



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF LABOR
AND
WORKFORCE DEVELOPMENT**

FISCAL YEAR

2006 - 2007

**PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2006**

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Commerce, Labor and Industry Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Sonya S. Davis. Gregory L. Williams and Christopher Ore, Raimondo Fellow, were the primary authors of the background paper entitled "New Jersey's Workforce Development Programs."

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

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Budget Pages..... C-13; C-21; C-32; D-251 to D-265; F-6;
F-7; H-27; H-29; H-32; H-33; and H-43

Fiscal Summary (\$000)

	Expended FY 2005	Adjusted. Appropriation FY 2006	Recommended FY 2007	Percent Change 2006-07
State Budgeted	\$151,317	\$110,876	\$117,653	6.1%
Federal Funds	366,075	411,329	413,835	.6%
<u>Other</u>	<u>151,266</u>	<u>181,400</u>	<u>177,700</u>	<u>(2.0%)</u>
Grand Total	\$668,658	\$703,605	\$709,188	.8%

Personnel Summary - Positions By Funding Source

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change 2006-07
State	269	265	270	1.9%
Federal	3,055	3,068	3,125	1.9%
<u>Other</u>	<u>454</u>	<u>454</u>	<u>457</u>	<u>.7%</u>
Total Positions	3,778	3,787	3,852	1.7%

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

Key Points

- The FY 2007 budget recommendation for the Department of Labor and Workforce Development totals \$118 million in State funding. Most of the department's programs are supported by federal (58 percent) and dedicated State and "Other" funds, such as trust funds (25 percent).
- The proposed budget appropriates \$50 million from the State Disability Benefits Fund (SDBF) for transfer to the General Fund as State revenue (page F-7). 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 to pay for administration of the benefits from the SDBF. The budget recommendation anticipates that the SDBF will have a \$178 million balance at the end of FY 2007, a \$11 million decrease from the FY 2006 estimated balance of \$189 million (page H-29).

Key Points (Cont'd)

- The budget recommendation does not continue a \$4 million grant appropriation for the John J. Heldrich Center. According to the budget overview (page D-251), the \$4 million appropriation is no longer necessary because the Center project is expected to be completed in FY 2006. The John J. Heldrich Center for Workforce Development is a Rutgers 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. The Heldrich project has received \$20.4 million in State appropriations since FY 2000.
- The budget recommends \$19.2 million for WorkFirst New Jersey Activities, an \$11 million increase from the FY 2006 appropriation. According to the Office of Management and Budget (OMB), \$7 million of these funds are necessary to meet the Temporary Assistance for Needy Families (TANF) caseload work participation rate requirement which has increased from 29 percent to 50 percent. This increase was included in the federal Deficit Reduction Act approved earlier this year. The remaining \$4 million is for work case management for recipients of General Assistance.
- 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 \$27.3 million in FY 2007 (page H-32). \$8 million from this fund is recommended for transfer to the General Fund for operating aid to County Colleges (Department of Treasury, page D-409), a decrease of \$6 million, or 43 percent, from the FY 2006 transfer of \$14 million.
- The FY 2007 budget recommendation anticipates that the Unemployment Compensation (UI) Fund (page H-43) will have a \$1.21 billion balance at the end of FY 2007, a \$140 million increase over the estimated FY 2006 balance of \$1.07 billion. The restoration of the fund balance is aided by the Governor's decision to discontinue the diversion of UI revenues to the Health Care Subsidy Fund, thus restoring \$350 million to the UI fund.
- Funds transferred from the Unemployment Compensation Auxiliary Fund (UCAF) to support Grants-In-Aid appropriations for Vocational Rehabilitation Services are proposed to increase by approximately \$4.2 million in FY 2007, to \$18.6 million of the \$32 million total grant funding. In addition, the budget recommends transferring \$475,000 from the UCAF to the General Fund to support the New Jersey Youth Corps. There is no corresponding increase in any program funding. The UCAF is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulation. The FY 2007 UCAF year-end balance is estimated to be \$2.9 million.
- The FY 2007 budget recommendation discontinues the \$83,000 Direct State Services appropriation for the Council on Gender Parity. The New Jersey Council on Gender Parity was created in 1999, pursuant to P.L.1999, c. 223, to unite business, education and government in addressing the adversity facing women in training, education and

Key Points (Cont'd)

labor markets. The Office of Management and Budget (OMB), has indicated that funding for this program may come from other unspecified sources.

Background Paper:

- New Jersey's Workforce Development Programs

pg. 18

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2005	Adj. Approp. FY 2006	Recom. FY 2007	Percent Change	
				2005-07	2006-07
General Fund					
Direct State Services	\$107,749	\$62,072	\$61,849	(42.6%)	(0.4%)
Grants-In-Aid	39,504	44,842	51,842	31.2%	15.6%
State Aid	1,624	1,522	1,522	(6.3%)	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$148,877	\$108,436	\$115,213	(22.6%)	6.2%
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	\$151,317	\$110,876	\$117,653	(22.2%)	6.1%
Federal Funds	\$366,075	\$411,329	\$413,835	13.0%	0.6%
Other Funds	\$151,266	\$181,400	\$177,700	18.7%	(2.0%)
Grand Total	\$668,658	\$703,605	\$709,188	6.3%	0.8%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change	
				2005-07	2006-07
State	269	265	270	0.4%	1.9%
Federal	3,055	3,068	3,125	2.3%	1.9%
All Other	454	454	457	0.7%	0.7%
Total Positions	3,778	3,787	3,852	2.0%	1.7%

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	41.1%	40.4%	40.5%	—	—
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2006</u>	<u>Recomm. FY 2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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ECONOMIC PLANNING AND DEVELOPMENT

ALL OTHER FUNDS

Administration and Support Services	\$5,700	\$0	(\$5,700)	—	D-256
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This elimination in funding for Administration and Support Services results from discontinuing diversion of payroll taxes from the Unemployment Compensation Fund to the Health Care Subsidy Fund. The \$5.7 million was utilized for the health care subsidy tax administration costs.

ECONOMIC ASSISTANCE AND SECURITY

FEDERAL FUNDS

Unemployment Insurance	\$133,100	\$117,516	(\$15,584)	(11.7%)	D-259
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According to the department, the \$15.58 million decrease is based on the estimated availability of federal funds, including the \$20 million decrease in Reed Act funds earmarked by language for UI system and One-Stop Center improvements.

Disability Determination	\$49,000	\$50,176	\$ 1,176	2.4%	D-259
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According to the department, the \$1.176 million increase is based on the estimated availability of federal funds.

ALL OTHER FUNDS

State Disability Insurance Plan	\$6,550	\$8,550	\$ 2,000	30.5%	D-259
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The recommended FY 2007 appropriation of \$8.55 million is largely allocated for administrative costs and fringe benefits, and is in addition to the Direct State Services "on-budget" appropriation of \$21.8 million. This increase partially offsets the \$5.7 million reduction in Administration and Support (pages C-21 and D-256).

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2006</u>	<u>Recomm. FY 2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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MANPOWER AND EMPLOYMENT SERVICES**GRANTS-IN-AID****Heldrich Center for
Workforce
Development**

	\$4,000	\$0	(\$4,000)	(100.0%)	D-264
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The John J. Heldrich Center for Workforce Development is a Rutgers 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. The Heldrich project has received \$20.4 million in State appropriations since FY 2000. According to the budget overview, this \$4 million appropriation is no longer necessary because the Center project is expected to be completed in FY 2006.

**Work First
New Jersey
Work Activities**

	\$8,190	\$19,190	\$11,000	134.3%	D-264
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According to the Office of Management and Budget (OMB), \$7 million of the \$11million increase is necessary to meet Temporary Assistance for Needy Families (TANF) caseload work participation rate requirements, which have increased from 29 percent to 50 percent. This increase was included in the federal Deficit Reduction Act approved earlier this year. The remaining \$4 million is for work case management for GA clients.

FEDERAL FUNDS**Vocational
Rehabilitation
Services**

	\$50,442	\$51,673	\$ 1,231	2.4%	D-264
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Employment Services

	\$34,585	\$37,988	\$ 3,403	9.8%	D-264
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**Employment and
Training Services**

	\$130,422	\$142,537	\$12,115	9.3%	D-264
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Workplace Standards

	\$3,967	\$4,116	\$ 149	3.8%	D-264
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The FY 2007 budget anticipates a total increase in federal funds for Manpower and Employment Services of \$16.9 million, or 7.15 percent over the FY 2006 adjusted appropriation. The funding increases are due to fluctuations in anticipated program activities

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2006</u>	<u>Recomm.</u> <u>FY 2007</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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in the department. The \$12 million increase in Employment and Training Services is for work activity slots as a result of the TANF requirements increasing "To Work" participation caseloads.

Language Provisions

2006 Appropriations Handbook

p. D-121

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.

2007 Budget Recommendations

p. D-259

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 **\$8,850,000**, 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 \$21.8 million in the FY 2007 budget. The recommended FY 2007 language would allow the program to spend an additional \$8.85 million above that amount, subject to Office of Management and Budget approval. This "off-budget" authorization is \$2.3 million, or 25.9 percent higher than the current fiscal year authorization. This increase partially offsets the \$5.7 million elimination of funds in Administration and Support (pages C-21 and D-256) that results from discontinuing the diversion of payroll taxes from the Unemployment Compensation Fund.

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)

2006 Appropriations Handbook

p. B-121

From the funds made available to the State under section 903(d)(4) of the Social Security Act (42 U.S.C.s.1104 et seq.), as amended, the sum of **\$30,000,000**, or so much thereof as may be necessary, is appropriated for the improvement of services to unemployment insurance claimants through the improvement and modernization of the benefit payment system and other technological improvements and to employment service clients through the continued development and maintenance of one-stop offices throughout the State and other investments in technology and processes that will enhance job opportunities for clients.

2007 Budget Recommendations

p. D-259

From the funds made available to the State under section 903(d)(4) of the Social Security Act (42 U.S.C.s.1104 et seq.), as amended, the sum of **\$10,000,000**, or so much thereof as may be necessary, is appropriated for the improvement of services to unemployment insurance claimants through the improvement and modernization of the benefit payment system and other technological improvements and to employment service clients through the continued development and maintenance 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 benefits and, subject to legislative appropriation, for administrative expenses. The recommended budget language would authorize use of \$10 million of Reed Act funds for the improvement and modernization of the benefit system, continued development of One-Stop Office and other investments in technology and processes that will enhance job opportunities for clients. If approved, this would result in a five-year total authorization of about \$140 million for these purposes.

Language Provisions (Cont'd)

2006 Appropriations Handbook2007 Budget Recommendations

p. B-124

In addition to the amounts hereinabove appropriated to the Public Employment Relations Commission, there are also appropriated those 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.

No comparable language.

Explanation

This language provided additional funding of up to \$50,000 to the Public Employment Relations Commission (PERC) to effectively manage mediators' caseloads. According to the department, the current language is no longer necessary. The department indicates that PERC funding is adequate to cover caseloads.

2006 Appropriations Handbook2007 Budget Recommendations

p. B-124

Of the amount hereinabove for the Vocational Rehabilitation Services program classification, an amount not to exceed **\$14,422,000** is appropriated from the Unemployment Compensation Auxiliary Fund.

p. D-265

Of the amount hereinabove for the Vocational Rehabilitation Services program classification, an amount not to exceed **\$18,614,000** is appropriated from the Unemployment Compensation Auxiliary Fund.

Explanation

As in prior years, the proposed language provides partial funding of the recommended Grants-In-Aid (GIA) appropriations for Vocational Rehabilitation Services programs from the Unemployment Compensation Auxiliary Fund (UCAF), which is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulations.

The budget language for FY 2007 increases use of UCAF resources above that of prior budget years with no corresponding increase in grant program funding. In FY 2006 and FY 2005, \$14.4 million was supported by the UCAF. The FY 2007 year-end balance in the UCAF is estimated to be \$2.9 million, down \$2.3 million from the projected FY 2006 closing balance.

Language Provisions (Cont'd)**2006 Appropriations Handbook****2007 Budget Recommendations****p. B-125**

Of the amount hereinabove appropriated for Sheltered Workshop Transportation, \$400,000 shall be allocated to ACCSES New Jersey/CNA Services for reimbursement of transportation costs. No comparable language.

Explanation

This language was added by the Legislature to the Appropriations Act for FY 2006. The department indicates that the language is neither necessary nor consistent with departmental transportation reimbursement policies.

Language Provisions (Cont'd)**2006 Appropriations Handbook****2007 Budget Recommendations****p. B-125**

The amount hereinabove appropriated for the John J. Heldrich Center shall be reduced by the sum of funds received from the New Jersey Economic Development Authority. The funds shall be used to pay a portion of the costs associated with the acquisition, site preparation, design and construction of a Statewide workforce training center to be located in New Brunswick, New Jersey known as the Heldrich Center for Workforce Development at the Edward J. Bloustein School of Policy and Planning (the "Heldrich Center") and the infrastructure and site preparation costs associated with the redevelopment project. The authority's investment is subject to the terms and conditions set forth in an agreement between the authority and the New Brunswick Development Corporation. The agreement shall be subject to the approval of the State Treasurer who, upon such approval, shall report to the Joint Budget Oversight Committee on the terms and conditions of the agreement.

No comparable language.

Explanation

The John J. Heldrich Center for Workforce Development is a Rutgers 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. The Heldrich project has received \$20.4 million in State appropriations since FY 2000. According to the budget overview, this language is no longer necessary because the Center project is expected to be completed in FY 2006.

Language Provisions (Cont'd)**2006 Appropriations Handbook****2007 Budget Recommendations****p. D-265**

No comparable language.

Of the amount hereinabove for the New Jersey Youth Corps program, \$475,000 is appropriated from the Unemployment Compensation Auxiliary Fund.

Explanation

The FY 2007 budget proposes language that the New Jersey Youth Corps program receive \$425,000 in funding from the Unemployment Compensation Auxiliary Fund (UCAF) rather than from general State resources. There is no corresponding increase in program funding.

Discussion Points

1. The State Disability Benefits Fund (SDBF) is used by the State's Temporary Disability Insurance (TDI) program to provide partial wage replacement for workers who become disabled due to injury or illness unrelated to work and to pay for administration of the benefits from the SDBF. The proposed Budget appropriates \$50 million from the SDBF for transfer to the General Fund as State revenue (page F-7).

- **Question:** Please provide the value of revenues, benefits and administrative expenditures, and the cash balance in the SDBF for each month in calendar year 2005 and as many months as possible for calendar year 2006 and an estimate for 2007.

2. In response to Office of Legislative Services (OLS) questions during the review of the FY 2006 budget, the department projected that during FY 2005, job training would be provided to an estimated 47,475 individuals by the Workforce Development Partnership (WDP) program, to 18,270 individuals under the Workforce Investment Act (WIA), and 8,200 under the Work First New Jersey (WFNJ) program, thus providing training to a total of 74,395 individuals. The department projected at that time the number receiving training would decrease, by 346, to 74,049 in FY 2006.

- **Question:** a. Please indicate for each of the following programs, how many individuals were trained during FY 2005 and how many are expected to be trained during FY 2006 and FY 2007: 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 2006 and FY 2007 (estimated), the total amount appropriated and what portion of the funding is appropriated to the Department of Labor and Workforce Development and what portion, if any, is appropriated to the Department of Human Services.

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

3. 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 \$99.1 million in FY 2007 (page H-27). The proposed budget includes language (pages D-265) transferring \$35.6 million

Discussion Points (Cont'd)

from the WDP fund to the New Jersey Youth Corps (\$1.9 million) and Work First New Jersey Program (\$33.7 million).

- **Question:** For FY 2005, 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 2006 and FY 2007, based on the assumption that the percentages which are required by statute to be deposited in accounts for each component will remain in effect:
 - The amount the department was required to spend under the WDP law's mandated allocations (from FY 2006 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 2006 forward, estimates of any amount anticipated to remain in the account at the end of the fiscal year exceeding 20% of the amount deposited for the year and thus required to be deposited into the unemployment compensation fund.

4. In the department's answers to the OLS questions for the FY 2006 budget, it was estimated that the balance of the UI fund would be sufficient to continue UI tax rates during FY 2006 and FY 2007 in the "A" tax schedule, which provides the lowest UI tax rates for employers. These balances were estimated to be sufficient to continue the "A" schedule, even after the diversion of UI tax revenues to the Health Care Subsidy Fund (HCSF) for FY 2006 was increased by \$100 million (from \$250 million in the proposed budget to \$350 million under P.L.2005, c.123). The report of the Labor and Workforce Development Transition Policy Group, issued on January 10, 2006, however, projected that the UI fund balance would be sufficiently reduced by March 31, 2007 to trigger the "B" schedule for FY 2008, which would increase UI taxes by more than \$250 million. The report also asserts that even a small diversion (of "a few million dollars") would trigger the "C" tax schedule, which would increase taxes more than \$250 million higher than the "B" schedule.

- **Question:** If, as proposed in the FY 2007 budget, UI tax revenues are not diverted to the HCSF, what will the estimated UI fund balance be on March 31, 2007? ...on March 31, 2008? What UI tax schedule will be triggered as a result in FY 2008 and FY 2009?
- Please provide an estimate of the "Unemployment Compensation Fund Reserve Rate Calculation" (including the 3/31 fund balance, taxable wages for the prior calendar year, and the reserve ratio) for FY 2007, FY 2008 and FY 2009, based on the assumption that no diversion will be made. Please provide the assumptions underlying your estimates, including unemployment rates and anticipated UI benefit payments. What does the department estimate the total revenue in UI taxes will be if the "A" schedule is in effect during FY 2008?"B" schedule?"C" schedule?

Discussion Points (Cont'd)

5. The FY 2006 Budget provided a new \$1 million appropriation for Supported Employment Services for mental health clients in State funded supportive employment programs. The FY 2007 Recommended Budget continues this appropriation.

- **Question:** Please indicate the expenditures to date for this initiative. Please provide an update on the effectiveness of the program and the number of individuals assisted. What goals does the department have for the program in FY 2007?

6. In FY 2005, legislation reorganizing the Department of Labor and renaming it the Department of Labor and Workforce Development took effect (P.L. 2004, c.39). This reorganization transferred from the Departments of Human Services and Education all employment-directed and workforce development activities. According to the report of the Labor and Workforce Development Transition Policy Group, the Department of Human Services (DHS) has refused to execute part of the Memorandum of Understanding with the Department of Labor and Workforce Development (DLWD), "seriously jeopardizing" future federal funding to the State. Specifically the DHS has not transferred "To Work" case management funding to the DLWD. Federal law requires that 50 percent of welfare caseloads must be classified as "To Work" or else the State will lose federal funds. The report also indicated that postponement in this transfer of case management funds from DHS to DLWD has delayed scheduling welfare clients for "To Work" activities.

- **Question:** Please indicate whether the DHS and DLWD have resolved the issue of the transfer of "To Work" case management funding. When does the department expect to see results for "To Work" welfare clients as a result of the transfer? Approximately how much federal funding could the department lose for "To Work" recipients if this transfer has not been implemented? Please address the matter of delays to clients waiting for "To Work" services. How many individuals were impacted by the delayed transfer to DLWD of case management funding?

7a. The department is currently supporting two new programs which connect training programs with institutions of higher education, one for blue collar workers and one for former welfare recipients.

The first program, New Jersey Pathways Leading Apprentices to a College Education ("NJ Place"), provides credit towards college degrees for classroom and other work in apprenticeship programs in trades like plumbing and pipefitting, carpentry, heat and frost insulation, electrical work and ironworking. Agreements have been reached between various contractor associations and trade unions and the State's 19 community colleges to provide apprentices with associate degrees and credit towards baccalaureate degrees.

- **Question:** What manpower and funds has the department, or other public partners, committed to the NJ Place program? How is the department coordinating its NJ Place activities with other related department activities, such as the awarding of Youth Transition to Work grants and registering new apprenticeship programs? List the agreements which have been made between apprenticeship programs and colleges under NJ Place and the number of apprentices expected to be affected. Indicate any plans to involve in NJ Place other construction trades or other occupations.

Discussion Points (Cont'd)

7b. The second program, the Supplemental Workforce Development Benefits ("Smart Steps") program, was started in 2005 and uses up to \$5 million per year in Workforce Development Partnership funds. Smart Steps is intended to assist not more than 1,500 former welfare recipients with children to participate in full-time, work-related education towards a college degree in a field which will enable the attainment of economic self-sufficiency.

- **Question:** How many individuals are now enrolled in the Smart Steps program and how many are anticipated to be enrolled in FY 2007? How much funding has been provided to assist the individuals from other sources, such as federal childcare funds and Pell grants? What percentage of the individuals have been successfully progressing in their education? What, if any, difficulties have been caused for the Smart Steps programs by problems in coordination between the department and the Department of Human Services indicated in Discussion Point 6?

Background Paper: New Jersey's Workforce Development Programs

Budget Pages.... C-21; C-28; C-29; D-251; D-252, D-260 to D-265; H-27; H-32

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

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

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

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

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

Funding for the State Programs

New Jersey has two funds dedicated to the training and education of its workforce: the Workforce Development Partnership Fund (WDPF), established in 1992 by P.L.1992, c.43 and the Supplemental Workforce Fund for Basic Skills (SWFBS), established in 2001 by P.L.2001,

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

c.152. Both are funded through the diversion of employer and worker UI taxes. The funding of the WDPF started at \$50 million per year and has grown steadily due to the indexed UI wage base, reaching \$97.4 million in FY 2007 (page H-27). Funding for the SWFBS grew from \$23 million to \$27.3 million in FY 2007 (page H-32).

The total \$125.4 million in UI taxes redirected to workforce development exceeds the \$102.3 million in federal Workforce Investment Act funds in FY 2007 for the State (pages C-28, C-29), and represents an annual level of funding more than \$30 per UI-covered worker, higher than any other State.¹

P.L.2001 c.152 requires that, for each operational area of WDPF and the SWFBS, any unexpended cash balance at the end of a fiscal year, less any amount awarded as grants but not yet disbursed, in excess of 20% of the amount allocated be immediately returned to the UI fund. While the year end balances reported for the WDPF and SWFBS in the budget are more than 20% of the allocated amounts, those balances include grants awarded but not yet expended.

Workforce Development Partnership Fund

When first established in 1992 by P.L.1992, c.43, moneys from the WDPF were dedicated to: customized training grants for businesses, unions and consortia to train employed workers; individual training grants for displaced workers; individual training grants for "disadvantaged workers," that is, persons receiving, or eligible, for welfare; occupational safety and health training; and administration. The Youth Transitions to Work Program (YTTWP), created in 1993 by P.L.1993, c.268, was also funded from the WDPF, as was the Supplemental Workforce Development Benefits (SWDB) program, created by P.L.2004, c.39. WDPF moneys are currently allocated as follows:

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

Some of these funds have been shifted by language in the annual budget act to support training in the welfare-to-work programs under TANF and WFNJ and in the State's Youth Corps program. For FY 2007, \$33.7 million of WDP funds were transferred to TANF and WFNJ training and \$8.2 million was transferred to the Youth Corps (page D-265)

¹ New Jersey's combined tax for the WDPF and SWFBS is at a rate of 0.16%, somewhat higher than almost all of the 19 states which have job training taxes. More significantly, the UI tax base to which the tax is applied is indexed to reflect the growth of the average wage in New Jersey raising it to a level of \$25,800 in CY 2006, much higher than the UI tax based of most states, some of which are as low as the federal minimum requirement of \$7,000. See "Comparison of State Unemployment Insurance Laws, 2005" US Department of Labor, pages 2-4, 2-5, and 2-30 through 2-32, and "Workforce Training: Almost Half of State Fund Employment Placement and Training through Employer Taxes and Most Coordinate with Federally Funded Programs" GAO Report, February 2004, GAO-04-282.

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

In response to last year's OLS discussion point questions, the department issued the following estimates and projections concerning the WDP Program. Note that there are no data for individual grants for disadvantaged workers (those receiving or eligible for welfare). All of the disadvantaged category (except for supplemental workforce development benefits) is covered by the WDP funds transferred to the TANF and WFNJ programs and reported in the portion of this backgrounder regarding those programs.

Workforce Development Partnership (WDP) Programs	Funding Allocation FY 2006	Number of Trainees		
		Actual FY 2004	Estimated FY 2005	Projected FY 2006
Individual Training Grants for Dislocated Workers	\$12,700,000	3,761	4,200	4,200
Customized Training Grants	\$23,000,000	47,137	30,400	28,571
Occupational Safety and Health Training	\$1,500,000	11,341	11,775	11,775
Youth Transitions to Work	\$2,600,000	n/a	800	800
Supplemental Workforce Development Benefits	\$3,100,000	-	300	553

Customized Training Program

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

Employers receiving customized training grants are required to establish long-term commitments to training employees beyond the duration of the grants and to make reimbursements to the WDPF if the employment is not retained. In unionized workplaces, employers are required to work together with their unions in developing the plans. The data below illustrates the utilization of customized training resources by clients:²

Customized Training (FY)	1999	2000	2001	2002	2003	2004
Workers Enrolled (est.)	39,390	59,096	43,371	31,095	31,348	47,505
Grants Approved	376	435	417	332	188	178
Companies Served	470	3,353	517	415	235	220
Grant Funds Awarded (millions)	\$31.0	\$40.8	\$21.4	\$18.0	\$18.3	\$22.9

Dislocated Worker Individual Training Grants

The Dislocated Individual Training Grants program provides training grant vouchers of up to \$4,000 to dislocated workers, allowing them to pursue training at State-approved providers such as community colleges, universities, or private proprietary, vocational technical schools. The data below illustrates the utilization of Dislocated Individual Training Grant resources:³

² Page 26, the New Jersey Department of Labor and Workforce Development Annual Statistical Review, 2004, available at: www.wnjin.net/OneStopCareerCenter/LaborMarketInformation/lmi15/statrev.pdf.

³ Page 26, NJDLWD Annual Statistical Review, 2004.

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

Individual Training Grants (FY)	1999	2000	2001	2002	2003	2004
Individuals Receiving Counseling	14,484	12,326	15,845	1,220	15,638	13,433
Participants Completing Training	4,807	4,707	4,510	4,205	4,105	3,466
Participants Entering Employment	2,721	3,946	2,527	2,835	2,725	2,426
Grants Issued	5,978	4,264	4,915	3,682	3,650	3,761
Funds Obligated (millions)	\$ 20.7	\$ 12.5	\$ 14.5	\$ 11.2	\$ 11.1	\$ 12.9

Youth Transition to Work Program

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

The YTTW program has led to further department initiatives in the apprenticeship area, most importantly the New Jersey Pathways Leading Apprentices to a College Education ("NJ Place"). That program provides credit towards college degrees for classroom and other work in apprenticeship programs in trades like plumbing and pipefitting, carpentry, heat and frost insulation, electrical work and ironworking. Agreements have been reached between various contractor associations and trade unions and the State's 19 community colleges to provide apprentices with associate degrees and credit towards baccalaureate degrees. The data below illustrates the utilization of YTTW program resources:⁴

Youth Transitions to Work Program (FY)	1999	2000	2001	2002	2003	2004
Students Enrolled	1,549	1,594	1,721	2,040	1,070	2,329
New Consortia Served	23	9	9	9	9	10
Program Funds Obligated (millions)	\$3.4	\$1.7	\$2.2	\$2.4	\$2.4	\$3.3

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

Established by P.L.2004, c.39, the Smart Steps Program reserves \$5 million of the WDP funds to provide benefits in the place of TANF benefits. At any one time, up to 1,500 welfare recipients with dependents may engage in full-time education for up to five years to attain high school diplomas, associates or bachelor's degrees. This opportunity for study is coordinated with needed support services, side-stepping increasingly stringent federal TANF work requirement and favoring sustained educational efforts to attain economic self-sufficiency. To date, 496 participants have been enrolled (page D252).

Supplemental Workforce Fund for Basic Skills

Separately, pursuant to P.L.2001 c.152, New Jersey created the State Supplemental Workforce Fund for Basic Skills (SWFBS). This program was designed to fund basic skills training for unemployed and employed workers. These skills include math, reading comprehension, computer literacy, ESL and work-readiness skills. SWFBS funds are allocated as follows: 24 percent for workplace literacy programs operated in OSCC's; 28 percent for basic skills grants to individuals; and 38 percent for basic skills grants to consortia of schools, businesses, unions and community organizations.

⁴ Page 26, NJDLWD Annual Statistical Review, 2004.

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

For several years, most of the SWFBS funds were transferred by language in the appropriations act to support basic skills programs in community colleges. For FY 2007, \$8 million will be transferred to the county colleges from the SWFBS, out of the \$27.3 million in payroll taxes dedicated to the SWFBS for that year (pages D-251 and H-32).

Additional Unemployment Benefits during Training

In 1992, the UI law was amended by P.L.1992, c.47 to provide 26 weeks of additional UI benefits to permanently laid-off workers while they are enrolled in approved training programs. This program has been coordinated with the use of State and federal training funds for displaced workers. The following data illustrates the utilization of those additional UI benefits during training:⁵

Additional Benefits During Training (ABT)	1999	2000	2001	2002	2003	2004
ABT Expended (millions)	\$24.8	\$22.9	\$22.8	\$26.0	\$36.6	\$45.7
Individuals Receiving ABT	7,149	5,794	6,053	7,498	7,581	8,642

The Federal Workforce Investment Act

The federal Workforce Investment Act of 1998 (WIA) provides the framework for a national workforce preparation and employment system designed to meet both the needs of the nation's businesses and the needs of job seekers and those who want to enhance their careers. Title I of the legislation is based on the following elements⁶:

- Training and employment programs designed and managed at the local level where the needs of businesses and individuals are best understood.
- Individuals must be able to access the employment, education, training, and information services they need at a single, local location.
- Individuals, controlling their own career development, should be able to choose a training program and the organizations that will provide that service.
- Individuals have a right to information about the success or failure of training providers in preparing people for jobs.
- Businesses will provide information and leadership, thus playing an active role ensuring that the system prepares people for current and future jobs.⁷

P.L.1992, c.48, imposed standards on federal training programs, including programs funded the federal Job Training Partnership Act, which was in effect in 1992, and programs funded under WIA since 1998. That law extends to programs under WIA and other federal training laws the standards which apply to WDP programs regarding customized training, individual training grants, counseling, assessment of literacy needs, long-term evaluation of the

⁵ Page 26, NJDLWD Annual Statistical Review, 2004
⁶ See www.doleta.gov/usworkforce/wia/wialaw.txt.
⁷ See www.doleta.gov/usworkforce/wia/Runningtext2.htm.

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

effectiveness of training vendors in raising trainee wages, consumer report cards to help seekers of training to make informed decisions, and non-displacement of the current workforce.

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

	Funding	Number of Trainees		
	FY 2006 Allocation	Actual FY 2004	Estimated FY 2005	Projected FY 2006
Workforce Investment Act (WIA)				
Dislocated Working Training	\$18,800,000	2,939	5,120	4,600
Adult Training	\$19,200,000	2,225	3,600	3,600
Youth Training	\$19,600,000	11,130	10,000	10,000

Work First New Jersey (WFNJ) & Temporary Assistance to Needy Families (TANF)

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

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

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

Federal and State Welfare to Work Training Programs	Funding	Number of Trainees		
	FY 2006 Allocation	Actual FY 2004	Estimated FY 2005	Projected FY 2006
WFNJ/TANF Recipient Training	\$33,000,000	3,572	5,800	7,000
Food Stamp Recipient Training	\$11,000,000	401	1,100	1,200
General Assistance Recipient Training	for both	687	1,300	1,750

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Individuals wishing information and committee schedules on the FY 2007 budget are encouraged to contact:

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