



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF LABOR
AND
WORKFORCE DEVELOPMENT**

FISCAL YEAR

2005 - 2006

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Budget Pages..... C-11; C-19; C-29; D-241 to D-255; F-6; H-27; H-30; H-32; H-33; and H-43

Fiscal Summary (\$000)

	Expended FY 2004	Adjusted Appropriation FY 2005	Recommended FY 2006	Percent Change 2005-06
State Budgeted	\$133,701	\$109,330	\$109,162	(0.2)%
Federal Funds	356,433	415,577	412,289	(0.8)%
<u>Other</u>	<u>149,568</u>	<u>179,758</u>	<u>180,643</u>	<u>0.5%</u>
Grand Total	\$639,702	\$704,665	\$702,094	(0.4)%

Personnel Summary - Positions By Funding Source

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change 2005-06
State	691	717	723	0.8%
Federal	2,963	3,037	3,071	1.1%
<u>Other</u>	<u>8</u>	<u>8</u>	<u>11</u>	<u>37.5%</u>
Total Positions	3,662	3,762	3,805	1.1%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

Introduction

The Department of Labor and Workforce Development 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.

Legislation reorganizing the Department of Labor and renaming it the Department of Labor and Workforce Development was enacted in the last days of FY 2004 (P.L. 2004, c.39; C.34:1A-

Introduction (Cont'd)

1.2 et seq.). This reorganization transferred from the Departments of Human Services and Education all employment-directed and workforce development programs and activities including: career guidance; labor market information; employability assessment and plan development; case management; subsidized and unsubsidized public and private sector employment; job search; community and alternative work experience programs; on-the-job training; vocational training; job skills; basic skills and literacy training; employment and training-related expenses; referral to support services; and career advancement vouchers.

Key Points

- The FY 2006 budget recommendation for the Department of Labor and Workforce Development totals \$109 million in State funding. Most of the department's programs are supported by federal (59%) and dedicated State and "Other" funds, such as trust funds (24.6%).
- The FY 2006 budget recommendation anticipates that the Unemployment Compensation Fund (page H-43) will have a \$1.3 billion balance at the end of FY 2006, a \$100 million decrease over the estimated FY 2005 balance of \$1.4 billion. The decreased balance reflects the shift of \$100 million in FY 2005 and \$250 million in FY 2006 to the Health Care Subsidy Fund for charity care in lieu of payment to the Unemployment Compensation Fund.
- The Governor's proposed budget recommends \$3.55 million for Supported Employment Services within the Vocational Rehabilitation Services Program, a \$1 million increase from the \$2.5 million FY 2005 appropriation. According to new budget language (p. D-254), the \$1 million will "be expended consistent with the recommendations in the final report of the Governor's Task Force on Mental Health." The budget narrative indicates (p. B-13) that this additional \$1 million in funding will "enable approximately 450 additional individuals with mental illness to participate" in State funded supportive employment programs.
- The Governor's Budget proposes language (page D-249) stating that, of the \$242 million in Reed Act funds authorized in the Federal Economic Stimulus legislation and deposited in the Unemployment Compensation Fund, \$30 million may be expended by the department to improve services to claimants by modernizing the benefit payment system, continuing development of One-Stop Career Center Offices and further upgrading technology investments to enhance employment opportunities. This brings the total amount of Reed Act funds authorized for these purposes to \$129.5 million for FY 2003-2006.
- No transfer of State Disability Benefits Fund (SDBF) balances for State revenue is recommended in FY 2006. In FY 2005, \$110 million was authorized for transfer from the SDBF to the General Fund as State revenue. The SDBF (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. The Budget Recommendation anticipates that the SDBF will have a \$157.2 million balance at the end of FY 2006, a \$28.5 million increase from the FY 2005 estimated balance of \$128.7 million (page H-30).

Key Points (Cont'd)

- The budget provides new language allocating 15% of the amount available from the Workforce Development Partnership (WDP) fund, or \$870,000, to the Supplemental Workforce Development Benefits (SWDB) program for SWDB administrative costs. The SWDB program is funded from a \$5.8 million share of WDP funds currently dedicated to disadvantaged worker training grants. The \$870,000 would be in addition to the \$9.7 million already allocated for WDP administration, which is limited to 10% of the total \$96.6 million in revenue dedicated to the WDP. The SWDB program was established, pursuant to P.L. 2004, c.39, to provide alternative financial assistance to individuals to engage in full-time work-related education needed to attain self-sufficiency.
- The Governor's Budget continues a special purpose appropriation of \$2 million for the Workforce Literacy and Basic Skills Program, representing a 10 percent administrative allowance, pursuant to the Supplemental Workforce Fund for Basic Skills, P.L. 2001, c.12 (C.34:15D-21 et seq.). The Supplemental Workforce Fund for Basic Skills is financed by the redirection of employer and worker unemployment compensation contributions, estimated to be \$26.7 million in FY 2006 (page H-32). \$14 million from this fund is recommended for transfer to the General Fund for operating aid to County Colleges (Department of Treasury, page D-397), an increase of \$6 million, or 75%, from the FY 2005 transfer of \$8 million.
- Proposed language in the Governor's Budget (page D-224) recommends the transfer of \$10 million from the WDP fund to the Department of Human Services (DHS) for WorkFirst New Jersey (WFNJ) training related expenses and activities. This is in addition to the \$33.7 million available in DLWD for transfer from the WPD fund for WFNJ. The \$43.7 million of WDP funds for WFNJ is a \$10 million, or 30% increase over the FY 2005 appropriation from the WDP fund for WFNJ.
- The Governor's Budget recommends another \$4 million grant for the John J. Heldrich Center for Workforce Development. Budget language provides that if the Center receives funding from the New Jersey Economic Development Authority (EDA) the General Fund appropriation will be reduced accordingly. Revenue totaling \$2 million is anticipated from the EDA in FY 2006 (page C-13) to partially support this grant. The Center is a university-based organization which works towards transforming the workforce development system at local, State and federal levels. The Center is also a component of a major redevelopment project in New Brunswick.

Program Description and Overview

Department Overview

The Department of Labor and Workforce Development 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. In FY 2005, legislation reorganizing the Department of Labor and renaming it the Department of Labor and Workforce Development took effect. This reorganization transferred from the Departments of Human Services and Education all employment-directed and workforce development programs and activities including: career guidance; labor market information; employability assessment and plan development; case management; subsidized and unsubsidized public and private sector employment; job search; community and alternative work experience programs; on-the-job training; vocational training; job skills; basic skills and literacy training; employment and training-related expenses; referral to support services; and career advancement vouchers.

The department administers more than \$4.9 billion in benefit payments which are not included as part of the department's appropriation. During FY 2005 for example, the department administered \$2.1 billion in unemployment insurance benefits, \$438 million in temporary disability insurance benefits, and \$2.4 billion in federal Social Security disability benefit payments. As part of these functions and in conjunction with administering benefit payments and programs, the department oversees the following funds:

Unemployment Compensation Fund

The Unemployment Compensation (UI) fund provides wage benefits to workers who have become involuntarily unemployed. These benefits and UI fund revenues are provided from payroll tax contributions of employers and employees and any amounts credited or advanced by the federal government. The UI Fund is estimated to have a \$1.3 billion balance by the end of FY 2006.

The federal "Job Creation and Worker Assistance Act of 2002," (JCWAA) includes a one-time distribution of \$8 billion of previously accumulated federal "Reed Act" funds, the federal funds normally used to support State costs of administering the Employment Service (ES) and UI Programs. Under the JCWAA, the \$8 billion may be used by states, not only for ES and UI administration, but also to fund increased unemployment insurance benefits. The New Jersey share of the \$8 billion is \$242.8 million. From FY 2003 to FY 2005, \$99.5 million in Reed Act funds were authorized for expenditure by the department to improve service to claimants by modernizing the benefit payment system, continuing development of One-Stop Career Center Offices and further upgrading technology investments to enhance employment opportunities.

Workforce Development Partnership Fund

The Workforce Development Partnership (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 UI taxes, which are deposited to the WDP fund. The proposed budget estimates that these payroll tax revenues, plus investment earnings, will generate approximately \$96.6 million in FY 2006 (page H-27). The proposed budget includes language (pages D-255 and D-224) transferring

Program Description and Overview (Cont'd)

\$45.6 million from the WDP fund to the New Jersey Youth Corps (\$1.9 million) and Work First New Jersey Program (\$43.7 million).

Supplemental Workforce Fund for Basic Skills

The Supplemental Workforce Fund for Basic Skills (SWBS) was established in the department to provide basic skills training pursuant to P.L. 2001, c.152 (C.34:15D-21 et seq.). The SWFBS is financed by the redirection of a percentage of employer and worker unemployment insurance (UI) taxes. The total contributions or revenues to the SWFBS 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 One-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. In FY 2004 and FY 2005, amounts of \$5 million and \$8 million, respectively, were transferred to the General Fund for operating aid to County Colleges. The FY 2006 budget proposes a transfer of \$14 million for this same purpose.

State Disability Benefits Fund

The State Disability Benefits program (also known as the Temporary Disability Insurance program) provides up to 26 weeks of income replacement to workers who become unemployed due to no-occupational sickness or injury. Under the State program, worker and employer contributions are deposited into the State Disability Benefits Fund, from which payments are made to eligible claimants. The fund balance was \$218 million on June 30, 2004. It is estimated to be \$157.2 million on June 30, 2006.

Second Injury Fund

The Second Injury Fund (SIF), also known as the Special Compensation Fund, was established pursuant to R.S. 34:15-94 and provides workers' compensation benefits to totally and permanently disabled workers with prior, work-incurred disabilities. Revenue is provided for the SIF through an assessment on self-insured employers and workers' compensation insurers. The total amount of this assessment is required by statute to equal 125 percent of the amount estimated by the Commissioner of Labor and Workforce Development as necessary to pay benefits and any other costs from the fund in the following calendar year, minus any prior year-end net assets in the fund above \$5 million. Thus, the fund is designed to maintain, through assessments and unexpended balances from the previous year, approximately 125 percent of what is needed to pay benefits and other costs in the next calendar year.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2004	Adj. Approp. FY 2005	Recom. FY 2006	Percent Change	
				2004-06	2005-06
General Fund					
Direct State Services	\$91,194	\$62,012	\$60,946	(33.2)%	(1.7)%
Grants-In-Aid	38,443	43,254	44,254	15.1%	2.3%
State Aid	1,624	1,624	1,522	(6.3)%	(6.3)%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$131,261	\$106,890	\$106,722	(18.7)%	(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	\$133,701	\$109,330	\$109,162	(18.4)%	(0.2)%
Federal Funds	\$356,433	\$415,577	\$412,289	15.7%	(0.8)%
Other Funds	\$149,568	\$179,758	\$180,643	20.8%	0.5%
Grand Total	\$639,702	\$704,665	\$702,094	9.8%	(0.4)%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change	
				2004-06	2005-06
State	691	717	723	4.6%	0.8%
Federal	2,963	3,037	3,071	3.6%	1.1%
All Other	8	8	11	37.5%	37.5%
Total Positions	3,662	3,762	3,805	3.9%	1.1%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	39.2%	41.1%	41.1%	—	—
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2005</u>	<u>Recomm.</u> <u>FY 2006</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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ECONOMIC ASSISTANCE AND SECURITY**FEDERAL FUNDS**

Unemployment Insurance	\$138,500	\$133,100	(\$5,400)	(3.9)%	D-248
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According to the department, the \$5.4 million decrease is based on the estimated availability of federal funds, including a decrease in Reed Act funds earmarked by language for UI system and One-Stop Center improvements. Despite reductions, supplement resources will be available to fund position growth and sustain current services.

Disability Determination	\$47,020	\$49,000	\$1,980	4.2%	D-248
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According to the department, the increase is due to the estimated availability of federal funds. Adequate resources are projected to sustain staff levels and claims adjudication activity.

MANPOWER AND EMPLOYMENT SERVICES**DIRECT STATE SERVICES**

Workplace Standards	\$5,988	\$5,096	(\$892)	(14.9)%	D-252
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This decrease comprises a 15% reduction (\$767,000) in Salaries and Wages and a 10% "across the board" reduction in all other accounts (this reduction strategy was also applied to certain Employment and Training Services programs). Notwithstanding this decrease, staffing levels are projected to remain stable, so the level of services should be unaffected.

Private Sector Labor Relations	\$530	\$474	(\$56)	(10.6)%	D-252
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The budget recommends a \$56,000 salary and wage decrease for the New Jersey State Board of Mediation. The board serves to facilitate the settlement of differences between private employers and employees. Newly recommended budget language allowing an additional \$50,000 to be appropriated to administer increased caseloads would offset any negative impact this reduction would have on the provision of mediation services.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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GRANTS-IN-AID (Vocational Rehabilitation Services)

Supported Employment Services	\$2,550	\$3,550	\$1,000	39.2%	D-253
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This \$1 million increase represents the Governor's initiative for mental health supportive employment services. Newly recommended language directs that this increase be expended consistent with the recommendations for the final report of the Governor's Task Force on Mental Health. According to the budget narrative (page B-13), the \$1 million in additional funding will enable 450 additional individuals with mental illness to gain viable employment.

STATE AID

Adult Literacy	\$1,024	\$922	(\$102)	(10.0)%	D-253
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This recommended 10% decrease reflects an "across the board" reduction strategy applied to both the Employment and Training Services (except for Work First New Jersey related programs) and Workplace Standards program classes. It is unclear whether this reduction will result in reduced program assistance or whether it can be offset by available State and federal funding for employment and training purposes.

FEDERAL FUNDS

Employment Services	\$38,614	\$34,585	(\$4,029)	(10.4)%	D-253
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This decrease represents reductions in Trade Adjustment Assistance Project funding of \$3 million (from \$7 million to \$4 million) and \$1 million for Employment Services (from \$22 million to \$21 million).

Employment and Training Services	\$128,129	\$131,157	\$3,028	2.4%	D-253
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This increase represents additional funding for the following accounts; \$2 million increase for Workforce Investment Act (WIA) Article IIA Training Services for the Disadvantaged (from \$18 million to \$20 million); \$3 million increase for WIA Title III for Dislocated Workers (from \$19 million to \$22 million); and \$1.3 million increase for various TANF programs and activities including funding for WorkFirst New Jersey-Work Activity (from \$26.2 million to \$27.5 million). These increases are offset, in part, by decreases for the following accounts: \$1 million decrease for WIA Title IIC Youth Training (from \$22.5 million to \$21.5 million); \$2 million decrease for WIA Title IIID Discretionary funding (from \$6 million to \$4 million) and a \$300,000 decrease for Project Reemployment Opportunity System (PROS).

Language Provisions

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-119

p. D-248

In addition to the amount hereinabove appropriated for administrative costs associated with the State Disability Insurance Plan there is appropriated from the State Disability Benefits Fund an amount not to exceed **\$6,350,000** subject to the approval of the Director of the Division of Budget and Accounting.

In addition to the amount hereinabove appropriated for administrative costs associated with the State Disability Insurance Plan there is appropriated from the State Disability Benefits Fund an amount not to exceed **\$6,550,000** subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language increases by \$200,000 the amount by which the department may supplement budgeted appropriations (\$21.5 million) with additional revenues from the State Disability Benefits Fund for administrative costs. Budget information indicates this increase will support fringe benefit and indirect costs.



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2006 Budget Recommendations

p. B-119

p. D-249

From the funds made available to the State under section 903(d)(4) of the Social Security Act (42 U.S.C.s.1103 et seq.), as amended, the sum of **\$32,500,000**, or so much thereof as may be necessary, is to be used for the improvement of services to unemployment insurance claimants through the improvement and modernization of the benefit payment system and other technology improvements and to employment service clients through the continued development of one-stop offices throughout the State and other investments in technology and processes that will enhance job opportunities for clients.

From the funds made available to the State under section 903(d)(4) of the Social Security Act (42 U.S.C.s.1103 et seq.), as amended, the sum of **\$30,000,000**, or so much thereof as may be necessary, is to be used for the improvement of services to unemployment insurance claimants through the improvement and modernization of the benefit payment system and other technology improvements and to employment service clients through the continued development of one-stop offices throughout the State and other investments in technology and processes that will enhance job opportunities for clients.

Explanation

In March, 2001, \$242.8 million was made available to the State Unemployment Compensation Fund under section 903 of the Social Security Act (42 U.S.C. s. 1103 et seq.), as amended. New Jersey can use these funds, referred to as federal Reed Act funds, to pay compensation or, subject to legislative appropriation, for administrative expenses. The recommended budget language would authorize use of \$30 million of Reed Act funds for the improvement and modernization of

Language Provisions (Cont'd)

the benefit payment system, continued development of One-Stop Offices and other investments in technology and processes that will enhance job opportunities for clients. If approved, this would result in a four-year total authorization of about \$130 million for these purposes.



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p. B-122

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 appropriated 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.

No comparable language.

Explanation

The language is discontinued pursuant to federal recision of the Welfare-to-Work State formula program.



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2006 Budget Recommendations

p. D-254

No comparable language.

In addition to the amounts hereinabove appropriated to the Public Employment Relations Commission, there are also appropriated such additional sums as may be necessary to administer increased mediator services' caseloads not to exceed \$50,000, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language provides that additional funding of up to \$50,000 may be provided to the Public Employment Relations Commission (PERC) if needed to effectively manage mediators' caseloads.

Language Provisions (Cont'd)

This language ensures that a recommended \$56,000 reduction to PERC's salary funding will not hinder its ability to maintain mediation services.



2005 Appropriations Handbook

2006 Budget Recommendations

No comparable language.

p. D-254

Of the amounts hereinabove appropriated for Supported Employment Services, \$1,000,000 shall be expended consistent with the recommendations in the final report of the Governor's Task Force on Mental Health.

Explanation

This language controls the expenditure of an additional \$1 million that the Governor's Budget recommends for Supported Employment Services within the Vocational Rehabilitation Services Program. The budget narrative indicates (p. B-13) that this additional \$1 million in funding will "enable approximately 450 additional individuals with mental illness to participate" in State funded supportive employment programs.



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2006 Budget Recommendations

p. B-123

In addition to the amounts hereinabove appropriated to the Department of Labor there are also appropriated such additional sums as necessary to carry out the WorkFirst New Jersey and Adult Education activities not to exceed \$1,000,000, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

According to the department, the current language addressed the possibility that unexpected costs could occur during the FY 2005 consolidation of WorkFirst and Adult Education programs. With the consolidation completed, this language is no longer necessary.



Language Provisions (Cont'd)**2005 Appropriations Handbook**

No comparable language.

2006 Budget Recommendations**p. D-255**

Notwithstanding any law to the contrary, up to 15% of the amount available from the Workforce Development Partnership Fund for the Supplemental Workforce Development Benefits Program shall be appropriated as necessary to fund additional administrative costs relating to the processing and payment of benefits, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language authorizes the allocation of up to \$870,000 in additional administrative funding costs for the SWDB program, which is funded from a \$5.8 million share of WDP funds currently dedicated to disadvantaged worker training grants. The \$870,000 would be in addition to the \$9.7 million already allocated for WDP administration, which is limited to 10% of the total \$96.6 million dedicated to the WDP. The SWDB program was established, pursuant to P.L. 2004, c.39, to provide alternative financial assistance to individuals to engage in full-time work-related education needed to attain self-sufficiency.



Discussion Points

1. In response to Office of Legislative Services (OLS) questions during the review of the FY 2005 budget, the department projected that during FY 2004, job training would be provided to an estimated 49,475 individuals by the Workforce Development Partnership (WDP) program, to 19,100 individuals under the Workforce Investment Act (WIA), and 5,250 under the Work First New Jersey (WFNJ) program, thus providing training to a total of 73,825 individuals, not counting the 70,511 other individuals receiving career counseling, placement and other "intensive" services. The department projected at that time that the number receiving training would increase, by 6,890, to 80,715 in FY 2005.

- **Question:**
 - a. Please indicate for each of the following programs, how many individuals were trained during FY 2004 and how many are expected to be trained during FY 2005 and FY 2006: 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 Supplemental Workforce Development Benefits; 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.
 - b. 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.
 - c. Please indicate for each of the programs listed above for FY 2005 and FY 2006 (estimated), the total amount appropriated and how much of the funding is appropriated to the Department of Labor and Workforce Development and how much, if any is appropriated to the Department of Human Services.
 - d. Please provide any available data regarding how effective each program has been in assisting individuals without jobs to find employment providing self-sufficiency and assisting already employed individuals to retain employment or raise earning levels.

2. Under the act reorganizing the Department of Labor and renaming it the Department of Labor and Workforce Development, P.L.2004, c.39 (C.34:1A-1.2 et seq.), the main transfer from the Department of Human Services to the Department of Labor and Workforce Development shifted all employment and job readiness activities and programs in the State's Work First New Jersey (WFNJ) program and the federal Personal Responsibility and Work Opportunity Reconciliation Act and Food Stamp Act programs. As indicated in section 2 of that act, the transferred activities include career guidance, labor market information, employability assessment and plan development, case management, subsidized and unsubsidized public and private sector employment, job search, community work experience and alternative work experience programs, on-the-job training, vocational training, job skills, literacy, employment and training-related expenses, referral to support services and career advance vouchers. In the proposed FY 2006 budget, notwithstanding the extensive indicated responsibilities transferred to the DLWD, the total amount available to DLWD for WFNJ training-related expenses and work activities is \$60.6 million, consisting of \$33.7 million in WDP funds (page D-255) and \$26.9 million in federal funds (page D-253). In the FY 2006 budget, DHS receives \$101.7 million for WFNJ work activities and training-related expenses (page D-222).

Discussion Points (Cont'd)

- **Question:** a. If a major purpose of the reorganization was to facilitate efficient administration by consolidating welfare-to-work programs, why does a majority of all funding for WFNJ work activities and training-related expenses (\$91.7 million out of \$152.3 million) remain with DHS? Are there any plans for further consolidation by transferring more resources to DLWD? If so, please detail.

b. Please provide an update on the progress of efforts to coordinate the various kinds of counseling and case work between DLWD and DHS and the progress on having welfare offices co-located in One Stop Career Centers.

c. Indicate any improvements in the delivery of services and the effectiveness of the transferred programs in facilitating the transition to careers providing economic self sufficiency.
- 3. P.L.2004, c.39 (C.34:1A-1.2 et seq.) provides that all staff hired to work at a One Stop Career Center and supported by any resources transferred to the DLWD by that act must be hired and employed by the State under civil service, by a political subdivision of the State, or by a nonprofit organization which began functioning as the One Stop Career Center operator before the law went into effect. P.L.2004, c.39 requires that all One Stop Career Center staff hired and supported by WDP moneys or Workforce Investment Act (WIA) or other federal workforce development moneys also be hired and employed by the State under civil service, by a political subdivision of the State or by a nonprofit organization functioning as the One Stop Career Center operator before the law went into effect, or by an approved community-based or faith-based organization to provide services at the level of staffing provided in an agreement entered into before the law went into effect. The department has indicated that four local areas, Atlantic/Cape May Counties, Passaic County, Jersey City and Ocean County, have nonprofit organizations serving as One Stop Career Center operators.
- **Question:** How many counselors and other staff are supported in each local area under a workforce investment board (WIB) by funds transferred to DLWD under P.L.2004, c.39? How many of the staff in each area are supported by WIA or other federal funds? How many by WDP funds? In each area, how many of those staff are employed by a non-profit organization functioning as the One Stop Career Center operator or by an approved community-based or faith-based organization?
- 4. Pursuant to P.L. 2003, c.107, laid off workers may collect unemployment benefits equal to 100% of their base weeks up to a maximum of 26 weeks, instead of 75% of their base weeks. Under that law those improved benefits were to be in effect from July 1, 2003 until June 30, 2005, but they were made permanent by P.L.2004, c.45. In response to follow-up questions from the Senate Budget Committee during the review of the FY 2005 budget, the department indicated that, during the first six months of the program, from July 1 to December 31, 2003, 7,100 laid off workers received an average increase in the length of their benefits of 3.5 weeks, receiving a total of \$7.7 million more benefits.
- **Question:** Please indicate how many additional laid off workers received additional benefits under this program during the last six months of FY 2004 and how many during the first six months of FY 2005. What was the average increase in the length of benefits for those workers due to the program during each of those two periods? What was the total increase in benefit costs from the program during each of those two periods?

Discussion Points (Cont'd)

5. The Governor's proposed budget recommends \$3.55 million for supported Employment Services within the Vocational Rehabilitation Services Program, a \$1 million increase from the \$2.55 million FY 2005 appropriation. According to new budget language (p. D-254), the \$1 million will "be expended consistent with the recommendations in the final report of the Governor's Task Force on Mental Health." The budget narrative indicates (p. B-13) that this additional \$1 million in funding will "enable approximately 450 additional individuals with mental illness to participate" in State funded supportive employment programs.

- **Question:** How does the department anticipate using this additional \$1 million? When does the department estimate implementation of this initiative?

6. 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 pay for administration of the benefits from the SDBF. In FY 2005, \$110 million was earmarked for transfer to the General Fund. The proposed budget does not specify an appropriation from the SDBF to the General Fund in FY 2006.

- **Question:** Please provide the value of revenues, benefits and administrative expenditures, and the cash balance in the SDBF for each month in calendar year 2004 and as many months as possible for calendar year 2005 and an estimate for 2006.

7. The federal "Job Creation and Worker Assistance Act of 2002," (JCWAA) included a one-time distribution of \$8 billion of previously accumulated federal "Reed Act" funds, the federal funds normally used to support State costs of administering the Employment Service (ES) and Unemployment Insurance (UI) programs. Under the JCWAA, the \$8 billion may be used by states, not only for ES and UI administration, but also to fund increased unemployment insurance benefits. The New Jersey share of the \$8 billion is \$242.8 million. The department's FY 2006 budget request recommend that \$30 million, "or so much as may be necessary," of the indicated "Reed Act" funds be used for "the improvement of services to unemployment insurance claimants through the improvement and modernization of the benefit payment system and other technology improvements and to employment service clients through a continued development of one-stop offices throughout the State and other investments in technology and processes that will enhance job opportunities for clients." \$37 million, \$30 million and \$32.5 million in these funds were appropriated in FY 2003, FY 2004 and FY 2005, respectively for similar purposes.

- **Question:** How much of the \$32.5 million for FY 2005 and the \$30 million for FY 2006 appropriation of "Reed Act" funds will be spent on modernizing the UI benefit payment system? How much for improvements to employment services? In addition, how much will be spent on retraining or upgrading the skills of department personnel?

8a. P.L.2002, c.44 (C.52:38-1 et seq.) authorized public entities to include project labor agreements (PLAs) in public works projects recognizing New Jersey's compelling interest in carrying out public works projects "at the lowest reasonable cost and the highest degree of quality." The Legislative findings further stated "Project labor agreements make it possible to provide the State with assurance that public works projects are completed with a diverse workforce, facilitate the efficient integration of work schedules among different trades on project sites," and "promote harmonious and productive work environments in public works projects."

Discussion Points (Cont'd)

- **Question:** Please provide a list of all PLA projects entered into thus far which are subject to the provisions of the act since its enactment, including projects which have been awarded, are in progress or those that have been completed. For each, include the following information: the cost of the project covered by the PLA; the number of construction jobs covered under the PLA, including the number of apprenticeships; the number and share of the jobs and apprenticeships which have gone to minority group members and women; the agreements entered into pursuant to the act regarding shares of employment and apprenticeships for women and minorities.
- 8b. The PLA act required the Commissioner of Labor and Workforce Development to submit an annual report to the Governor and Legislature concerning the effectiveness of all project labor agreements.
- **Question:** What is the status of the report on PLAs required by the act? Have PLAs improved the efficiency of public works projects? If so, please explain how. List any project for which the completion time or cost have exceeded what were agreed to and by how much. What, if any, recommendations does the department have to strengthen the program?
9. The Workforce Development Partnership (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 \$96.6 million in FY 2006 (page H-27). The proposed budget includes language (pages D-255) transferring \$45.6 million from the WDP fund to the New Jersey Youth Corps (\$1.9 million) and Work First New Jersey Program (\$43.7 million).
- **Question:** For FY 2004, 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 2005 and FY 2006, based on the assumption that the percentages which are required by P.L. 2001, c.152 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 2005 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 2005 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, pursuant to P.L. 2001, c.152, to be deposited into the unemployment compensation fund
10. The Supplemental Workforce Development Benefits (SWDB) program was established,

Discussion Points (Cont'd)

pursuant to P.L. 2004, c.39, to provide alternative financial assistance to individuals to engage in full-time work-related education needed to attain self-sufficiency. The budget (page D-225) provides new language allocating from the WDP fund to the SWDB program up to 15% of the total amount available from the WDP fund for SWDB administrative costs. This 15% allocation would permit up to \$870,000 in administrative costs for the SWDB program, which is funded from a \$5.8 million share of WDP funds currently dedicated to disadvantaged worker training grants. The \$870,000 would be in addition to the \$9.7 million already allocated for WDP administration, which is limited to 10% of the total \$96.6 million dedicated to the WDP. According to the department's response to last year's Office of Legislative Services (OLS) discussion points, for FY 2003 only \$6.7 million of the \$8.1 million of WDP funds allocated to administration were spent for that purpose. The department also estimated that for FY 2004, \$7.0 million of the \$9.3 million allocated would be spent for administration and for FY 2005 only \$7.5 million of the \$9.8 million allocated would be spent. Taking into account an initial balance of \$4 million beginning in June 2002, the department estimated that \$8.9 million would remain to be diverted from the WDP administrative allocation to fund other purposes over these three years.

- **Question:** Please explain why the department requires additional administrative funds for the Supplemental Workforce Development Benefits program, given that the current amount allocated for administrative expenses from the WDP fund appears sufficient.

11. The FY 2006 budget includes a proposal to redirect \$250 million in UI tax revenues from the UI trust fund to the Health Care Subsidy Fund (HCSF) (page B-8). This is in addition to \$325 million in UI taxes diverted to the HCSF in FY 2002, \$325 million in FY 2003, pursuant to P.L.2002, c.123, \$325 million in FY 2004 pursuant to P.L. 2003, c.107 and \$100 million in FY 2005 pursuant to P.L.2004, c.45. The UI tax rates imposed on each employer are calculated on the basis of a combination of the employer's own "reserve ratio" (the amount of UI taxes paid by the employer minus the benefits paid to workers laid off by the employer as a percentage of UI taxable wages paid by the employer) and the "reserve ratio" for the entire UI trust fund (the fund balance as a percentage of the total UI taxable wages in the State). The balance of the State's UI fund (\$1.539 billion at the end of FY 2004) has been high enough for the last four years to keep employers in the "A" tax schedule, which provides the lowest UI tax rates for employers.

- **Question:** If the proposed budget is adopted and the proposed diversion of \$250 million of UI tax revenues to the HCSF is executed, what will be the estimated UI fund balance be on March 31, 2006? ...on March 31, 2007? What UI tax schedule will be put into effect as a result? What UI tax schedule will be in effect without the diversion? Please provide the actual "Unemployment Compensation Fund Reserve Rate Calculation" for FY 2003 and FY 2004 and estimates for FY 2005 and FY 2006, based on the assumption that the budget and the \$250 million diversion will be enacted as proposed. Please provide the assumptions made regarding unemployment rates as the basis and the anticipated payment for those estimates. What does the department estimate the total revenue, in UI and HCSF taxes will be if the "A" schedule is in effect during CY 2006? ... "B" schedule? "C" schedule?

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Individuals wishing information and committee schedules on the FY 2006 budget are encouraged to contact:

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