

**Discussion Points**

1. The enacted FY 2007 budget anticipated savings from management efficiencies (\$50 million), information technology efficiencies (\$20 million) and procurement efficiencies (\$15 million). These savings, while reflected in the Interdepartmental Accounts section of the budget, were to be obtained from executive agency budgeted appropriations, presumably in direct correlation with identified efficiency improvements.

- **Question:** What amount of the department's original FY 2007 appropriations were reallocated to Interdepartmental Accounts as savings from management efficiencies, information technology efficiencies and procurement efficiencies, respectively? What specific efficiencies were achieved by the department that correlate to the reallocations? What adverse impacts, if any on the output and outcomes of department programs and services resulted or will result from these funding reallocations, in the current fiscal year and as projected for FY 2008?

**Response:** The budget for the Department of Labor and Workforce Development (LWD) consists primarily of federal, dedicated, grants-in-aid, and state aid line items as well as State funds used to match federal funds. Only 5.7% represents funds that are used to support State operations and less than 1% is used for administration. As such, any funding reductions are small and are generally absorbed through attrition or minor shifts in resources from other funding sources. The amount allocated to LWD for the savings noted above for fiscal year 2007 is \$82,000. This reduction is not expected to have any adverse affect in 2007 nor in 2008.

2. In 1986, the federal Immigration Reform and Control Act (IRCA) prohibited the employment of unauthorized workers. IRCA states that "the provisions of this article preempt any State or local law imposing civil or criminal sanctions (other than through licensing and similar laws) upon those who employ, or recruit or refer for a fee for employment, unauthorized aliens." This means that the states potentially lack jurisdiction with respect to employers whom employ illegal workers and that any state legislation may risk preemption based on this clause. Employers that are penalized may be able to seek legal recourse against the state that imposed such a penalty. However, "in tax year 2003, only three penalties were imposed upon employers that employed illegal workers," Mark Everson, Commissioner of the IRS, testified before Congress on February 16, 2006. As a result, states, motivated by public opinion, introduced legislation that would permit sanctions to be enforced on the state and local level.

- **Question:** What, if anything, has New Jersey, through the Department of Labor and Workforce Development, done to combat the problem of illegal employment of unauthorized aliens? If legislation on immigration reform is pre-empted at the State level, what steps can the department take to ensure that New Jersey workplaces are free from hiring and employing illegal immigrants?

**Response:** There is no State law in effect that tasks LWD with enforcing restrictions on hiring illegal immigrants. However, the Department works to ensure that all workers (whether or not their immigration status is authorized) are paid properly and are covered for social insurance benefits (Workers' Compensation, Unemployment Insurance, Temporary Disability Benefits). It is likely that our targeted efforts to enforce New Jersey's Wage

and Hour laws and to ensure compliance with laws requiring employers to cover their employees for social insurance have, as a byproduct, a disproportionate impact on employers who participate in the underground economy and hire workers without legal immigration status.

One key element of our Wage and Hour enforcement program is outreach to day laborers and migrant workers to increase their awareness of their rights under New Jersey law. We specifically communicate to these workers that the Department can help them receive the proper pay that is due to them. Our Wage and Hour outreach efforts and investigations are conducted without regard to workers' immigration status. This past year we participated in more than a dozen meetings and workshops hosted by worker rights advocacy groups as part of this outreach effort.

We have also conducted concentrated inspections, visiting job sites in response to complaints that workers were being paid in cash and off the books. We follow up these job site inspections with payroll record inspections and referrals to employer accounts, workers' compensation, and USDOL as needed. We cooperate with worker rights advocacy groups to facilitate wage collection hearings for migrant workers and day laborers and we have held these hearings at remote locations to accommodate workers and their representatives. We also provide telephone translation services to ensure that workers' claims can be properly interpreted.

In addition, the Department's Division of Employer Accounts has consistently led the nation in the number of misclassified workers uncovered through our audit procedures. Such misclassified individuals are at an economic disadvantage compared with individuals properly classified as employees, who have basic worker protection, such as unemployment and disability insurance and workers' compensation coverage. In calendar year 2006, LWD auditors uncovered 20,953 individuals who had been misclassified as independent contractors by their employers resulting in the establishment of \$16.5 million in additional tax contributions. A portion of these workers are day laborers and it is likely that some of them are undocumented immigrants.

3. 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 proposed Budget appropriates \$75 million from the SDBF for transfer to the General Fund as State revenue (page F-7).

- **Question:** Please provide the value of revenues, benefits, and administrative expenditures, and the cash balance in the SDBF for: each month in calendar year 2006; as many months as possible for calendar year 2007; and an estimate for 2008.

**Response:** See Schedule I attached.

4. In response to Office of legislative Services (OLS) questions during the review of the FY 2007 budget, the department projected that during FY 2006, job training

would be provided to an estimated 68,716 individuals by the Workforce Development Partnership (WDP) program, to 7,736 individuals under the Workforce Investment Act (WIA), and 11,295 under the Work First New Jersey (WFNJ) program, thus providing training to a total of 87,747 individuals. At that time, the department projected that the number receiving training would increase, by 8,144, to 95,902 in FY 2007.

- **Question:** a. 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.

**Response:** Of the WDP participants who received individual training grants who exited from July 1, 2005 and June 30, 2006, 2,261 WDP participants were not employed at time of registration. Of these participants, 1,566 (or 69%) were employed in the quarter after their exit.

In the customized training program, in fiscal year 2006, 38,685 workers received training that enhanced their skills level in many disciplines ranging from basic math, English and communication skills to training on new and sophisticated manufacturing equipment to advanced computer programming. In each case, the employee increased his or her skill level thus making them more productive for their employer and more marketable throughout their careers should they seek employment elsewhere. Also, employers tangibly demonstrate the market demand for the skills their workers receive by virtue of the significant amount of funding they contribute to the program. Each employer is required to contribute at least 50% of the total cost of the training program.

In fulfillment of the State Employment and Training Commission's mandate to evaluate the WDP program, the Heldrich Center for Workforce Development at Rutgers University is currently completing a detailed report on the program's results.

The evaluation includes in-depth case studies of ten Customized Training (CT) grants awarded under WDP in fiscal years 2003 and 2004. All of the thirteen employers interviewed reported that the training funded by the CT grant would either not have occurred or would have been far less comprehensive without the receipt of the grant.

Those employers interviewed that had fewer than 100 employees reported that they had limited training budgets and limited overall available resources, including the time and management necessary to execute a training program. The CT grant assisted them to obtain the resources and capacity necessary to provide training to their employees.

Company executives also reported that the training funded by CT grants assisted companies to increase employee productivity and increase the economic competitiveness of the company. All of the individuals interviewed for this study who received training funded by CT grants reported that they benefited from that training.

b. Please indicate for each of the following programs, how many individuals were trained during FY 2006 and how many are expected to be trained during FY 2007 and FY 2008: WDP individual training grants (ITA's) for dislocated workers; WDP ITA's for disadvantaged workers; WDP customized training grants; WDP occupational safety and health training; WDP Youth Transitions to Work; WDP Smart STEPS/Supplemental Workforce Development Benefits program; Workforce Investment Act (WIA) dislocated worker training; WIA adult training; WIA youth training; WFNJ Temporary Assistance for Needy Families (TANF) recipient training; WFNJ Food Stamp recipient training; and WFNJ General Assistance recipient training? Please indicate any overlap between the categories.

*Response:*

<u>Program Area or Funding Support Identifier</u>	<u>FY 2006</u>	<u>Estimated FY 2007</u>	<u>Projected FY 2008</u>
Workforce Investment Act	22,986	20,712	21,849
Adult	6,607	5,941	6,274
Dislocated Workers	7,593	7,245	7,419
Youth	9,077	7,690	8,383
WFNJ	60,056	58,044	59,050
TANF	24,151	23,611	23,881
GA	18,844	15,274	17,059
Food Stamps only	17,061	19,159	18,110
Smart STEPS	628	926	777
Workforce Learning Link	6,441	5,756	6,099
Trade Act	1,080	1,226	1,153
Workforce Development Program - Participants	5,291	6,083	5,687
New ITAs Issued	2,996	3,175	3,085

<u>Total Individuals Trained</u>	<u>FY 2006 Actual</u>	<u>FY2007 Estimated</u>	<u>FY2008* Projected</u>
Occupational Safety and Health (OSH)	9,062	12,751	14,026
Youth Transitions to Work (YTTW)	1,582	2,472	2,719
Customized Training (CT)	38,685	46,468	51,114

\*Fiscal Year 2008 projects a rate of growth of 10% for individual trainees.

c. Please indicate for each of the programs listed above, in each of the indicated years, the cost per individual trained and what portion of total program costs reflects direct training costs and what portion reflects administrative overhead.

**Response:**

	Number of individuals (1)		Cost per individuals trained		Direct training cost		Administrative cost	
	FY 2006	FY2007 (2)	FY 2006	FY2007 (2)	FY 2006	FY2007 (2)	FY 2006	FY2007 (2)
	WDP ITAs	5,291	6,083	2,146	2,139	11,354,257	13,012,179	113,546
<b>WIA</b>								
Adult	6,607	5,941	2,145	2,210	14,174,488	13,127,530	2,126,173	1,969,130
Youth Dislocated Worker	9,077	7,690	1,690	1,976	15,344,592	15,192,143	2,301,689	2,278,821
	7,593	7,245	2,099	1,446	15,937,892	10,472,777	2,390,684	1,570,917
<b>WFNJ</b>								
TANF	24,151	23,611	1,118	1,888	27,010,946	44,580,769	4,051,642	6,687,115
FS/GA (3)	35,905	34,433	278	345	9,985,605	11,887,282	1,497,841	1,783,092

	Number of individuals FY 2008	Cost per individuals trained FY 2008	Direct training cost FY 2008	Administrative cost FY 2008
WDP ITAs	5,687	2,288	13,012,179	113,546
<b>WIA</b>				
Adult	6,274	2,092	13,127,530	1,969,130
Youth Dislocated Worker	8,383	1,812	15,192,143	2,278,821
	7,419	1,412	10,472,777	1,570,917
<b>WFNJ</b>				
TANF	23,881	1,867	44,580,769	6,687,115
FS/GA	35,169	338	11,887,282	1,783,092

**Notes:**

- (1) Participants include carry forward & new enrollees
- (2) FY 2007 financial and participant data are both estimated data.
- (3) Note: the allocation is not broken down separately for FS and GA.

For the Projection for 2008, we are using the same financial data to estimate the Cost per trainee, Direct training cost & Administrative cost as we anticipate the same amount of funding to be received for FY 2008.

In fiscal year 2006, 628 people participated in the Smart Steps program. For fiscal years 2007 and 2008, 926 and 777 individuals respectively, are expected to participate in the program. The funding support for those participating in Smart Steps is not used for training but rather is used to fund certain welfare benefits that are temporarily suspended while the individuals are in training.

<u>Fiscal Year 2006 Actual</u>	<u>OSH</u>	<u>YTTW</u>	<u>CT</u>
Cost Per Individual Trained	\$207	\$1,706	\$499
% of Direct Training Costs	69%	90%	90%
% Administrative Cost	31%	10%	10%
<u>Fiscal Year 2007 Estimated</u>	<u>OSH</u>	<u>YTTW</u>	<u>CT</u>
Cost Per Individual Trained	\$225	\$1537	\$451
% of Direct Training Costs	69%	90%	90%
% Administrative Cost	31%	10%	10%
<u>Fiscal Year 2008 Projected</u>	<u>OSH</u>	<u>YTTW</u>	<u>CT*</u>
Cost Per Individual Trained	\$225	\$956	\$451
% of Direct Training Costs	70%	90%	90%
% Administrative Cost	30%	10%	10%

**d. Please indicate for each of the programs listed above, for FY 2007 and FY 2008 (estimated), the total amount appropriated and what portion of the funding is appropriated to the Department of Labor and Workforce Development and what portion, if any, is appropriated to the Department of Human Services.**

**Response:** All of the funding noted above is appropriated to the Department of Labor and Workforce Development.

5. 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. In its response to one of last year's OLS discussion points, the department indicated an estimated 469 "Smart STEPS" program participants in FY 2006, compared to 10,300 receiving training under the "Supplemental Workforce Development Benefits" program .

- **Question:** Please explain the difference between the number of participants under the Smart STEPS program and the Supplemental Workforce Development Benefits program. Please detail the progress of participants in the "Smart STEPS" program.

**Response:** The Smart STEPS program began in March 2005. In SFY 2006 a cumulative total of 628 participants were served. In SFY 2007 to date, 795 participants have been served (includes carry-over from 2006). Currently,

602 are actively enrolled in the program as compared to the 469 that were actively enrolled last year at this time.

Since a college education for a BA or BS degree can take up to four to five years to complete, it is too soon to evaluate the effectiveness of Smart STEPS. However, of those who have left the program in SFY 2006, 55.7% (106 employed out of 185 participants) have gained employment.

In last year's response we made reference to the "Supplemental Workforce Development Benefits Program" when the reference should have been to the Supplemental Workforce Fund for Basic Skills (SWFBS) Program or what we commonly refer to as the Literacy Program. "Smart STEPS" is not affiliated with the SWFBS Literacy program. Literacy funds are used to provide basic skills training to our citizens who need such training to help them enter or re-enter the labor market. Please also see the response to question 8 below. "Smart STEPS" is designed to provide temporary benefits to welfare recipients while they pursue their education in order to be able to leave the welfare program, and is funded through a portion of the WDP allocation.

6. The WDP program provides training grants to disadvantaged and displaced workers, as well as 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 \$98.4 million in FY 2008 (page H-26). The proposed budget includes language (pages D-273) transferring \$35.6 million from the WDP fund to the New Jersey Youth Corps (\$1.9 million) and Work First New Jersey Program (\$33.7 million).

- **Question:** For FY 2006, 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 2007 and FY 2008, 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.

**Response:** See Schedule II attached.

7. In the department's answers to the OLS discussion point questions for the FY 2007 budget, it was estimated that the balance of the UI fund would be sufficient to continue UI tax rates during FY 2007 and FY 2008 in the "A" tax schedule, which provides the lowest UI tax rates for employers.

- **Question:** If, as proposed in the FY 2008 budget, UI tax revenues are not diverted to the HCSF, what will the estimated UI fund balance be on March 31, 2008? ... on March 31, 2009? What UI tax schedule will be triggered as a result in FY 2009 and FY 2010?

**Response:** See Schedule III attached.

- 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 2008, FY 2009 and FY 2010, 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 2009? ...."B" schedule? ...."C" schedule?

**Response:** See Schedule III attached.

8. The FY 2008 budget again, recommends \$2 million to be appropriated for the Workforce Literacy and Basic Skills Program, representing a 10 percent administrative allowance, pursuant to the Supplemental Workforce Fund for Basic Skills (SWFBS), P.L.2001, c.152 (C.34:15D-21 et seq.). The budget also recommends that \$20 million be transferred to the General Fund and appropriated for operating aid to County Colleges (page D-270). This appropriation is a \$6 million increase over the amount appropriated from the SWFBS to county colleges in FY 2007. The total amount available in the SWFBS for FY 2008, including investment earnings, is estimated at \$51.9 million. This total is allocated by P.L.2001, c.152 as follows: 24 percent to support basic skills training delivered by State civil service employees at the State's On-Stop Career 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 SWFBS has end balances of \$31.0 million, \$22.9 million (projected), and \$9.1 million (projected) in FY 2006, FY 2007, and FY 2008, respectively. The budget overview for the department explains that the Workforce Learning Link model is funded out of SWFBS (page D-258). The budget overview indicates that \$12.6 million was made available to support Workforce learning links in FY 2007.

- **Question:** Please detail the success of the SWFBS since inception. Please list by category how the funds from the SWFBS were utilized in FY 2006, FY 2007, and an estimate for FY 2008. What accounts for the large carryover balances in FY 2006 and FY 2007? How was the Workforce Learning Link model utilized in FY 2007? What amount will be allocated from the SWFBS for the Workforce Learning Links in FY 2008? How have county colleges assisted the department in reaching the basic skills program goals?

**Response:** The Workforce Learning Link program continues to serve New Jersey residents with work-directed literacy needs. Success is measured by the number of individuals enrolled and whether upon exit participants have

achieved employment, attained a GED/High School Diploma or gone on to other occupational post-secondary training. In FY2006, 6,441 individuals received Workforce Learning Link services. Through March 31, 2007 of the current fiscal year, 4,934 individuals have received Workforce Learning Link services, which is on pace to exceed the previous year's total.

The Workforce Learning Link model relies upon technology to develop participant's literacy skills. Participants are first administered an assessment test to determine their educational grade level equivalent or English-speaking ability. The assessment process is comprehensive enough to identify specific areas of weakness in math, reading or language ability that can then be addressed through computer-delivered, targeted instruction. Each participant, in consultation with a certified counselor, sets short- and long-term participation goals. Success is measured by the number of individuals enrolled and whether upon exit participants have achieved employment, attained a GED/High School Diploma or gone on to other occupational post-secondary training. From July 1, 2006 through March 31, 2007, 631 participants exiting the program and entered employment, 82 achieved their GED and 10 went on to other post-secondary education. During the same period, 304 exiting customers were shown to have gained at least one grade level when administered the post-instructional assessment test. More complete participation results will be documented as customer information is matched against wage records.

Program funds are used to purchase instructional content available to registered enrollees through any Internet-connected PC. This has made possible the expansion of the Workforce Learning Link model beyond the traditional bricks and mortar classroom allowing new and existing participants to study at times and locations convenient to their schedules such as from their homes, community center or library, while under the facilitation of an instructor. Workforce Investment Boards have also used a portion of the 28% funds to support local literacy related needs including GED testing centers and supplemental allocations to local WIA Title II literacy consortiums.

Community colleges are actively involved in contributing to the success of the Workforce Learning Link program. Numerous Workforce Investment Board areas have partnered with their local community college to provide instructional services in the Workforce Learning Links. Strong relationships exist in many areas including Atlantic/Cape May, Bergen, Burlington, Camden, Gloucester, Hudson, Mercer, Passaic and Union counties. The relationships cross over programs, in some instances, as Workforce Learning Link/Workforce Investment Board areas and county colleges work together for GED Testing, retail skills centers and WIA Title II literacy efforts in addition to the established Workforce Learning Link classrooms. In addition, our Community Colleges are New Jersey's largest source of occupational training, and their non degree programs are major providers of basic skills training to improve the job prospects of low wage earning adults.

The large balance in the fund is due mainly to the low number of employers who have taken advantage of this funding to provide basic skills training to their incumbent workers. While many employers have availed themselves of these services, we believe there is much more we can do to effectively promote the incumbent worker training aspect of the SWFBS program. Accordingly, we have recently published a notice of grant opportunity and are currently evaluating the responses. The response deadline was March 30<sup>th</sup>. We have received 72 responses and will be evaluating each and making awards within the next several weeks.

See also Schedule IV for a summary of the activity in the SWFBS fund.

9. 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 (page D-269) these grants will total about \$96.5 million for the period FY 2005-2008 (\$27 million in FY 2008 alone), and will benefit over 1,000 companies and train over 166,000 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 statute, if an employer receiving a grant for customized training services relocates or out-sources any or all of the jobs out of the State for which customized training services were provided under the grant within three years following the end date of the customized contract, 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 part 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.

- **Question:** 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 FY 2003 to the present, please provide the same information by grantee. Other than voluntary reporting by grantees, how does the department monitor grantees' employment and business decisions to assure compliance with this requirement? 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?

**Response:** Over the past decade and a half, there have been few instances where monies were repaid due to the relocation of jobs. Unfortunately, we do not have specific information about these events.

In the past, the Department used an informal process to monitor grantees' employment and business decisions to assure compliance with this

requirement of the Customized Training program. Starting this year, the department is implementing a formalized process with established procedures to monitor grantees' employment and business decisions after the conclusion of the grant. The formalized process will include mechanisms for tracking and monitoring of any grants required to be repaid due to relocation or outsourcing.

Notwithstanding the need to improve our post grant monitoring, we do have a vigorous monitoring program in place for grants in process. All Customized Training contracts contain an audit clause which requires an audit to be conducted on all grants where expenditures exceed \$100,000. Following the close out of a grant, the Office of Internal Audit (OIA) sends a letter to the grantee asking them to provide information concerning their audit. Audits are to be conducted by qualified independent auditors or an internal audit group that meets the Standard of Independence.

The Office of Internal Audit receives and reviews these audits and initiates appropriate action should the audit disclose questioned costs or non-compliance with the grant provisions. Such action could include seeking recovery of funds that had not been spent or were spent improperly or were spent for training not delineated in the contract.

Areas covered by the audits include, but are not limited to: reviewing the company's closeout report to the department; obtaining payroll records to verify that employees were in attendance during training hours ascertaining that the company incurred and paid its share of expenses (matching provision) and testing cost expenditures related to classroom training. Recoveries have ranged from \$500 to just under \$50,000 as a result of these audits.

**Workforce Development  
FY 2006 (actual) FY 2007 (estimated) FY 2008 (estimated)**

**SCHEDULE II**

	100.0%	10.5%	25.0%	6.0%	45.0%	3.0%	5.0%	5.0%	To Work	Unallocated
	Total	Admin.	Ind. Grants	Disadvant.	Cust. Trng	OSHA	YTTW	YTTW	Activities	
<b>Fiscal Year 2006 Analysis</b>										
Balance July 1, 2005	\$ 67,630,912	\$ 271,859	\$ 10,733,707	\$ 3,173,906	\$ 38,867,419	\$ 1,536,258	\$ 1,457,075	\$ 1,457,075	\$ 8,199,630	\$ 3,391,058
Revenue Collected	\$ 91,355,372	\$ 9,592,314	\$ 22,838,843	\$ 5,481,322	\$ 41,109,917	\$ 2,740,661	\$ 4,567,769	\$ 4,567,769	\$ -	\$ 5,024,545
Expenditures	\$ 79,385,545	\$ 7,197,699	\$ 12,801,240	\$ 636,127	\$ 20,023,935	\$ 1,191,082	\$ 2,106,180	\$ 2,106,180	\$ 35,429,283	\$ -
Estimated "Due to UI" 6/30/06	\$ 4,421,061	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,421,061
Fund Balance June 30, 2006	\$ 84,021,800	\$ 2,666,474	\$ 20,771,310	\$ 8,019,101	\$ 59,963,402	\$ 3,085,837	\$ 3,918,664	\$ 3,918,664	\$ (27,229,653)	\$ 12,836,664
Encumbrances @ June 30, 2006	\$ 56,031,155	\$ -	\$ 5,013,077	\$ 2,440,361	\$ 35,453,010	\$ 673,873	\$ 1,497,197	\$ 1,497,197	\$ 10,953,637	\$ -
Undesignated Fund Balance	\$ 27,990,645	\$ 2,666,474	\$ 15,758,233	\$ 5,578,740	\$ 24,500,392	\$ 2,411,964	\$ 2,421,466	\$ 2,421,466	\$ (38,183,290)	\$ 12,836,664
Cap Limitation	\$ 18,271,074	\$ 1,918,463	\$ 4,567,769	\$ 1,096,264	\$ 8,221,983	\$ 548,132	\$ 913,554	\$ 913,554	\$ -	\$ 1,004,909
Excess over Cap	\$ (9,719,571)	\$ (748,011)	\$ (11,190,465)	\$ (4,482,475)	\$ (16,278,409)	\$ (1,863,832)	\$ (1,507,913)	\$ (1,507,913)	\$ 38,183,290	\$ (11,831,755)
To Work Diversion	\$ -	\$ 748,011	\$ 11,190,465	\$ 4,482,475	\$ 16,278,409	\$ 1,863,832	\$ 1,507,913	\$ 1,507,913	\$ (38,183,290)	\$ 2,112,185
Excess over Cap	\$ (9,719,571)	\$ (0)	\$ 0	\$ (0)	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 0	\$ (9,719,570)
Available to carry forward	\$ 18,271,074	\$ 1,918,463	\$ 4,567,769	\$ 1,096,264	\$ 8,221,983	\$ 548,132	\$ 913,554	\$ 913,554	\$ 0	\$ 1,004,909
<b>Fiscal Year 2007 Allocation</b>										
Revenue Anticipated	\$ 97,000,000	\$ 10,185,000	\$ 24,250,000	\$ 5,820,000	\$ 43,650,000	\$ 2,910,000	\$ 4,850,000	\$ 4,850,000	\$ -	\$ 5,335,000
Allocation of Diversion	\$ 55,540,000	\$ 5,875,000	\$ 13,900,000	\$ 3,320,000	\$ 24,950,000	\$ 1,710,000	\$ 2,750,000	\$ 2,750,000	\$ -	\$ 3,035,000
Available to allocate	\$ 59,731,074	\$ 6,228,463	\$ 14,917,769	\$ 3,596,264	\$ 26,921,983	\$ 1,748,132	\$ 3,013,554	\$ 3,013,554	\$ -	\$ 3,304,909
<b>Fiscal Year 2007 Analysis</b>										
Total Fund Balance July 1, 2006	\$ 74,302,229	\$ 1,918,463	\$ 9,580,845	\$ 3,536,625	\$ 43,674,993	\$ 1,222,005	\$ 2,410,751	\$ 2,410,751	\$ 10,953,637	\$ 1,004,909
Revenue Anticipated	\$ 97,000,000	\$ 4,310,000	\$ 10,350,000	\$ 2,500,000	\$ 18,700,000	\$ 1,200,000	\$ 2,100,000	\$ 2,100,000	\$ 55,540,000	\$ 2,300,000
Expenditures projected 6/30/07	\$ 37,288,998	\$ 4,744,254	\$ 9,622,709	\$ 2,534,464	\$ 14,011,354	\$ 1,174,831	\$ 1,442,597	\$ 1,442,597	\$ 3,068,789	\$ 690,000
To Work Diversion	\$ 55,540,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,540,000	\$ -
Fund Balance June 30, 2007	\$ 78,473,231	\$ 1,484,209	\$ 10,308,136	\$ 3,502,161	\$ 48,363,639	\$ 1,247,174	\$ 3,068,154	\$ 3,068,154	\$ 7,884,848	\$ 2,614,909
Encumbrances projected 6/30/07	\$ 60,481,020	\$ -	\$ 9,587,856	\$ 2,400,331	\$ 41,651,529	\$ 1,064,382	\$ 3,063,811	\$ 3,063,811	\$ 2,713,111	\$ -
Undesignated Fund Balance	\$ 17,992,211	\$ 1,484,209	\$ 720,280	\$ 1,101,830	\$ 6,712,110	\$ 182,792	\$ 4,343	\$ 4,343	\$ 5,171,737	\$ 2,614,909
Cap Limitation	\$ 19,400,000	\$ 2,037,000	\$ 4,850,000	\$ 1,164,000	\$ 8,730,000	\$ 582,000	\$ 970,000	\$ 970,000	\$ -	\$ 1,067,000
Excess over Cap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Available to carry forward	\$ 17,992,211	\$ 1,484,209	\$ 720,280	\$ 1,101,830	\$ 6,712,110	\$ 182,792	\$ 4,343	\$ 4,343	\$ 5,171,737	\$ 2,614,909
<b>Fiscal Year 2008 Allocation</b>										
Revenue Anticipated	\$ 98,390,000	\$ 10,330,950	\$ 24,597,500	\$ 5,903,400	\$ 44,275,500	\$ 2,951,700	\$ 4,919,500	\$ 4,919,500	\$ -	\$ 5,411,450
Allocation of Diversion	\$ 55,540,000	\$ 5,875,000	\$ 13,900,000	\$ 3,320,000	\$ 24,950,000	\$ 1,710,000	\$ 2,750,000	\$ 2,750,000	\$ -	\$ 3,035,000
Available to allocate	\$ 60,842,211	\$ 5,940,159	\$ 11,417,780	\$ 3,685,230	\$ 26,037,610	\$ 1,424,492	\$ 2,173,843	\$ 2,173,843	\$ 5,171,737	\$ 4,991,359
<b>Fiscal Year 2008 Analysis</b>										
Total Fund Balance July 1, 2007	\$ 78,473,231	\$ 1,484,209	\$ 10,308,136	\$ 3,502,161	\$ 48,363,639	\$ 1,247,174	\$ 3,068,154	\$ 3,068,154	\$ 7,884,848	\$ 2,614,909
Revenue Anticipated	\$ 98,390,000	\$ 4,455,950	\$ 10,697,500	\$ 2,583,400	\$ 19,325,500	\$ 1,241,700	\$ 2,169,500	\$ 2,169,500	\$ 55,540,000	\$ 2,376,450
Expenditures	\$ 52,386,004	\$ 4,665,036	\$ 11,518,606	\$ 3,560,580	\$ 23,684,059	\$ 1,650,479	\$ 2,026,654	\$ 2,026,654	\$ 4,311,234	\$ 969,357
To Work Diversion	\$ 55,540,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,540,000	\$ -
Fund Balance June 30, 2008	\$ 68,937,227	\$ 1,275,123	\$ 9,487,030	\$ 2,524,982	\$ 44,005,080	\$ 838,395	\$ 3,211,000	\$ 3,211,000	\$ 3,573,614	\$ 4,022,002
Encumbrances	\$ 50,800,000	\$ -	\$ 7,926,334	\$ 1,984,367	\$ 35,233,554	\$ 879,931	\$ 2,532,870	\$ 2,532,870	\$ 2,242,944	\$ -
Undesignated Fund Balance	\$ 18,137,227	\$ 1,275,123	\$ 1,560,696	\$ 540,615	\$ 8,771,525	\$ (41,536)	\$ 678,131	\$ 678,131	\$ 1,330,670	\$ 4,022,002
Cap Limitation	\$ 19,678,000	\$ 2,066,190	\$ 4,919,500	\$ 1,180,680	\$ 8,855,100	\$ 590,340	\$ 983,900	\$ 983,900	\$ -	\$ 1,082,290
Excess over Cap	\$ -	\$ -	\$ -	\$ -	\$ 2,227,278	\$ 200,000	\$ -	\$ -	\$ -	\$ (2,427,278)
Available to carry forward	\$ 18,137,227	\$ 1,275,123	\$ 1,560,696	\$ 540,615	\$ 10,998,803	\$ 158,464	\$ 678,131	\$ 678,131	\$ 1,330,670	\$ 1,594,724

**UNEMPLOYMENT COMPENSATION FUND**  
**RESERVE RATE CALCULATIONS**  
**FISCAL YEARS 7/06 - 7/09**  
(\$ Estimated in millions)

Schedule III

	7/07	7/08	7/09	7/10
Fund Balance 3/31	<u>\$ 1,066.3</u>	<u>\$ 1,080.2</u>	<u>\$ 1,161.3</u>	<u>\$ 1,338.6</u>
Taxable Wages Prior Cal. Yr.	<u>\$ 70,492.9</u>	<u>\$ 73,665.0</u>	<u>\$ 77,127.3</u>	<u>\$ 80,752.3</u>
Reserve Ratio	<u>1.51%</u>	<u>1.47%</u>	<u>1.51%</u>	<u>1.66%</u>
Benefit Payments	<u>\$1,872.3</u>	<u>\$1,881.6</u>	<u>\$1,894.0</u>	<u>\$1,907.2</u>
Column in Tax Table	A	A	A	A
Insured Unemployment Rate	2.6 - 2.8%	2.5 - 2.6%	2.5%	2.6%
Revenues Column A - estimated			<u>\$ 1,978.3</u>	
Revenues Column B - estimated			<u>\$ 2,361.3</u>	
Revenues Column C - estimated			<u>\$ 2,713.5</u>	

TEMPORARY DISABILITY INSURANCE FUND  
CASH FLOW ANALYSIS

FY 2006

(in millions)

MONTH	BEG BLNCE	NET CONT	ASSMTS	INT INC	ST PLAN BNFS	4F BNFS	ADMIN EXP	RESIDUAL EQTY TRF	OTHER BLNCE	END BLNCE
JULY 2005	\$ 96.1	\$ 15.3	\$ 6.6	\$ 0.2	\$ 35.9	\$ 1.7				\$ 80.6
AUGUST	80.6	119.1	16.4	0.5	41.7	2.0				172.9
SEPTEMBER	172.9	11.5	5.7	0.4	38.5	2.1	\$ 33.8	\$ 20.0		96.1
OCTOBER	96.1	24.0	0.7	0.3	36.0	1.9				83.2
NOVEMBER	83.2	65.7	0.6	0.4	35.1	2.0				112.8
DECEMBER	112.8	0.9	0.7	0.4	33.8	1.9				79.1
JANUARY 2006	79.1	15.3	(0.6)	0.2	35.7	1.7				56.6
FEBRUARY	56.6	50.4	1.6	0.3	31.4	1.7		\$ 0.9		76.7
MARCH	76.7	1.7	0.4	0.2	37.0	1.9				40.1
APRIL	40.1	9.0	0.2	0.1	33.1	1.7				14.6
MAY	14.6	192.5	0.3	0.4	38.4	2.1		90.0		77.3
JUNE	77.3	5.2	4.3	0.3	35.8	2.2				49.1
TOTAL	\$ 96.1	\$ 510.6	\$ 36.9	\$ 3.7	\$ 432.4	\$ 22.9	\$ 33.8	\$ 110.0	\$ 0.9	\$ 49.1

TEMPORARY DISABILITY INSURANCE FUND  
CASH FLOW ANALYSIS

Schedule I  
Page 2 of 3

FY 2007  
(in millions)

MONTH	BEG BLNCE	NET CONT	ASSMTS	INT INC	ST PLAN BNFS	4F BNFS	ADMIN EXP	RESIDUAL EQTY TRF	OTHER	END BLNCE
JULY 2006	\$ 49.1	\$ 14.9	\$ 3.7	\$ 0.2	\$ 38.4	\$ 1.7				\$ 27.8
AUGUST	27.8	107.5	12.7	0.5	42.3	2.5				103.7
SEPTEMBER	103.7	13.4	6.6	0.5	36.4	2.1	\$ 27.7			58.0
OCTOBER	58.0	49.3	2.1	0.3	38.7	2.2				68.8
NOVEMBER	68.8	62.4	0.6	0.5	36.5	1.8				94.0
DECEMBER	94.0	5.1	0.7	0.4	33.4	2.0				64.7
JANUARY 2007	64.7	14.9	0.3	0.3	38.7	2.1				39.4
FEBRUARY	39.4	51.1	-	0.3	31.8	1.6				57.4
MARCH	57.4	2.1	0.2	0.2	35.8	2.5				21.6
APRIL	21.6	9.4	0.1	0.1	34.6	2.0				(5.3)
MAY	(5.3)	201.2	0.1	0.2	40.1	2.2		\$ 50.0		103.9
JUNE	103.9	5.4	7.4	0.4	37.4	2.3			\$ 1.0	78.4
TOTAL	\$ 49.1	\$ 536.7	\$ 34.5	\$ 3.9	\$ 444.1	\$ 25.0	\$ 27.7	\$ 50.0	\$ 1.0	\$ 78.4

**ASSUMPTIONS:**

1. Actual information used July - March.
2. The State Plan Benefits will increase by 4.43% (rate CY 2004 compared to CY 2003).
3. The 4F Benefits will increase by 4.43% (the same rate as State Plan).
4. The State Plan taxable wages will increase by 4.5% in CY 2007.
5. The assessment bills will be mailed June 2007.

TEMPORARY DISABILITY INSURANCE FUND  
CASH FLOW ANALYSIS  
FY 2008  
(in millions)  
\$75 MILLION DIVERSION IN FY 2008

MONTH	BEG BLNCE	NET CONT	ASSMTS	INT INC	ST PLAN BNFS	4F BNFS	ADMIN EXP	RESIDUAL EQTY TRF	OTHER	END BLNCE
JULY 2007	\$ 78.3	\$ 15.6	\$ 13.5	\$ 0.3	\$ 40.1	\$ 1.8				\$ 65.8
AUGUST	65.8	112.3	4.8	0.4	44.2	2.6				136.6
SEPTEMBER	136.6	14.0	2.0	0.5	38.0	2.2	\$ 30.0			82.9
OCTOBER	82.9	51.5	1.0	0.4	40.4	2.3				93.0
NOVEMBER	93.0	65.2	0.5	0.5	38.1	1.9				119.2
DECEMBER	119.2	5.3	0.5	0.5	34.9	2.1				88.5
JANUARY 2008	88.5	15.6	0.2	0.3	40.4	2.2				62.0
FEBRUARY	62.0	53.4	0.1	0.3	33.2	1.7				81.0
MARCH	81.0	2.1	0.1	0.3	37.6	2.5				43.3
APRIL	43.3	9.8	0.2	0.1	36.1	2.1				15.3
MAY	15.3	210.7	0.2	0.4	41.9	2.3		\$ 75.0		107.4
JUNE	107.4	5.7	7.4	0.4	39.0	2.4		\$ 1.0		80.5
TOTAL	\$ 78.3	\$ 561.2	\$ 30.5	\$ 4.4	\$ 463.9	\$ 26.0	\$ 30.0	\$ 75.0	\$ 1.0	\$ 80.5

**ASSUMPTIONS:**

1. The State Plan Benefits will increase by 4.43% (rate CY 2004 compared to CY 2003).
2. The 4F Benefits will increase by 4.43% (the same rate as State Plan).
3. The State Plan taxable wages will increase by 4.5% in CY 2007 and 4.7% in CY 2008.
4. The assessment bills will be mailed June 2008.
5. There will be a \$75 million Residual Equity Transfer in FY 2008.

Supplemental Workforce - Literacy Fund  
 FY 2006 (actual) FY 2007 (estimated) FY 2008 (estimated) Schedule IV

	Total	10.00% Admin	24.00% One Stop	28.00% WIB	38.00% Employers
<b>Fiscal Year 2006 Analysis</b>					
Fund Balance July 1, 2005	33,806,707	3,333,371	7,263,396	9,675,081	13,534,859
Revenue Collected	26,091,202	2,609,120	6,261,888	7,305,537	9,914,657
Expenditures	13,350,079	2,062,616	3,021,841	3,902,173	4,363,449
Division for Comm. Colleges	14,000,000	1,400,000	3,360,000	3,920,000	5,320,000
Fund Balance June 30, 2006	32,547,830	2,479,875	7,143,443	9,158,445	13,766,067
Encumbrances @ June 30, 2006	13,254,904	177,951	1,268,386	4,804,078	7,004,489
Undesignated Fund Balance	19,292,926	2,301,924	5,875,057	4,354,367	6,761,578
<b>Fiscal Year 2007 Analysis</b>					
Fund Balance July 1, 2006	32,547,830	2,479,875	7,143,443	9,158,445	13,766,067
Revenue Collected	27,000,000	2,700,000	6,480,000	7,560,000	10,260,000
Expenditures-projected 6/30/07	12,541,886	1,474,172	1,042,944	6,027,759	3,997,011
Division for Comm. Colleges	14,000,000	1,400,000	3,360,000	3,920,000	5,320,000
Fund Balance June 30, 2007	33,005,944	2,305,703	9,220,499	6,770,686	14,709,056
Encumbrances-projected 6/30/07	13,102,934	232,584	1,564,106	6,138,988	5,167,258
Undesignated Fund Balance	19,903,010	2,073,120	7,656,394	631,698	9,541,798
<b>Fiscal Year 2008 Analysis</b>					
Fund Balance July 1, 2007	33,005,944	2,305,703	9,220,499	6,770,686	14,709,056
Revenue Collected	27,000,000	2,700,000	6,480,000	7,560,000	10,260,000
Expenditures-projected 6/30/08	13,796,075	1,621,589	1,147,238	6,630,535	4,396,712
Division for Comm. Colleges	20,000,000	2,000,000	4,800,000	5,600,000	7,600,000
Fund Balance June 30, 2008	26,209,869	1,384,115	9,753,261	2,100,151	12,972,343
Encumbrances-projected 6/30/08	7,400,000	177,503	1,193,707	2,085,202	3,943,589
Undesignated Fund Balance	18,809,869	1,206,611	8,559,554	14,949	9,028,754