



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF LABOR
AND
WORKFORCE DEVELOPMENT**

FISCAL YEAR

2007 - 2008

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Budget Pages..... C-10; C-18; C-34; D-257 to D-274;
F-6; F-7; H-26; H-29; H-31; H-33; and
H-43

Fiscal Summary (\$000)

	Expended FY 2006	Adjusted. Appropriation FY 2007	Recommended FY 2008	Percent Change 2007-08
State Budgeted	\$143,031	\$121,664	\$136,365	12.1%
Federal Funds	422,826	413,735	445,127	7.6%
<u>Other</u>	<u>157,948</u>	<u>195,531</u>	<u>204,830</u>	<u>4.8%</u>
Grand Total	\$723,805	\$730,930	\$786,322	7.6%

Personnel Summary - Positions By Funding Source

	Actual FY 2006	Revised FY 2007	Funded FY 2008	Percent Change 2007-08
State	259	252	270	7.1%
Federal	3,107	2,906	2,952	1.6%
<u>Other</u>	<u>448</u>	<u>446</u>	<u>457</u>	<u>2.5%</u>
Total Positions	3,814	3,604	3,679	2.1%

FY 2006 (as of December) and revised FY 2007 (as of September) personnel data reflect actual payroll counts. FY 2008 data reflect the number of positions funded.

Key Points

- The FY 2008 budget recommendation for the Department of Labor and Workforce Development totals \$136.4 million in State funding. Most of the department's programs are supported by federal (57 percent) and dedicated State and "Other" funds, such as trust funds (26 percent).
- The proposed budget appropriates \$75 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 \$210 million balance at the end of FY 2008, an \$11 million decrease from the FY 2007 estimated balance of \$221 million (page H-29).

Key Points (Cont'd)

- The budget recommends \$33.6 million for WorkFirst New Jersey Work Activities, a \$14.4 million increase from the FY 2007 appropriation. According to the budget overview (page D-258), this increase is necessary to meet case management work activity requirements. The participation rate in work activities by TANF clients in New Jersey is lower than the 50 percent rate required by the Federal Deficit Reduction Act of 2005. According to the Budget in Brief, this recommended increase offsets the loss of one-time Federal Reserves to maintain funding levels commensurate with increasing work participation rates.
- 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 law establishing 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 \$28.5 million in FY 2008 (page H-31). \$20 million from this fund is recommended for transfer to the General Fund for operating aid to County Colleges (Department of Treasury, page D-430), an increase of \$6 million, or 43 percent, from the FY 2007 transfer of \$14 million.
- The FY 2008 budget recommendation anticipates that the Unemployment Compensation (UI) Fund (page H-43) will have a \$1.1 billion balance at the end of FY 2008, at the same level as the FY 2007 projected year-end balance. The Governor has not recommended diverting UI revenues to the Health Care Subsidy Fund in FY 2008.
- The FY 2008 budget includes a new \$95,000 Direct State Services appropriation for the Council on Gender Parity. The Council on Gender Parity in Labor and Education was created in 1999, pursuant to P.L.1999, c.223 (C.34:15C-21 et seq.), to unite business, education, and government in addressing the adversity facing women in training, education, and labor markets.
- The FY 2008 budget recommends \$193,000 for 2 percent cost of living adjustment as of January 2008 for Sheltered Workshop Community Services providers.
- The budget recommendation estimates that federal funds appropriated to the department will increase to \$445 million in FY 2008, up 7.6 percent or \$31 million, from the FY 2007 adjusted appropriation of \$413.7 million.
- The Governor's budget proposes language (page D-267) stating that, of the \$242 million in Reed Act funds authorized in the Federal Economic Stimulus legislation and deposited in the Unemployment Compensation Fund, \$35 million may be expended by the department to improve services to claimants by modernizing the benefit payment system, continuing development of One-Stop Career Center Offices, and further upgrading technology investments to enhance employment opportunities. This brings the total amount of Reed Act funds authorized for these purposes to \$175 million for FY 2003 – FY 2008.
- 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 million in FY 2008, to \$22.6 million of the \$34.9 million total grant funding. The budget also recommends \$2 million in UCAF

Key Points (Cont'd)

resources to support unemployment insurance administrative activities. Finally, the budget recommends transferring \$475,000 from the UCAF to the General Fund to support the New Jersey Youth Corps. The UCAF is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulation. The FY 2008 UCAF year-end balance is estimated to be \$25.4 million (page H-33).

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	<u>Expended FY 2006</u>	<u>Adj. Approp. FY 2007</u>	<u>Recom. FY 2008</u>	<u>Percent Change</u>	
				<u>2006-08</u>	<u>2007-08</u>
General Fund					
Direct State Services	\$97,273	\$63,169	\$63,264	(35.0%)	0.2%
Grants-In-Aid	41,812	54,533	69,139	65.4%	26.8%
State Aid	1,506	1,522	1,522	1.1%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$140,591	\$119,224	\$133,925	(4.7%)	12.3%
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	\$143,031	\$121,664	\$136,365	(4.7%)	12.1%
Federal Funds	\$422,826	\$413,735	\$445,127	5.3%	7.6%
Other Funds	\$157,948	\$195,531	\$204,830	29.7%	4.8%
Grand Total	\$723,805	\$730,930	\$786,322	8.6%	7.6%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	<u>Actual FY 2006</u>	<u>Revised FY 2007</u>	<u>Funded FY 2008</u>	<u>Percent Change</u>	
				<u>2006-08</u>	<u>2007-08</u>
State	259	252	270	4.2%	7.1%
Federal	3,107	2,906	2,952	(5.0%)	1.6%
All Other	448	446	457	2.0%	2.5%
Total Positions	3,814	3,604	3,679	(3.5%)	2.1%

FY 2006 (as of December) and revised FY 2007 (as of September) personnel data reflect actual payroll counts. FY 2008 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	43.4%	43.4%	43.4%	---	---
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2007</u>	<u>Recomm.</u> <u>FY 2008</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	\$117,516	\$143,492	\$25,976	22.1%	D-266
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According to the department, the \$25.98 million increase is based on the estimated availability of federal funds, including the \$20 million increase in Reed Act funds earmarked by language for UI system and One-Stop Center improvements.

Disability Determination	\$50,176	\$53,000	\$ 2,824	5.6%	D-267
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According to the department, the \$2.82 million increase is based on the estimated availability of federal funds. This increase is dependent upon claim amounts and Social Security Administration (SSA) approval and SSA federal fund availability.

ALL OTHER FUNDS

Unemployment Insurance	\$0	\$2,000	\$ 2,000	—	D-267
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According to the department, \$2 million in "off budget" funding from the Unemployment Compensation Auxiliary Fund for the support of unemployment compensation collection activities is necessary to replace other sources of administrative funding lost when the diversion from the UI Fund to the Health Care Subsidy Fund was discontinued in FY 2007.

State Disability Insurance Plan	\$8,850	\$10,000	\$ 1,150	13.0%	D-267
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The recommended FY 2008 appropriation increase of \$1.15 million is mostly due to a new \$1 million allocation for a re-engineering study of the business process. According to the department, the Temporary Disability Insurance (TDI) program requires re-engineering to enable the TDI program to be compatible with the UI program and the new systems and operating procedures that will be in place as a result of NJ SUCCESS (New Jersey State Unemployment Compensation Claimant and Employer Service System) implementation.

Special Compensation	\$142,800	\$147,914	\$ 5,114	3.6%	D-267
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The Governor's FY 2008 proposal anticipates that special compensation benefits paid to recipients will increase by \$5.1 million, or 3.6 percent in FY 2008. The Special Compensation Fund, also known as the Second Injury Fund, provides workers' compensation benefits to totally and permanently disabled workers with prior, work-incurred disabilities.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2007</u>	<u>Recomm. FY 2008</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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MANPOWER AND EMPLOYMENT SERVICES**DIRECT STATE SERVICES**

Council on Gender Parity	\$0	\$95	\$95	—	D-271
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The FY 2008 budget recommendation restores State funding for the Council on Gender Parity. The Council on Gender Parity in Labor and Education was created in 1999, pursuant to P.L.1999, c.223 (C.34:15C-21 et seq.), to unite business, education, and government in addressing the adversity facing women in training, education, and labor markets.

GRANTS-IN-AID

Community Provider Cost of Living Adjustment-Shelter Workshops	\$0	\$193	\$193	—	D-272
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This increase is a result of a 2 percent cost of living adjustment as of January 2008 for Sheltered Workshop Community Services providers.

Work First New Jersey Work Activities	\$19,190	\$33,603	\$14,413	75.1%	D-272
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According to the budget overview (page D-258), the \$14.4 million increase for WorkFirst New Jersey Work Activities is necessary to meet case management work activity requirements. According to the Budget in Brief, this recommended increase offsets the loss of one-time Federal Reserves to maintain funding levels commensurate with increasing work participation rates. The participation rate in work activities by TANF clients in New Jersey is lower than the 50 percent rate required by the Federal Deficit Reduction Act of 2005.

FEDERAL FUNDS

Vocational Rehab Services	\$51,673	\$51,998	\$ 325	.6%	D-272
Employment Services	\$37,988	\$38,442	\$ 454	1.2%	D-272
Employment and Training Services	\$142,437	\$143,581	\$ 1,144	.8%	D-272
Workplace Standards	\$4,116	\$4,371	\$ 255	6.2%	D-272

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2007</u>	<u>Recomm.</u> <u>FY 2008</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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The FY 2008 budget anticipates a total increase in federal funds for Manpower and Employment Services of \$2.2 million, or 1 percent over the FY 2007 adjusted appropriation. The \$1.1 million increase for Employment and Training Services is a result of an increase in TANF (Temporary Assistance for Needy Families) WorkFirst New Jersey "to Work" activities.

ALL OTHER FUNDS

Workplace Standards	\$6,990	\$7,689	\$ 699	10.0%	D-272
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This increase in "off budget" funding of \$699,000 is due to increases in anticipated revenues available to Workplace Standards. The majority of this increase will be utilized for Salaries and Wages in the department's Division of Workplace Standards.

Language Provisions

2007 Appropriations Handbook

p. B-120

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.

2008 Budget Recommendations

p. D-267

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 **\$10,000,000, such amount to include \$1,000,000 for a reengineering study of the business process**, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language increases by \$1.15 million the amount by which the department may supplement budget appropriations (\$22.4 million) with additional revenues from the State Disability Benefits Fund for administrative costs. The language includes a new allocation of \$1 million for a re-engineering study of the business process. According to the department, the Temporary Disability Insurance (TDI) program requires re-engineering to enable the TDI program to be compatible with the unemployment insurance program and the new systems and operating procedures that will be in place as a result of NJ SUCCESS (New Jersey State Unemployment Compensation Claimant and Employer Service System). The NJ SUCCESS is the new single comprehensive UI benefits system. The remaining \$150,000 increase will support salary cost of living increases.

The State Disability Insurance Plan program (also known as 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)**2007 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.1103 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 technology improvements and to employment service clients through the continued development and maintenance of one-stop offices throughout the State and other investments in technology, processes and services that will enhance job opportunities for clients.

2008 Budget Recommendations**p. D-267**

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 **\$35,000,000**, 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 technology improvements and to employment service clients through the continued development and maintenance of one-stop offices throughout the State and other investments in technology, processes and services 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 \$35 million of Reed Act funds for the improvement and modernization of the benefit 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 six-year total authorization of approximately \$175 million for these purposes.

Language Provisions (Cont'd)**2007 Appropriations Handbook**

No comparable language.

2008 Budget Recommendations**p. D-267**

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

Explanation

According to the department, this proposed language appropriating \$2 million from the Unemployment Compensation Auxiliary Fund (UCAF) to support UI collection activities is necessary to replace administrative funding lost when the diversion from the UI Fund to the Health Care Subsidy Fund was discontinued in FY 2007.

The UCAF is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulations. The FY 2008 year-end balance in the UCAF is estimated to be \$25.4 million, up \$2.8 million from the projected FY 2007 closing balance.

2007 Appropriations Handbook**p. B-124**

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.

2008 Budget Recommendations**p. D-273**

Of the amount hereinabove for the Vocational Rehabilitation Services program classification, an amount not to exceed **\$22,614,000** 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 UCAF. The budget language for FY 2008 increases use of UCAF resources above that of prior budget years, with no corresponding increase in grant program funding. In FY 2006 and FY 2007, \$14.4 million and \$18.6 million was supported by the UCAF, respectively.

Discussion Points

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

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

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

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

3. The State Disability Benefits Fund (SDBF) is used by the State's Temporary Disability Insurance (TDI) program to provide partial wage replacement for workers who become disabled due to injury or illness unrelated to work and to pay for administration of the benefits from the SDBF. The proposed Budget appropriates \$75 million from the SDBF for transfer to the General Fund as State revenue (page F-7).

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

4. In response to Office of Legislative Services (OLS) questions during the review of the FY 2007 budget, the department projected that during FY 2006, job training would be provided to an estimated 68,716 individuals by the Workforce Development Partnership (WDP) program, to 7,736 individuals under the Workforce Investment Act (WIA), and 11,295 under the Work First New Jersey (WFNJ) program, thus providing training to a total of 87,747 individuals. At

Discussion Points (Cont'd)

that time, the department projected that the number receiving training would increase, by 8,144, to 95,902 in FY 2007.

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

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

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

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

5. One component of the WDP program, the "Smart STEPS" program provides "Supplemental Workforce Development Benefits" to enable former welfare recipients with children to participate in full-time, work-related education towards a college degree in a field which will enable the attainment of economic self-sufficiency. In its response to one of last year's OLS discussion points, the department indicated an estimated 469 "Smart STEPS" program participants in FY 2006, compared to 10,300 receiving training under the "Supplemental Workforce Development Benefits" program.

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

6. The WDP program provides training grants to disadvantaged and displaced workers, as well as to employers, to provide training to their employees. The WDP program is funded by worker and employer payroll taxes on wages subject to unemployment (UI) taxes. The proposed budget estimates that these payroll tax revenues, plus investment earnings, will generate approximately \$98.4 million in FY 2008 (page H-26). The proposed budget includes language (pages D-273) transferring \$35.6 million from the WDP fund to the New Jersey Youth Corps (\$1.9 million) and Work First New Jersey Program (\$33.7 million).

Discussion Points (Cont'd)

- **Question:** For FY 2006, please provide the following actual data for each component of the WDP program (customized training, displaced worker training, disadvantaged worker training, youth training, occupational safety and health training, program administration, and transfers to programs other than WDP) and provide estimates of the same information for FY 2007 and FY 2008, based on the assumption that the percentages which are required by statute to be deposited in accounts for each component will remain in effect:
 - The amount the department was required to spend under the WDP law's mandated allocations (from FY 2007 forward, the amounts required to be deposited in the accounts for each allocation), and the amount actually spent;
 - The amount transferred out of the fund for each purpose not indicated in the WDP law (such as the Work First New Jersey and New Jersey Youth Corps programs);
 - The balance at the end of the year; and the amount encumbered as a reserve for future payments of multi-year grants for each WDP program component;
 - From FY 2007 forward, estimates of any amount anticipated to remain in the account at the end of the fiscal year exceeding 20% of the amount deposited for the year and thus required to be deposited into the unemployment compensation fund.

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

- **Question:** If, as proposed in the FY 2008 budget, UI tax revenues are not diverted to the HCSF, what will the estimated UI fund balance be on March 31, 2008? ...on March 31, 2009? What UI tax schedule will be triggered as a result in FY 2009 and FY 2010?
 - Please provide an estimate of the "Unemployment Compensation Fund Reserve Rate Calculation" (including the 3/31 fund balance, taxable wages for the prior calendar year, and the reserve ratio) for FY 2008, FY 2009 and FY 2010, based on the assumption that no diversion will be made. Please provide the assumptions underlying your estimates, including unemployment rates and anticipated UI benefit payments. What does the department estimate the total revenue in UI taxes will be if the "A" schedule is in effect during FY 2009?"B" schedule? "C" schedule?

8. The FY 2008 budget again recommends \$2 million to be appropriated for the Workforce Literacy and Basic Skills Program, representing a 10 percent administrative allowance, pursuant to the Supplemental Workforce Fund for Basic Skills (SWFBS), P.L.2001, c.152 (C.34:15D-21 et seq.). The budget also recommends that \$20 million be transferred to the General Fund and appropriated for operating aid to County Colleges (page D-270). This appropriation is a \$6 million increase over the amount appropriated from the SWFBS to county colleges in FY 2007. The total amount available in the SWFBS for FY 2008, including investment earnings, is estimated at \$51.9 million. This total is allocated by P.L.2001, c.152 as follows: 24 percent to support basic skills training delivered by State civil service employees at the State's 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

Discussion Points (Cont'd)

Training to give grants to consortia of labor, business, and community groups providing basic skills training; and 10 percent for administrative costs. The SWFBS has end balances of \$31.0 million, \$22.9 million (projected), and \$9.1 million (projected) in FY 2006, FY 2007, and FY 2008, respectively. The budget overview for the department explains that the Workforce Learning Link model is funded out of SWFBS (page D-258). The budget overview indicates that \$12.6 million was made available to support Workforce Learning Links in FY 2007.

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

9. The Customized Training program was established in 1992 and is, according to the department, a powerful economic development tool designed to create and retain high-skill, high-wage private sector jobs in New Jersey as a means to ensure a productive, globally competitive workforce. A primary focus of this program is to support the manufacturing sector in New Jersey. According to budget evaluation data (p. D-269) these grants will total about \$96.5 million for the period FY 2005-2008 (\$27 million in FY 2008 alone), and will benefit over 1,000 companies and train over 166,000 workers over that four-year period. Grants can be awarded directly to companies, or can be provided to an employer organization, labor organization or community-based organization; or a consortium comprising one or more educational institutions and one or more individual employers or labor, employer or community-based organizations that seek to address common training needs in demand occupations within a particular industry.

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

- **Question:** Since the inception of the program, what is the total amount of Customized Training grants that have been repaid due to relocation or outsourcing of jobs, pursuant to statute? What percentage of grants and jobs assisted, do these repayments represent? For FY 2003 to the present, please provide the same information by grantee. Other than voluntary reporting by grantees, how does the department monitor grantees' employment and business decisions to assure compliance with this requirement? Does the department monitor grantees' job retention beyond the three-year period to determine the degree to which legal avoidance of this requirement is occurring? If so, based on its experience, should the three-year time period be lengthened?

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Individuals wishing information and committee schedules on the FY 2008 budget are encouraged to contact:

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