State's work verification plan? What, if any, legislation is needed to keep New Jersey current with the federal requirements?

7. In response to the Office of Legislative Services (OLS) questions during the review of the FY2008 budget, the department stated that "in fulfillment of the State Employment and Training Commission's mandate to evaluate the Workforce Development Partnership program, the Heldrich Center for Workforce Development at Rutgers University is currently completing a detailed report on the program's results."

Discussion Points (Cont'd)

- **Question:** Please provide the Legislature with a copy of that report. Please detail what changes have been made or are planned in response to the recommendations in that evaluation. If this evaluation is not yet completed, please provide a planned timeline on the report's completion and what performance measures are being considered.

8. In response to OLS questions during the review of the FY 2008 budget, the department estimated that during FY 2007, training would be provided to an estimated 58,244 individuals by the Workforce Development Partnership (WDP) program, to 23,272 individuals under the Workforce Investment Act (WIA), and 60,056 individuals under the Work First New Jersey (WFNJ) program, thus providing training to a total of 141,572 individuals.

- **Question:** a. Please indicate for each of the Workforce Development programs (WDP, WIA, WFNJ), how many individuals participated in job training during FY 2007 and how many are expected to participate in job training during FY 2008 and FY 2009. Please indicate how many individuals accessed services other than job training through WDP, WIA and WFNJ during FY 2007 and how many are expected to access services other than job training during FY 2008 and FY 2009. Please define these services. Please indicate how many of these individuals access job training in addition to other services and how many access just the other services. Please provide or estimate this data for FY2007, FY2008, and FY2009 for each of the following programs: WDP dislocated workers; WDP disadvantaged workers; WDP customized training grants; WDP occupational safety and health training; WDP youth transitions to work; WDP Smart Steps; WDP Supplemental Workforce Development Benefits program; WIA dislocated worker training; WIA adult training; WIA youth training; WFNJ TANF recipients; WFNJ Food Stamp recipients; and, WFNJ General Assistance recipients.

b. Please indicate for each of the programs listed in the question above, in each of the indicated years, the cost per individual trained and what portion of total program costs reflects direct job training costs, services other than job training costs and what portion reflects administrative overhead costs. Please ensure that these numbers can be duplicated in the breakdown.

c. Please indicate for each of the programs listed above, for FY 2008 and FY 2009 (estimated), the total amount appropriated; what portion of the funding is appropriated through the department; and what portion, if any, is appropriated through the Department of Human Services.

d. Please discuss or provide data regarding the effectiveness of each program funded through the WDP in assisting individuals without jobs to find employment providing self-sufficiency and assisting already employed individuals to retain employment or raise earning levels.

9a. The Supplemental Workforce Fund for Basic Skills (SWFBS) was created pursuant to P.L.2001, c.152 to provide basic skills training to the workforce (C.34:15D-21 et seq.). The fund is a .0175% tax on wages subject to the unemployment insurance tax (\$27,700 in 2008). The funds collected are statutorily allocated in the following manner: 24 percent to support basic skills training delivered by State civil service employees at the State's One-Stop Career

Discussion Points (Cont'd)

Centers; 28 percent for Workforce Investment Boards to give grants to individuals needing basic skills training; 38 percent for the Office of Customized Training to give grants to consortia of labor, business, and community groups providing basic skills training; and 10 percent for administrative costs.

The total amount available in the SWFBS for FY 2009, including investment earnings, is estimated at \$48.7 million (page H-30). The SWFBS has ending balances of \$27.3 million, \$18.1 million (projected), and \$8.5 million (projected) in FY 2007, FY 2008 and FY 2009, respectively.

The proposed budget recommends \$2 million be appropriated for the SWFBS, representing a 10 percent administrative allowance (page D-255). The budget also includes language authorizing the transfer of \$14 million from the SWFBS to County Colleges for operating aid (page D-410). This appropriation is a \$6 million decrease from the amount appropriated from the SWFBS to county colleges in FY 2008.

- **Question:** Please list by category how the funds from the SWFBS were utilized in FY 2007, FY 2008, and an estimate for FY 2009, using the same format used in schedule IV in the department's response to the OLS questions in FY2008. How have county colleges assisted the department in reaching the basic skills program goals? How will the additional \$6 million, not being allocated to Community Colleges, be allocated to further the goals of SWFBS?

9b. The budget overview for the department indicates that \$12.3 million was made available from the SWFBS to support the Workforce Learning Link program in FY2008 (page D-243). The Workforce Learning Link program "uses interactive technology to quickly target individual areas in need of improvement and move customers into jobs or towards the fulfillment of other employment-directed goals such as vocational training or achievement of the General Educational Developmental Credential." In FY2008, the Workforce Learning Link program is available at 60 sites throughout the State and is being expanded beyond the traditional One-Stop Career Center sites to community based sites.

- **Question:** How was the Workforce Learning Link model utilized in FY 2008? What amount will be allocated from the SWFBS for the Workforce Learning Link program in FY 2009?

10. The WDP program provides training grants to disadvantaged and displaced workers and also to employers to provide training to their employees. The WDP program is funded by worker and employer payroll taxes on wages subject to unemployment (UI) taxes. The proposed budget estimates that these payroll tax revenues, plus investment earnings, will generate approximately \$103.8 million in FY 2009 (page H-26). The proposed budget for the Departments of Labor and Workforce Development and Human Services includes multiple language provisions (pages D-258, D-232) transferring at least \$55.6 million from the WDP fund to the New Jersey Youth Corps (\$1.9 million) and Work First New Jersey Program (at least \$53.7 million).

Discussion Points (Cont'd)

- **Question:** For FY 2007, please provide the following actual data for each component of the WDP program (customized training, displaced worker training, disadvantaged worker training, youth training, occupational safety and health training, program administration, and transfers to programs other than WDP) and provide estimates of the same information for FY 2008 and FY 2009, based on the assumption that the percentages which are required by statute to be deposited in accounts for each component will remain in effect:
 - The amount the department was required to spend under the WDP law's mandated allocations (from FY 2007 forward, the amounts required to be deposited in the accounts for each allocation), and the amount actually spent;
 - The amount transferred out of the fund for each purpose not indicated in the WDP law (such as the Work First New Jersey and New Jersey Youth Corps programs);
 - The balance at the end of the year; and the amount encumbered as a reserve for future payments of multi-year grants for each WDP program component;
 - From FY 2007 forward, estimates of any amount anticipated to remain in the account at the end of the fiscal year exceeding 20% of the amount deposited for the year and thus required to be deposited into the unemployment compensation fund.
11. One component of the WDP program, the "Smart STEPS" program provides "Supplemental Workforce Development Benefits" to enable former welfare recipients with children to participate in full-time, work-related education towards a college degree in a field which will enable the attainment of economic self-sufficiency.
- **Question:** Please provide the total cost of this program for each year since inception. Please provide the number of enrollees and the cost per enrollee each year since inception, providing data for multi year enrollees, up to the most recent time frame available. Please provide an update on any evaluation conducted of this program.
12. In response to OLS questions during the review of the FY 2008 budget, the department estimated that the balance of the Unemployment Insurance fund would be sufficient to continue UI tax rates during FY 2008 and FY 2009 in the "A" tax schedule, which provides the lowest UI tax rates for employers.
- **Question:** If, as proposed in the FY 2009 budget, UI tax revenues are not diverted, what will the estimated UI fund balance be on March 31, 2009 and on March 31, 2010? What UI tax schedule will be triggered as a result in FY 2010 and FY 2011?
 - Please provide an estimate of the "Unemployment Compensation Fund Reserve Rate Calculation" (including the 3/31 fund balance, taxable wages for the prior calendar year, and the reserve ratio) for FY 2009, FY 2010 and FY 2011, based on the assumption that no diversion will be made. Please provide the assumptions underlying your estimates, including unemployment rates and anticipated UI benefit payments. What does the department estimate the total revenue in UI taxes will be if the "A" schedule is in effect during FY 2010? ... "B" schedule? "C" schedule?

Discussion Points (Cont'd)

13. The Customized Training program was established in 1992 and is, according to the department, a powerful economic development tool designed to create and retain high-skill, high-wage private sector jobs in New Jersey as a means to ensure a productive, globally competitive workforce. A primary focus of this program is to support the manufacturing sector in New Jersey. According to budget evaluation data (p. D-253) these grants will total about \$99.8 million for the period FY 2006-2009 (\$27.3 million in FY 2009 alone), and will benefit approximately 1,280 companies and train over 211,000 workers over that four-year period. Grants can be awarded directly to companies, or can be provided to an employer organization, labor organization or community-based organization; or a consortium comprising one or more educational institutions and one or more individual employers or labor, employer or community-based organizations that seek to address common training needs in demand occupations within a particular industry.

As a condition of the statute, if, within three years following the end date of the customized contract, an employer receiving a grant for customized training services relocates or out-sources out of State any or all of the jobs for which customized training services were provided, the employer shall, if all of the jobs are relocated or outsourced, return all of the moneys provided to the employer by the State for customized training services, or, if only a portion of the jobs are relocated or outsourced, return a portion of the moneys, deemed by the commissioner to be appropriate and proportional to the portion of the jobs relocated or outsourced, and the returned amount shall be deposited into the Workforce Development Partnership Fund.

In response to OLS questions during the review of the FY 2008 budget, the department stated that a formal process for monitoring grantees' employment and business decisions after the conclusion of the grant would be implemented. In addition, the department indicated that there is an automatic audit clause in place for current grants where expenditures exceed \$100,000.

- **Question:** Please update the Legislature on the status of the system the department put in place to monitor grantees beyond the conclusion of the grant. Please provide data indicating the number of grants currently being monitored. Since the inception of the program, what is the total amount of Customized Training grants that have been repaid due to relocation or outsourcing of jobs, pursuant to statute? What percentage of grants and jobs assisted, do these repayments represent? For each year, from FY 2003 to the present, please provide the same information by grantee.

Does the department monitor grantees' job retention beyond the three-year period to determine the degree to which legal avoidance of this requirement is occurring? If so, based on its experience, should the three-year time period be lengthened?

Please provide information from FY 2003 to the present on the number of audits received by the Office of Internal Audit and how many of these disclosed non-compliance. What is the total amount of funds recovered through these audits broken down by year?

14. In October, 2007, the Governor announced a coordinated re-entry strategy for transitioning offenders from the criminal justice system to the workplace, in which the

Discussion Points (Cont'd)

department will work closely with the Department of Corrections and the New Jersey State Parole Board. The budget overview for the department indicates that the program will provide recently released offenders with One-Stop assistance for jobs, training and supportive services. In addition, Workforce Learning Link sites will provide interactive technology at several Department of Correction facilities. Upon release from a State facility, ex-offenders will be assessed for appropriate services and will be assigned a job coach to assist with job development and placement needs.

- **Question:** Please update the Legislature as to the status of this coordinated program between the department, the Department of Corrections and the State Parole Board. What is the current number of individuals accessing this program in FY2008 and what is the estimated number of individuals who will access the program in FY2009?

15. At the March 19, 2008 State Employment and Training Commission meeting, the department provided information to the Commission regarding the rescissions of, and prospective reduction in, federal funds for the Workforce Investment Act (WIA) Adult, Dislocated Workers, and Youth programs as enacted by Congress. It appears that the State could lose rescissions of \$3.6 million from federal funds appropriated to State WIA programs for federal FY2007 and federal FY2008. There is also an expected rescission of federal FY2005 and FY2006 unexpended balances in the WIA Adult, Dislocated Workers, and Youth programs. The total amount of the rescissions varies between programs and is applied in two parts, dependent upon the total amount each state has in its carryout balances. In addition, the total funds allocated to the State for WIA for federal FY2008 will be reduced.

- **Question:** What will be the impact on the department and/or its services as a result of the federal actions? Please provide the following data for the WIA Adult, Dislocated Workers and Youth programs:
 - a) the total funds expected to be rescinded by the federal government for funds distributed to the State for WIA Adult, Dislocated Workers and Youth programs, by program, by year for FY2005, 2006, and 2007;
 - b) the total funds expected to be rescinded that were distributed by the State to local funding recipients (local Workforce Investment Board (WIB) or other entity) for WIA Adult, Dislocated Workers and Youth programs, by local funding recipient, by program, by year, for FY2005, 2006, 2007;
 - c) the total reduction in allotment of federal FY2008 funds allocated to the State for WIA Adult, Dislocated Workers and Youth programs, by program for federal FY2008; and
 - d) the total reduction in allotment of federal FY2008 funds allocated by the State to local funding recipients (local WIB or other entity) for WIA Adult, Dislocated Workers and Youth programs, by program for the federal FY2008.

Background Paper: History of Diversions from the Unemployment Insurance, the Temporary Disability Insurance and Various Workers' Compensation Funds.

Budget Pages.... H-28, H-36, H-42

INTRODUCTION

From 1992 to 2007, 22 laws were enacted which diverted a total of \$5.4 billion in resources from various funds dedicated to benefits for workers. The largest portion of that amount was \$4.7 billion in employer and employee payroll taxes diverted from payments into the Unemployment Insurance (UI) trust fund to payments into the Health Care Subsidy Fund (HCSF or "charity care" fund). In addition, a total of \$598 million was transferred from the Temporary Disability Insurance (TDI) trust fund into the General Fund. Finally, \$95 million was transferred to the General Fund from several funds related to workers' compensation. All 22 laws are listed below.

Unemployment Insurance (UI)

P.L. 1992, c.160 (A11/S710) Original diversion of UI taxes to the Health Care Subsidy Fund (HCSF or "charity care" fund) - **\$1.6 billion** over three calendar years, 1993-1995.

P.L. 1996, c.29 (A1590/S1138) 2-year (1996-1997) extension of the diversion of UI taxes to the HCSF (total diverted: **\$679 million**).

P.L. 1997, c.263 (A3309/S2358) 5-year (1998-2002) extension of diversion of UI taxes to the HCSF (total diverted: **\$862 million**)

P.L. 2002, c.13 (A2127/S20) Added **\$325 million** to the diversion of UI taxes to the HCSF during first 6 months of calendar year (CY) 2002 and diverted another **\$325 million** in fiscal year (FY) 2003.

P.L. 2002, c.29 (A2503/S1628) Added **\$125 million** to the diversion of UI taxes to the HCSF during the first 6 months of CY 2002.

P.L. 2003, c.107 (A3702/S2587) Diverted **\$325 million** of UI taxes to the HCSF during FY 2004.

P.L. 2004, c.45 (A3104/S1656) Diverted **\$100 million** of UI taxes to the HCSF during FY 2005.

P.L. 2005, c.123 (A3104/S1656) Diverted **\$350 million** of UI taxes to the HCSF during FY 2006.

*Total diverted from UI taxes to the HCSF: **\$4.691 billion.***

Temporary Disability Insurance (TDI)

P.L. 1994, c.112 (S146/A2136) First diversion from TDI fund. Borrowed **\$100 million** from the TDI fund for the General Fund, but eventually not repaid, as noted below.

Background Paper: History of Diversions from the Unemployment Insurance, the Temporary Disability Insurance and Various Workers' Compensation Funds (Cont'd)

P.L. 1996, c.47 (A32/S1390) Second TDI diversion. Repaid \$100 million to the TDI fund, then diverted \$250 million from the TDI fund for the General Fund with no payback provision, in other words, transferred an additional net amount of **\$150 million**.

P.L. 2001, c.130 (S2500/A2000) (FY 2002 Appropriations Act) Transferred **\$33 million** from TDI fund to the General Fund.

P.L. 2002, c.7 (A2006/S17) Transferred **\$50 million** from TDI fund to the General Fund before the end of FY 2002.

P.L. 2003, c.109 (A3704/S2583) Transferred **\$30 million** from TDI fund to the General Fund in FY 2004.

P.L. 2004, c.41 (A3103 /S1655) Transferred **\$110 million** from TDI fund to the General Fund in FY 2005.

P.L. 2006, c.45 (S2007/A4900) (FY 2007 Appropriations Act) Transferred **\$50 million** from the TDI Fund to the General Fund.

P.L. 2007, c.111 (S3000/A5000) (FY 2008 Appropriations Act) Transferred **\$75 million** from the TDI Fund to the General Fund.

*Total transferred from TDI Fund to the General Fund: **\$598 million.***

Workers' Compensation (WC)

P.L. 1999, c.138 (S3000/A3300) (FY 2000 Appropriations Act) Transferred **\$30 million** from the Second Injury Fund (SIF) to the General Fund.

P.L. 2002, c.5 (A2007/S15) Transferred **\$20 million** from the SIF to the General Fund.

P.L. 2003, c.111 (A3707/S2584) Transferred **\$20 million** from the SIF to the General Fund.

P.L. 2003, c.122 (S3000/A3700) (FY 2004 Appropriations Act) Transferred **\$15 million** from the Stock Workers' Security Fund to the General Fund.

P.L. 2004, c.71 (S2005/A3100) (FY 2005 Appropriations Act) Transferred **\$5 million** from the Mutual Workers' Security Fund to General Fund.

P.L. 2005, c.132 (S3000/A4400) (FY 2006 Appropriations Act) Transferred **\$5 million** from the SIF to General Fund.

*Total transferred from Workers' Compensation Funds to the General Fund: **\$95 million.***

Total diverted or transferred from all three funds: **\$5.384 billion.**

Background Paper: New Jersey's Workforce Development Programs

Budget Pages..... C-17, C-24, C-25, D-232, D-241 to
D-248, D-410, H-26, H-30

New Jersey provides extensive support for a wide range of workforce development programs, with funding on a much larger scale than most states. The three main components of workforce development programs in the Department of Labor and Workforce Development are:

- State programs funded by unemployment insurance (UI) payroll tax revenues redirected into the Workforce Development Partnership Fund and the Supplemental Workforce Fund for Basic Skills;
- Programs funded by the federal Workforce Investment Act (WIA), including programs for adult training, displaced workers, and youth; and
- State and federal programs to facilitate transitions from welfare to work, comprised of the State Work First New Jersey (WFNJ) program and the federal Temporary Assistance for Needy Families (TANF) program.

In 2004, a major reorganization of the department and the State's workforce investment system was effected by P.L. 2004, c.39. Under the reorganization, the department was given responsibility for employment-directed and workforce development programs previously provided by other State departments. Most importantly, the training and employment portions of WFNJ and TANF were transferred from the Department of Human Services, while adult education and apprenticeship programs were transferred from the Department of Education.

P.L.2004, c.39 also set an economic self-sufficiency standard of 250 percent of the federal poverty level for all training program participants and entitled participants to the training needed to attain that standard. In addition, the law requires disclosure to all prospective trainees of their rights under all pertinent programs and provides them with "consumer report cards" on the effectiveness of all training providers and with counseling to help select the training providers which will best enable them to attain self-sufficiency.

Most of these services are administered through a network of One-Stop Career Centers (OSCC's), which are operated under the direction of 18 county or municipal level Workforce Investment Boards (WIB's), each comprised of representatives of local communities, governmental programs, business, education and labor. A State-level board, the State Employment and Training Commission (SETC) was established in 1989 to set standards for and integrate the State's workforce investment system and oversee the development of the WIB's and OSCC's. P.L.2004, c.39 blocked any future privatization of OSCC operations, "grandfathered" existing non-profit community and faith based contractors, and entirely banned for-profit businesses from serving as OSCC operators.

STATE PROGRAMS

New Jersey has two funds dedicated to the training and education of its workforce: the Workforce Development Partnership Fund (WDPF), established in 1992 by P.L.1992, c.43 and the Supplemental Workforce Fund for Basic Skills (SWFBS), established in 2001 by P.L.2001, c.152. Both are funded through the diversion of employer and worker UI payroll taxes. The

Background Paper: New Jersey's Workforce Development Programs (Cont'd)

revenues of the WDPF are estimated to reach \$103.8 million in FY 2009 (page H-26), while total revenue for the SWFBS will grow to an estimated \$30.6 million (page H-30).

The total \$134.4 million in UI revenues that will be redirected to workforce development exceeds the \$76.6 million in federal Workforce Investment Act funds in FY 2009 for the State (page C-25) and represents an annual level of funding of more than \$30 per UI-covered worker.¹

1. WORKFORCE DEVELOPMENT PARTNERSHIP FUND

At its inception in 1992, the resources of the WDPF were dedicated to: customized training grants for businesses, unions and consortia to train employed workers; individual training grants for displaced workers; individual training grants for "disadvantaged workers," that is, persons receiving, or eligible for, welfare; occupational safety and health training; and administration. The Youth Transitions to Work Program, created in 1993 by P.L.1993, c.268, was also funded from the WDPF, as was the Supplemental Workforce Development Benefits (SWDB) program, created by P.L.2004, c.39. WDPF moneys are currently allocated as follows:

- Customized Training, 45 percent
- Individual Training Grants for Dislocated Workers, 25 percent
- Individual Training Grants for Disadvantaged Workers, 6 percent (includes SWDB)
- Occupational safety and health training, 3 percent
- Youth Transition to Work Program, 5 percent
- Administration, 10.5 percent

Notwithstanding these statutory allocations, WDPF funds have been periodically shifted, by language in the annual appropriations act, to support other initiatives. For example, the proposed FY 2009 budgets for the Departments of Labor and Workforce Development and Human Services include multiple language provisions transferring approximately \$61.3 million from the WDPF to several other programs; \$1.9 million to the New Jersey Youth Corps (page D-258); at least \$53.7 million to the Work First New Jersey Program (pages D-258, D-232); and up to 5.5 percent, or approximately \$5.7 million, to support initiatives recommended by the Commissioner in support of the "Governor's Economic Growth Strategy" (page D-257).

In response to last year's OLS Discussion Points, the department issued the following estimates and projections concerning the WDP Program. Note that there are no data for individual grants for disadvantaged workers (those receiving or eligible for welfare). All of the disadvantaged category (except for supplemental workforce development benefits) is covered

¹ New Jersey's combined tax rate for the WDPF and SWFBS is 0.16%, higher than almost all of at least 14 other states which have job training taxes. More significantly, the UI tax base to which the tax is applied (\$27,700 in CY2008) is indexed to reflect the growth of the average wage in New Jersey, a much higher tax base than most states, some of which are as low as the federal minimum requirement of \$7,000. See "Comparison of State Unemployment Insurance Laws, 2007" US Department of Labor, pages 2-4, 2-5, and 2-30 through 2-32, and "Workforce Training: Almost Half of State Fund Employment Placement and Training through Employer Taxes and Most Coordinate with Federally Funded Programs" GAO Report, February 2004, GAO-04-282.

Background Paper: New Jersey's Workforce Development Programs (Cont'd)

by the WDP funds transferred to the TANF and WFNJ programs and reported in the portion of this backgrounder regarding those programs.

Workforce Development Partnership (WDP) Programs	Funding Allocation (est. in millions) FY2008	Number of Trainees		
		Actual FY2006	Estimated FY2007	Projected FY2008
A. Individual Training Grants for Dislocated Workers	\$11.5	5,291	6,083	5,687
B. Customized Training Grants	\$23.7	38,685	46,468	51,114
C. Occupational Safety and Health Training	\$1.7	9,062	12,751	14,026
D. Youth Transitions to Work	\$2.0	1,582	2,472	2,719
E. Supplemental Workforce Development Benefits	\$4.3	628	926	777

A. Individual Training Grants for Dislocated Workers

The Individual Training Grants for Dislocated Workers program provides training grant vouchers of up to \$4,000 to dislocated workers, allowing them to pursue training from State-approved providers such as community colleges, universities, or private proprietary, vocational technical schools. The data below illustrates the utilization of individual training grants for dislocated workers.²

Individual Training Grants	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
Individuals Receiving Counseling	14,484	12,326	15,845	12,220	15,638	13,433	10,836	8,087
Participants Completing Training	4,807	4,707	4,510	4,205	4,105	3,466	2,559	2,691
Participants Entering Employment	2,721	3,946	2,527	2,835	2,725	2,426	2,128	1,675
Grants Issued	5,978	4,264	4,915	3,682	3,650	3,761	3,739	3,439
Funds Obligated (millions)	\$20.7	\$12.5	\$14.5	\$11.2	\$11.1	\$12.9	\$10.5	\$10.5

B. Customized Training Grants Program

The Customized Training Grants Program is designed to create and retain high-skill, high-wage private sector jobs in New Jersey as a means to ensure a productive, globally competitive workforce. While manufacturing remains a targeted industry for assistance through Customized Training, other industry sectors that demonstrate significant job growth or are facing critical retention issues are also considered.

Employers receiving customized training grants are required to establish long-term commitments to training employees beyond the duration of the grants and to make reimbursements to the WDPF if the employment is not retained. In unionized workplaces,

² page 26, the New Jersey Department of Labor and Workforce Development Annual Statistical Review, 2006, available at <http://lwd.dol.state.nj.us/labor/lpa/pub/statrev/statrev.pdf>

Background Paper: New Jersey's Workforce Development Programs (Cont'd)

employers are required to work together with their unions in developing the plans. The data below illustrates the utilization of customized training resources by clients.³

Customized Training	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
Workers Enrolled (est.)	39,390	59,096	43,371	31,095	31,348	47,505	45,696	55,364
Grants Approved	376	435	417	332	188	178	248	245
Companies Served	470	3,353	517	415	235	220	453	302
Grant Funds Awarded (millions)	\$31.0	\$40.8	\$21.4	\$18.0	\$18.3	\$22.9	\$26.2	\$25.3

C. Occupational Safety and Health Training

The Occupational Safety and Health Training program provides occupational safety and health training for both public and private sector employers and employees. The data below illustrates the utilization of occupational safety and health training for workers.⁴

Occupational Safety and Health Training	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
Trainees Enrolled	7,671	1,000	11,487	11,253	11,296	11,341	9,490	10,051
Grants Approved	7	3	15	4	4	4	4	5
Grant Funds Awarded (millions)	\$1.9	\$1.1	\$2.0	\$2.2	\$2.5	\$2.5	\$2.0	\$1.6

D. Youth Transition to Work Program

The Youth Transition to Work (YTTW) Program awards grants to consortia of schools, colleges, unions and employers to establish links between secondary schools and existing apprenticeship programs, or to create new apprenticeship programs, and to develop articulation between apprenticeship programs and colleges.

The YTTW program has led to further department initiatives in the apprenticeship area, most importantly the New Jersey Pathways Leading Apprentices to a College Education ("NJ Place"). That program provides credit towards college degrees for classroom and other work in apprenticeship programs in trades like plumbing and pipefitting, carpentry, heat and frost insulation, electrical work and ironworking. Agreements have been reached between various contractor associations and trade unions and the State's 19 community colleges to provide apprentices with associate degrees and credit towards baccalaureate degrees. The data below illustrates the utilization of YTTW program resources.⁵

³ page 26, NJDLWD Annual Statistical Review 2006.

⁴ page 26, NJDLWD Annual Statistical Review 2006.

⁵ page 26, NJDLWD Annual Statistical Review 2006.

Background Paper: New Jersey's Workforce Development Programs (Cont'd)

Youth Transitions to Work Program	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
Students Enrolled	1,549	1,594	1,721	2,040	1,070	2,329	2,118	1,597
New Consortia Served	23	9	9	9	9	10	15	14
Program Funds Obligated (millions)	\$3.4	\$1.7	\$2.2	\$2.4	\$2.4	\$3.3	\$3.2	\$2.6

E. Supplemental Workforce Development Benefits (the "Smart Steps" Program)

Established by P.L.2004, c.39, the Smart Steps Program reserves \$5 million annually of the WDP funds to provide benefits in place of TANF benefits. At any one time, up to 1,500 welfare recipients with dependents may engage in full-time education for up to five years to attain high school diplomas, associate or bachelor's degrees. This opportunity for study is coordinated with needed support services, side-stepping increasingly stringent federal TANF work requirements and favoring sustained educational efforts to attain economic self-sufficiency. As of March 2007, two years after the program began, 602 individuals are actively enrolled in the program.

2. SUPPLEMENTAL WORKFORCE FUND FOR BASIC SKILLS

Separately, pursuant to P.L.2001 c.152, New Jersey created the Supplemental Workforce Fund for Basic Skills (SWFBS), designed to fund basic skills training for unemployed and employed workers. These skills include math, reading comprehension, computer literacy, English as a second language and work-readiness skills. SWFBS funds are allocated as follows: 24 percent for workplace literacy programs operated in One Stop Career Centers (OSCC); 28 percent for Workforce Investment Boards (WIB) to give grants to individuals in need of basic skills training; 38 percent for the Office of Customized Training (OCT) to give basic skills grants to consortia of schools, businesses, unions and community organizations, and 10 percent for administration or any of the other indicated purposes.

In response to last year's OLS Discussion Points, the department issued the following estimates and projections concerning the SWFBS.

Supplemental Workforce Fund for Basic Skills	Cost in millions		
	Actual FY2006	Estimated FY2007	Projected FY2008
Fund Balance (July 1)	33.8	32.5	33.0
Administration costs	2.1	1.5	1.6
Workplace literacy programs in OSCC (24%)	3.0	1.0	1.5
Basic skills training grants in WIBs (28%)	3.9	6.0	6.6
Basic skills grants through OCTs (38%)	4.4	4.0	4.4

The total amount available in the SWFBS for FY 2009, including investment earnings, is estimated at \$48.7 million (page H-30). The SWFBS has ending balances of \$27.4 million,

Background Paper: New Jersey's Workforce Development Programs (Cont'd)

\$18.1 million (projected), and \$8.5 million (projected) in FY2007, FY2008 and FY2009, respectively.

The proposed budget recommends \$2 million be appropriated from the SWFBS, representing a 10 percent administrative allowance (page D-255). The budget also includes language authorizing the transfer of \$14 million from the SWFBS to County Colleges for operating aid (page D-410).

3. ADDITIONAL UNEMPLOYMENT BENEFITS DURING TRAINING

In 1992, the UI law was amended by P.L.1992, c.47 to provide 26 weeks of additional UI benefits to permanently laid-off workers while they are enrolled in approved training programs. This program has been coordinated with the use of State and federal training funds for displaced workers.

Additional Benefits During Training	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
Individuals receiving ABT	7,149	5,794	6,053	7,498	7,581	8,642	8,090	7,567
ABT expended (millions)	\$24.8	\$22.9	\$22.8	\$26.0	\$36.6	\$45.7	\$40.7	\$37.6

FEDERAL PROGRAMS

1. THE FEDERAL WORKFORCE INVESTMENT ACT

The federal Workforce Investment Act of 1998 (WIA) provides the framework for a national workforce preparation and employment system designed to meet both the needs of the nation's businesses and the needs of job seekers and those who want to enhance their careers. Title I of the legislation is based on the following elements:⁶

- Training and employment programs designed and managed at the local level where the needs of businesses and individuals are best understood.
- Individuals must be able to access the employment, education, training, and information services they need at a single, local location.
- Individuals, controlling their own career development, should be able to choose a training program and the organizations that will provide that service.
- Individuals have a right to information about the success or failure of training providers in preparing people for jobs.

⁶ See www.doleta.gov/usworkforce/wia/wialaw.txt.

Background Paper: New Jersey's Workforce Development Programs (Cont'd)

- Businesses will provide information and leadership, thus playing an active role ensuring that the system prepares people for current and future jobs.⁷

P.L.1992, c.48, imposed State standards on federal training programs, including programs funded under the federal Job Training Partnership Act, which was in effect in 1992, and programs funded under WIA since 1998. That law extends to programs under WIA and other federal training laws the standards which apply to WDP programs regarding customized training, individual training grants, counseling, assessment of literacy needs, long-term evaluation of the effectiveness of training vendors in raising trainee wages, consumer report cards to help seekers of training to make informed decisions, and non-displacement of the current workforce.

In response to last year's OLS Discussion Points, the department issued the following estimates and projections concerning the Workforce Investment Act (WIA).

Workforce Investment Act (WIA)	Funding 2008 (est. in millions)	Number of Trainees		
		Actual FY2006	Estimated FY2007	Projected FY2008
Dislocated Working Training	\$12.0	7,593	7,245	7,419
Adult Training	\$15.1	6,607	5,941	6,274
Youth Training	\$17.5	9,077	7,690	8,383

2. WORK FIRST NEW JERSEY (WFNJ) & TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)

New Jersey's welfare reform program, Work First New Jersey (WFNJ), was initiated in April 1997, following the passage of sweeping federal reforms in 1996, known as the Personal Responsibility and Work Opportunity Reconciliation Act. Under that Act, the federal program for families became known as Temporary Assistance to Needy Families (TANF).

P.L.2004, c.39, which transferred all WFNJ and TANF employment related programs from the Department of Human Services, also extended to welfare recipient job trainees all of the worker and trainee rights provided under the Workforce Development Partnership (WDP) program, including requiring disclosure to all prospective trainees of rights under all pertinent programs and providing them with "consumer report cards" on all training providers.

The federal Deficit Reduction Act of 2005 (Pub.L.109-171) reauthorized the Temporary Assistance for Needy Families (TANF) program and changed many TANF provisions. Included in the act were revisions to the State's obligations regarding workforce participation rates and work verification plans. If the State's workforce participation rate fails to meet the federal standards, a financial penalty of up to 5% of TANF funding could be applied to the State. According to the Federal Funds for the States, Issue Brief 08-12, this could result in a \$20.2 million cut of federal funds for New Jersey in federal FY2009.

Moreover, if the State's work verification plan is not in operation by the start of federal FY 2008, the State will incur a 1% decrease in the TANF block grant for the first year of non-

⁷ See www.doleta.gov/usworkforce/wia/Runningtext2.htm.

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compliance (federal FY2009) and a 2% decrease for the second year (federal FY2010). According to the Federal Funds for the States, Issue Brief 08-12, this could result in a \$4 million decrease in federal funds for New Jersey.

Proposed budget language permits up to a \$20 million diversion from the Workforce Development Partnership Fund to the Department of Human Services (page D-232). These funds are to be used in the event federal funding is reduced because the State fails to meet the workforce participation rate as defined under the federal Deficit Reduction Act of 2005 (Pub.L.109-171). Similar budget language appeared in the FY2008 Appropriations Act (Appropriations Handbook, page B-116), but according to the department has not been needed and funds are not expected to be transferred in FY2008.

In response to last year's OLS Discussion Points, the department issued the following estimates and projections concerning the WFNJ and TANF:

Federal and State Welfare to Work Training Programs	Funding 2008 (est. in millions)	Number of Trainees		
		Actual FY2006	Estimated FY2007	Projected FY2008
WFNJ/TANF Recipient Training	\$51.3	14,826	23,611	23,881
Food Stamp/General Assistance Recipient Training	\$11.0	6,931	34,433	35,169

SUMMARY

In conclusion, all three main components of workforce development programs in the Department of Labor and Workforce Development are providing the citizens of New Jersey with support while they search for employment and gain new skills, thus increasing the viability of New Jersey's workforce. In addition, the programs are able to direct funds to existing New Jersey businesses to train their employees and keep them on the cutting edge of the workforce. The cost of these programs is supported by Federal and State funds, including funds obtained through State employer and employee payroll taxes.

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

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