

ANALYSIS OF THE NEW JERSEY FISCAL YEAR 2001 - 2002 BUDGET



DEPARTMENT OF LABOR

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 2001

NEW JERSEY STATE LEGISLATURE

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

Robert E. Littell (R), 24th District (Sussex and parts of Hunterdon and Morris), *Chairman*
Peter A. Inverso (R), 14th District (Parts of Mercer and Middlesex), *Vice Chairman*
Martha W. Bark (R), 8th District (Parts of Atlantic, Burlington and Camden)
Wayne R. Bryant (D), 5th District (Parts of Camden and Gloucester)
Anthony R. Bucco (R), 25th District (Part of Morris)
Sharpe James (D), 29th District (Parts of Essex and Union)
Walter J. Kavanaugh (R), 16th District (Parts of Morris and Somerset)
Bernard F. Kenny, Jr. (D), 33rd District (Part of Hudson)
Joseph M. Kyrillos, Jr. (R), 13th District (Parts of Middlesex and Monmouth)

GENERAL ASSEMBLY BUDGET COMMITTEE

Leonard Lance (R), 23rd District (Warren and parts of Hunterdon and Mercer), *Chairman*
Joseph R. Malone, III (R), 30th District (Parts of Burlington, Monmouth and Ocean), *Vice Chairman*
Peter J. Biondi (R), 16th District (Parts of Morris and Somerset)
Francis J. Blee (R), 2nd District (Part of Atlantic)
Barbara Buono (D), 18th District (Part of Middlesex)
Steve Corodemus (R), 11th District (Part of Monmouth)
Marion Crecco (R), 34th District (Parts of Essex and Passaic)
Louis D. Greenwald (D), 6th District (Part of Camden)
Nellie Pou (D), 35th District (Part of Passaic)
Albio Sires (D), 33rd District (Part of Hudson)
Joel M. Weingarten (R), 21st District (Parts of Essex and Union)

OFFICE OF LEGISLATIVE SERVICES

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

Glenn E. Moore, III, *Director, Central Staff*
Thomas K. Musick, *Section Chief, Commerce, Labor and Industry Section*

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 Kristen A. Calderon with additional contributions by Gregory L. Williams.

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

DEPARTMENT OF LABOR

Budget Pages..... C-18, C-24, C-27, C-29, C-31,
D-301 to D-313

Fiscal Summary (\$000)

	Expended FY 2000	Adjusted. Appropriation FY 2001	Recommended FY 2002	Percent Change 2001-02
State Budgeted	\$97,993	\$81,657	\$81,795	0.2%
Federal Funds	331,441	332,612	328,200	(1.3)%
<u>Other</u>	<u>124,846</u>	<u>147,509</u>	<u>147,440</u>	<u>0.0%</u>
Grand Total	\$554,280	\$561,778	\$557,435	(0.8)%

Personnel Summary - Positions By Funding Source

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change 2001-02
State	654	679	745	9.7%
Federal	2,935	2,848	3,126	9.8%
<u>Other</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>0.0%</u>
Total Positions	3,596	3,534	3,878	9.7%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

Introduction

The Department of Labor is responsible for programs that provide employment, as well as employment-related training and education, for the State's citizens. The department's specific responsibilities include ensuring safe and equitable working conditions for workers and the public; providing job training and job placement services for employed, underemployed and displaced workers, as well as the unemployed; overseeing income maintenance for unemployed and temporarily disabled persons; adjudicating disability claims under the State's workers' compensation/special compensation statutes and the federal Social Security Act; vocational rehabilitation of persons with disabilities; labor relations; and labor market planning and research.

Key Points

- Most of the department's programs are supported by federal (58.9 percent) and dedicated State and "Other" funds, such as trust funds (34.5 percent).
- The Governor's FY 2002 budget proposes (page F-8) a shift of \$23 million from the State Disability Benefits Fund to the General Fund as State revenue. The State Disability Benefits Fund (also known as the fund for Temporary Disability Insurance), which is supported by employee and employer payroll tax contributions, provides wage replacement benefits to workers as a result of unemployment due to sickness or injury which is not job-related.
- Proposed language in the Governor's Budget (page D-313) recommends a \$3.0 million appropriation from the Unemployment Compensation Auxiliary Fund for furniture purchases and renovations of the One Stop Career Centers. One Stop Career Centers offer a wide range of employment and training services to businesses and job seekers through numerous points of access. During FY 2001, three One Stop Career Centers were opened.
- The Governor's Budget recommends language (page D-313) that would appropriate "such amounts as may be necessary" from the New Jersey Workforce Development Partnership Fund as a State match to the federal Welfare-to-Work Grant program. The Welfare-to-Work Grant Program will support work or work-readiness activities for Work First New Jersey recipients with additional barriers to employment, such as poor work history or deficient educational skills.
- The Governor's Budget (page D-313) proposes new language transferring \$5.669 million from the Department of Human Services to the Department of Labor to be used as a State match to the federal Welfare-to-Work Grant program.
- The department's budget request included \$17.8 million for the modernization of the Unemployment Insurance benefit payment system, Local Online Payment System (LOOPS), of which the Governor's Budget recommends a new \$1.0 million language appropriation from the General Fund to conduct a feasibility study to determine the department's specific needs and options and to gather additional research.
- The Governor's Budget proposes \$21.6 million in Grants-In-Aid (GIA) funding to support Vocational Rehabilitation Services, an increase of 1.8 percent or \$383,000 over the current year. The increase provides \$204,000 for a cost of living adjustment and \$179,000 for Direct Service Workers salary supplement, within the Sheltered Workshop Program.
- The Budget Recommendation continues a \$650,000 appropriation to provide additional funding for transportation expenses related to clients' attendance at sheltered workshop programs. According to the Budget in Brief, this grant would reimburse the sheltered workshop clients between 90 to 100 percent for their out-of-pocket transportation expenses.
- The proposed FY 2002 Budget increases funding for Sheltered Workshops to \$4,925 per client, \$149.00 or a 3 percent increase over the FY 2000 per client appropriation of \$4,776. According to the department, 2,617 clients were served at Sheltered Workshops during FY 2001, representing a decrease of 41 clients or 1.6 percent from FY 2000. The department anticipates serving the same number of clients in FY 2002.
- The Budget Recommendation indicates that federal funds are expected to decrease to \$328.2 million in FY 2002, down 1.3 percent or \$4.4 million, from the current adjusted appropriation of \$332.6 million. Divisions anticipating decreases in federal aid include:

Key Points (Cont'd)

Planning and Research (\$380,000 or 4.7 percent) and Employment and Training Services (\$5.7 million or 5.6 percent). These decreases are offset by increases in federal assistance for the Division of Vocational Rehabilitation Services (\$1.1 million or 2.3 percent); Workplace Standards (\$5,000 or 0.1 percent); and Employment Services (\$585,000 or 1.5 percent).

Background Paper

- The Temporary Disability Insurance Program and the Proposed Transfer of \$23 million from the Program

p. 32

Program Description and Overview

The Department of Labor administers a comprehensive array of programs dealing with employment and the physical and economic well-being of workers in New Jersey, including: workplace standards; unemployment insurance; temporary disability insurance; workers' compensation; the determination of disability claims under the Social Security Act; vocational rehabilitation; job training and placement; labor relations; and planning and research.

Budget Overview

Approximately 85.3 percent of the Department of Labor's \$557.4 million budget recommendation for FY 2002 is comprised of federal and other non-State dedicated revenues appropriated "off-budget" or "below the line." The recommended federal appropriation of \$328.2 million will provide most of the department's funding for unemployment insurance, disability determination, job training and employment service operations, while \$147.4 million from "All Other Funds" and "Special Revenue Funds" will support the workers' compensation, temporary disability insurance, and special compensation programs. These other funding sources will largely be derived from assessments related to the programs they support. Fee revenues from the workplace standards program, which enforces the State's wage and hour laws and provides for on-site safety inspections of certain public and occupational premises, is also included in this funding category and, like other revenue sources cited, is used for program support.

Even the department's programs that receive a General Fund appropriation are financed largely by assessments and special revenues dedicated to the department by statute or budget language for specific purposes. In FY 2002, for example, 77.7 percent, or \$44.9 million, of the department's Direct State Service appropriation of \$57.7 million is derived from dedicated revenue sources. In addition, \$9 million of the recommended Grants-In-Aid appropriation of \$21.6 million for Vocational Rehabilitation Services will be financed through the Unemployment Compensation Auxiliary Fund, a special revenue fund supported by penalties and interest imposed on employers for violation of unemployment insurance regulations. The recommended appropriation to support the Vocational Rehabilitation Services' Sheltered Workshop Transportation program is \$3.1 million dollars. Of the \$3.1 million, the Casino Revenue Fund is recommended to provide \$2.4 million and \$650,000 is a Direct State Services appropriation. Overall, of the \$81.8 million in State budgeted appropriations for FY 2002, \$56.3 million, or almost 69 percent, will be derived from trust or special revenue sources and dedicated revenues.

Thus, of the department's total FY 2002 recommended appropriation of \$557.4 million, only 4.6 percent or \$25.5 million, is supported by non-dedicated General Fund resources.

In addition to these sums, the department administers more than \$3.0 billion in benefit payments which are not included as part of the department's appropriation. During FY 2002, for example, the department will administer \$1.2 billion in unemployment insurance benefits, \$397 million in temporary disability insurance benefits, and \$1.4 billion in federal Social Security disability benefit payments.

Summary of the FY 2002 Recommended Budget

State budgeted funds for the department are recommended to increase by approximately \$138,000 or 0.17 percent, for a total of \$81.8 million in FY 2002.

The FY 2002 Budget recommendation includes an additional Grants-in-Aid appropriation of \$383,000 for FY 2002 to support cost-of-living increases for community service providers. The cost-of-living adjustment (\$204,000), along with the direct care salary supplement (\$179,000), will

Program Description and Overview (Cont'd)

provide third party service providers at the Sheltered Workshops and Independent Living Centers a 3.6 percent increase in their wages.

The FY 2002 budget recommends a \$195,000 decrease in Direct State Services for the Division of Workplace Standards. According to the Office of Management and Budget, this decrease is part of the planned reduction within the Division of Workplace Standards as a result of the installation of a new case tracking system, which increased the department's operational efficiency.

In addition, the Governor's Budget recommends a Grants-in-Aid reduction of \$50,000, reflecting the elimination of a legislative initiative in the FY 2001 Appropriations Act that is not recommended to be continued. The initiative, known as "New Bridge 70001," in Morris County, is a classroom-based education/employment program for at-risk, out-of-school (drop out) youth between the ages of 16 and 21. The program's mission is to increase the employability and quality of life of the participants.

The FY 2002 budget continues a special purpose appropriation of \$500,000 to the Division of Workplace Standards to implement the recently enacted "Public Works Contractor Registration Act," P.L. 1999, c.238 (C.34:11-56.48 et seq.) that requires public works contractors to register with the department to ensure compliance with certain labor laws.

Proposed language in the Governor's Budget (page D-313) recommends a \$3.0 million appropriation from the Unemployment Compensation Auxiliary Fund for furniture purchases and renovations of the One Stop Career Centers. One Stop Career Centers offer a wide range of employment and training services to businesses and job seekers through numerous points of access. During FY 2001, three One Stop Career Centers were opened for a total of 17 operative centers.

The Governor's FY 2002 budget also recommends a \$1.0 million language appropriation (page D-308) to conduct a feasibility study, to determine the department's specific needs and options and to gather additional research, for the modernization of the Unemployment Insurance benefit payment system, known as the Local Online Payment System (LOOPS). The department estimates that the total cost of the project would be approximately \$17.8 million.

The Governor's Budget (page D-313) proposes new language transferring \$5.669 million from the Department of Human Services to the Department of Labor to be used as a State match to the federal Welfare-to-Work Grant program.

State Disability Benefits Fund

The proposed budget appropriates \$23.0 million from the State Disability Benefits Fund (SDBF) for transfer to the General Fund as State Revenue (page F-8). The SDBF supports 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 pay for the administration of the benefits.

The fund balance in the SDBF was \$198.6 million on June 30, 2000 (page H-39). This reflects an average growth of SDBF revenues after expenditures of \$21.7 million, or 7.2 percent, during the period from FY 1990 to FY 2000. With that growth rate, the fund balance would have been \$448.2 million on June 30, 2000, except that \$250 million was transferred from the SDBF to the General Fund in the FY 1997 budget. The fund balance is higher than the amount of cash

Program Description and Overview (Cont'd)

actually available in the SDBF principally because the fund balance includes TDI taxes owed by employers but not yet deposited into the SDBF.

On June 30, 1999, the most recent month for which the department has provided data for both the fund balance and cash balance of the TDI fund, the cash balance was \$88.7 million, representing only 45 percent of the SDBF fund balance of \$195.8 million.

Workforce Development Partnership Fund

Proposed language (page D-313) in the Governor's Budget recommends appropriating "such amounts as may be necessary" from the New Jersey Workforce Development Partnership Fund as a State match to the federal Welfare-to-Work Grant program. The Welfare to Work Grant program will support work or work-readiness activities for Work First New Jersey recipients with additional barriers to employment, such as poor work history or deficient educational skills. This Grant will be a part of State "maintenance of effort" funds in the Work First New Jersey welfare reform program. State funding for the grant will come from the New Jersey Workforce Development Partnership Fund, and will be matched with federal funds.

The Governor's Budget recommends a language appropriation of \$1.85 million from the Workforce Development Partnership Fund for the New Jersey Youth Corps (D-299), a program in the Department of Human Services. The New Jersey Youth Corps is a year-round, voluntary program designed for young adults, ages 16 to 25, who have left high school before earning a diploma. The Youth Corps is a program to help break the cycle of limited opportunity by providing youth with a second chance to earn a diploma while developing employment skills through meaningful community service.

Another language appropriation (pages D-286 to D-287) recommends the transfer of \$13.0 million from the Workforce Development Partnership Fund to the Work First New Jersey program in the Department of Human Services for work activity and training related expenses. The Workforce Development Partnership (WDP) Fund, which is funded through employer and employee payroll tax contributions, is used to provide workforce training grants to disadvantaged workers, displaced workers and employers.

Of the \$13.0 million that is to be shifted from the Workforce Development Partnership Fund to the Department of Human Services for the Work First New Jersey program under the proposed Budget, approximately \$8.0 million is in excess of the 6 percent of WDP revenues that must be utilized for grants to "disadvantaged" workers pursuant to P.L. 1992, c.43 (C.34:15D-1 et seq.).

Estimated revenue of \$84.0 million is anticipated for the Workforce Development Partnership Fund in FY 2002.

Unemployment Compensation Fund

The Budget Recommendation anticipates that the Unemployment Compensation Fund will have a \$3.9 billion balance at the end of FY 2002, a \$314 million (8.7 percent) increase over the FY 2001 estimated balance of \$3.6 billion. These fund balances reflect the shift of \$195.5 million, \$120 million and \$95 million, in FY 2000, FY 2001 and FY 2002 respectively, to the Health Care Subsidy (HCS) Fund for charity care in lieu of payment to the Unemployment Compensation Fund, pursuant to P.L. 1997, c.263.

Program Description and Overview (Cont'd)

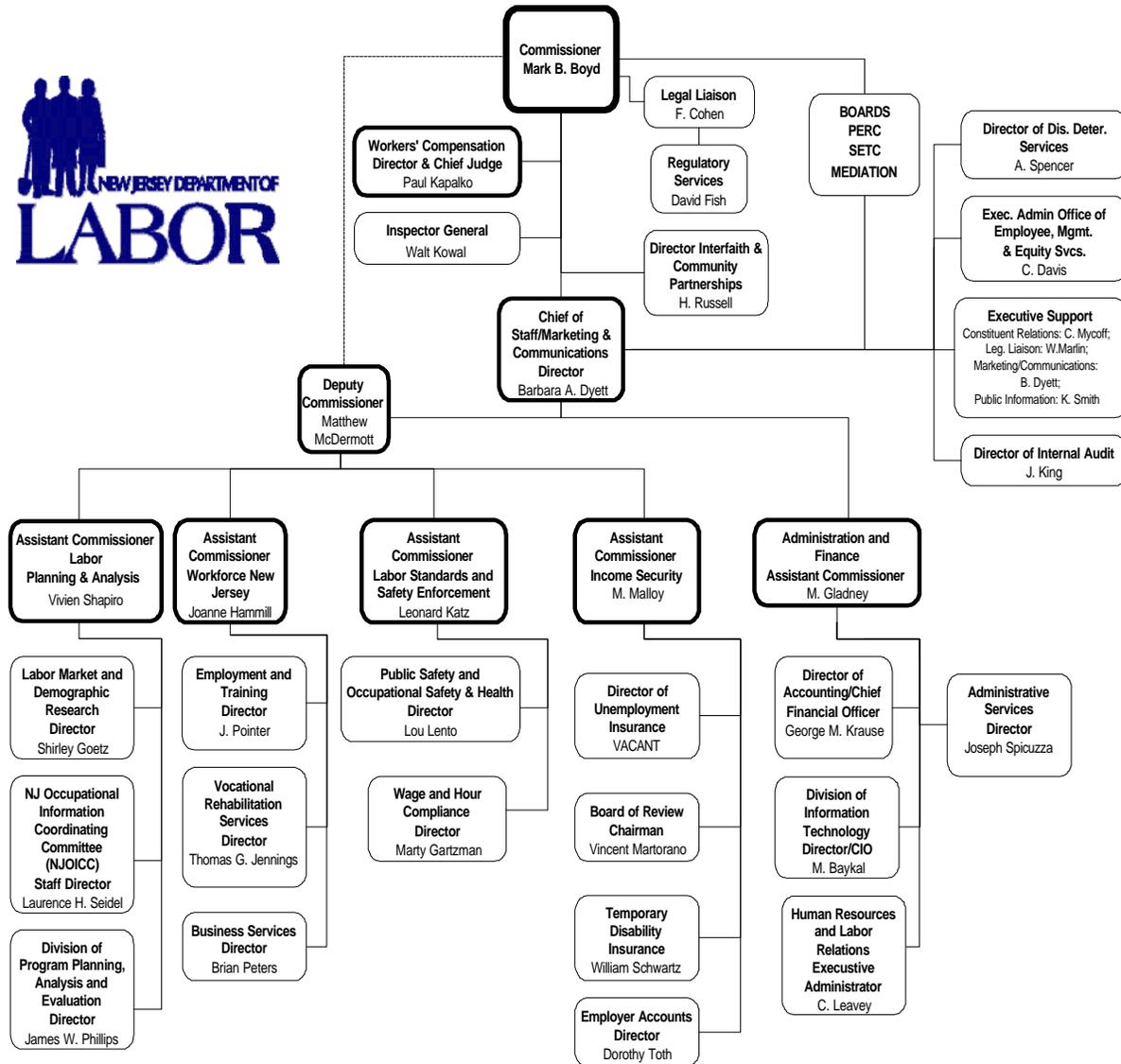
Public Employee Relations Commission

Funding for the Public Employee Relations Commission (PERC) and the PERC Appeal Board remains level at \$3.2 million. PERC is an independent agency within the Department of Labor which resolves disputes between public employees and their employers.

Federal Funds

The Budget Recommendation anticipates federal funds of \$328.2 million in FY 2002, a decrease of 1.3 percent or \$4.4 million below the adjusted appropriation of \$332.6 million. Divisions anticipating decreases in federal aid include: Planning and Research (\$380,000 or 4.7 percent) and Employment and Training Services (\$5.7 million or 5.6 percent). These decreases are offset by increases in federal assistance for the Division of Vocational Rehabilitation Services (\$1.1 million or 2.3 percent); Workplace Standards (\$5,000 or 0.1 percent); and Employment Services (\$585,000 or 1.5 percent). Most of the distributions in federal aid are formula based, and these anticipated changes reflect changes in caseloads.

Organization Chart



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2000	Adj. Approp. FY 2001	Recom. FY 2002	Percent Change	
				2000-02	2001-02
General Fund					
Direct State Services	\$72,789	\$57,926	\$57,731	(20.7)%	(0.3)%
Grants-In-Aid	22,764	21,291	21,624	(5.0)%	1.6%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$95,553	\$79,217	\$79,355	(17.0)%	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	\$97,993	\$81,657	\$81,795	(16.5)%	0.2%
Federal Funds	\$331,441	\$332,612	\$328,200	(1.0)%	(1.3)%
Other Funds	\$124,846	\$147,509	\$147,440	18.1%	0.0%
Grand Total	\$554,280	\$561,778	\$557,435	0.6%	(0.8)%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change	
				2000-02	2001-02
State	654	679	745	13.9%	9.7%
Federal	2,935	2,848	3,126	6.5%	9.8%
All Other	7	7	7	0.0%	0.0%
Total Positions	3,596	3,534	3,878	7.8%	9.7%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	34.4%	34.6%	36.6%	----	----
------------------------	-------	-------	-------	------	------

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
--------------------	---------------------------------	----------------------------	--------------------------	---------------------------	------------------------

ECONOMIC PLANNING AND DEVELOPMENT**FEDERAL FUNDS**

Planning and Analysis	\$8,037	\$7,657	(\$380)	(4.7)%	D-304
-----------------------	---------	---------	---------	--------	-------

The Division of Administration and Support Services anticipates a net decrease of \$380,000 or 4.7 percent in federal funds to support its activities in FY 2002. The department indicates that the primary reason for the anticipated decrease is due to an adjustment in the 2001 grant amount for the employment statistics program. The Division of Administration and Support Services includes the Office of the Commissioner, the Office of Internal Audit, and the Division of Administrative Services.

ECONOMIC ASSISTANCE AND SECURITY**ALL OTHER FUNDS**

State Disability Insurance Plan	\$6,100	\$6,250	\$150	2.5%	D-307
---------------------------------	---------	---------	-------	------	-------

The recommended FY 2002 appropriation of \$6.250 million is largely allocated for fringe benefits as well as other administrative costs, and is in addition to the Direct State Services "on-budget" appropriation of \$20.6 million. The \$150,000 increase represents anticipated inflationary increases in the fringe benefit rate and in the indirect cost rate.

MANPOWER AND EMPLOYMENT SERVICES**FEDERAL**

Vocational Rehabilitation Services	\$47,480	\$48,560	\$1,080	2.3%	D-312
Employment Services	\$38,555	\$39,140	\$585	1.5%	D-312
Employment and Training Service	\$102,030	\$96,338	(\$5,692)	(5.6)%	D-312

The FY 2002 budget anticipates a total reduction in federal funds for Manpower and Employment Services of \$4,032 million, or 2.1 percent over the FY 2001 adjusted appropriation. While the federal funds for Vocational Rehabilitation Services and Employment Services are anticipated to increase, a decrease is anticipated in Employment and Training Services of \$5.692 million or 5.6 percent in the Workforce Investment Act. The funding changes are due to fluctuations in anticipated program activities in the department, such as adult training.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
--------------------	---------------------------------	----------------------------	--------------------------	---------------------------	------------------------

DIRECT STATE SERVICES

Workplace Standards	\$6,207	\$6,012	(\$195)	(3.1)%	D-311
---------------------	---------	---------	---------	--------	-------

According to the Office of Management and Budget, this decrease is part of the planned reduction within the Division of Workplace Standards as a result of the installation of a new case tracking system, which increased the department's operational efficiency.

GRANTS-IN-AID (Vocational Rehabilitation Services)

Salary Supplement for Direct Service Workers	\$0	\$179	\$179	—	D-312
---	-----	-------	-------	---	-------

Cost of Living Adjustment-Sheltered Workshops	\$0	\$204	\$204	—	D-312
---	-----	-------	-------	---	-------

The Governor's Budget proposes \$21.6 million in Grants-In-Aid (GIA) funding to support Vocational Rehabilitation Services, an increase of 1.8 percent or \$383,000 over the current year. The cost-of-living adjustment (\$204,000,) along with the direct care salary supplement (\$179,000,) will provide third party service providers at the Sheltered Workshops and Independent Living Centers a 3.6 percent increase in their wages.

Pursuant to P.L.1971, c.272 (N.J.S.A. 34:16 et seq.), the Division of Vocational Rehabilitation Services contracts with private and public non-profit agencies which operate "extended employment" programs for individuals with severe disabilities. Known as sheltered workshops, these programs offer long-term training and rehabilitation services to individuals with disabilities who cannot sustain or achieve competitive employment in their communities, and who might otherwise be confined to their homes or institutions. Extended employment programs provided by sheltered workshops are State funded.

NewBridge 70001 Morris County	\$50	\$0	(\$50)	(100.0)%	D-312
--	-------------	------------	---------------	-----------------	--------------

This Grants-In-Aid reduction of \$50,000 reflects the elimination of a legislative initiative in the FY 2001 Appropriations Act that is not recommended to be continued. The New Bridge 70001, Morris County, is a classroom-based education/employment program for at-risk, out-of-school (drop out) youth between the ages of 16 and 2. The program's mission is to increase the employability and quality of life of the participants.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2001</u>	<u>Recomm.</u> <u>FY 2002</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
ALL OTHER FUNDS					
Workplace Standards	\$2,624	\$2,400	(\$224)	(8.5)%	D-312

In FY 2002, the Division of Workplace Standards is anticipating a decrease in personal services of \$224,000, or 8.5 percent, in other funds as a result of reductions in miscellaneous fees and penalties including: wage and labor fees and penalties; apparel registrations; and apparel fines and penalties.

Language Provisions

2001 Appropriations Handbook

p. B-133

Of the amount hereinabove for the Management and Administrative Services program classification, \$265,000 is appropriated from the Unemployment Compensation Auxiliary Fund.

2002 Budget Recommendations

p. D-304

Of the amount hereinabove for the Administration and Support Services program classification, \$265,000 is appropriated from the Unemployment Compensation Auxiliary Fund.

Explanation

As in prior years, in FY 2001 the Unemployment Compensation Auxiliary Fund (UCAF), which is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulations, provided funding for Management and Administrative Services. The proposed language for the FY 2002 Budget reflects a technical change as a result of the combination of Management and Administrative Services and the State's Planning and Analysis component into Administration and Support Services.

The Division of Administration and Support Services provides for all accounting and budgeting functions for the department, including evaluation of operating programs from a financial management viewpoint. The consolidated program, Division of Administration and Support Services, includes the Office of the Commissioner, the Office of Internal Audit, and the Division of Administrative Services.



Language Provisions (Cont'd)

2001 Appropriations Handbook

p. B-133

In addition to the amounts appropriated hereinabove for Management and Administration, there are appropriated from the New Jersey Redevelopment Investment Fund and the Economic Development Fund an amount of \$142,000 to provide for administrative costs incurred by the Department of Labor for activities related to the New Jersey Redevelopment Authority and the New Jersey Economic Development Authority programs, as determined by the Director of the Division of Budget and Accounting.

2002 Budget Recommendations

p. D-304

In addition to the amounts appropriated hereinabove for Administration and Support Services, there are appropriated from the New Jersey Redevelopment Investment Fund and the Economic Development Fund an amount of \$142,000 to provide for administrative costs incurred by the Department of Labor for activities related to the New Jersey Redevelopment Authority and the New Jersey Economic Development Authority programs, as determined by the Director of the Division of Budget and Accounting.

Explanation

The recommended language continues to appropriate a total of \$142,000 from two entities, the New Jersey Redevelopment Investment Fund and the Economic Development Fund, to the Division of Administration and Support Services.

The proposed language for the FY 2002 Budget reflects a technical change as a result of the combination of Management and Administrative Services and the State's Planning and Analysis component into Administration and Support Services.



Language Provisions (Cont'd)

2001 Appropriations Handbook

No comparable language.

2002 Budget Recommendations

p. D-308

There is appropriated from the General Fund an amount not to exceed \$1,000,000 to conduct a feasibility study of the Modernization of the Unemployment Insurance Benefit Payment System - Local Online Payment System, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The proposed FY 2002 language would appropriate \$1.0 million from the General Fund to conduct a feasibility study, to determine the department's specific needs and options and to gather additional research, for the modernization of the Unemployment Insurance benefit payment system, known as the Local Online Payment System (LOOPS). The department estimates that the total cost of the project would be approximately \$17.8 million.



Language Provisions (Cont'd)

2001 Appropriations Handbook

p. B-135

In addition to the amount hereinabove appropriated for administrative costs associated with the State Disability Insurance Plan there is appropriated from the State Disability Fund an amount not to exceed \$6,100,000, subject to the approval of the Director of the Division of Budget and Accounting.

2002 Budget Recommendations

p. D-308

In addition to the amount hereinabove appropriated for administrative costs associated with the State Disability Insurance Plan there is appropriated from the State Disability Fund an amount not to exceed **\$6,250,000**, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The State Disability Insurance Plan program has a recommended appropriation of \$20.5 million in the FY 2002 budget. The recommended FY 2002 language would allow the program to spend an additional \$6.250 million above that amount, subject to the Office of Management and Budget approval. This "off-budget" authorization is \$150,000, or 2.4 percent higher than the current fiscal year authorization. According to the Office of Management and Budget, the change in funding allows for an increase in fringe benefits and indirect costs.

The State Disability Insurance Plan program (also known as Temporary Disability Insurance or TDI) provides direct, temporary cash benefits to workers to insure against loss of income due to non-occupational sickness or accident.



Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-138

Notwithstanding the provisions of the "1992 New Jersey Employment and Workforce Development Act," P.L.1992, c.43 (C.34:15D-1 et seq.), the Commissioner of the Department of Labor, in consultation with the Director of the Division of Budget and Accounting, may allocate an additional amount, not to exceed \$10,000,000, from the balance in the Workforce Development Partnership Fund to adequately fund the Customized Training program.

No comparable language.

Explanation

The current language authorizes increased spending of up to \$10 million from the Workforce Development Partnership (WDP) Fund for the Customized Training Program. Pursuant to P.L. 1992, c.43 (C.34:15D-1 et seq.), the "1992 New Jersey Employment and Workforce Development Act," 45 percent of annual WDP revenues (which are funded through employer and employee payroll tax contributions) are statutorily dedicated for the customized training program which provides grants to businesses to enhance the creation and retention of "high skill, high wage" jobs. Of the \$84 million in WDP revenues anticipated in FY 2002, approximately \$37.8 million is statutorily allocated for customized training.

The FY 2002 budget recommendation no longer continues this language appropriation. According to the Office of Management and Budget, this language appropriation is no longer needed since the additional allocation of WDP funds were never utilized by the department.



Language Provisions (Cont'd)

2001 Appropriations Handbook

p. B-138

Notwithstanding any law to the contrary an amount not to exceed \$5,500,000 is appropriated from the Workforce Development Partnership Fund, established pursuant to section 9 of P.L.1992, c.43 (C.34:15D-9) as the State match to the federal Welfare to Work Grant program, subject to the approval of the Director of the Division of Budget and Accounting.

2002 Budget Recommendations

p. D-313

Notwithstanding the provisions of the "1992 New Jersey Employment and Workforce Development Act," P.L.1992, c.43 (C.34:15D-1 et seq.), such amounts as may be necessary are authorized from the Workforce Development Partnership Fund to provide a State match to the federal Welfare-to-Work Grant program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Welfare to Work Grant will support work or work-readiness activities for Work First New Jersey recipients with additional barriers to employment such as poor work history or deficient educational skills. The proposed language provides for an unspecified amount of funds from the New Jersey Workforce Development Partnership (WDP) Fund, and will be matched with federal funds; whereas, the current language permits an amount, not to exceed \$5.5 million, for the same purpose. The amount of monies that may be transferred from the WDP fund is not known at this time. This appropriation will be a part of State "maintenance of effort" funds in the Work First New Jersey welfare reform program.

The department is the State administrative agency for the federal Welfare to Work program. According to the department, it will work with the Department of Human Services to provide technical assistance in developing Welfare to Work programs that leverage federal and State welfare reform funding.



Language Provisions (Cont'd)

2001 Appropriations Handbook

No comparable language.

2002 Budget Recommendations

p. D-313

There is appropriated out of the Unemployment Compensation Auxiliary Fund an amount not to exceed \$3,000,000 for furniture purchases and renovations of the One Stop Career Centers, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The proposed FY 2002 language in the Governor's Budget (page D-313) recommends a \$3.0 million appropriation from the Unemployment Compensation Auxiliary Fund (UCAF) for furniture purchases and renovations of the One Stop Career Centers. One Stop Career Centers offer a wide range of employment and training services to businesses and job seekers through numerous points of access. Currently, there are 17 operative One Stop Career Centers.

The UCAF is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulations. Pursuant to N.J.S.A.43:21-14 (g), UCAF funds are to be utilized for defraying the cost of administration of the unemployment compensation program and for "...essential and necessary expenditures in connection with programs designed to stimulate employment..." UCAF funds are currently appropriated to support Administration and Support Services, Unemployment Insurance, Vocational Rehabilitation (both DSS and GIA) and Private Sector Labor Relations.



Language Provisions (Cont'd)2001 Appropriations Handbook

No comparable language.

2002 Budget Recommendations**p. D-313**

An amount not to exceed \$5,669,000 shall be transferred from the Department of Human Services to be used as a State match to the federal Welfare-to-Work Grant program, subject to approval of the Director of the Division of Budget and Accounting.

Explanation

This language is recommended to transfer an amount not to exceed \$5.669 million from the Department of Human Services to the Department of Labor to be used as a State match to the federal Welfare to Work Grant program. According to the Office of Management and Budget, the funds from Department of Human Services are left over Workforce Development Partnership funds.

The Welfare to Work Grant program supports work or work-readiness activities for Work First New Jersey recipients with additional barriers to employment such as poor work history or deficient educational skills.

The department is the State administrative agency for the federal Welfare to Work program. According to the department, it will work with the Department of Human Services to provide technical assistance in developing Welfare to Work programs that leverage federal and State welfare reform funding.

Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-138

Notwithstanding the provisions of the "unemployment compensation law," R.S.43:21-et seq., such amounts as may be necessary to implement technology improvements in the Workplace Standards Program are appropriated from the Unemployment Compensation Auxiliary Fund, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

The current language allows for an unspecified amount of monies to be appropriated from the Unemployment Compensation Auxiliary Fund (UCAF) to the Workplace Standards program. According to the department, these monies were utilized to automate processes within the Workplace Standards program. According to the Office of Management and Budget, the Workplace Standards technology improvements have been implemented; therefore, the current language provision is no longer necessary.



Language Provisions (Cont'd)

2001 Appropriations Handbook

p. B-138

In addition to the amount appropriated hereinabove for the Public Works Contractor Registration Program Act, there is appropriated an amount not to exceed \$1,600,000 for the Public Works Contractor Registration Program and related costs associated with the Public School Facilities Construction Program, subject to the approval of the Director of the Division of Budget and Accounting.

2002 Budget Recommendations

p. D-313

Receipts in excess of the amount anticipated for the Public Works Contractor Registration program are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

In addition to the \$500,000 appropriation in FY 2001 for administration of the Public Works Contractor Registration Program, the current language appropriates an amount not to exceed \$1.6 million for the Public Works Contractor Registration Program and related costs associated with the Public School Facilities Construction Program, subject to the approval of the Director of the Division of Budget and Accounting.

The FY 2002 recommended budget includes \$500,000 in anticipated revenue for the Public Works Contractor Registration program. The proposed language allows the department to retain receipts collected in excess of the \$500,000, with the approval of the Director of the Division of Budget and Accounting. The budget anticipates \$1.3 million of excess receipts in FY 2002. The FY 2002 recommended language also omits reference to the Public Schools Facilities Construction Program.

The purpose of the "Public Works Contractor Registration Act" is "to establish a registration system for contractors and subcontractors engaged in public works projects in order to better enforce existing labor laws and regulations in the public works industry." Under the act, no contractor or subcontractor will be permitted to bid on or engage in any contract for public work, as defined in section 2 of P.L. 1963, c.150 (C.34:11-56.26), unless that person is registered with the New Jersey Department of Labor.



Language Provisions (Cont'd)

2001 Appropriations Handbook

p. B-139

Amounts appropriated hereinabove for the Supported Employment Services Account shall be available to support expenditures under the Sheltered Workshop Support Program, subject to the approval of the Director of the Division of Budget and Accounting.

2002 Budget Recommendations

p. D-313

Amounts appropriated hereinabove for the Sheltered Workshop Employment Placement Incentive Program shall be available to support expenditures under the Sheltered Workshop Support Program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

According to the Office of Management and Budget, the FY 2002 language provision incorporates a technical change in the program's account; thereby, correctly allocating the appropriate account.

The Sheltered Workshop Employment Placement Incentive Program (PIP) provides reimbursement to facilities that have successfully placed clients into competitive employment.

Discussion Points

1. The proposed budget appropriates \$23.0 million from the State Disability Benefits Fund (SDBF) for transfer to General Fund as State Revenue (page F-8). The 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 pay for the administration of the benefits.

The fund balance in the SDBF was \$198.6 million on June 30, 2000 (page H-39). This reflects an average growth of SDBF revenues after expenditures of \$21.7 million, or 7.2 percent, during the period from FY 1990 to FY 2000. With that growth rate, the fund balance would have been \$448.2 million on June 30, 2000, except that \$250 million was transferred from the SDBF to the General Fund under the FY 1997 budget. The fund balance is higher than the amount of cash actually available in the SDBF principally because the fund balance includes TDI taxes owed by employers but not yet deposited into the SDBF.

On June 30, 1999, the most recent month for which the department has provided data for both the fund balance and cash balance of the TDI fund, the cash balance was \$88.7 million, representing only 45 percent of the SDBF fund balance of \$195.8 million.

- **Question:** Please provide all of the data which has been provided by the department in the past in its "TDI Revenue and Trust Fund Balance Report, State Plan, Selected Financial Data" regarding revenues, benefit and administrative expenditures, and the cash balance in the SDBF for each month in calendar year 2000 and as many months as possible for calendar year 2001.

Please provide a month-by-month estimate of what impact the department expects the \$23 million transfer of SDBF moneys to the General Fund will have on the cash and fund balances of the SDBF during FY 2002.

2. Efficiency in processing TDI claims has declined in recent years. Comparing the department's "Temporary Disability Workload Summary Report" for various years, the average number of days taken to process a claim increased from 14.80 days in 1995 to 16.96 days in 1998 (the most recent year for which data has been made public), an increase of 14.57 percent. In 1995, 32.9 percent of TDI eligibility determinations were made within seven days of filing. By 1998, that percentage had fallen to 13.1 percent. During the same period, the actual number of filled positions under the State Disability Insurance Plan fell from 199 to 169 positions, a decline of 15.1 percent. At the same time, the actual number of filled positions under the Private Disability Insurance Plan, which regulates privately-operated TDI plans, declined from 80 to 66 positions. The revised estimate for FY 2001 provided in the proposed budget indicates that 174 positions are filled under the State Disability Plan and 68 positions under the Private Disability Plan, but, as noted above, data has not been provided regarding efficiency in claims processing since 1998.

- **Question:** Please provide, for calendar years 1999 and 2000, data consistent with that in Table 2 of the "Temporary Disability Workload in 1998 Summary Report" regarding time lapse claim distribution. What does the department estimate that the time lapse distribution and the average time to determine eligibility for a TDI claim will be in calendar years 2001 and 2002?

Please describe what, if any, plans the department has to increase the average speed of processing TDI claims. How many additional positions would have to be filled to make it possible for the department to raise the average speed of processing a TDI claim to the

Discussion Points (Cont'd)

rate which was attained in 1995? How much would that cost? Does the department have any plans to encourage greater usage of TDI benefits by eligible disabled workers?

3. Under the "Public Works Contractor Registration Act," P.L. 1999, c. 238 (C.34:11-56.48 et seq.), which took effect April 12, 2000, most contractors bidding for public works projects are required to register with the Department of Labor, paying an annual registration fee of \$300. The department anticipated at the time the act took effect that between 7,000 and 10,000 businesses would register, paying between \$2.1 million and \$3.0 million in fees. The actual number that registered in FY 2000 was 3,182 and the number estimated for FY 2001 is 4,000 and 6,000 for FY 2002 (page D-310).

The stated purpose of the act is to establish a registration system for public works contractors "in order to better enforce existing labor laws and regulations in the public works industry." To implement this purpose, the act requires *all* of this fee revenue be applied toward enforcement and administrative costs of the Public Contracts and Registration sections of the Office of Wage and Hour Compliance. The first \$2.1 million in revenue from the fees was appropriated for prevailing wage enforcement, with special attention to the Public School Facilities Construction Program (page B-138 of Appropriations Handbook, FY 2001).

In the proposed FY 2002 budget, \$500,000 from contractor registration fees is anticipated (page C-10). Budget language directs that receipts in excess of the anticipated amount are appropriated, for which \$1.3 million is budgeted. The recommended language does not include a reference to the Public School Facilities Construction Program.

- **Question:** What is the total amount available for prevailing wage enforcement in FY 2001? How many personnel are assigned to prevailing wage enforcement in FY 2001 and how many will be assigned in FY 2002? What share of the personnel and funding is assigned to the Public School Facilities Construction Program projects in FY 2001 and FY 2002?

4. The Governor's FY 2002 budget recommends a \$1.0 million language appropriation (page D-308) to conduct a feasibility study, to determine the department's specific needs and options and to gather additional research, for the modernization of the Unemployment Insurance benefit payment system, known as the Local Online Payment System (LOOPS). The department estimates that the total cost of the project would be approximately \$17.8 million.

- **Question:** Please provide any estimate, study or other written evaluation, conducted or commissioned by the department to determine that \$17.8 million is needed for the LOOPS system. Please specify how this \$1.0 million appropriation will be spent on the study, including who may perform the study and amount budgeted for consulting fees. What is the expected time frame for completion of the study?

5a. The Division of Vocational Rehabilitation Services contracts with private and public non-profit agencies to operate sheltered workshops, which offer long-term training and rehabilitation services to individuals with disabilities who cannot achieve or sustain competitive employment in their communities, and who might otherwise be confined to their home or institutions.

Employment programs provided by sheltered workshops are State funded. However, in recent years, it is estimated that funding for the sheltered workshop program has not provided 100 percent reimbursement to providers for their per client costs. For example, the department

Discussion Points (Cont'd)

estimated last year that the FY 2001 budget would provide funding to providers sufficient to cover only 84.2 percent of the cost of serving each client. According to the department, the last year that the State provided full funding (100 percent reimbursement) was in FY 1988.

- **Question:** What is the revised estimate of the percentage that providers will be reimbursed for client costs in the current fiscal year? What does the department estimate it will be in FY 2002?

Please list those contract facilities, by county, that are anticipated to exceed their contracted level of service for the current fiscal year. Please list those contract facilities, by county, that are not expected to meet their contracted level of service for the current fiscal year.

5b. In addition, there is a portion of the client population for which the State does not provide any reimbursement (see chart below). According to the department's response to one of last year's discussion points, in FY 2000, while extended employment services were provided through 2,700 program slots (referred to as "client years" by the department), the State only provided funding for 2,617 of these slots, effectively leaving 83 slots unfunded. The department anticipated funding 41 of the 83 unfunded slots by Placement Incentive Program (PIP) funds, essentially leaving a total of 42 slots totally unfunded. In addition, the department indicated that no PIP carryover funds would be available in FY 2001, leaving 68 slots totally unfunded. Note that more than one client may be served in each program slot.

Fiscal Year	Total Number of Program Slots (Client Years)	Number of State-Funded Slots	Number of Unfunded-State Slots	Number of Unfunded-State Slots Funded through PIP Carry-Forward	Number of Slots Totally Unfunded
1999	2,772	2,756	161	139	22
2000	2,689	2,625	83	41	42
2001	2,592	2,617	68	0	68

- **Question:** Please provide an update on the total number of program slots, the number of State-funded slots, and the number of unfunded-State slots, for the current fiscal year and an estimate for FY 2002. Please explain the reason the total number of program slots over the past three fiscal years has declined. Does the department anticipate this trend to continue?

5c. As indicated in the chart above, the department has been able to limit the number of unfunded slots by using balances of PIP funds that are reappropriated. The PIP provides reimbursement to facilities that have successfully placed clients into competitive employment. PIP funding is not expected to be available for funding extended employment programs in sheltered workshops, since the department anticipates that prior year funding for the PIP program will eventually be fully utilized.

- **Question:** How much PIP funds were used to fund the 41 unfunded slots in FY 2000? Are PIP funds still available to fund the sheltered workshop program in FY 2001? If yes, please provide the number that are funded through Placement Incentive Program monies. Please provide an estimate of the same figures for FY 2002. If not, how many slots remain totally unfunded?

Discussion Points (Cont'd)

Has the number of individuals receiving extended employment services in sheltered workshops with no corresponding State support increased during FY 2001?

How does the department intend to limit the number of unfunded slots in the future?

5d. According to the department, the number of slots that remain unfunded by the State at any given point in time fluctuates considerably.

- **Question:** Please explain the reason(s) the number of unfunded State slots fluctuates.

5e. The Sheltered Workshop Transportation program in the Department of Labor's Division of Vocational Rehabilitation Services supports transportation expenses for individuals with severe disabilities. These individuals, many of whom require special transportation to get to and from work, cannot be absorbed in the regular labor market and have become extended employees of community rehabilitation programs.

The recommended appropriation for the transportation program is \$3.1 million dollars. According to the Budget In Brief, the appropriation would reimburse the sheltered workshop clients for 90 to 100 percent of their out of pocket transportation costs. The appropriations are pro rated amongst the 32 agencies Statewide and the rate of reimbursement is based on the agencies' transportation costs, as reported to the department; therefore, the reimbursement rate does vary for each agency.

- **Question:** How many sheltered workshop clients are not receiving 100 percent reimbursement for transportation costs?

5f. During FY 1999 and FY 2000, the Division of Vocational Rehabilitation Services served a total of 25,550 and 25,523 persons, respectively. The estimate of the total number of persons to be served in FY 2001 and FY 2002 is 25,750 and 25,500, respectively. The division has indicated that the total number of persons rehabilitated in FY 1999 is 4,041 and in FY 2000 is 4,227; and the division is also projecting that the total number of persons rehabilitated will decrease to 4,150 in FY 2001 and then increase to 4,200 in FY 2002. The average cost per rehabilitation has increased from the FY 2000 level of \$10,973 to the FY 2002 estimate of \$11,091.

- **Question:** For FY 2001, please provide the number of eligible individuals for each of the following programs: vocational rehabilitation basic services; sheltered workshops; sheltered workshop transportation; supported employment services; programs for the deaf; and independent living centers. Please provide the number of eligible individuals expected to receive services from each of the above mentioned programs in FY 2002.

Please explain on what basis the department anticipates the number of persons rehabilitated to decrease from 4,227 in FY 2000 to 4,150 in FY 2001.

6. On January 22, 2001, the federal Rehabilitation Services Administration (RSA) amended federal regulations governing the State Vocational Rehabilitation Services Program (VR program) by revising the available employment outcomes under the VR program. The regulations redefine the term "employment outcome" (as it applies to the VR program) to include only those outcomes in which an individual with a disability works in an integrated setting. This definition eliminates extended employment, such as jobs in a sheltered workshop or other non-integrated setting, as an

Discussion Points (Cont'd)

approved VR placement, effective October 1, 2001. This amendment also reflects the purpose of Title I of the Rehabilitation Act of 1973, as amended, which is to enable individuals with disabilities who participate in the VR program to achieve an employment outcome in an integrated setting.

The regulations continue to allow State VR agencies to use extended employment as interim steps for VR program participants. The State VR agency, however, can only consider the individual to have achieved an employment outcome after the individual transitions to integrated work in the community. The regulations require that State VR agencies refer these individuals to local extended employment providers.

- **Question:** Does this change in the definition of employment outcome have any budgetary affect on the department? If so, please indicate the amounts and the accounts affected.

7. Currently, there are 33 local offices Statewide where citizens can register in person for unemployment benefits. In response to the request of the U.S. Department of Labor (USDOL) that states begin filing claims remotely, the department opened its first Re-Employment Call-In Center (RCC) in Freehold, New Jersey in July, 1998. Two more RCCs have opened (in Vineland and Union City) since then, enabling more laid off workers to file their initial claims for UI benefits by telephone. According to department documentation, in order to distribute calls evenly, each RCC serves areas of the State based on the local unemployment office that will process the claim after it is filed.

- **Question:** Do unemployment centers still accept walk-in's for new unemployment claims and/or reopening of existing claims? If so, what is the number of walk-in's for new unemployment claims? What is the number of walk-in's for reopening existing claims? What is the percentage of claims made in person (unemployment offices) versus the percentage of claims made over the telephone (RCCs)?

In the case of a worker whose claim is handled through RCC, does the individual get the opportunity to meet face to face with someone, if so desired? For those individuals who do not speak English, are interpretation services available at RCCs?

What coordination exists between the three RCCs and unemployment offices? How is information shared throughout the three RCC's and unemployment offices?

Does the department anticipate any new RCCs to open this year? Has any local unemployment center been closed? Does the department anticipate closing any local unemployment centers in the future?

Please describe the process for filing a typical claim (new unemployment claim) via RCC, from the beginning application to the time the claimant receives their first unemployment check. Does the department have a standard goal to measure the success of a claim (for example, a certain number of weeks to process a claim)?

Considering the recent number of layoff's, is there a current backlog for processing claims through either RCC's or unemployment offices? Does the department believe RCC's are adequately equipped to handle any kind of influx of applicants resulting from large layoff's?

Discussion Points (Cont'd)

8a. According to budgetary language, the department is authorized to utilize \$500,000 from the WDP Fund to promote training of women and minority group members in the construction trades. However, the Office of Management and Budget indicated that the department has failed to utilize any of this additional money since the inception of the program in FY 2000.

- **Question:** Please indicate why the funds have not been spent. What, if any, plans does the department have to use the funds in FY 2002? How many individuals would be trained under the program? How will individuals be selected?

8b. According to the department's response to one of last year's discussion points, the department was considering a program initiative that involves a linkage with the Urban Coordinating Council (UCC) designated neighborhood programs. The department indicated that a construction training program would be ideal for individuals residing in selected urban districts, where community-housing programs are already being operated. According to the department, the UCC designated neighborhood programs have already been established as DOL grantees under the "pre-apprenticeship" program.

- **Question:** Please describe the pre-apprenticeship program. What is the funding source and the funding amount of the pre-apprenticeship program? How many people have enrolled in this pre-apprenticeship program? How many of these individuals have since entered apprenticeship programs? Describe any relationship to the State's Youth Transitions-to-Work program.

8c. According to the department's response to one of last year's discussion points, the department reported plans to inquire into programs, funded by the Department of the Treasury, in Essex, Union, Mercer and Camden counties for economically disadvantaged women.

- **Question:** Please describe the programs in Essex, Union, Mercer and Camden counties for economically disadvantaged women. Please discuss the results of the department's inquiry into these programs.

8d. Finally, the department stated in response to one of last year's discussion points, that they were going to work with the Department of Education, the federal Bureau of Apprenticeship and Training, the New Jersey Apprenticeship Policy Committee, and the State Employment and Training Commission and its Gender Parity Council as various options are considered and will make every effort to maximize the use of the \$500,000 from the WDP Fund to promote training of women and minority group members in the construction trades.

- **Question:** What options have been considered by these organizations? Did these organizations make any further suggestions on how to use these funds?

Please specify any additional steps the department has taken to maximize the use of these funds.

9. The Governor's budget (page D-313) proposes new language transferring \$5.669 million from the Department of Human Services to the Department of Labor to be used as a State match to the federal Welfare-to-Work Grant program.

- **Question:** How does the department intend to utilize this money, within the federal Welfare-to-Work Grant program? Please describe the program, within the department,

Discussion Points (Cont'd)

that will utilize this funding.

10. The Workforce Development Partnership Program (WDP) provides training grants to disadvantaged and displaced workers, as well as to employers to provide training to their employees. The program, established pursuant to P.L. 1992, c. 42 and 43 (C.34:15D-1 et seq.), is funded through a payroll tax paid by workers and employers on wages subject to unemployment insurance taxes. The Governor's proposed FY 2002 budget estimates that these payroll tax contributions, as well as interest income, will generate \$84.0 million in FY 2002 (H-23). Without enactment of the WDP law, these tax revenues would have been paid into the unemployment compensation trust fund.

The WDP law requires that the estimated \$84.0 million in WDP revenues be allocated according to the following percentages: 45 percent (\$37.8 million) for customized training grants to train currently employed workers; 25 percent (\$21.0 million) for individual training grants for permanently laid-off ("displaced") workers; 6 percent (\$5.0 million) for qualified disadvantaged workers (essentially persons qualified for welfare); 5 percent (\$4.2 million) for youth apprenticeship programs; 3 percent (\$2.5 million) for safety and health training; and 10.5 percent (\$8.8 million) for administration.

Notwithstanding that the combined total of these percentage allocations commit a minimum of 94.5 percent of total WDP revenues to the indicated program components and a minimum of 88.5 percent of total WDP revenues to training and services for populations other than welfare recipients or persons eligible for welfare, the proposed FY 2002 budget includes language (pages D-286, D-287 and D-299) transferring \$14.9 million from the WDP fund to the Department of Human Services (DHS), which equals 17.7 percent of the \$84.0 million in WDP revenues estimated for FY 2002. Similar transfers of varying amounts have been made by the Budget acts of each fiscal year from FY 1995 through FY 2001, transferring a total of \$178.3 million from WDP to DHS, 36.3 percent of the total \$490.8 million in WDP revenues for that period. One language provision in the FY 2002 budget (page D-313) not in previous budgets is language appropriating from the WDP fund "such amounts as may be necessary" ... "to provide a State match to the federal Welfare to Work Grant Program" without any specific limit, and is in addition to the \$14.9 million (indicated above) as transferred from the WDP fund to DHS.

Given the historic large scale transfers of WDP funds to DHS and the absence of any limit to the amount which may be transferred for the Welfare to Work Program under the proposed FY 2002 budget, data is needed regarding the use of WDP resources for other program components to ascertain the possible impact of this transfer of WDP funds to DHS.

Question: For FY 2000, please provide the following 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 2001 and FY 2002:

- The amount the department was required to spend under the WDP law's mandated allocations and the amount actually spent;
- The amount transferred out of the fund for each purpose indicated by budget language (such as the amounts shifted to DHS for the TANF 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.

Discussion Points (Cont'd)

Please detail how much of the \$178.3 million transferred to DHS from FY 1995 to FY 2001 has thus far been expended on training services, and how much on other services? How much more than the specified \$14.9 million is expected to be needed to provide the required State match for the federal Welfare to Work Grant Program?

Background Paper: The Temporary Disability Insurance Program and the Proposed Transfer of \$23 million from the Program

Budget Pages.... C-14, D-306 to D-309, F-8, H-39

The proposed budget appropriates \$23.0 million from the State Disability Benefits Fund (SDBF) for transfer to General Fund as State Revenue (page F-8).

The Temporary Disability Insurance Program

Under the State's Temporary Disability Insurance (TDI) program, the SDBF provides partial wage replacement for workers who become disabled due to injury or illness which occurs outside of employment, including disability related to pregnancy. A total of \$357 million in TDI benefits were paid from the SDBF to workers in FY 2000 (page D-306). According to the New Jersey Department of Labor Statistical Review for 1999 (the most recent available data), there were 120,724 eligible TDI claims in 1999 under the State plan, including 5,388 eligible claims for TDI benefits during unemployment. Comprehensive data are not available regarding the total eligible claims or benefits paid under private plans, which covered 20 percent of all workers with TDI coverage under the program in 1999, according to the department's most recent Income Security Fact Card.

The program is funded exclusively from payroll taxes paid by employers and employees. Consequently, any increases in program cost caused by the transfer of funds out of the SDBF may eventually be passed along to employers, employees, or both.

Program Administrative Costs

The SDBF also is used to pay TDI program administrative costs, both to disburse State plan TDI benefits and to oversee private TDI plans. The total adjusted appropriation for the administration of State and Private TDI plans in FY 2001 was \$24.3 million. The recommended

TABLE I
State Disability Benefits Fund Balances and Changes
\$ in Millions, Fiscal Years 1990 through 2002

Fiscal Year	Balance Net of transfers	Total Effect of Transfers out of fund*	Fund Balances and Fund Balance Changes, Excluding Transfers					
			Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Fund Balance Change	
							Millions	percent
1990	\$235.7	\$0.0	\$215.7	\$322.6	\$302.6	\$235.7	\$20.0	9.3%
1991	\$209.2	\$0.0	\$235.7	\$295.4	\$322.0	\$209.2	(\$26.6)	-11.3%
1992	\$214.2	\$0.0	\$209.2	\$327.0	\$322.0	\$214.2	\$5.0	2.4%
1993	\$217.8	\$0.0	\$214.1	\$332.3	\$328.7	\$217.8	\$3.6	1.7%
1994	\$260.5	\$0.0	\$217.8	\$384.2	\$341.4	\$260.5	\$42.7	19.6%
1995	\$300.4	\$0.0	\$260.5	\$393.8	\$354.0	\$300.4	\$39.8	15.3%
1996	\$346.5	\$0.0	\$300.4	\$404.5	\$358.3	\$346.5	\$46.2	15.4%
1997	\$149.3	\$250.0	\$346.5	\$409.0	\$356.2	\$399.3	\$52.8	15.2%
1998	\$174.2	\$250.0	\$399.3	\$385.8	\$361.0	\$424.2	\$24.9	6.2%
1999	\$195.8	\$250.0	\$424.2	\$399.0	\$377.5	\$445.8	\$21.6	5.1%
2000	\$198.6	\$250.0	\$445.8	\$409.3	\$406.5	\$448.6	\$2.8	0.6%
2001(e)	\$197.8	\$250.0	\$448.7	\$447.3	\$448.2	\$447.8	(\$0.9)	-0.2%
2002 (e)	\$154.2	\$273.0	\$447.8	\$472.2	\$492.8	\$427.2	(\$20.6)	-4.6%
Average change from FY 1990 to FY 2000:							\$21.7	7.2%

* \$250 million was transferred from the SDBF in FY 1997, and a \$23 million transfer is proposed for FY 2002.

Sources: Figures from years marked (e) are estimates from the FY 2002 proposed budget, and other figures are the "actual" figures: e.g. - the "actual" FY 2000 published in the FY 2002 budget.

Background Paper: The Temporary Disability Insurance Program and the Proposed Transfer of \$23 million from the Program (Cont'd)

appropriation for TDI administration for FY 2002 is also \$24.3 million (page D-307), but an additional \$6.2 million is appropriated for TDI administration by language on page D-308, bringing the total to \$30.5 million. The sum of the \$23.0 million transferred from the SDBF to the General Fund and the indicated \$30.5 million appropriation for TDI program administration in FY 2002 is \$53.5 million, which represents approximately the maximum amount which may be expended on the administration of the TDI private and State plans pursuant to R.S.43:21-46(a).

The most recent available actual fund balance in the SDBF is the balance of \$198.6 million on June 30, 2000 (page H-39). This reflects an average growth of SDBF revenues after expenditures of \$21.7 million, or 7.2 percent, during the period from FY 1990 to FY 2000 (see Table I). With that growth rate, the fund balance would have been \$448.6 million on June 30, 2000, except that \$250 million was transferred from the SDBF to the General Fund under the FY 1997 budget.

The fund balance, however, is higher than the amount of cash actually available in the SDBF, principally because the fund balance includes TDI taxes owed by employers but not yet deposited into the SDBF.

On June 30, 1999, the most recent month for which the department has provided data for both the fund balance and cash balance of the TDI fund, the cash balance was \$88.7 million, which represents only 45 percent of the SDBF fund balance of \$195.8 million. The difference between the cash and fund balances of the SDBF was large enough in 1997 that, even though the fund balance was \$149.3 million on June 30, 1997, the cash balance had fallen as low as \$9.6 million in April of that year, according to information provided by the department.

Possible Effects of the Transfer on TDI Benefits and Taxes

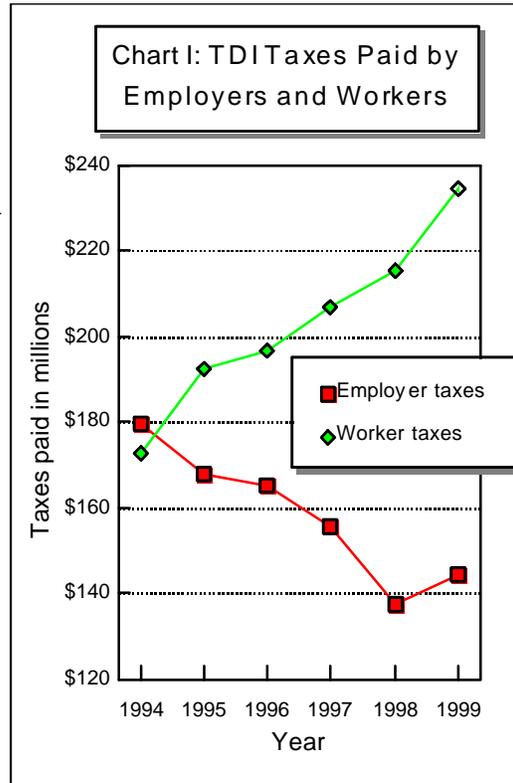
As noted, the SDBF cash balance has occasionally declined to very low levels. The current law, however, ensures that TDI benefit payments will continue to be paid no matter how low the fund balance falls. Specifically, the law that transferred \$250 million from the SDBF to the General Fund (P.L.1996, c.47), also requires that "whenever the amount in the State disability benefits fund is less than the amount required to pay the benefits provided under (the TDI law) and the necessary costs of administering those benefits, the additional amount required shall be paid from the General Fund" (see N.J.S.A.43:21-47(j)).

While the transfer thus will not have an effect on benefits, the rate of TDI taxes paid by employers may increase because of the transfer. TDI tax rates imposed on employers will increase if the ratio of the SDBF balance to total TDI taxable wages in the State falls below 0.75%. Because P.L.1996, c.47 requires that the indicated ratio always be calculated as if the \$250 million transferred in FY 1997 by that law had not been transferred, no TDI tax increase has been triggered by that transfer to date (see N.J.S.A.43:21-47(i)). The figures from Table I that should be used to calculate the ratio for each year are figures in the column captioned the "Ending Fund Balance," which is the balance the fund would have if the transfers had not occurred. The "Ending Fund Balance" for FY 2002 of \$427.2 million is approximately equal to the \$425 million amount which results from multiplying the indicated 0.75% ratio times the \$56.7 billion in total wages which will be subject to TDI taxes, assuming that wages subject to the tax continue to grow at the rate they did from 1994 to 1999. The proposed \$23.0 million transfer would further reduce the balance from \$427.2 million to \$404.2 million, making it more likely that higher employer TDI tax rates might be triggered.

Background Paper: The Temporary Disability Insurance Program and the Proposed Transfer of \$23 million from the Program (Cont'd)

Because worker TDI tax rates are set at a fixed rate of 0.5% of covered wages, they are not affected by the total amount of funds in the SDBF and therefore would not be affected by the transfer.

Finally, Chart I, based on data reported in the most recent available *New Jersey Department of Labor Statistical Review*, illustrates the relative impact of TDI taxes on employers and workers. Over the last six years, the fixed tax rate for worker taxes, combined with the growing total amount of wages, has caused the total amount of worker taxes to increase. In contrast, employer taxes have declined each year in comparison to worker taxes, because of growth in total wages and taxes paid compared to benefits paid, and because employer tax rates have been calculated as if the \$250 million had not been transferred.



TDI Program Staffing Levels and Administrative Efficiency

Efficiency in processing TDI claims has declined in recent years. Comparing the department's "Temporary Disability Workload Summary Report" for various years, the average number of days taken to process a claim increased from 14.80 days in 1995 to 16.96 days in 1998 (the most recent year for which data has been made public), an increase of 14.6 percent (see Table II). In 1995, 32.9 percent of TDI eligibility determinations were made within seven days of filing. By 1998, that percentage had fallen to 13.1 percent.

The increase in the amount of time taken to process claims may be related to staff reductions. During the indicated 1995 to 1998 period in which the time to process the average claim increased 14.6 percent, the actual number of filled positions under the State Disability Insurance Plan fell from 199 to 169 positions, a decline of 15.1 percent. At the same time, the

Table II
Average Length of Time to make original Temporary Disability Benefit Eligibility Determinations under the State TDI Plan, 1995 to 1998

Number of days to make original eligibility determinations	1995 Claims		1996 Claims		1997 Claims		1998 Claims	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 7	47,735	32.9%	38,816	27.1%	31,582	22.5%	18,316	13.1%
8-14	51,929	35.8%	59,916	41.9%	64,074	45.6%	73,655	52.8%
15-21	10,642	7.3%	10,398	7.3%	9,839	7.0%	9,647	6.9%
22-28	14,514	10.0%	13,395	9.4%	14,132	10.1%	13,965	10.0%
29-35	7,013	4.8%	6,897	4.8%	7,757	5.5%	8,939	6.4%
36-43	3,488	2.4%	3,551	2.5%	4,104	2.9%	5,028	3.6%
44-49	2,964	2.0%	2,935	2.1%	2,803	2.0%	3,063	2.2%
50-56	3,033	2.1%	3,081	2.2%	2,899	2.1%	2,831	2.0%
57 or More	3,901	2.7%	4,145	2.9%	3,370	2.4%	4,017	2.9%
Total Claims	145,219	100.0%	143,134	100.0%	140,560	100.0%	139,461	100.0%
Average number of days	14.80		15.27		15.62		16.96	
Increase in average number of days from 1995 to 1998:								14.57%

Source: "Temporary Disability Insurance Workload Summary Report" various years, Table 2.

Background Paper: The Temporary Disability Insurance Program and the Proposed Transfer of \$23 million from the Program (Cont'd)

actual number of filled positions under Private Disability Insurance Plan, which regulates privately-operated TDI plans, declined from 80 to 66 positions. The revised estimate for FY 2001 provided in the proposed budget indicates that 174 positions are filled under the State Disability Plan and 68 positions under the Private Disability Plan, but, as noted above, data has not been provided regarding efficiency in claims processing for any year since 1998.

Reduced staff to process claims may also contribute to the less than full utilization of TDI benefits which has occurred. For example, in 1998, out of 43,000 pregnant working women who were covered by the State TDI plan, only 19,000 received TDI benefits during the time they were disabled due to pregnancy and recovery from childbirth.

Reduced staff, slower claims processing and large numbers of eligible disabled workers not receiving benefits are indications that the TDI program may not be as effective as it could be in providing benefits to disabled workers in a timely manner. Before transferring \$23 million from the SDBF to the General Fund, it may be worth considering that money might be used to alleviate some of those problems, and better enable the program to meet its responsibilities under law.

OFFICE OF LEGISLATIVE SERVICES

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

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

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

Individuals wishing information and committee schedules on the FY 2002 budget are encouraged to contact:

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

(609) 292-8030

Fax (609) 777-2442