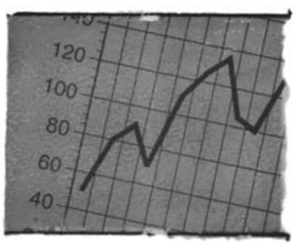

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

FISCAL YEAR 2009 - 2010

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2009

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Budget Pages....... B-4, B-6, C-6, C-9, C-14, C-15, C-22, C-23, C-28, C-30, D-219, D-229 to D-247, D-386, D-406, F-6, F-8, H-7, H-9, H-10, H-15, H-34

Fiscal Summary ($000)

	Expended FY 2008	Adjusted Appropriation FY 2009	Recommended FY 2010	Percent Change 2009-10
State Budgeted	$469,987	$306,130	$147,029	(52.0%)
Federal Funds	384,319	565,725	446,754	(21.0%)
Other	170,245	208,934	216,999	3.9%
Grand Total	$1,024,551	$1,080,789	$810,782	(25.0%)

Personnel Summary - Positions By Funding Source

	Actual FY 2008	Revised FY 2009	Funded FY 2010	Percent Change 2009-10
State	526	489	486	(0.6%)
Federal	2,795	2,557	2,611	2.1%
Other	426	393	393	0.0%
Total Positions	3,747	3,439	3,490	1.5%

FY 2008 (as of December) and revised FY 2009 (as of January) personnel data reflect actual payroll counts. FY 2010 data reflect the number of positions funded.

Key Points

- The proposed budget recommends $147 million in State funding for the Department of Labor and Workforce Development. This is a $159.1 million (52%) decrease from the adjusted FY2009 appropriation level. Most of the department's programs are supported by federal (55.1%) and dedicated State and "Other" funds (26.8%).

- While the decrease in State funding for FY2010 as compared to FY2009 appears to be substantial, it can largely be attributed to the elimination of a one time "Grants-in-Aid" appropriation of $150 million from the Surplus Revenue Fund to the department for deposit into the federally maintained unemployment insurance (UI) compensation fund in FY2009.

- Excluding the one time $150 million "Grants-in-Aid" appropriation for the UI fund, proposed State funding for FY2010 is decreased $9.1 million (5.8%) from the adjusted

Key Points (Cont'd)

FY2009 appropriation level. The $9.1 million reduction includes: a $6.5 million reduction in Grants-in–Aid; a $1.5 million reduction in State Aid; a $793,000 reduction in Direct State Services; and, a $244,000 reduction in Casino Revenue Fund appropriations. However, adjusting for General Fund Direct State Services appropriations shifted "off budget" through proposed budget language, the overall net reduction in State funding for FY 2010 is $8.8 million.

- The proposed budget includes reductions of $3.9 million to Vocational Rehabilitation Services from the FY2009 authorized appropriation levels. The largest reductions are proposed for Grants-In-Aid to providers of vocational rehabilitation services. Specifically, the reductions are recommended for: Sheltered Workshops - $196,000; Supported Employment Services - $1 million; Sheltered Workshop Support - $1.9 million; Sheltered Workshop Employment Placement Incentive Program - $450,000; and, Independent Living Centers - $125,000. The Sheltered Workshop Transportation program funded through the Casino Revenue Fund will also be reduced by $244,000.

- The American Recovery and Reinvestment Act (ARRA) of 2009 authorized, at a minimum, $343 million to supplement already existing programs within the department: $334.3 million in FY2009 and $8.7 million in FY2010. In FY2009, the $334.3 million authorization includes: a $207 million appropriation for deposit into the State's unemployment insurance fund; $62.9 million for Workforce Investment Act activities; $15 million for "high growth" grants; $14.7 million for unemployment insurance administration; $10.7 million for employment services; $8.7 million for expanding Trade Act programs; $7.6 million for vocational rehabilitation; $4 million for a national emergency grant; $3.4 million for a senior employment program; and, $309,000 for independent living. In FY2010, the proposed budget includes $8.7 million for expanding Trade Act programs. Additionally, ARRA funds may be accessed by the department through targeted competitive grants and for future administrative costs incurred by the department from implementing ARRA funded programs.

- The proposed budget estimates that federal funds received by the department, other than those authorized through ARRA, will remain stable in FY2010 from the adjusted FY2009 level.

- The proposed budget includes language in the General Provisions authorizing monies to be transferred from the State Disability Benefits Fund (SDBF) to the General Fund as State revenue during FY2010. Specifically, recommended language (page F-8) authorizes $50 million to be transferred from the SBDF to the General Fund. This transfer is in addition to $50 million that is to be transferred from the SDBF to the General Fund through an Interfund transfer (page C-9) as authorized by FY 2009 language. Furthermore, a second provision (page F-6) permits, at the discretion of the State Treasurer in consultation with the Commissioner of Labor and Workforce Development, an unspecified amount of funds to be transferred from the SDBF to the General Fund during FY2010. (For historical information on the transfer of SBDF monies to the General Fund, see the backgrounder, *History of Diversions from the Unemployment Compensation Insurance, the Temporary Disability Insurance and the Second Injury Fund,* on page 47 of this report.)

- The proposed budget indicates a $15 million transfer in FY2009 from the Workforce Development Partnership Fund (page H-7) to the General Fund that, according to the

Key Points (Cont'd)

department is necessary to close the budget gap in FY2009. Legislative approval of this transfer will be required.

- The Unemployment Insurance (UI) Compensation Fund (page H-15) was depleted in early March, 2009 due to rising unemployment benefit claims. Beginning the second week of March, the State began to borrow money from the federal government to pay UI claims. In FY2009, $150 million was transferred from the Surplus Revenue Fund to the UI fund to supplement the UI fund balance and avoid a tax increase. This transfer was part of the Governor's mid-year spending adjustments and was authorized through language in the FY2009 budget. However, regardless of this transfer and the infusion of $207 million from ARRA, the fund's balance was estimated to be $750 million on March 31, 2009 which will trigger a tax increase on July 1, 2009. The tax increase is expected to generate an additional $390 million for the UI fund.

- The proposed budget projects (page H-15) that the UI fund balance will have a $1.6 billion deficit on June 30, 2010. OLS notes that the department's estimates are based on a "worst case" scenario and assume a ten percent decrease in collections in FY2009 and a 35 percent increase in benefit payments in FY2010. Given the projected fund deficit, the department anticipates triggering an additional UI tax increase in FY2011.

- The proposed budget estimates that the Workforce Development Partnership Fund (WDP) will receive revenues of $99 million in FY2010 (page H-7). The proposed budgets for the Departments of Labor and Workforce Development and Human Services include multiple language provisions (pages D-243 and D-244) transferring at least $61.1 million from the WDP fund to: the Work First New Jersey program (at least $53.7 million); the "Governor's Economic Growth Strategy" ($5.5 million); and, the New Jersey Youth Corps ($1.9 million).

- Through recommended language (page D-219), an additional $20 million would be transferred from the WDP fund to the Division of Family Development in the Department of Human Services in the event that federal funding is reduced because the State fails to meet workforce participation rate requirements as defined under the federal Deficit Reduction Act of 2005 (Pub.L.109-171). Similar budget language appeared in the FY2009 Appropriations Act, but according to the department, no funds are expected to be transferred in the current fiscal year.

- The proposed budget estimates that the Supplemental Workforce Fund for Basic Skills (SWFBS) will receive revenue of $27 million in FY2010 (page H-10). The proposed budget continues a Special Purpose appropriation of $2 million from the SWFBS for the Workforce Literacy and Basic Skills program, representing a 10 percent administrative allowance (page D-241). Additionally, budget language authorizes an amount not to exceed $2.2 million from the SWFBS to the NJ Youth Corps (page D-244) and $14 million to County Colleges for operating aid (page D-386).

- The proposed budget includes language (page D-237) stating that, of the $242 million in Reed Act funds made available to the State in the Federal Economic Stimulus legislation (federal FY2002) and deposited in the UI Fund in March, 2001, $5 million, or as much as necessary, 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

Key Points (Cont'd)

enhance employment opportunities. This brings the total amount of Reed Act funds appropriated for these purposes to $215 million for FY2003 – FY2010. According to the department, a portion of the remaining $27 million will be used for UI benefits in FY2010.

- The proposed budget estimates that the Unemployment Compensation Auxiliary Fund (UCAF) will contain $31.3 million in total available resources in FY2010 (page H-10). This amount includes a $10.1 million balance forward from FY2009 and $21.2 million in revenue collections in FY2010. The budget includes language authorizing appropriations of up to $31.4 million from the UCAF in FY2010, possibly depleting the fund by the end of FY2010 (although the budget suggests a FY 2010 year end balance of $130,000). These language provisions include: up to $1.09 million to support Administration and Support Services in the Commissioner's office (page D-233); up to $2.5 million to support collection activities in the unemployment compensation auxiliary program, (page D-237); up to $150,000 to notify UI recipients about their eligibility for Earned Income Tax Credits (page D-237); $2.4 million in Direct State Services funding for Vocational Rehabilitation Services (page D-243); up to $50,000 to the Disadvantaged Youth Employment Council (page D-243); $484,000 for the Private Sector Labor Relations program (page D-243); up to $72,000 for the Council on Gender Parity (page D-243); up to $24.1 million to the Vocational Rehabilitation Services program (page D-244); and, $475,000 for the New Jersey Youth Corps program (page D-244). The UCAF is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulations.

- Functions of the former Department of Personnel were transferred to the newly created Civil Service Commission, pursuant to P.L.2008, c.29 and placed "in, but not of" the department. This transfer of functions was accompanied by an appropriation of $17.72 million in FY2009 and $17.68 million in FY2010.

Background Paper:

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2008	Adj. Approp. FY 2009	Recom. FY 2010	Percent Change 2008-10	Percent Change 2009-10
General Fund					
Direct State Services	$136,836	$82,644	$81,851	(40.2%)	(1.0%)
Grants-In-Aid	329,230	219,524	62,982	(80.9%)	(71.3%)
State Aid	1,481	1,522	0	(100.0%)	(100.0%)
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	$467,547	$303,690	$144,833	(69.0%)	(52.3%)
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	$2,196	(10.0%)	(10.0%)
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	$469,987	$306,130	$147,029	(68.7%)	(52.0%)
Federal Funds	$384,319	$565,725	$446,754	16.2%	(21.0%)
Other Funds	$170,245	$208,934	$216,999	27.5%	3.9%
Grand Total	$1,024,551	$1,080,789	$810,782	(20.9%)	(25.0%)

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2008	Revised FY 2009	Funded FY 2010	Percent Change 2008-10	Percent Change 2009-10
State	526	489	486	(7.6%)	(0.6%)
Federal	2,795	2,557	2,611	(6.6%)	2.1%
All Other	426	393	393	(7.7%)	0.0%
Total Positions	3,747	3,439	3,490	(6.9%)	1.5%

FY 2008 (as of December) and revised FY 2009 (as of January) personnel data reflect actual payroll counts. FY 2010 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	41.2%	43.1%	41.4%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page

ECONOMIC PLANNING AND DEVELOPMENT

DIRECT STATE SERVICES

Salaries and Wages	$557	$507	($50)	(9.0%)	D-233

The FY2010 budget recommendation decreases the appropriation for salaries and wages for the Office of the Commissioner. The decrease is reflective of the administrative cost savings implemented by the department.

FEDERAL FUNDS

Planning and Analysis	$10,243	$8,092	($2,151)	(21.0%)	D-233

The FY2010 budget recommendation anticipates a decrease of $2.2 million in federal funds for evaluation and employment industry data programs within the Office of Planning and Analysis. The Office is composed of four divisions: Labor and Market Demographic Research; Program Planning, Analysis and Evaluation; the Center for Occupations Employment Information; and, the Office of Grants Operations. The reductions are consistent with actual costs expended in FY2008.

ECONOMIC ASSISTANCE AND SECURITY

GRANTS-IN-AID

Unemployment Insurance	$150,000	$0	($150,000)	(100.0%)	D-236

The FY2009 budget (Appropriations Handbook page E-8) contains language authorizing a transfer of funds from the Surplus Revenue Fund to the federally maintained Unemployment Insurance (UI) Compensation Fund to supplement the UI fund balance "in an amount such that it will not be necessary to increase the rate of tax contributions for Unemployment Insurance for fiscal year 2010." A transfer of $150 million in FY2009 from the Surplus Revenue Fund to the UI fund was executed under this language as part of the Governor's mid-year "spending adjustments." However, even with the additional $150 million, the UI fund's balance, estimated to be $750 million on March 31, 2009, will trigger a tax increase on July 1, 2009.

FEDERAL FUNDS

Unemployment Insurance	$163,980	$149,633	($14,347)	(8.7%)	D-236

The FY 2010 budget recommendation anticipates a decrease of $14.3 million in federal funds for Unemployment Insurance (UI) program administration. The decrease is reflective of the

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

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page

discontinuation of the one time allocation for State UI administration funding available to New Jersey through the American Recovery and Reinvestment Act (ARRA) of 2009.

ALL OTHER FUNDS

Unemployment Insurance	$4,000	$2,500	($1,500)	(37.5%)	D-236

The FY2010 budget recommendation anticipates a decrease of $1.5 million from Other funds for the Unemployment Insurance (UI) program. According to the department, these funds are allocated from the "off budget" Unemployment Compensation Auxiliary Fund (UCAF), and are used to reimburse the UI fund for costs incurred by the UI fund for "Joint Tax Functions." The "Joint Tax Functions" are shared costs for services initially paid from the UI Fund and then reimbursed from charges to other funds in the department. According to the department, the decrease in funding from the UCAF is due to the need to redirect UCAF revenue to other programs.

State Disability Insurance Plan	$10,000	$17,842	$7,842	78.4%	D-236

The FY2010 budget recommendation anticipates an increase of $7.8 million for the State Disability Insurance Plan. The increase includes an additional $5 million for reimbursement to the UI Fund for "Joint Tax Functions," $2.114 million for increases to salaries and wages and the remaining $689,000 increase is for services other than personal, maintenance and Special Purpose accounts. The "Joint Tax Functions" are shared costs for services initially paid from the UI Fund and then reimbursed from charges to other funds in the department. According to the department, the remaining increases can be attributed to costs anticipated to be incurred by the department in administering the new Family Leave Insurance (FLI) program. However, the number of new positions which might be required to administer FLI is not known and is not reflected in the program's Evaluation data for FY 2010 (page D-235).

Private Disability Insurance Plan	$1,280	$1,524	($244)	19.1%	D-236

The FY2010 budget recommendation increases the amounts appropriated from Other fund sources for salaries and wages under the Private Disability Insurance Plan by a total of $244,000 from the adjusted FY2009 appropriation. The increase offsets a $244,000 reduction in the amount appropriated for Direct State Services salaries and wages for the Private Disability Insurance Plan and indicates a shift in funding for this appropriation from the General Fund to the "off budget" State Disability Benefits Fund (SDBF). This shift is authorized under proposed budget language which allows the SDBF (page D-237) to be utilized for this purpose. 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 SBDF. The State's TDI law allows employers the option of choosing to establish a private plan for the payment of temporary disability benefits in place of paying benefits under the State Plan.

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

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page
MANPOWER AND EMPLOYMENT SERVICES					
DIRECT STATE SERVICES					
Disadvantaged Youth Employment Opportunities Council	$50	$0	($50)	(100.0%)	D-241

The FY2010 budget recommendation decreases the on-budget funding to the Disadvantaged Youth Employment Opportunities Council from the adjusted FY2009 appropriation level of $50,000 to zero. However, language in the proposed budget (page D-243) would offset this reduction in General Fund monies through an "off-budget" appropriation from the Unemployment Compensation Auxiliary Fund of $50,000.

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page
GRANTS-IN-AID (General Fund)					
Sheltered Workshop Transportation	$1,960	$1,764	($196)	(10.0%)	D-242
Supported Employment Services	$5,550	$4,550	($1,000)	(18.0%)	D-242
Sheltered Workshop Support	$19,828	$17,906	($1,922)	(9.7%)	D-242
Sheltered Workshop Employment Placement Incentive Program	$450	$0	($450)	(100.0%)	D-242
Independent Living Centers	$625	$500	($125)	(20.0%)	D-242

The FY2010 budget recommendation includes a $3.7 million (12.9%) decrease in appropriations of Grants-In-Aid funding for Vocational Rehabilitation Services. Specifically, the recommended reductions include: Sheltered Workshops - $196,000; Supported Employment Services - $1 million; Sheltered Workshop Support - $1.9 million; Sheltered Workshop Employment Placement Incentive Program - $450,000; and, Independent Living Centers - $125,000. This funding is provided to community providers of vocational rehabilitation services that contract with the State to work with individuals with disabilities in their communities. The decreased funds will be reflected in reduced contracts with the community providers in FY2010.

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

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page
New Jersey Youth Corps	$3,048	$2,740	($308)	(10.1%)	D-242
Work First New Jersey Work Activities	$33,603	$31,062	($2,541)	(7.6%)	D-242

The FY2010 budget recommendation includes a $2.8 million (7.8%) decrease in appropriations of Grants-In-Aid funding for Employment and Training Services. The decrease includes a $308,000 reduction in funding to the New Jersey Youth Corps and a $2.5 million reduction to Work First New Jersey Work Activities.

New Jersey Youth Corps is a program to help the estimated 16,000 young adults who leave high school without graduating each year to improve their ability to become employed in the future.

Work First New Jersey Work Activities are employment and training services provided to recipients of Temporary Assistance to Needy Families and General Assistance in order to help them gain employment.

The department is researching alternate funding sources for these programs for FY2010.

GRANTS-IN-AID
(Casino Revenue Fund)

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page
Sheltered Workshop Transportation	$2,440	$2,196	$244	(10.0%)	D-242

The FY2010 budget recommendation also includes a $244,000 decrease in appropriations from the Casino Revenue Fund for Sheltered Workshop Transportation. Currently, transportation for individuals, who have disabilities and are employed in sheltered workshops, is reimbursed by the State to the provider of transportation on a quarterly basis at approximately 95 percent of the cost. The reductions to the appropriation will lower the reimbursement rate to these transportation providers.

STATE AID

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page
Adult Literacy	$922	$0	$922	(100.0%)	D-242
Vocational Education – Apprenticeship	$600	$0	$600	(100.0%)	D-242

The FY2010 budget recommendation includes a $1.5 million reduction in State Aid for Employment and Training Services. The reductions include a 100 percent decrease from the

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

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page

FY2009 levels, including a $922,000 decrease to Adult Literacy Programs and a $600,000 decrease for Vocational Education-Apprenticeship programs.

State Aid appropriated for the Adult Literacy Programs has historically been used as a match for federal funding. According to the department, the State will utilize funds available through the Supplemental Workforce Fund for Basic Skills for the State match in FY2010. The Adult Literacy programs provide opportunities for adults to improve their reading, writing and mathematics skills which are necessary for productive employment.

State Aid appropriated for the Vocational Education Apprenticeship program is used to partially fund the County apprenticeship coordinator positions throughout the State. The department is researching alternate funding sources for this program for FY2010.

FEDERAL FUNDS

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page
Vocational Rehabilitation Services	$60,753	$54,530	($6,223)	(10.2%)	D-242

The FY2010 budget recommendation anticipates a decrease of $6.223 million in federal funding for Vocational Rehabilitation Services. The decrease is reflective of the discontinuation of the one time allocation for Vocational Rehabilitation Services funding available to the State through the American Recovery and Reinvestment Act (ARRA) of 2009.

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page
Employment Services	$57,779	$45,343	($12,436)	(21.5%)	D-242

The FY2010 budget recommendation anticipates a decrease of $12.436 million in federal funding for Employment Services. The decrease is reflective of the discontinuation of the one time allocation for Employment Service funding available to the State through ARRA.

Budget Item	Adj. Approp. FY 2009	Recomm. FY 2010	Dollar Change	Percent Change	Budget Page
Employment and Training Services	$212,720	$126,971	($85,749)	(40.3%)	D-242

The FY2010 budget recommendation anticipates a decrease of $85.749 million in federal funding for Employment and Training Services. The decrease is reflective of the discontinuation of the one time allocation for Employment and Training Services funding available to the State through ARRA.

Language Provisions

2009 Appropriations Handbook	2010 Budget Recommendations
p. B-121 In addition to the amounts hereinabove appropriated for the Administration and Support Services program, there is appropriated from the New Jersey Redevelopment Investment Fund and the Economic Development Fund an amount of $142,000 to provide for administrative costs incurred by the Department of Labor and Workforce Development for activities related to the New Jersey Redevelopment Authority and the New Jersey Economic Development Authority programs, as determined by the Director of the Division of Budget and Accounting.	No comparable language.

Explanation

The Governor's proposed budget recommends deleting the FY2009 language provision. This language authorizes an appropriation of $142,000 from the New Jersey Redevelopment Investment Fund and the Economic Development Fund for administrative costs incurred by the Commissioner's office for activities related to the department's responsibilities for programs of the New Jersey Redevelopment Authority and the New Jersey Economic Development Authority program.

According to the department, this language is no longer necessary because, statutory authority already provides for the reimbursement of administrative expenses from the two referenced funds.

The following four language provisions are appropriations authorized from the Unemployment Compensation Auxiliary Fund (UCAF). The UCAF is supported by penalties and interest imposed upon employers for violations of unemployment insurance regulations. Pursuant to N.J.S.A.43:21-14(g), UCAF funds are intended for "aiding in defraying the cost of the administration of [Unemployment Compensation]; for the repayment of any interest bearing advances made from the federal unemployment account …; and for essential and necessary expenditures in connection with programs designed to stimulate employment, as determined by the Commissioner of Labor and Workforce Development."

The proposed budget (page H-10) indicates that the UCAF will contain $31.3 million in total available resources in FY2010. This amount includes a $10.1 million balance forward from FY2009 and $21.2 million in FY 2010 revenue collections. However, including the four provisions noted below, the proposed budget recommends language authorizing appropriations of up to $31.4 million from the UCAF in FY2010, which would appear to deplete the fund by the end of next fiscal year (although the budget suggests a FY 2010 year

Language Provisions (Cont'd)

end balance of $130,000). The depletion of the fund is a result of annual expenditures from the fund exceeding annual revenues collected for the fund for the last three years.

2009 Appropriations Handbook	2010 Budget Recommendations
p. B-121	p. D-233
Of the amount hereinabove appropriated for the Administration and Support Services program classification, $288,000 is appropriated from the Unemployment Compensation Auxiliary Fund.	Of the amount hereinabove appropriated for the Administration and Support Services program classification, $538,000 is appropriated from the Unemployment Compensation Auxiliary Fund.

Explanation

The proposed budget anticipates increasing the funds appropriated for Administration and Support Services in the Commissioner's office from the UCAF by $250,000. These funds will replace monies from the General Fund that were appropriated to this line in FY2009.

2009 Appropriations Handbook	2010 Budget Recommendations
p. B-123	p. D-237
In addition to the amounts appropriated hereinabove, there is appropriated out of the Unemployment Compensation Auxiliary Fund, an amount not to exceed $4,000,000 to support collection activities in the program, subject to the approval of the Director of the Division of Budget and Accounting	In addition to the amounts appropriated hereinabove, there is appropriated out of the Unemployment Compensation Auxiliary Fund, an amount not to exceed $2,500,000 to support collection activities in the program, subject to the approval of the Director of the Division of Budget and Accounting

Explanation

The proposed budget anticipates a decrease of $1.5 million from the UCAF for the Unemployment Insurance (UI) program. The monies from the UCAF are used to reimburse the UI fund for costs incurred by the UI fund for "Joint Tax Functions." The "Joint Tax Functions" are shared costs for services initially paid from the UI Fund and then reimbursed from charges to other funds in the department. According to the department, the decrease in funding from the UCAF is due to the need to redirect UCAF resources for other purposes.

2009 Appropriations Handbook	2010 Budget Recommendations
p. B-127	p. D-243
The amount hereinabove appropriated for	In addition to the amounts hereinabove

Language Provisions (Cont'd)

2009 Appropriations Handbook	2010 Budget Recommendations
p. B-127	p. D-243
the Disadvantaged Youth Employment Opportunities Council is appropriated from the Unemployment Compensation Auxiliary Fund.	appropriated for the Employment and Training Services program classification, an amount not to exceed $50,000 is appropriated from the Unemployment Compensation Auxiliary Fund for costs incurred by the Disadvantaged Youth Employment Opportunities Council, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended language provision is intended to authorize funding for the Disadvantaged Youth Employment Opportunities Council (Council) from the UCAF. In FY2009, $50,000 in funding was appropriated for the Council through a Direct State Services, Special Purpose (page D-244) appropriation, and a language provision specified that the funding be appropriated from the UCAF. In FY2010, zero funding is appropriated for the Council under the Direct State Services appropriation; however, this language provision maintains level funding for the program.

The Council was established to administer and provide oversight for the Youth Employment and After School Incentive Pilot Program established by P.L.2001, c.446 (C.34:15F-12 et seq.). P.L. 2007, c.189 statutorily authorized an initial appropriation of $50,000 from the General Fund to the Department of Labor and Workforce Development for the costs of the Council.

2009 Appropriations Handbook	2010 Budget Recommendations
p. B-127	p. D-244
Of the amount hereinabove appropriated for the Vocational Rehabilitation Services program classification, an amount not to exceed $22,614,000 is appropriated from the Unemployment Compensation Auxiliary Fund.	Of the amount hereinabove appropriated for the Vocational Rehabilitation Services program classification, an amount not to exceed $24,114,000 is appropriated from the Unemployment Compensation Auxiliary Fund.

Explanation

The FY2010 budget recommendation anticipates an increase of $1.5 million in the amount appropriated to the Vocational Rehabilitation Services program classification from the UCAF. The proposed budget includes authorization for a total of $31.4 million in Grants-In-Aid funding for the Vocational Rehabilitation Services program.

Language Provisions (Cont'd)

The Vocational Rehabilitation Services program consists of funding for community providers of programs that provide training and work placement for individuals with disabilities assisting them in becoming independent employees in the community.

2009 Appropriations Handbook	2010 Budget Recommendations
	p. D-237
No comparable language	In addition to the amounts hereinabove appropriated for the State Disability Insurance Plan, there are appropriated out of the Family Temporary Disability Leave Account within the State Disability Benefits Fund such sums as may be required to pay benefits during periods of family temporary disability leave and the associated administrative costs subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language provision permits the department to transfer funds from the Family Leave Insurance (FLI) account, located within the State Disability Benefits Fund, into the appropriate accounts for any administrative costs incurred as a result of the operation of the newly established FLI program, as well as for program benefits payments.

P.L.2008, c.17 (C.43:21-26 et al) established the "Family Leave Insurance" (FLI) program extending the State's existing temporary disability insurance system to provide workers with up to six weeks of FLI benefits. FLI may be taken by a worker on leave to provide care, certified to be necessary, for family members suffering a serious health condition or to be with a new child during the first 12 months after the child's birth or placement for adoption. These benefits are funded through an additional assessment of 0.09 percent on workers' wages subject to Temporary Disability Insurance taxes ($28,900 in FY2009) from January through June 30, 2009, increasing to 0.12 percent on July 1, 2009. These funds are being deposited into the FLI account within the State Disability Benefits Fund to be distributed as benefits beginning on July 1, 2009.

2009 Appropriations Handbook	2010 Budget Recommendations
p. B-123	p. D-237
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,	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,

Language Provisions (Cont'd)

2009 Appropriations Handbook

p. B-123

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.

2010 Budget Recommendations

p. D-237

the sum of $5,000,000, 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

The recommended language provision decreases the amount of funds that the department may appropriate from the State Unemployment Insurance (UI) Compensation Fund from $35 million in FY2009 to $5 million in FY2010 for certain activities permitted under the Social Security Act.

In March, 2001, $242.8 million was made available to the State UI Fund under section 903 of the Social Security Act (42 U.S.C. s.1103 et seq.), as amended, more commonly referred to as the "Reed Act." These funds were authorized 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. The additional $5 million the FY2010 language would appropriate from the $242.8 million total made available to New Jersey, brings the cumulative amount of Reed Act funds appropriated by the State for these purposes to $215 million for FY2003 – FY2010.

According to the department, a portion of the remaining $27.8 million in Reed Act funds anticipated to be available in FY2010 will be used to fund benefit payments for UI claimants.

2009 Appropriations Handbook

p. B-123

No comparable language.

2010 Budget Recommendations

p. D-237

Notwithstanding the provisions of R.S.34:15-49 to the contrary, including the reference therein to salaries of judges of the Division of Workers' Compensation determined as a percentage of the annual salary of judges of Superior Court, there shall be no increase

Language Provisions (Cont'd)

2009 Appropriations Handbook	2010 Budget Recommendations
p. B-123	p. D-237
	paid from appropriations made herein for an annual salary increase for judges of the Division of Workers' Compensation.

Explanation

The recommended language provision would authorize the department to continue a cost savings measure maintaining the wages of the judges of the Division of Workers' Compensation at their December 31, 2008 salary level.

The wage freeze was initially enacted in FY2009 (P.L.2009, c.22) as part of the Governor's mid-year spending adjustments. This language continues the wage freeze for FY2010.

2009 Appropriations Handbook	2010 Budget Recommendations
p. B-127	
Amounts hereinabove appropriated for the Sheltered Workshop Employment Placement Incentive Program shall be available to support expenditures under the Sheltered Workshop Support Program and Supported Employment Program, subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language.

Explanation

The proposed budget recommends discontinuing the FY2009 language provision which provides that the funding appropriated for the Sheltered Workshop Employment Placement Incentive Program may also be available to support Sheltered Workshop Support Programs and Supported Employment Programs. Funding for the Sheltered Workshop Employment Placement Incentive Program was discontinued as part of the Governor's proposed mid-year budget corrections in FY2009 and is not included in the proposed budget for FY2010.

The Sheltered Workshop Employment Placement Incentive Program is a program that provides cash incentives to community providers who meet certain criteria in placing individuals with disabilities who work in sheltered workshops into alternate permanent employment.

Language Provisions

2009 Appropriations Handbook	2010 Budget Recommendations
p. E-8	
Notwithstanding the provisions of any law or regulation to the contrary, funds may be transferred from the Surplus Revenue Fund to the Unemployment Compensation Fund in an amount such that it will not be necessary to increase the rate of tax contributions for Unemployment Insurance for fiscal year 2010, the amount of such transfer to be determined by the State Treasurer in consultation with the Commissioner of Labor and Workforce Development subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language.

Explanation

The proposed budget recommends discontinuing the FY2009 language provision which authorizes the transfer of funds from the Surplus Revenue Fund to the Unemployment Insurance (UI) Compensation Fund in an amount, determined necessary by the Commissioner of Labor and Workforce Development, and approved by the Director of the Division of Budget and Accounting, for the purpose of avoiding an employer tax rate increase for FY2010. This authorization was used by the Executive to transfer $150 million from the Surplus Revenue Fund to the UI fund in March, 2009. However, even with the additional funds, the UI fund’s balance is estimated to be $750 million on March 31, 2009 which will trigger a tax increase on July 1, 2009.

2009 Appropriations Handbook	2010 Budget Recommendations
	p. F-8
No comparable language.	There is appropriated $50,000,000 from the State Disability Benefits Fund for transfer to the General Fund as State revenue.

Explanation

The recommended language provision authorizes the transfer of $50 million from the State Disability Benefits Fund (SDBF) to the General Fund as State revenue. This transfer is in addition to the $50 million that was transferred from the SDBF to the General Fund in FY2009. It is also in addition to an existing language provision (page F-6) that is recommended to be continued in FY 2010, which permits, at the discretion of the State Treasurer in consultation

Language Provisions (Cont'd)

with the Commissioner of Labor and Workforce Development, an unspecified amount to be transferred from the SDBF to the General Fund during next fiscal year. For a historical overview of such transfers, please see the background paper *History of Diversions from the Unemployment Compensation Insurance, the Temporary Disability Insurance and the Second Injury Fund* on page 47 of this report.

The SDBF is used by the State's Temporary Disability Insurance 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.

Discussion Points

1. The Governor's budget incorporates an estimated $5.183 billion over two fiscal years in federal stimulus funding provided by the American Recovery and Reinvestment Act (ARRA) of 2009. According to a table on page 42 of the Governor's abbreviated budget, the State will use $3.074 billion ($854 million in FY09 and $2.220 billion in FY10) from ARRA for budget relief. In addition to these funds which will offset revenue shortfalls, $2.109 billion will be used for new or expanded programs or initiatives. The ARRA allocates funds to states both by formula and by competitive awards.

According to the Governor's budget (pages C-22 to C-23) and testimony presented by the Commissioner of the Department of Labor and Workforce Development to the Assembly Labor Committee on March 12, 2009, at a minimum, the department anticipates $343 million in federal stimulus funding ($334.3 million in FY2009 and $8.7 million in FY2010). The $334.3 million authorized under ARRA for FY2009 includes: a $207 million appropriation for deposit into the State's unemployment insurance fund; $62.9 million for Workforce Investment Act activities; $15 million for high growth grants; $14.7 million for unemployment insurance administration; $10.7 million for employment services; $8.7 million for expanding the Trade Act; $7.6 million for vocational rehabilitation; $4 million for a national emergency grant; $3.4 million for a senior employment program; and $309,000 for independent living. Additional funding may be accessed by the department through targeted competitive grant programs under ARRA.

- *Question:* a. Please itemize the federal stimulus funding, other than portions of the $3.074 billion allocated for budget relief, included in the department's budget, by fiscal year and federal program, setting forth program goals and eligible uses together with the amount for state administrative expenses and the amount for allocation to local public and private recipients, respectively. Please identify intended and actual recipients and the process by which the department determines recipients and funding awards. Are there ARRA funds that flow through your department for which the State has no discretion? Please also set forth the timetable for obtaining federal approval of funding, obligation and allocation of funding to recipients, and use by recipients. Could any of this funding be used to offset other State appropriations, and if so, what programs and in what amount? What additional positions, if any, have been and will be hired with these funds? Will any new staff hired be permanent full time employees with benefit and pension eligibility? If this money is being used for new or expanded activities, will the new or expanded activities be continued in FY 2011? If so, how will they be funded?

  b. In addition to funding incorporated in the FY 2010 budget, what specific competitive grant opportunities has the department identified that it is eligible to pursue, has applied for, and has been awarded, respectively?

2a. Over the past several years, the overall staffing level in the Executive branch has been reduced through restrictions on hiring and an early retirement program. The proposed budget (page B-3) envisions continuation of the hiring restrictions coupled with possible furloughs or further reductions in positions. The Governor has proposed a schedule of once a month furloughs, beginning in May, 2009, resulting in an overall 5 percent wage reduction. The Treasurer, in his testimony to the Assembly Budget Committee on March 9, 2009, indicated that only select direct service and emergency responder employees would be exempt from the furlough requirements, regardless of funding source. According to data in the proposed

Discussion Points (Cont'd)

budget, 2,611 (75%) of the department's 3,490 funded positions are federally funded, 486 (14%) are State funded and 398 (11%) are through other funds.

- *Question:* a. How has the reduction in staffing affected your department? What strategies has the department employed to deal with staff reductions? What projects, work products or functions has the department discontinued or deferred because of staffing levels? Will the department be able to accommodate furloughs in FY 2010 without increasing spending for overtime?

  b. What modifications will the department need to make to any existing federal contracts to accommodate the five percent reduction in personnel costs in the remainder of FY2009 and FY2010 attributed to furloughs?

2b. P.L.2008, c.21(C.52:18A-248) established an early retirement incentive (ERI) for certain State employees. The purpose of this legislation was to reduce the overall State payroll and attain both short and long term savings through reduction of payroll and long term reduced pension costs. To maximize short and long term savings, the legislation imposed a limitation on hiring replacements for those who retire, limiting rehiring to 10 percent of the vacant positions Statewide. In response to the OLS questions during the review of the FY2009 budget, the department estimated that 500 department employees would accept the ERI. In fact, as of August 15, 2008, the Division of Pensions and Benefits in the Department of the Treasury reported that 222 persons employed by the department planned to retire under the ERI.

- *Question:* How does the number of retirees in FY2008, FY2007 and FY2006 compare to the number of persons who retired under ERI in FY2009? How many positions is the department authorized to fill, per the State's 10 percent overall limit? What division and office in the department has experienced the highest number of retirees due to ERI? What effect, if any, has this decrease in personnel had on federal funding to the department? How many of those individuals who retired under ERI were in positions funded by the State, by the federal government, by other funds?

3. The FY 2009 appropriations act anticipated that $25 million in procurement savings would be achieved by Executive departments. A chart on page 75 of the Budget in Brief categorizes those savings and indicates they will continue into FY 2010. The FY 2010 budget includes another $25 million from procurement savings (Budget in Brief, Appendix I, page 8).

- *Question:* Please indicate the FY 2009 amount of procurement savings achieved by your department, by the categories set forth in the referenced table, and the sources of those savings by department program? What is the annual amount of these savings as continued into FY 2010? How have these reductions affected the department? What projects, work products or functions has the department discontinued or deferred in order to achieve these savings?

4. In January, 2009, it became increasingly apparent that the nationwide recession would have a substantial adverse effect on revenues projected to be collected by the State. On January 5, 2009, the State Treasurer released a list of $812 million in spending reductions planned by Governor Corzine to address the estimated $2.1 billion revenue shortfall for FY2009. In the wake of further declining revenues, the State issued additional budget actions on February 17, 2009. These mid-year spending adjustments were necessary to meet the

Discussion Points (Cont'd)

revised $3.6 billion revenue shortfall for the remainder of FY2009. Included in the proposal released by the Governor on February 17 were the following cost efficiencies from the Department of Labor and Workforce Development's budget:

Mid Year Corrections to FY2009 Budget*	(in thousands)
a) Administrative Cost Recovery Account – Savings	$ 800
b) Reduce Funding for Vocational Rehabilitation Placement Incentive Program	438
c) Reduce State Administrative Costs	254
d) Contract Close Out	17
e) Reduce Workplace Standards Capital Improvements	3
Total cost efficiencies saved through the department's changes	$1,512

* A brief explanation of the accounts referenced: a) the administrative cost recovery account contains federal dollars which are used to pay indirect costs for non-State funded programs. Every other year, the federal government adjusts the account to match the funds used in the account; b) The vocational rehabilitation placement incentive program has historically been allocated year end to community providers to meet their obligations as sheltered workshops; c) Costs incurred by the department to administer programs, which historically have been constant; d) Contract close out does not appear in the budget; e) Capital improvements include the purchase of needed equipment.

Additionally, the Governor's proposed budget indicates two other transfers from funds within the department that, according to the department, are attributed to resolving the FY 2009 budget gap: $15 million from the Workforce Development Partnership Fund (page H-7) and an interfund transfer of $50 million from the State Disability Benefits Fund (page C-9).

- *Question:* a. Please explain in detail the departmental reductions proposed in the Governor's planned mid-year spending correction and provide an accounting of each item as listed above. Please explain each program affected. Please detail the number of staff who will be eliminated, if any.

  b. As the "administrative cost recovery account" in the table above contains federal money used to pay indirect costs for non-State funded positions, what are the federal government's guidelines with respect to federal funds authorized for administration being transferred from the administrative cost recovery account to the General Fund? Will the federal government expect to be reimbursed for such funds if those funds were not appropriated for program administration costs, but rather transferred to the State General Fund as a budget solution?

  c. Please explain the budget authority by which the $15 million was transferred from the Workforce Development Partnership Fund for general purposes.

5a. The Unemployment Insurance (UI) fund is the federally maintained account that is used to receive employer and employee UI taxes and to pay all UI State funded benefits. (For a more detailed analysis of this fund please see the budget backgrounder "Unemployment Insurance – An Overview," beginning on page 2 of this report.) On March 31 of each year, the State determines the reserve ratio in the fund, as statutorily required under P.L. 1938, c.58 (C.43:21-7). The ratio of the fund is used to establish the tax rate for employers in the following fiscal year. The tax rate is often referred to as its corresponding column in the statutorily established tax rate table, columns A – E, with "A," being the lowest tax rate and "E", being the highest tax rate.

Discussion Points (Cont'd)

In March, 2008, the department estimated that the balance of the Unemployment Insurance (UI) fund would be approximately $977.3 million on March 31, 2008. This balance was not sufficient to continue UI tax rates during FY2009 in the "A" tax schedule (the lowest UI tax rates for employers). Thus, P.L.2008, c.20 was enacted in June, 2008 authorizing the transfer of $260 million into the UI fund from the General Fund and delaying the date for calculating the reserve ratio from March 31 to June 30, 2008. These changes enabled the fund to maintain the ratio needed to retain the "A" tax schedule for FY2009 and employers did not experience a tax increase.

However, throughout 2008 and 2009, unemployment steadily increased from 4.6% in January 2008 to 8.3% in March 2009. The increasing benefit payments due to the escalating unemployment rate have resulted in the UI fund being completely depleted as of March 11, 2009. On this date, the State commenced borrowing from the federal unemployment account to pay State UI benefits. States are permitted to borrow from the federal unemployment account to pay State UI claims, but must return the funds on a scheduled basis. ARRA contains a provision that temporarily waives the accrual of interest on loans issued from the federal unemployment account to states. This provision is in effect until December 31, 2010.

Foreseeing the depletion of the UI fund due to increased benefit needs, Governor Corzine proposed, as part of his mid year correction to the FY2009 budget on February 17, 2009, an additional $270 million be transferred to the UI Fund. This amount has been decreased to $150 million under the proposed spending outlined in the Budget in Brief (Appendix II, page 7). However, even with these added funds, the UI fund will still be substantially lower than was estimated by the department in its response to the OLS questions during the review of the FY2009 budget.

In its response to the OLS questions during the review of the FY 2009 budget, the department had projected an estimated fund balance of $1,059.9 million on March 31, 2009 (a 1.41 ratio). The experience of the fund throughout 2008 and thus far in 2009, however, was expected to yield a fund balance, as of March 31, 2009, of approximately $750 million, resulting in a reserve ratio of approximately 1.0 and triggering a tax increase on July 1, 2009.

- *Question:* a. What was the Unemployment Insurance fund reserve ratio on March 31, 2009? What will the estimated UI fund balance be on March 31, 2010 and on March 31, 2011? What UI tax schedule will be triggered as a result in FY 2010 and FY 2011?

  b. Please provide the actual Unemployment Compensation Fund Reserve Ratio Calculation for 2008 and 2009 (including the 3/31 fund balance, any liabilities, taxable wages for the prior calendar year, and the reserve ratio) for 2010, 2011 and 2012. Please provide the assumptions underlying your estimates, including insured unemployment rates and the total 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 2010? ...."B" schedule? ....."C" schedule, "D" schedule?

  c. Please provide the department's anticipated payment schedule to reimburse the federal unemployment account. Is the State going to reimburse the federal unemployment account with General Fund or UI tax revenues or a combination of the two? Please provide a total figure on funds borrowed thus far from the federal unemployment account. Please provide an estimate for funds anticipated to be borrowed from the federal unemployment account.

Discussion Points (Cont'd)

5b. The increase in individuals claiming UI benefits has also led to a need for additional staff at the department to process these claims and respond to inquiries. In a press release on December 5, 2008, the Governor directed Commissioner Socolow to deploy an additional 130 emergency workers to address the unemployment claim backlog. The department responded that 77 new employees would be hired at a rate of $16 to $21 dollars an hour and a number of current employees would be redeployed from different duties within the department. In addition to these changes, the department also implemented its New Jersey State Unemployment Compensation Claimant and Employer Service System (NJ SUCCESS) in November, 2008. NJSUCCESS is the culmination of a four year project to redesign all unemployment insurance business processes and technical systems. The project was federally funded through a portion of the funds allocated to the State by the federal "Job Creation and Worker Assistance Act of 2002," more commonly referred to as the Reed Act funds. In response to OLS questions in the FY2006 budget, the department estimated that the contract to create NJSUCCESS would cost between $70 - $80 million.

- *Question:* a. Please provide the current number of staff dedicated to assisting the public in filing unemployment claims and responding to inquiries. Please provide the number of these staff who are veteran employees permanently assigned to these positions, veteran employees temporarily assigned to these positions, intermittent or temporary employees and any other employees that may be working in this area. Please provide the average salary for these employees. Please provide the criteria for the increased staffing levels. For example, is there an unemployment rate that indicates to the department that additional staff are necessary and when that rate decreases, staff is also reduced? Please provide the effect of these temporary re-assignments on other areas of the department.

  b. Please provide the final cost of creating the NJSUCCESS program. Please detail the specifics of that cost, including the contractor costs and the costs incurred by the department in excess of the contract. Were all of these funds expended from Reed Act funds? Please provide an analysis of the NJSUCCESS programs performance to date. How many claims are handled through NJSUCCESS, through the phone, or in person? What will be the effect of NJSUCCESS on staffing levels at the department?

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 to pay for administration of the benefits from the SDBF. The Governor's proposed budget indicates that $50 million was transferred from the SDBF through an interfund transfer in FY2009 (page C-9). Additionally, the proposed budget authorizes $50 million in funds to be transferred from the SDBF to the General Fund (page F-8) during FY2010. Furthermore, language provisions in the budget (page F-6) permit an unspecified amount of funds to be transferred from the SDBF to the General Fund during FY2010.

In response to OLS questions during the FY2009 budget, the department provided an estimate of the SDBF fund balance for each month in calendar years 2007, 2008, and, 2009. Consistently, the balance in the SDBF is at its greatest in August each year when the revenue from the second quarter is deposited. According to the balances provided by the department, if $100 million had been diverted from the SDBF in the beginning of FY2008 (July 1, 2008) the

Discussion Points (Cont'd)

fund would have had a negative balance for 10 months in FY2008 and 9 months in FY2009. Thus, the transfers proposed for FY2009 and FY2010, could result in a similar negative balance.

• *Question* a. Please detail the amount of funds the department anticipates transferring from the SDBF to the General Fund in FY2010 pursuant to the language provision on page F-6 of the proposed budget. Please specify the recipient fund of the $50 million transferred in FY2009 and the planned use of the $50 million to be transferred in FY2010.

b. Please detail how benefits will be continued to be paid out to recipients if the fund is drained of its resources due to the transfer of $100 million from the TDI fund in FY2009 and FY2010. Please provide this information for FY2010 and FY2011.

c. Please provide the value of revenues, benefits, and administrative expenditures, and the cash balance in the SDBF for: each month in calendar year 2008; as many months as possible for calendar year 2009; and, an estimate for the remaining months of 2009 and for 2010. Please provide this information both with and without the assumption of a transfer of $50 million from the fund in calendar year 2010.

7. P.L.2008, c.17 (C.43:21-26 et al) was signed into law by Governor Corzine on May 2, 2008 establishing the "Family Leave Insurance" (FLI) program in the department. FLI extends the State's existing temporary disability insurance system to provide workers with up to six weeks of FLI benefits for a worker taking leave to provide care, certified to be necessary, for family members of the worker suffering a serious health condition or taking leave to be with a new child of the worker during the first 12 months after the child's birth or placement for adoption with the worker's family. These benefits are funded through an additional assessment of 0.09 percent on workers' wages subject to TDI taxes ($28,900 in FY2009) from January through June 30, 2009, increasing to 0.12 percent on July 1, 2009. These funds are being deposited into the FLI account within the State Disability Benefits fund (SDBF) to be distributed as benefits beginning on July 1, 2009. The enabling legislation authorized the transfer of up to a maximum of $25 million from the SDBF to the FLI account for initial administrative costs incurred by the FLI program. The department, in response to OLS questions for the FY2009 budget, indicated that approximately $6 million would be used from the SDBF for the establishment of the FLI program.

• *Question:* a. Please provide an analysis of the current collection of revenue for the FLI account on a monthly basis and a comparison to the department's expectations prior to the bill's passage. Please estimate the revenue, benefits and administrative costs anticipated for the remainder of FY2009, FY2010 and FY2011.

b. Please provide the total amount of funds that were transferred from the SDBF to the FLI account for the establishment of the FLI program in FY2009 and anticipated in FY2010.

c. Please detail any funds transferred from the FLI account to any other fund, including for general use in the SBDF.

Discussion Points (Cont'd)

d. Please provide the number of personnel dedicated to the operation of the FLI program, as compared to the number of personnel assigned to administer TDI. Please indicate how many, if any, of these personnel are new hires? How many of these personnel were reassigned from other DOLWD areas?

8. Commissioner Socolow in his testimony before the Senate Budget and Appropriations committee in April, 2008 discussed the problem of misclassification of employees for purposes of avoiding the obligation to pay taxes on those employees or pay for mandatory social insurance programs for those employees; for example: workers' compensation; temporary disability; and unemployment insurance. Commissioner Socolow also testified regarding the State's initiatives to stop employers from misclassifying workers, including a separate enforcement unit in the Division of Wage and Hour Compliance devoted to investigating and resolving these complaints. In January, 2008, Governor Corzine issued Executive Order #96, establishing the Governor's Advisory Commission on Construction Industry Independent Contractor Reform (commission). The commission's goal is to encourage cooperation between five different State agencies in three separate departments and public members of the construction and business communities. Through their work together, the departments have begun to share audit information to ensure employers' compliance with State laws providing social insurance for all employers. By ensuring employers' compliance, the department is leveling the playing field for all employers. Through this new cooperation and through P.L.2006, c.85, (C. 54A:7-1 et al), which created a single definition of an independent contractor for payroll tax purposes, the department has been able to more aggressively audit employers.

In response to OLS questions during the review of the FY2009 budget, the department asserted that it had uncovered, through random audits, 9,524 additional workers in FY2006, 5,192 in FY2007 and 3,400 for the first half of FY2008. These workers reflected underreported wages of $174 million in FY2006, $135 million in FY2007 and $88 million for the first six months of FY2008.

The department also conducts targeted audits on employers who are chosen after a formerly employed misclassified worker applies for benefits from the State. In response to OLS questions during the review of the FY2009 budget, the department reported that 472 employers in FY2006, 438 in FY2007 and 189 in the first half of FY2008 had been found to misclassify workers through these targeted audits.

• *Question:* a. Please provide the number of randomly performed audits for FY2007, FY2008 and to date for FY2009. Please provide data for the number of employers who were found to misclassify workers. Please provide identifying industry data for the offending employers. Please break this information down to the number of employees who were misclassified as independent contractors and otherwise misclassified.

b. Please provide the number of targeted audits completed in FY 2007, FY2008 and to date for FY 2009. Please provide data for the number of employers who were found to misclassify workers. Please provide identifying industry data for the offending employers. Please break this information down to the number of employees who were misclassified as independent contractors and otherwise misclassified.

c. Please provide the total amount of fees or fines collected as a result of these audits.

Discussion Points (Cont'd)

d. Please detail the number of department employees dedicated to these audits and the salary and wages paid to these employees. Please include an update on the separate enforcement unit in the Division of Wage and Hour Compliance devoted to investigating and resolving these complaints that Commissioner Socolow discussed in his testimony to the Committee in April, 2008.

9. The Governor's proposed budget continues a FY2009 language provision that allows up to 5.5% of the total revenue collected for the Workforce Development Partnership (WDP) Fund, created pursuant to section 9 of P.L.1992, c.43 (C.34:15D-9), to be used to support initiatives recommended by the Commissioner in support of the "Governor's Economic Growth Strategy" (page D-243). Total WDP fund revenue collected in FY2010 is estimated to equal $98.1 million (page H-7). Therefore, approximately $5.4 million could be used to support these initiatives.

The "Governor's Economic Growth Strategy," unveiled in September 2006, is intended to grow "New Jersey's economy while creating well-paying private sector jobs" in "partnership with business, labor, education and community leaders" and implemented by various state agencies.

In response to the OLS questions during the review of the FY2009 budget, the department indicated that $4.7 million had been set aside for FY2008 to fund and support several initiatives in the Governor's "Economic Growth Strategy," including: curriculum development for training in certain targeted industries; support of the three WIRED partnerships; an urban summer youth program; a fatherhood initiative working with ex-offenders; and a pre-apprenticeship program for women and minorities.

- *Question:* Please provide the amount of WDP funds used to support the "Governor's Economic Growth Strategy" in FY2007, FY2008 and anticipated to be spent in FY2009 and FY2010. Please provide detail on each initiative undertaken by the department in support of the strategy, including: a summary of the initiative, the funds allocated for the initiative; other governmental entities involved in each initiative; the number of participants served; and any evaluation data collected. Please also provide any details on funds allocated by other governmental entities working in concert with the department on each initiative.

10. In response to OLS questions during the review of the FY2009 budget, the department reported that the following number of individuals had been served and/or received job training through the Workforce Development Programs (Workforce Development Partnership Fund (WDP), Workforce Investment Act (WIA) and Work First New Jersey (WFNJ) in FY2007, and estimated the numbers for FY2008:

Program	1) FY07 (estimated) services	2) FY07 Actual Services*	3) FY07 Actual job train*	4) FY08 (estimated) Services*	5) FY08 (estimated) job train*
Workforce Development Partnership	58,244	77,805	76,867	36,400	35,275
Customized Training		67,829	67,829	27,613	27,613
Individual Training for DW and YTTW		5,591	5,325	5,620	5,334
SMART STEPS		672	0	839	0

Discussion Points (Cont'd)

Occup Safety & Health		3,713	3,713	2,328	2,328
Workforce Investment Act	23,272	20,432	12,543	17,489	12,325
Adult		6,131	3,527	5,485	3,759
Dislocated Workers		7,617	4,596	6,206	4,655
Youth		6,684	4,420	5,798	3,911
Work First New Jersey	60,056	23,456	12,280	22,676	11,363
TANF		14,715	8,226	14,190	7,502
General Assist/Food Stamps		8,741	4,054	8,486	3,861
All Workforce Development Programs	141,572	121,693	101,690	76,565	58,963

* Please note individuals may receive both services and job training and thus may be included under both columns.

In previous budget analyses, the OLS has asked for similar counts on individuals served through these programs. In its response, the department has sometimes overestimated or underestimated the number of individuals requiring services and training. For example, in the above chart, the department estimated that 60,056 individuals would be served by WFNJ programs in FY2007, approximately 36,000 more than the actual 23,456 individuals served. Since it is assumed that the department must estimate the needed staff by estimating caseload it is unknown how staffing levels can be determined in the absence of correct estimates.

- *Question:* a. Please indicate, for each of the Workforce Development programs (WDP, WIA, WFNJ), how many individuals participated in job training during FY2008 and how many are expected to participate in job training during FY2009 and FY2010. Please indicate how many individuals accessed services other than job training through WDP, WIA and WFNJ during FY2008 and how many are expected to access services other than job training during FY2009 and FY2010. Please define these services. Please provide or estimate this data for FY2008, FY2009, and FY2010 for each of the following programs: WDP dislocated workers; WDP disadvantaged workers; WDP customized training grants; WDP occupational safety and health training; WDP youth transitions to work; WDP SMART STEPPS; WIA dislocated worker training; WIA adult training; WIA youth training; WFNJ TANF recipients; WFNJ Food Stamp recipients; and, WFNJ General Assistance recipients.

  b. Please indicate for each of the programs listed in the question above, in each of the indicated years, the cost per individual trained and what portion of total program costs reflects direct job training costs, services other than job training costs and what portion reflects administrative overhead costs. Please ensure that these numbers can be duplicated in the breakdown.

  c. Please indicate for each of the programs listed above, for FY 2009 and FY 2010 (estimated), the total amount appropriated; what portion of the funding is appropriated through the department; and what portion, if any, is appropriated through the Department of Human Services.

  d. 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.

Discussion Points (Cont'd)

e. Please discuss the discrepancy between estimated numbers and actual numbers served by WDP programs. Did the department need to make adjustments to its funding levels for the different programs as a result of the changed needs? Did the department experience the same issues in FY2008 or FY2009?

11. The Workforce Development Partnership Fund (WDP) was created pursuant to P.L.1992, c.43 (C.34:15D-1 et seq.) to provide training grants to disadvantaged and displaced workers and 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 $98.9 million in FY 2010 (page H-7). The proposed budgets for the Departments of Labor and Workforce Development and Human Services include multiple language provisions (pages D-219, D-244) transferring $1.85 million from the WDP fund to the New Jersey Youth Corps and at least $54 million to the Work First New Jersey Program with the option of transferring an additional $20 million from the WDP Fund to the Department of Human Services should it be necessary (for more information on this optional transfer, please see discussion point #13).

- *Question:* a. For FY 2008, 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 2009 and FY 2010, based on the assumption that the current percentages, which are required by statute to be deposited in accounts for each component, will remain in effect:

  1) The amount the department was required to spend under the WDP law's mandated allocations (from FY 2008 forward, the amounts required to be deposited in the accounts for each allocation), and the amount actually spent;

  2) 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);

  3) 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;

12. The federal Deficit Reduction Act of 2005 (Pub.L.109-171) reauthorized the Temporary Assistance for Needy Families (TANF) program and changed many TANF provisions. Included in the act were revisions to the State's obligations regarding workforce participation rates and work verification plans. If the State's workforce participation rate fails to meet the federal standards, a financial penalty of up to 5% of TANF funding could be applied to the State.

Proposed budget language for FY2010 permits a diversion not to exceed $20 million from the Workforce Development Partnership Fund to the Department of Human Services (page D-219). These funds are to be used in the event federal funding is reduced because the State fails to meet the workforce participation rate as defined under the federal Deficit Reduction Act of 2005 (Pub.L.109-171). Similar budget language appeared in the FY2009 appropriations act (see appropriation handbook, page B-114), but according to the department, was not needed and the funds have not been transferred thus far in FY2009.

Discussion Points (Cont'd)

In response to the OLS questions during the review of the FY2009 budget, the department stated that while the statewide participation rate was 18%, well below the federally established 50% target, New Jersey qualified for two different credits that allowed New Jersey to meet the targeted rate. One was a credit for reducing the caseload since 2005, which the State had accomplished, and the other involved maintenance of effort (MOE) funding. There have been some reports that the federal government plans to eliminate MOE funding as an offsetting credit for states.

• *Question:* a. Please provide the current participation rates for TANF recipients on a Statewide level and on a county-by-county level. When these rates are combined with the federally allowed offset, what is the status of the State's obligation to meet the federal standard for work participation rates? What steps is the department taking to increase these rates in counties that do not currently meet the federally mandated participation rate? How is the department working in conjunction with the Department of Human Services to increase these rates and avoid any loss of funding to the State?

b. Please specify what funds, by department of origin, were used for MOE funding for FY2007, FY2008, FY2009 and are planned to be used for FY2010. Please discuss any anticipated changes to the use of MOE funding as an offset for participation rates.

13. One component of the Workforce Development Partnership (WDP) program, the "Smart STEPS" program, provides benefits to enable former welfare recipients with children to participate in full-time education towards high school graduation or two-year or four-year college degrees in work-related fields which enable the attainment of economic self-sufficiency. The program is permitted to enroll a maximum of 1,500 participants at one time (N.J.S.A.34:15D-7f). In response to the OLS questions during the review of FY 2009 budget, the department stated that the program had 672 participants in FY2007. The program also provides counseling and makes arrangements to provide or obtain child care and Pell Grants, when possible. The following table presents data provided by the department showing that, during FY 2007, the program had funds sufficient to permit the transfer of $3.6 million out of the program and still have a balance of $3.4 million at the end of the fiscal year. The data show significant transfers and year-end balances for subsequent years as well. While it is recognized that funds are encumbered each year for future payments of multi-year grants, it is not clear how much of any year's encumbrance must be spent in the following year.

Smart STEPS program funds in $ millions

Fiscal Year	2007 (actual)	2008 (estimate)	2009 (estimate)
Starting balance	$4.4	$3.3	3.9
Revenue	$5.9	$5.9	6.1
Total available	$10.3	$9.2	10.0
Transferred out of program	$3.6	$1.5	1.9
Spent on benefits	$3.4	$3.8	6.1
Ending balance	$3.4	$3.9	2.0
Encumbered for future payments in multi-year grants	$1.3	$3.8	1.5

Discussion Points (Cont'd)

Notwithstanding the availability of "Smart STEPS" funds for transfers to other programs and carry forwards to subsequent years, there have been reports that the program has stopped accepting new enrollees.

- *Question:* *a.* Has the program stopped enrolling new participants or accepting new applications for future participation? If so, when will it resume accepting new applications, enrollees, or both?

  b. Please provide the total revenues, allocations, costs and transfers of this program for each year since its inception in the same manner as provided in schedule IV of the department answers to the OLS questions for FY 2009. In addition, please indicate how much of the amount spent on benefits each year was spent for individuals starting that year compared to individuals who had been in the program during previous years and represented spending of previously "encumbered" funds.

  c. Please provide the number of enrollees and the cost per enrollee each year since inception, providing data for multi-year enrollees. Indicate, for the total number of individuals who were newly enrolled each year, how many of them enrolled in programs for high school graduation, how many for 2-year degrees, how many for 4-year degrees, and, for each subsequent year, how many completed their programs, dropped out, or continued.

  d. Please provide an update on any evaluation of this program, and any available data on rates of program completion and subsequent placement in employment.

14. 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 aspect of this program is grants to support the manufacturing sector in New Jersey. According to budget evaluation data (page D-239) these grants will total about $112 million for the period FY 2007-2010 ($28.8 million in FY2010), and will benefit approximately 1,495 companies and train over 255,000 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.

The Customized Training program requires that, if, within three years following the end date of the training contract, an employer receiving a grant for customized training services relocates or out-sources out of State any or all of the jobs for which customized training services were provided, the employer shall, if all of the jobs are relocated or outsourced, return all of the grant 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 portion of the moneys, determined to be appropriate and proportional by the commissioner to the portion of jobs relocated or outsourced, and the returned amount shall be deposited into the Workforce Development Partnership Fund.

In response to OLS questions during the review of the FY2009 budget, regarding the department's ability to monitor grantees beyond the completion of their grant, the department stated that it has a procedure in place to monitor grantees beyond completion. The department

Discussion Points (Cont'd)

stated that the Office of Grant Operations receives notice if a company closes, is sold, has a mass layoff or employment loss through the required NJ WARN Act notice (N.J.S.A.34:21-1 et seq.). In addition, the department uses information contained in an internal report that tracks local activity throughout the State to track companies that may have received a customized training or literacy grant within the prior three fiscal years.

In addition to the system of monitoring already established and described above, the department stated that it is working closely with the Office of Economic Growth to implement "The Development Subsidy Job Goals Accountability Act," P.L.2007, c.200 (N.J.S.A. 52:39-1 et seq.). The Act requires businesses receiving development subsidies, including tax incentives, from a State agency to submit annual reports on the progress of the recipient in attaining job creation or retention for the duration of the subsidy or five years, whichever is longer.

- *Question:* a. Please update the Legislature on the status of the system the department implemented to monitor grantees beyond the conclusion of the grant. Please discuss how the department captures the information for grantees that do not file a WARN Act notice. Please specify the other internal reports used to monitor grantees and detail the process the department uses to monitor these grantees. Please provide data indicating the number of grants currently being monitored. Since the inception of the program, what is the total dollar amount of Customized Training grants that have been repaid due to relocation or outsourcing of jobs? What percentage of grants and jobs assisted do these repayments represent? For each year, from FY 2003 to the present, please provide the same information by grantee.

  b. Please provide information from FY 2003 to the present on the number of audits received by the Office of Internal Audit and how many of these disclosed grant non-compliance. What is the total amount of funds recovered through these audits by year?

  c. Please provide data on the monitoring efforts of the "Development Subsidy Job Goals Accountability Act" for the Customized Training program. How many grants are currently being tracked through this program? What other State agencies are involved in the program? What other programs in the department are subject to the act's provisions?

15. By statute, 45 percent of the funds collected through the Workforce Development Partnership Fund (N.J.S.A.34:15D-9) are allocated to the Customized Training (CT) program. In FY2009, the department indicated that approximately $28.8 million would be allocated to CT programs. In February 2008, the Heldrich Center for Workforce Development at Rutgers University released a report, "*Evaluation of the New Jersey Workforce Development Partnership Program: Customized Training Program*" (required by N.J.S.A.34:15D-4). In the report, the Center offered numerous suggestions on ways the department could improve upon the CT program. Included among these suggestions were: calculating performance measures for the CT program by collecting more detailed data at the conclusion of training contracts and using UI wage records to determine the employment status and earning levels of all individuals subsequent to training completion.

- *Question:* Please provide examples of how the department is improving the CT program implementing the suggestions provided in the *"Evaluation of the New Jersey*

Discussion Points (Cont'd)

Workforce Development Partnership Program: Customized Training Program" report. Please provide the total final cost of this report.

16. The Supplemental Workforce Fund for Basic Skills (SWFBS) was created pursuant to P.L.2001, c.152 to provide basic skills training to the workforce (C.34:15D-21 et seq.). The fund is a 0.0175 percent tax on wages subject to the unemployment insurance tax ($28,900 in 2009). The funds collected are statutorily allocated in the following manner: 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.

The total amount available in the SWFBS for FY2010, including investment earnings, is estimated at $44.3 million (page H-10). The SWFBS has ending balances of $20.4 million, $17.3 million (estimated), and $13.9 million (estimated) in FY2008, FY2009 and FY2010, respectively (page H-10).

The proposed budget recommends $2 million be appropriated for the Workforce Literacy and Basic Skills program, representing the 10% administrative allowance statutorily permitted (page D-241). The budget also includes language authorizing the transfer of $2.2 million from the SWFBS to the New Jersey Youth Corps (page D-244) and $14 million from the SWFBS to County Colleges for operating aid (page D-386). This appropriation is unchanged from the amount appropriated from the SWFBS to county colleges in FY 2009.

- *Question:* a. Please list by category how the funds from the SWFBS were utilized in FY 2008, FY 2009, and an estimate for FY 2010, using the same format used in schedule III in the department's response to the OLS questions during the review of the FY2009 budget.

  b. How have county colleges assisted the department in reaching the basic skills program goals?

17. Due to federal funding changes enacted in the Revised Continuing Appropriations Resolution, 2007 (P.L.110-5) and the Consolidated Appropriations Act, 2008 (P.L.110-161), there were rescissions of federal funds allocated to the State Workforce Investment Act (WIA) Title 1B Adult, Dislocated Workers, and Youth programs.

In response to OLS questions during the review of the FY2009 budget, the department indicated that $3.3 million previously allocated to the local funding recipients (local Workforce Investment Boards or other entities) from federal funds allocated for WIA Title 1B programs would be rescinded by the federal government for funds allocated during program years (PY) 2005, 2006, and 2007. A portion of these funds were unexpected balances in the WIA Adult, Dislocated Workers, and Youth programs, the remainder had been expended by the local boards, but would need to be paid back to the State and then to the federal government. Furthermore, the State's funding was reduced by $8.8 million dollars for 2008. The department indicated that these rescissions and reductions in funding could result in a loss of 3,770 slots for individuals in need of WIA services.

However, ARRA allocated at least $63 million to WIA Adult and youth activities, according to the commissioner's testimony to the Assembly Labor Committee on March 12, 2009.

Discussion Points (Cont'd)

- Question: a. What has been the impact on the department and/or its services as a result of the federal actions, including any reduction in staff at the State level? What has been the impact on the local providers ability to provide services and on their staff levels?

  b. Please provide the following data for the WIA Adult, Dislocated Workers and Youth programs: funding levels allocated to the State and to local funding recipients (local WIBS or other entities) for WIA Adult, Dislocated Workers and Youth programs, by funding entity, by program for PY2007, 2008 and 2009.

  c. Please detail all ARRA funds as they will be distributed to each local funding recipient (local WIB or other entity) for WIA Adult, Dislocated Workers and Youth programs, by funding entity, by program for PY2007, 2008 and 2009.

Background Paper: Unemployment Insurance – An Overview

Budget Pages.... C–15, D-234, D-236, H-15

HISTORY/OVERVIEW

The Social Security Act of 1935 authorized a federal-state unemployment insurance (UI) system to provide temporary partial wage replacement to individuals who lose their jobs through no fault of their own. New Jersey's UI system, established by the "unemployment compensation law," P.L.1936, c.270 (C.43:21-1 et seq.), began paying benefits to laid off workers in 1939. The main goals of the UI system are to alleviate the hardship of involuntary unemployment on workers and their families and to stabilize the economy. As stated in the New Jersey "unemployment compensation law," the system is designed to meet those goals by facilitating "the systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor relief assistance."

Nationally, the UI system operates as a federal-state partnership. The federal program provides broad requirements for eligibility and states determine the details of the operation and administer their programs within the minimum requirements established by federal law.

Federal law, pursuant to Titles III, IX, and XII of the Social Security Act and the Federal Unemployment Tax Act of 1939 (FUTA), defines the employment that is a "covered service" and must be covered by unemployment insurance in the states' programs. Federal law also defines the method for triggering extended benefits, the federal tax base and rate for federal taxes and how states will apply for and repay any loans from the federal Unemployment Trust Fund. The federal government also serves as the depository for state contributions and federal payroll taxes that finance UI. Furthermore, the federal government provides annual appropriations for grants to states for administration of the UI program and oversees the appropriate and efficient use of such funds.

States must meet the minimum requirements established by the federal law. Within these parameters, states are permitted to set UI eligibility provisions (including minimum time periods and/or minimum amount of wages earned before workers can become eligible to receive benefits), determine benefit amounts, and set state payroll tax wage base and rate structures for employers. States also: determine operation methods; administer the program; take claims from individuals; determine eligibility; pay benefits to workers; determine employer liability; and assess and collect contributions.

FUNDING

Unemployment insurance is funded jointly through the federal unemployment tax, more commonly referred to as FUTA for the act under which it was established, levied on employers, and a state unemployment insurance tax levied on employers and employees. All of the revenues collected from these taxes are deposited into a variety of specific fund accounts in the federal Unemployment Trust Fund.

Background Paper: Unemployment Insurance – An Overview (Cont'd)

Federal Funding

FUTA is used primarily to finance administrative costs of the system, fund loans to states and cover extended benefits. Revenues collected from FUTA are deposited into the employment security administration account (ESAA), the extended unemployment compensation account (EUCA) and the federal unemployment compensation account (FUA) located in the federal Unemployment Trust Fund.

The amount of tax levied under FUTA is established in Section 3301 of the Social Security Act. Section 3301 imposes a payroll tax for every "covered service," equal to a specified percentage of total wages paid during a calendar year. FUTA currently provides that the tax rate is 6.2 percent. Wages subject to the tax are defined in Section 3306(a) of FUTA as the first $7,000 paid to an employee in a calendar year. However, FUTA provides for a tax credit of up to 5.4% for employers who pay state taxes on time for "covered services," as defined under FUTA, in an approved state UI program. Thus, the effective FUTA tax rate is 0.8 percent (6.2 – 5.4) or $56 ($7,000 x 0.008) per employee. The total amount of FUTA tax collected from wages in New Jersey for 2007 was approximately $218.4 million (3.9 million covered employees x $56).

State Funding

In addition to the federal tax, state governments also levy payroll taxes on employers and in three states, including New Jersey, payroll taxes on employees. These taxes are deposited into the state unemployment insurance trust fund account (UI fund) within the federal Unemployment Trust Fund. Each state has its own UI fund account within the federal Unemployment Trust Fund. For reports of these accounts, one can search on http://www.treasurydirect.gov/govt/reports/tfmp/tfmp_utf.htm.

The New Jersey "unemployment compensation law" establishes the State tax rate for both employers and employees. The tax rate is applied to income earned up to the statutorily defined taxable wage base (N.J.S.A.43:21-3). The taxable wage base is 28 times the State average weekly wage (SAWW) for all covered workers. The SAWW is calculated annually by the Department of Labor and Workforce Development. The taxable wage base for 2009 is $28,900.

Employee Contribution

In New Jersey, the tax on the employee is levied at a rate of 0.03825% on the first $28,900 income earned. Thus, in 2009, the maximum employee contribution is approximately $110 per employee (0.03825 x 28,900). The total amount of employee contributions in New Jersey in 2007 was $309.8 million.

Employer Contribution

In New Jersey, the employer's tax rate is determined by individual employers' experience and the annual experience of the State UI Fund. The experience rating tax table (following, N.J.S.A. 43:21-7), dictates the tax rate of the employer. The tax rate is dependent upon the annual experience of the State UI fund, as calculated through the determination of the overall fund reserve ratio. The overall fund reserve ratio is determined on March 31 of each year by dividing the fund balance on that date by the taxable wages from the previous calendar

Background Paper: Unemployment Insurance – An Overview (Cont'd)

year. The fund reserve ratio is used to determine the tax column that will be applied to employers in the next fiscal year.

Since July 1, 1998, the tax rate has been in the "A" column and system wide tax increases have been avoided. Tax increases have been avoided partially because of legislative enactments (P.L. 1996, c.30; P.L.1997, c.263; P.L.2001, c.152; P.L.2002, c.13; P.L.2003, c.107; and P.L.2004, c.45) amending the experience rating tax table. Each new tax table authorized by these enactments established a lower reserve ratio to maintain the lowest tax rate for employers. For example, the current experience rating table became effective on July 1, 2004. Prior to its enactment, the previous experience rating table required a fund reserve ratio of 2.50% or more to maintain the tax rate in column A. Currently, to maintain the tax rate in column A, the fund reserve ratio must be 1.40% or more, a figure that would have triggered a column D tax rate under the previous table. In each case, these changes in the tax table were made in conjunction with legislation that diverted funds from the UI Fund to other funds.

EXPERIENCE RATING TAX TABLE

Fund Reserve Ratio[1]

Employer Reserve Ratio[2]	1.40% and Over A	1.00% to 1.39% B	0.75% to 0.99% C	0.50% to 0.74% D	0.49% and Under E
Positive Reserve Ratio:					
17% and over	0.3	0.4	0.5	0.6	1.2
16.00% to 16.99%	0.4	0.5	0.6	0.6	1.2
15.00% to 15.99%	0.4	0.6	0.7	0.7	1.2
14.00% to 14.99%	0.5	0.6	0.7	0.8	1.2
13.00% to 13.99%	0.6	0.7	0.8	0.9	1.2
12.00% to 12.99%	0.6	0.8	0.9	1.0	1.2
11.00% to 11.99%	0.7	0.8	1.0	1.1	1.2
10.00% to 10.99%	0.9	1.1	1.3	1.5	1.6
9.00% to 9.99%	1.0	1.3	1.6	1.7	1.9
8.00% to 8.99%	1.3	1.6	1.9	2.1	2.3
7.00% to 7.99%	1.4	1.8	2.2	2.4	2.6
6.00% to 6.99%	1.7	2.1	2.5	2.8	3.0
5.00% to 5.99%	1.9	2.4	2.8	3.1	3.4
4.00% to 4.99%	2.0	2.6	3.1	3.4	3.7
3.00% to 3.99%	2.1	2.7	3.2	3.6	3.9
2.00% to 2.99%	2.2	2.8	3.3	3.7	4.0
1.00% to 1.99%	2.3	2.9	3.4	3.8	4.1
0.00% to 0.99%	2.4	3.0	3.6	4.0	4.3
Deficit Reserve Ratio:					
-0.00% to -2.99%	3.4	4.3	5.1	5.6	6.1
-3.00% to -5.99%	3.4	4.3	5.1	5.7	6.2
-6.00% to -8.99%	3.5	4.4	5.2	5.8	6.3
-9.00% to -11.99%	3.5	4.5	5.3	5.9	6.4
-12.00% to -14.99%	3.6	4.6	5.4	6.0	6.5
-15.00% to -19.99%	3.6	4.6	5.5	6.1	6.6
-20.00% to -24.99%	3.7	4.7	5.6	6.2	6.7
-25.00% to -29.99%	3.7	4.8	5.6	6.3	6.8
-30.00% to -34.99%	3.8	4.8	5.7	6.3	6.9
-35.00% and under	5.4	5.4	5.8	6.4	7.0
New Employer Rate	2.8	2.8	2.8	3.1	3.4

Background Paper: Unemployment Insurance – An Overview (Cont'd)

[1]Fund balance as of March 31 as a percentage of taxable wages in the prior calendar year.
[2]Employer Reserve Ratio (Contributions minus benefits as a percentage of employer's taxable wages).

In addition to determining what column will be used to calculate the tax rate, the employer's reserve ratio (left hand column in table) is calculated through an experience rating system. To determine the employer's ratio, the benefits paid out by the employer are subtracted from all the contributions an employer has made to the State UI Fund and then that amount is divided by the amount of the employer's taxable wages (average of all payroll over the previous three years). The more charges against the account, the higher the tax rate, the fewer claims against the account, the lower the tax rate. The purpose of the experience rating system is to ensure an equitable distribution of costs of the system among the employers who cause unemployment and to encourage employers to stabilize their workforce.

Dependent on their experience rating, New Jersey employers are taxed on a scale from 0.03% to a maximum of 5.4% on the first $28,900 (2009) paid in wages, a range from a minimum of $87 to a maximum of $1,560 per employee. New employers, since they have no experience, begin at a tax rate of 0.26%, or $751 a year, per employee. The average tax rate on taxable wages ($27,700 in 2007) was 2.02%, or $559.54 per employee, which was 24th in the nation. The total amount of employer contributions in New Jersey for 2007 was $1.5 billion.

ELIGIBILITY

Unemployment insurance is available to individuals in New Jersey, who, in most instances, have lost their jobs through no fault of their own. Persons who are **not** eligible for unemployment insurance include those who: voluntarily left their employment: were terminated for "gross misconduct;" are not employed in a "covered service," as defined in federal unemployment compensation law; certain corporate officers and owners of businesses and those who have not worked enough hours or for a sufficient amount of time to qualify.

More specifically, some examples of employment exempt from "covered services" under section 3306 of the Social Security Act and therefore not covered under unemployment insurance are: ministers or members of religious orders; services performed in the employ of a foreign government; insurance solicitors who work on commission; certain agricultural labor; and certain domestic service. In addition, FUTA excludes from its definition of "covered service" several categories of employers that, while not required to pay the FUTA tax or the State tax, are required to provide unemployment compensation benefits through an alternate system. Examples of these types of services include: federal employers; non-profit employers; maritime employers; railroad employers; and the State. Furthermore, corporate officers or business owners who have ceased working but the corporation has not filed for bankruptcy are not eligible for unemployment insurance but those individuals whose corporations have filed for bankruptcy are eligible. Lastly, individuals must have earned at least 20 times the minimum wage for at least 20 weeks or earned at least 1,000 times the state hourly minimum wage during their base year. The base year is either: the first four calendar quarters of the last five completed quarters before the date of the claim; the four most recently completed calendar quarters before the date of the claim; or the three most recently completed calendar quarters before the date of the claim and the weeks in the filing quarter up to the date of the claim.

Background Paper: Unemployment Insurance – An Overview (Cont'd)

BENEFITS

Once an individual's eligibility for unemployment insurance is established, the level of benefits must be determined. In New Jersey, weekly UI benefits are 60 percent of a laid-off worker's weekly wages (plus dependent allowances), up to 57 percent of the Statewide average weekly wage (SAWW) for all workers, a maximum weekly benefit of $584 in 2009. The average New Jersey weekly benefit was $347 in 2007, fourth highest in the nation, but thirtieth in the nation as a percentage of average wages. The total amount of benefits paid to workers in New Jersey in 2007 was $1.934 billion.

In addition, the federal American Recovery and Reinvestment Act of 2009 (ARRA), includes a provision providing each individual receiving unemployment benefits an additional $25 per week of their claim. These additional funds are available from March 6, 2009 through January 1, 2010.

Duration of Benefits

Individuals may continue to collect unemployment benefits for up to 26 weeks in New Jersey. To remain eligible for benefits during this time, the individual must: report to the local One-Stop Career Center as scheduled; be able and available to work; actively seek work; not refuse any offer of suitable work and claim the weekly unemployment benefits on the Internet or by telephone. In New Jersey, in 2007, 139,116 individuals exhausted their benefits (44.7%), fourth highest in the nation. The average claim duration was 18.1 weeks, third highest in the nation.

Extended Benefits

There are four means by which an individual can access unemployment benefits beyond their regular 26 week duration. All of these benefits are cumulative and are in addition to the original 26 weeks of benefits. Two are permanently established in statute; the jointly funded federal-state extended benefits program and the State funded additional benefits during training program. Two are temporary in nature and are generally issued as either an act of Congress or an act of the State.

Federal/State Extended Benefits Program

First, the joint federal-state mandated extended benefits (EB) program is triggered when states reach certain levels of unemployment. The EB program provides for 50 percent of regular benefits or an additional 13 weeks of benefits, whichever is less, for workers. These benefits are equally funded from the state UI fund and from the federal extended unemployment compensation account (50/50). In New Jersey, the trigger for these benefits is an unemployment rate of at least 6.5% in each of the most recent three months, which must also represent 110% of the rate for the corresponding three-month period in either of the previous two years. If the average total unemployment rate reaches 8% and is 110% of the rate for the corresponding three-month period in either of the previous two years, New Jersey may extend benefits for 20 weeks or 80% of regular benefits.

New Jersey met the qualifications to trigger EB in the week ending March 7, 2009 and the State is currently operating under EB.

Background Paper: Unemployment Insurance – An Overview (Cont'd)

In order to provide greater relief to the states, the American Recovery and Reinvestment Act of 2009 (ARRA), includes a provision that eliminates the required State contribution for EB. Therefore, the federal government will be paying the total cost of the EB program initiated between February 17, 2009 and January 1, 2010.

Federal Temporary Extension of Unemployment Benefits

The second means to provide additional UI benefits are temporary extensions of unemployment compensation (TEUC) through an Act of Congress. The extensions are usually given for 50 percent of regular benefits or 13 week allotments, whichever is less, and there are certain qualifications that individuals must meet to access the funds. To qualify, individuals must have: filed an initial claim that was in effect during or after the onset of the TEUC; exhausted regular benefits or have no benefit rights due to the expiration of a benefit year ending during or after the onset of the TEUC; have no rights to regular or extended benefits under any state or federal law; and had 20 weeks of full-time work, or the equivalent in wages, in the base period.

Congress has issued a TEUC three times since June 26, 2008. The first TEUC was included in the Federal Fiscal Year 2008 supplemental spending bill (H.R.2642) and extended benefits for 50 percent of regular benefits or 13 weeks, whichever is less, through March 2009. Pursuant to amendments adopted in the ARRA, the deadline for these TEUC benefits are extended to May 30, 2010, enabling a greater number of individuals to benefit from the extension.

The second TEUC was included in the "Unemployment Compensation Act of 2008" (Public Law 110-449), enacted November 21, 2008, and provides for an additional 50 percent of regular benefits or 13 weeks, whichever is less, for states in which the unemployment rate reaches or exceeds an average of 6.0% for three consecutive months. New Jersey reached that trigger for the three-month period ending November 28, 2008. Workers in the State qualified for the additional 50 percent of regular benefits or 13 weeks, whichever is less, under these TEUC benefits as of January 10, 2009.

The third TEUC was also issued as a result of the "Unemployment Compensation Act of 2008" and provided an additional seven weeks of federally funded benefits beginning November 23, 2008 to all claimants.

State Emergency Unemployment Benefits Program

The third means by which individuals can continue their benefits beyond the initial 26 week period are State emergency unemployment benefits programs. While such a program is not currently active, the State has, in the past, statutorily authorized additional benefits through these emergency programs. This has occurred twice in the previous 15 years, from December 30, 2001 to March 9, 2002 and from June 2, 1996 to March 1, 1997. During the 2001/2002 extension, benefits were granted for 10 weeks, while the 1996/1997 extension provided up to 50% of the original benefit amount or 13 weeks, whichever was less.

Additional Benefits during Training

The fourth means by which individuals can continue their benefits beyond the initial 26 week period is the State funded, Additional Benefits during Training program (ABT). If

Background Paper: Unemployment Insurance – An Overview (Cont'd)

approved by a State counselor, eligible individuals may enroll in an approved training program and receive their unemployment insurance benefit for an additional 26 weeks. These funds are provided from the State UI fund. The total amount of ABT paid to workers in New Jersey in 2007 was $39.7 million.

Current Status of Benefits

All of these extensions, EB, TEUC, and ABT are cumulative and are provided to an individual in the following order, TEUC first, then EB, then ABT. Therefore, an individual who became unemployed in January, 2009 would be eligible for, in addition to the original 26 weeks of regular unemployment insurance benefits, an additional 13 weeks of extended benefits, plus 33 weeks of temporary extended benefits, plus 26 weeks of ABT for qualified individuals or a total of 98 weeks of successive possible benefits.

CURRENT FUND STATUS

Since January, 2008, the unemployment insurance system has experienced very high volumes of benefit claims due to steadily rising unemployment during the current recession. Unemployment has steadily increased from 4.6% in January, 2008, to 8.3% in March, 2009. As a result, the UI Fund was completely depleted as of March 11, 2009. On this date, the State commenced borrowing from the federal unemployment account to pay State UI benefits. States are permitted to borrow from the federal unemployment account to pay state UI claims, but must return the funds on a scheduled basis. The American Recovery and Reinvestment Act (ARRA) of 2009 contains a provision that temporarily waives the accrual of interest on loans issued from the federal unemployment account to states. This provision is in effect until December 31, 2010.

Beginning in March, 2008, when the department estimated that the balance of the UI Fund would be approximately $977.3 million on March 31, 2008, the Governor and the Legislature took action to avoid triggering an automatic tax rate increase on employers because of the low reserve ratio, as discussed on pages 2 and 3 of this backgrounder. The balance in March, 2008 was not sufficient to continue UI tax rates during FY2009 in the "A" tax schedule, which provides the lowest UI tax rates for employers. Thus, P.L.2008, c.20 was enacted in June, 2008 authorizing the transfer of $260 million into the UI fund from the General Fund and delaying the date for calculating the reserve ratio from March 31 to June 30, 2008. These changes enabled the fund to maintain the ratio needed to retain the "A" tax schedule for FY2009 and therefore avoided a tax increase for employers.

However, the increasing benefit payments throughout FY2009 decreased the fund to a zero balance in March, 2009. Foreseeing the depletion of the UI fund due to increased benefit needs, Governor Corzine proposed, as part of his mid year correction to the FY2009 budget on February 17, 2009, an additional $270 million be transferred to the UI Fund. This amount has been decreased to $150 million for FY2009 under the proposed spending outlined in the Budget in Brief (Appendix II, page 7) and reflected in the Statement of the UI Fund (page H-15). Yet, even with these added funds, the UI fund balance is now estimated to be approximately $750 million on March 31, 2009, resulting in a reserve ratio of approximately 1.0, which will trigger a shift to column B and a tax increase on July 1, 2009.

The UI tax increase will cost employers approximately $100 per employee and will generate an additional estimated $394 million. Even with this additional revenue, the

Background Paper: Unemployment Insurance – An Overview (Cont'd)

department is estimating that the UI Fund balance will be negative $1.6 billion on June 30, 2010 (page H-15). It is worth noting that the department's estimates are based on a "worst case scenario" and assume a ten percent decrease in revenue collected in FY2009 and a 35 percent increase in benefit payments in FY2010.

ARRA Funding

The federal American Recovery and Reinvestment Act (ARRA) of 2009 authorized, at a minimum, $221.77 million for unemployment insurance programs in the State for FY2009 and FY2010. Of this amount, $207 million was deposited into the State UI Fund on March 27, 2009 to assist in paying benefits and $14.773 million was authorized to offset additional State UI administrative costs. Additionally, ARRA authorized a federally funded $25 weekly unemployment benefit supplement available to all individuals receiving any form of State UI benefits beginning with the week ending February 28, 2009, and ending with all claims filed before January 1, 2010. The State will also receive funds from the federal government for the administrative expenses associated with this program. The total amount to be received is as yet undetermined.

Individuals receiving UI are also eligible under ARRA to purchase subsidized health insurance through a COBRA plan of their former employer, if available. COBRA (the Consolidated Omnibus Budget Reconciliation Act of 1985) allows certain people to extend employer-provided group health coverage, if they would otherwise lose the coverage due to certain events such as divorce or loss of a job. Under ARRA, UI recipients pay 35 percent of their COBRA premium and former employers pay the remaining 65 percent. Employers are then reimbursed by the federal government though a payroll tax credit.

SUMMARY

The unemployment compensation program is a state/federal partnership that has operated since 1935, in the wage of the Great Depression. The federal government establishes the parameters of the program and the states develop, implement, administer and monitor each program. The costs of the states' programs are funded jointly by federal and state taxes.

Currently, due to the economic recession the country is experiencing, the unemployment compensation program is under financial stress nationwide and in New Jersey. State UI programs nationwide are relying on federal dollars through the extension of benefits and the borrowing of federal dollars to support the trust funds. Absent a decrease in unemployment, a change in benefit level or an infusion of federal dollars, the current trust funds can not be maintained on the current tax structure.

Background Paper: New Jersey Unemployment Insurance Trust Fund Cash Balance 1994 – 2009

Budget Page.... H-15

The Social Security Act of 1935 authorized a federal-state unemployment insurance (UI) system to provide temporary partial wage replacement to individuals who lose their jobs through no fault of their own. New Jersey's UI system, established by the "unemployment compensation law," N.J.S.A.43:21-1 et seq., began paying benefits to laid off workers in 1939. The main goals of the UI system are to alleviate the hardship of involuntary unemployment on workers and their families and to stabilize the economy.

Unemployment insurance is funded jointly through the federal unemployment tax, established under the Federal Unemployment Tax Act and levied on employers and a State UI tax levied on employers and employees. All of the revenues collected from these taxes are deposited into a variety of specific fund accounts in the federal Unemployment Trust Fund.

The New Jersey UI Trust Fund account located within the federal Unemployment Trust Fund contains the revenues received by the State from the employer and employee unemployment insurance tax and specific allocations of funds from the federal government. For example, some of the federal funds allocated to the State through the "American Recovery and Reinvestment Act of 2009" are deposited into the State UI fund.

Following is a chart, provided by the Department of Labor and Workforce Development, that provides the New Jersey UI Trust Fund "Cash Balance" as it is recorded on December 31 of each year from 1994 through 2008. The chart also displays monthly cash fund balances for the years 2007 through January 2009.

The chart demonstrates the cyclical collection of revenue received by the State UI Trust Fund and how this interacts with the calculation of the "reserve ratio" determining the employer's UI State tax rate in the upcoming year. Two factors influence the cyclical nature of collections. First, only wages up to a certain level are taxed for UI benefits. In 2009, the first $28,900 in wages paid to an employee are subject to the State UI employer and employee tax. Therefore, any earnings above this figure are not taxed and thus, tax revenue collected for the fund (displayed as the Total Income column in the chart) generally decreases as the year progresses when many people have already surpassed $28,900 in wages and have completed their UI tax obligations for that year.

The chart also reflects that employers submit their UI tax payments to the State on a quarterly basis and are not required to pay the taxes to the State until the end of the first month after the end of the quarter. Subsequently, the chart indicates larger than average revenue as "Total Income" in May of each year. This revenue reflects the first quarter payments by employers into the fund. Although there is a delay in the appearance of that revenue in the cash balance of the fund, the payment is calculated as accrued revenue by the department for the first quarter of the calendar year (January through March). This is salient information because it is the "accrued revenue" plus any "cash balance" of the fund, less any liabilities, of the fund on March 31 of each year that equals the "fund balance." The "fund balance" is used to calculate the "reserve ratio" of the fund which, as previously stated, is used to determine the employer's tax rate for the following year.

Background Paper: New Jersey Unemployment Insurance Trust Fund Cash Balance 1994 – 2009 (Cont'd)

The "reserve ratio" is a calculation of the total fund balance on March 31 of that year (including the accrued revenue for the first quarter) as a percentage of total wages paid in the State the previous year. Since the first quarter is generally the highest revenue generating quarter for the fund, the "reserve ratio" is calculated on March 31 each year to result in the highest "reserve ratio" possible for the following year's tax rate. Once the "reserve ratio" is determined, the State then sets the corresponding tax rate for employers. If the "reserve ratio" is low, a new higher tax rate may be triggered to generate more revenue for the fund. If the "reserve ratio" is high, the current tax rate may be maintained or a new lower tax rate may be triggered because funds are at an adequate level to compensate beneficiaries in the upcoming year.

For example, in response to OLS questions during the review of the FY2009 budget, the department estimated that the UI fund would have a "reserve ratio" of 1.41% on March 31, 2009. The "reserve ratio" was calculated by dividing the estimated fund balance of $1.059 billion on March 31, 2009 by the estimated total wages paid in 2008, $75.377 billion, resulting in a reserve ratio of 1.41% (1.059 / 75.377 = .014049). However, due to the experience of the fund throughout 2008 and thus far in 2009, the fund balance fell to approximately $750 million on March 31, 2009, resulting in a reserve ratio of approximately 1.0% which will trigger a tax increase on July 1, 2009.

For a more detailed analysis of any of the topics above, please see the backgrounder "Unemployment Insurance – An Overview," beginning on page 34 of this report.

Background Paper: New Jersey Unemployment Insurance Trust Fund Cash Balance 1994 – 2009 (Cont'd)

DATE	TOTAL INCOME (1)		INTEREST (2)	BENEFITS REGULAR UI (3)	BENEFITS FSC/TEUC/ EUC08(4)		BENEFITS ABT(4)	TRUST FUND CASH BALANCE DECEMBER 31	
1994	1,244.9	(5)(6)	126.1	1,282.1	72.8	(7)	33.0	1,947.0	(5)(6)
1995	1,305.6		132.1	1,298.0	-2.4		24.0	1,987.8	
1996	1,600.8		141.9	1,362.6	-2.9		23.7	2,028.8	
1997	1,583.4		146.7	1,186.1	-2.5		22.7	2,384.9	
1998	1,438.7		171.1	1,131.2	-1.7		19.8	2,676.4	
1999	1,221.0		174.5	1,123.5	-1.8		24.8	2,708.8	
2000	1,510.1		189.5	1,088.9	-1.6		22.9	3,086.4	
2001	1,588.6		203.8	1,516.4	-1.8		22.8	3,121.7	
2002	1,128.5		173.3	2,042.9	786.3		26.0	2,306.3	(8)
2003	1,381.9		112.6	2,045.9	609.7		36.6	1,512.4	(8)
2004	1,505.1		67.6	1,877.5	65.9		45.7	1,001.8	(8)
2005	1,752.4		42.9	1,760.6	-7.7		40.7	914.0	(8)
2006	1,645.0		35.6	1,713.4	-3.0		37.6	693.6	(8)
2007	1,958.9		32.8	1,855.4	-2.3		39.7	650.4	(8)
2008	1,982.2		31.20	2,235.2	570.9		29.20	516.8	(8)(9)
2007									
JAN	58.9		-	199.1	-0.1		3.2	555.4	
FEB	179.3		-	174.1	-0.2		3.2	558.1	
MAR	23.7		6.6	174.1	-0.2		3.1	377.6	
APR	45.8		-	162.2	-0.2		3.4	250.0	
MAY	769.8		-	148.5	-0.4		3.5	866.9	
JUN	8.7		7.6	125.8	-0.2		3.0	733.2	
JUL	40.4		-	163.2	-0.2		3.6	600.4	
AUG	452.6		-	145.3	-0.2		2.8	887.6	
SEP	22.4		9.6	126.9	-0.2		2.8	762.1	
OCT	39.8		-	147.6	-0.2		4.0	640.3	
NOV	293.0		-	130.0	-0.1		3.4	788.1	
DEC	24.4		9.0	158.5	-0.1		3.7	650.4	
2008									
JAN	60.9		-	204.3	*		3.4	496.9	
FEB	193.6		-	185.0	-0.1		3.6	487.5	
MAR	21.1		6.1	198.1	-0.1		4.0	297.1	
APR	60.0		-	188.8	-0.3		4.0	161.4	
MAY	751.4		-	147.3	-0.2		3.4	742.2	
JUN	18.7		6.4	164.2	-0.2		3.6	847.0	(9)
JUL	154.3		-	186.5	17.8		2.1	802.1	
AUG	359.8		-	162.7	127.3		0.3	974.1	
SEP	12.7		10.4	184.0	123.1		0.1	792.9	
OCT	101.0		-	169.7	103.5		1.0	708.3	
NOV	221.8		-	180.2	54.6		2.1	750.7	
DEC	26.9		8.3	264.4	145.5		1.6	516.8	
2009									
JAN	18.5		-	276.0	178.6		0.1	222.4	
FEB	219.4		-	292.6	171.9		0.1	141.4	

* Less than 0.1 million. (See notes, attached)

Background Paper: New Jersey Unemployment Insurance Trust Fund Cash Balance 1994 – 2009 (Cont'd)

FOOTNOTES

(1) Trust fund income includes employer and employee contributions, interest and reimbursable income and is derived from the BA-29 report (an internal department report).

(2) Interest payments are credited to the State's account in the Unemployment Trust Fund (UTF) at the end of each calendar quarter and are included in income figures.

(3) Benefits include payments to claimants under the Regular UI program and are derived from the BA-29 report. These figures include payments made to the former employees of both contributory and reimbursable employers, but do not include refunds collected.

(4) The Federal Emergency Unemployment Compensation (EUC) Program (known in New Jersey as FSC) operated from November 1991 to April 1994. The maximum entitlement under the FSC Program varied between 7 and 33 weeks, depending on the level of the program's triggers.

Under the Workforce Development Partnership Program (WDP), which was signed into law on July 7, 1992, certain individuals may be able to collect additional unemployment insurance benefits. Eligibility was initially restricted to claimants who were entitled to not less than 26 weeks of Regular UI benefits, had exhausted their entitlement to regular UI and were permanently separated from employment and unlikely to return to such employment. Effective July 8, 2001 the 26-week potential duration rule was eliminated, affecting ABT payments in October 2001, when the change was implemented. Additional Benefits During Training (ABT) are payable at the regular weekly benefit rate for up to 26 weeks while the individual is in approved training. Beginning July 2004, the WDP law was revised to limit ABT to 2.0 percent of the Unemployment Trust Fund (UTF) balance on December 31 of the previous year. Included is a carry forward provision from prior years.

The Federal Temporary Extended Unemployment Compensation (TEUC) program, enacted in March 2002, provided up to 13 weeks of extended benefits for UI claimants who were unemployed after March 9, 2002, exhausted their UI benefits, had a regular UI claim dated March 19, 2000 or later and filed a regular UI claim after March 10, 2001. Benefits were payable from March 10 through December 28, 2002.

On January 8, 2003, the TEUC program was extended through May 31, 2003 for filing of TEUC claims and through August 30, 2003 for payments on claims filed. The extension was retroactive to the previous expiration date of December 28, 2002. On May 28, 2003 the Temporary Extended Unemployment Compensation Act (TUC) of 2002 was amended to end December 31, 2003. The last date for filing claims was December 21, 2003 and the last allowable payments were for week ending April 3, 2004.

On April 16 2003, special rules created for determining TEUC eligibility for certain displaced airline and related workers were enacted. Such workers may qualify for up to 39 weeks of TEUC-A. Benefits are payable beginning April 20, 2003. The program ended December 27, 2003 for filing of TEUC-A claims and payments ended January 1, 2005 for claims filed.

On June 6, 2008, President Bush signed legislation that allowed the federal government to establish the Extended Unemployment Compensation (EUC) program. This program was expanded on November 21, 2008. The maximum amount of EUC payable is 20 times the original weekly benefit amount or 80% of the original maximum benefit amount, whichever is less. EUC benefits are payable as of beginning July 6, 2008 and will continue to be payable until August 27, 2009.

(5) Beginning in the second quarter of 1993, employer and worker unemployment insurance contributions were reduced because of the redirection of a portion of UI employer taxes and all of the worker tax to fund the costs of the Workforce Development Partnership Program (WDP) and charity health care. The redirection of .025% of the worker tax to WDP became permanent on January 10, 1996. The charity care diversion lapsed for the first quarter of 1996 (reflected in second quarter receipts), but resumed in the second quarter of 1996 (reflected in third quarter receipts) as a result of the enactment of P.L. 1996, Chapter 28, which renewed the health care diversion through December 31, 1997.

The charity care diversion was renewed again for the period January 1, 1998 (reflected in second quarter receipts) through December 31, 2002 as a result of the enactment of P.L. 1997, Chapter 263. A portion of employer UI taxes was redirected to the Health Care Subsidy Fund for calendar years 1998 through 2000, while a portion of the worker tax was diverted for the period 1998 through 2002.

Effective July 1, 2001, employer taxes were reduced by 0.0175 percent for the Supplemental Workforce Fund (SWF) for Basic Skills and January 1, 2002 worker tax was reduced by 0.0175 percent for SWF.

P.L. 2002, Chapter 13, extended the health care diversion through June 2003. For January through June 2002 a new diversion of $325 million was added to the previously scheduled $66.5 million for a total of $391.5 million. An additional $125 million was diverted to the Health Care Subsidy Fund from April – June 2002, under P.L.2002 c.29. The bill also included a new diversion of $325 million for July 2002 through July

Background Paper: New Jersey Unemployment Insurance Trust Fund Cash Balance 1994 – 2009 (Cont'd)

2003. the additional amounts were financed by reductions in UI employer and worker taxes during the period January 2002 to July 2003.

On June 30, 2003, P.L. 2003, Chapter 107 was signed. This bill diverted an additional $325 million for health care from July 1, 2003 through June 30, 2004. The reduction in UI worker and employer taxes was extended through June 2004.

A bill diverting $100 million for health care was signed on June 29, 2004 and reduced employer taxes through June 30, 2005.

An amended bill redirecting $350 million for health care was approved on July 2, 2005 and reduced employer taxes through June 30, 2006.

Income and trust fund balance figures include the following amounts collected for health care in excess of the statutory limit on contributions to the Health Care Subsidy Fund: $216.7 million in 1994, $258.7 million in 1995, $96.9 million in 1996, $93.8 million in 1997, $53.4 million in 1998, $10.1 million in 1999, $30.3 million in 2000, $50.3 million in 2001, $17.0 million in 2002, $5.3 million in 2003, $14 million in 2004, $-0.9 million in 2005, $37.0 million in 2006, $2.7 million in 2007 and $1.6 million through November 2008.

(6) Pursuant to budget language in the Appropriations Act for State Fiscal Year 1990 , PL 1989, C.122 40% of worker contributions received between July 1989 and June 1990 or $100 million, whichever was greater, was transferred to the Uncompensated Care Offset Account (for Charity Care). A total of $40.7 million was transferred during 1989, while the 1990 transfers were $59.3 million. Under the terms of an agreement with the U.S. Department of Labor, the $100 million plus accrued interest was to be repaid in two installments in state fiscal years 1993 and 1995. The first payment, received on September 30, 1992, was $37.5 million, while the final payment of $101.8 million was received on September 30, 1994. Both amounts are included in total income.

(7) Reflects accounting adjustments made to FSC benefits from July 1992 through June 1994.

(8) Includes $242.8 million in federal Reed Act funds transferred to the State UTF less $0.4 million expended in 2002, $13.7 million expended in 2003, $9.7 million expended in 2004, $11.9 million expended in 2005, $48.7 million expended in 2006, $28.1 million expended in 2007, and $21.2 million expended through November 2008.

(9) Includes $260 million transferred from the General Fund to the UTF on June 27, 2008.

New Jersey Department of Labor and Workforce Development, Program Planning, Analysis and Evaluation, Date: December 2008

Key - FSC - Emergency Unemployment Compensation (EUC) Program, known in New Jersey as FSC [Federal Supplemental Compensation Program]. See footnote (4).

ABT - Additional Benefits During Training. See footnote (4).

NJEB - New Jersey Extended Benefits Program. See footnote (4).

TEUC/TEUC-A - Temporary Extended Unemployment Compensation. See footnote (4).

SWF - Supplemental Workforce Fund (SWF) for Basic Skills. See footnote (7).

Background Paper: History of Diversions from the Unemployment Insurance, the Temporary Disability Insurance, and the Second Injury Fund.

Budget Pages.... B-6, F-8, H-9, H-15

INTRODUCTION

From 1992 to 2007, 19 laws were enacted which diverted a total of $5.359 billion in resources from various funds dedicated to benefits for workers. In 2008, one law was enacted which transferred $260 million back into the Unemployment Insurance (UI) trust fund. The largest portion of the diverted funds was $4.7 billion in employer and employee payroll taxes diverted from payments into the UI trust fund to payments into the Health Care Subsidy Fund (HCSF or "charity care" fund). In addition, $598 million from the State Disability Benefits Fund, more commonly known as the Temporary Disability Insurance (TDI) fund, and $70 million from the Second Injury Fund (SIF) were transferred to the General Fund.

P.L. 2008, c.20 appropriated $260 million from the General Fund for deposit into the UI trust fund. This deposit avoided an automatic tax increase due to insufficient funds in the UI trust fund. However, throughout FY2009, the benefits payout from the UI trust fund continued to increase as the numbers of unemployed increased. In February 2009, Governor Corzine authorized the transfer of $150 million from the General Fund to the UI trust fund. When this transfer is complete, the total amount of funds transferred back into the UI trust fund will be $410 million.

The proposed budget for FY2010 continues the earlier trend of diverting revenues from benefit funds for General Fund revenue. On page 39 of the Budget in Brief, a $50 million transfer from the TDI fund is calculated as State Revenue in FY2009. In addition, the proposed Budget (page F-8) authorizes the transfer of $50 million from the TDI fund to the General Fund as a revenue solution for the FY2010 budget.

All 20 enacted laws redirecting the resources of the UI fund, TDI fund and SIF fund are listed below. The proposed transfers for FY2009 and FY2010 are included.

Unemployment Insurance (UI)

P.L. 1992, c.160 (A11/S710) 3-year original diversion of UI taxes to the Health Care Subsidy Fund (HCSF or "charity care" fund) - $1.6 billion over calendar years, 1993-1995.

P.L. 1996, c.29 (A1590/S1138) 2-year extension of the diversion of UI taxes to the HCSF - $679 million over calendar years 1996-1997.

P.L. 1997, c.263 (A3309/S2358) 5-year extension of diversion of UI taxes to the HCSF - $862 million over calendar years 1998 – 2002.

P.L. 2002, c.13 (A2127/S20) 1 and a half year diversion of UI taxes to the HCSF - $650 million over calendar years 2002 – 2003.

P.L. 2002, c.29 (A2503/S1628) 6 month diversion of UI taxes to the HCSF - $125 million during the first 6 months of CY 2002.

Background Paper: History of Diversions from the Unemployment Insurance, the Temporary Disability Insurance and the Second Injury Fund (Cont'd)

P.L. 2003, c.107 (A3702/S2587) 1 year diversion of UI taxes to the HCSF - $325 million during FY 2004.

P.L. 2004, c.45 (A3104/S1656) 1 year diversion of UI taxes to the HCSF - $100 million during FY 2005.

P.L. 2005, c.123 (A4406/S2607) 1 year diversion of UI taxes to the HCSF - $350 million during FY 2006.

P.L.2008, c.20 (A2801/S1698) Appropriated $260 million from the State's FY2008 budget surplus to the UI fund to augment the fund balance, approved June 19, 2008.

Proposed Budget (pages B-6, H-15) Proposes appropriating $150 million from the State's General Fund to the UI fund in FY2009 to augment the fund balance.

Total diverted from UI taxes to the HCSF: $4.691 billion.

Total appropriated to the UI Fund from the General Fund: $260 million (an additional $150 million for FY2009 is currently pending).

Temporary Disability Insurance (TDI)

P.L. 1994, c.112 (S146/A2136) First diversion from TDI fund. Borrowed $100 million from the TDI fund for the General Fund, but eventually not repaid, as noted below.

P.L. 1996, c.47 (A32/S1390) Second TDI diversion. Repaid $100 million to the TDI fund, then diverted $250 million from the TDI fund for the General Fund with no payback provision, in other words, transferred an additional net amount of $150 million.

P.L. 2001, c.130 (S2500/A2000) (FY 2002 Appropriations Act) Transferred $33 million from TDI fund to the General Fund.

P.L. 2002, c.7 (A2006/S17) Transferred $50 million from TDI fund to the General Fund before the end of FY 2002.

P.L. 2003, c.109 (A3704/S2583) Transferred $30 million from TDI fund to the General Fund in FY 2004.

P.L. 2004, c.44 (A3103 /S1655) Transferred $110 million from TDI fund to the General Fund in FY 2005.

P.L. 2006, c.45 (S2007/A4900) (FY 2007 Appropriations Act) Transferred $50 million from the TDI Fund to the General Fund.

P.L. 2007, c.111 (S3000/A5000) (FY 2008 Appropriations Act) Transferred $75 million from the TDI Fund to the General Fund.

Background Paper: History of Diversions from the Unemployment Insurance, the Temporary Disability Insurance and the Second Injury Fund (Cont'd)

P.L. 2008, c.35 (S2009/A2800) Language in the FY2009 Appropriations Act (Appropriations Handbook page E-6) authorized an unspecified amount of funds to be transferred to the TDI Fund from the General Fund, at the discretion of the State Treasurer in consultation with the Commissioner of Labor and Workforce Development. The interfund transfer, made pursuant to this language, of $50 million from the TDI Fund to the General Fund in FY2009 is reflected in the proposed budget (page H-9).

Proposed Budget (page F-8) Proposes transferring $50 million from the TDI Fund to the General Fund as State revenue for FY2010.

Total transferred from TDI Fund to the General Fund: $598 million (an additional $100 million is proposed for FY2009 and FY2010)

Second Injury Fund (SIF)

P.L. 1999, c.138 (S3000/A3300) (FY 2000 Appropriations Act) Transferred $30 million from the Second Injury Fund (SIF) to the General Fund.

P.L. 2002, c.5 (A2007/S15) Transferred $20 million from the SIF to the General Fund.

P.L. 2003, c.111 (A3707/S2584) Transferred $20 million from the SIF to the General Fund.

Total transferred from Second Injury Fund to the General Fund: $70 million.

Total diverted or transferred from all three funds:	$5.359 billion
Total proposed to be transferred from the TDI Fund, FY2009/FY2010	$100 million
Total appropriated to funds:	$260 million
Total proposed appropriated to funds, FY2009/FY2010:	$150 million

Background Paper: New Jersey's Workforce Development Programs

Budget Pages.... C-6, C-23, D-219, D-229 to D-247, D-386, H-7, H-10

INTRODUCTION

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 unemployment insurance (UI) payroll tax revenues redirected into the Workforce Development Partnership Fund and the Supplemental Workforce Fund for Basic Skills;

- 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 effected by P.L. 2004, c.39. Under the reorganization, the department was given responsibility for employment-directed and workforce development programs previously provided by other State departments. Most importantly, the training and employment portions of WFNJ and TANF were transferred from the Department of Human Services, while adult education and apprenticeship 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 entitled participants 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 of all training providers and with counseling to help select the training providers which will best enable them to attain self-sufficiency.

Most of these services 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, "grandfathered" existing non-profit community and faith based contractors, and entirely banned for-profit businesses from serving as OSCC operators.

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

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

the Supplemental Workforce Fund for Basic Skills (SWFBS), established in 2001 by P.L.2001, c.152. Both are funded through the redirection of employer and worker UI payroll taxes. The revenues of the WDPF are estimated to reach $98.1 million in FY 2010 (page H-7), while total revenue for the SWFBS will grow to an estimated $27 million (page H-10).

The total $125.1 million in UI revenues that will be redirected to workforce development exceeds the $76.4 million in federal Workforce Investment Act funds in FY2010 for the State (page C-23) and represents an annual level of funding of more than $30 per UI-covered worker.[1]

P.L.2001, c.152 requires that, for each operational area of the 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 percent of the amount allocated, be immediately returned to the UI fund. However, budget language is continued in the proposed budget (page D-243) and the FY2009 Appropriations Act (Appropriations Handbook, page B-126) provides that notwithstanding this statutory provision, the unexpended balance remaining in the WDPF and the SWFBS at the end of the Fiscal Year are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

1. WORKFORCE DEVELOPMENT PARTNERSHIP FUND

At its inception in 1992, the resources of 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, 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 Dislocated 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

Notwithstanding these statutory allocations, WDPF funds have been periodically shifted, by language in the annual appropriations act, to support other initiatives. For example,

[1] New Jersey's combined tax rate for the WDPF and SWFBS is 0.16%, higher than almost all of at least 14 other states which have job training taxes. More significantly, the UI tax base to which the tax is applied ($28,900 in CY2009) is indexed to reflect the growth of the average wage in New Jersey, a much higher tax base than most states, some of which are as low as the federal minimum requirement of $7,000. See "Comparison of State Unemployment Insurance Laws, 2007" 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)

the proposed FY 2010 budgets for the Departments of Labor and Workforce Development and Human Services include multiple language provisions transferring approximately $61.1 million from the WDPF to several other programs: $1.9 million to the New Jersey Youth Corps (page D-243); at least $53.7 million to the Work First New Jersey Program (pages D-219, D-243); and approximately $5.5 million, to support initiatives recommended by the Commissioner in support of the "Governor's Economic Growth Strategy" (page D-243).

Additionally, the Governor's proposed budget indicates a $15 million transfer in FY2009 from the WDPF (page H-7) to the General Fund. According to the department, this transfer can be attributed to mid year adjustments intended to meet the estimated $2.1 billion general revenue shortfall for FY2009.

In response to last year's OLS discussion points, the department issued the following estimates and projections concerning the WDP Program; please note that there is no data for individual grants for disadvantaged workers (those receiving or eligible for welfare). The entire disadvantaged category (except for supplemental workforce development benefits) is included in 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 (est. in millions) FY2009
A. Individual Training Grants for Dislocated Workers	$14.1
B. Customized Training Grants	$22.0
C. Occupational Safety and Health Training	$2.4
D. Youth Transitions to Work	$2.9
E. Supplemental Workforce Development Benefits	$3.8

A. Individual Training Grants for Dislocated Workers

The Individual Training Grants for Dislocated Workers program provides training grant vouchers of up to $4,000 to dislocated workers, allowing them to pursue training from State-approved providers such as community colleges, universities, or private proprietary, vocational technical schools. The data below illustrates the utilization of individual training grants for dislocated workers.[2]

Individual Training Grants	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Individuals Receiving Counseling	12,326	15,845	12,220	15,638	13,433	10,836	8,087	7,745
Participants Completing Training	4,707	4,510	4,205	4,105	3,466	2,559	2,691	2,999
Participants Entering Employment	3,946	2,527	2,835	2,725	2,426	2,128	1,675	1,874

[2] page 26, the New Jersey Department of Labor and Workforce Development Annual Statistical Review, 2006, available at http://lwd.dol.state.nj.us/labor/lpa/pub/statrev/statrev.pdf

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

Grants Issued	4,264	4,915	3,682	3,650	3,761	3,739	3,439	3,533
Funds Obligated (millions)	$12.5	$14.5	$11.2	$11.1	$12.9	$10.5	$10.5	$13.1

B. Customized Training Grants Program

The Customized Training Grants Program 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 those which 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.[3]

Customized Training	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Workers Enrolled (est.)	59,096	43,371	31,095	31,348	47,505	45,696	55,364	67,829
Grants Approved	435	417	332	188	178	248	245	223
Companies Served	3,353	517	415	235	220	453	302	307
Grant Funds Awarded (millions)	$40.8	$21.4	$18.0	$18.3	$22.9	$26.2	$25.3	$27.0

C. Occupational Safety and Health Training

The Occupational Safety and Health Training program provides occupational safety and health training for both public and private sector employers and employees. The data below illustrates the utilization of occupational safety and health training for workers.[4]

Occupational Safety and Health Training	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Trainees Enrolled	1,000	11,487	11,253	11,296	11,341	9,490	10,051	3,713
Grants Approved	3	15	4	4	4	4	5	5
Grant Funds Awarded (millions)	$1.1	$2.0	$2.2	$2.5	$2.5	$2.0	$1.6	$1.2

[3] page 26, NJDLWD Annual Statistical Review 2006 (FY00 – FY07); response to OLS discussion points during FY2009 budget review (FY2007).

[4] page 26, NJDLWD Annual Statistical Review 2006; response to OLS discussion points during FY2009 budget review (FY2007).

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

D. Youth Transition to Work Program

The Youth Transition to Work (YTTW) Program awards grants 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 develop 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.[5]

Youth Transitions to Work Program	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Students Enrolled	1,594	1,721	2,040	1,070	2,329	2,118	1,597	2,418
New Consortia Served	9	9	9	9	10	15	14	14
Program Funds Obligated (millions)	$1.7	$2.2	$2.4	$2.4	$3.3	$3.2	$2.6	$2.6

E. Supplemental Workforce Development Benefits (the "Smart STEPS" Program)

Established by P.L.2004, c.39, the Smart STEPS Program reserves $5 million annually of the WDP funds to provide benefits in 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, associate or bachelor's degrees. This opportunity for study is coordinated with needed support services, side-stepping increasingly stringent federal TANF work requirements and favoring sustained educational efforts to attain economic self-sufficiency. As of March 2008, three years after the program began, 672 individuals have been involved in the program at a cost of $5,506 per individual. The program has also stopped accepting applicants to, according to the department, ensure adequate funding for current participants' completion of their individual programs.[6]

2. SUPPLEMENTAL WORKFORCE FUND FOR BASIC SKILLS

Separately, pursuant to P.L.2001 c.152, New Jersey created the Supplemental Workforce Fund for Basic Skills (SWFBS), designed to fund basic skills training for unemployed and under employed workers. These skills include math, reading comprehension, computer literacy, English as a second language and work-readiness skills. SWFBS funds are allocated as follows: 24 percent for workplace literacy programs operated in One Stop Career Centers (OSCC); 28 percent for Workforce Investment Boards (WIB) to give grants to individuals in

[5] page 26, NJDLWD Annual Statistical Review 2006; response to OLS discussion points during FY2009 budget review (FY2007).
[6] Page 22, NJDLWD Workforce Investment Act Annual Report 2007, http://lwd.dol.state.nj.us/labor/forms_pdfs/lwdhome/NJ2007WIAAnnualReport.pdf

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

need of basic skills training; 38 percent for the Office of Customized Training (OCT) to give basic skills grants to consortia of schools, businesses, unions and community organizations, and 10 percent for administration or any of the other indicated purposes.

In response to last year's OLS Discussion Points, the department issued the following estimates and projections concerning the SWFBS.

Supplemental Workforce Fund for Basic Skills	Cost in millions		
	Actual FY2007	Estimated FY2008	Projected FY2009
Fund Balance (July 1)	27.4	17.5	12.4
Administration costs	2.0	1.6	1.3
Workplace literacy programs in OSCC (24%)	3.8	5.2	6.2
Basic skills training grants in WIBs (28%)	7.3	6.4	7.3
Basic skills grants through OCTs (38%)	4.2	4.1	5.7

The total amount available in the SWFBS for FY 2010, including investment earnings, is estimated at $44.4 million (page H-10). The SWFBS has ending balances of $20.4 million, $17.3 million (projected), and $13.9 million (projected) in FY2008, FY2009 and FY2010, respectively.

The proposed budget recommends $2 million be appropriated for the SWFBS, representing a 10 percent administrative allowance (page D-241). Budget language authorizes that these funds be allocated from the SWFBS (page D-243). Additionally, budget language authorizes an amount not to exceed $2.2 million from the SWFBS to the NJ Youth Corps (page D-244). The budget also includes language authorizing the transfer of $14 million from the SWFBS to County Colleges for operating aid (page D-386).

3. ADDITIONAL UNEMPLOYMENT BENEFITS DURING TRAINING

In 1992, the UI law was amended (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.[7]

Additional Benefits During Training (ABT)	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Individuals receiving ABT	5,794	6,053	7,498	7,581	8,642	8,090	7,567	7,608
ABT expended (millions)	$22.9	$22.8	$26.0	$36.6	$45.7	$40.7	$37.6	$39.7

[7] page 26, NJDLWD Annual Statistical Review 2006; response to OLS discussion points during FY2009 budget review (FY2007)

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

FEDERAL PROGRAMS

1. 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 elements:[8]

- 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.[9]

P.L.1992, c.48, imposed State standards on federal training programs, including programs funded under 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 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.

WIA funding is provided from the federal government through grant agreements with the department. The department then distributes this money through grant agreements with the local recipients (local Workforce Investment Boards and One Stop Career Centers). According to budget data (page C-23), the State is authorized to receive an estimated $76.4 million in WIA funding in FY2010, $76.6 million in FY2009 and $60.7 million in FY2008 (actual). Additionally, the federal government through the American Reinvestment and Recovery Act of 2009 (ARRA), appropriated $62.9 million to the State in FY2009 for increased job training and workforce programs through WIA.

At this time, it is unclear what effect the influx of federal money from ARRA will have on the services to individuals in FY2009. However, in response to last year's OLS Discussion

[8] See www.doleta.gov/usworkforce/wia/wialaw.txt.
[9] See www.doleta.gov/usworkforce/wia/Runningtext2.htm.

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

Points, the department issued the following estimates and projections concerning the Workforce Investment Act (WIA).

Workforce Investment Act (WIA)	Funding 2009 (est. in millions)	Number of Trainees		
		Actual FY2007	Estimated FY2008	Projected FY2009
Dislocated Working Training	$23.9	4,596	4,955	3,677
Adult Training	$16.4	3,527	3,759	3,554
Youth Training	$16.3	4,420	3,911	3,565

2. 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.

The federal Deficit Reduction Act of 2005 reauthorized the Temporary Assistance for Needy Families (TANF) program and changed many TANF provisions. Included in the act were revisions to the State's obligations regarding workforce participation rates and work verification plans. If the State's workforce participation rate fails to meet the federal standards, a financial penalty of up to 5% of TANF funding could be applied to the State.

Moreover, if the State's work verification plan is not in operation by the start of federal FY 2008, the State will incur a 1% decrease in the TANF block grant for the first year of non-compliance (federal FY2009) and a 2% decrease for the second year (federal FY2010). According to the Federal Funds for the States, Issue Brief 08-12, this could result in a $4 million decrease in federal funds for New Jersey.

Proposed budget language permits up to $53.7 million in diversions from the Workforce Development Partnership Fund to the Department of Human Services (pages D-219, D-243). Up to a maximum of $20 million of these funds are to be used in the event federal funding is reduced because the State fails to meet the workforce participation rate as defined under the federal Deficit Reduction Act of 2005 (Pub.L.109-171). Similar budget language appeared in the FY2009 Appropriations Act (Appropriations Handbook, page B-116), but according to the department, has not been needed and funds are not expected to be transferred in FY2009.

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

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

Federal and State Welfare to Work Training Programs	Funding 2009 (est. in millions)	Number of Trainees		
		Actual FY2007	Estimated FY2008	Projected FY2009
WFNJ/TANF Recipient Training	$65	8,226	7,502	7,502
Food Stamp/General Assistance Recipient Training	$13.4	4,054	3,861	3,861

SUMMARY

In conclusion, all three main components of workforce development programs in the Department of Labor and Workforce Development are providing the citizens of New Jersey with support while they search for employment and gain new skills, thus increasing the viability of New Jersey's workforce. In addition, the programs are able to direct funds to existing New Jersey businesses to train their employees and keep them on the cutting edge of the workforce. The cost of these programs is supported by Federal and State funds, including funds obtained through State employer and employee payroll taxes.

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Individuals wishing information and committee schedules on the FY 2010 budget are encouraged to contact:

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