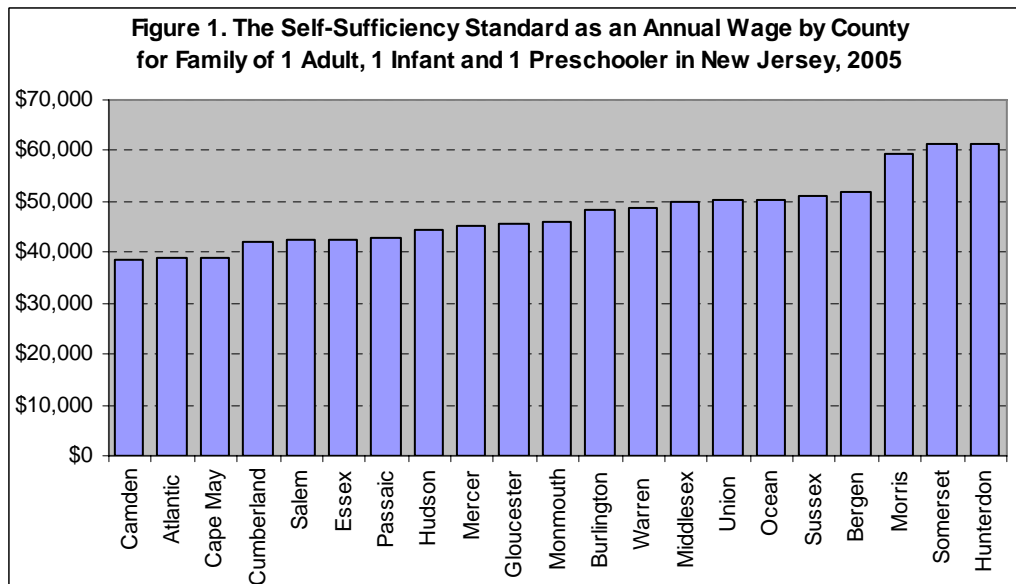


# INCOME SECURITY

## Scope of the Problem and Indicators of Need

New Jersey is a high cost state and finding financial security can be challenging for many of its families. The state's budget designates funds for the state's most vulnerable populations such as the disabled, the unemployed, and families on extremely low-incomes. For many New Jersey families, however, there is a gap between what it takes to make ends meet and the income sources they have – even with state assistance. Bridging the gap means providing 'income security' or the cash assistance needed to provide for and sustain a family. Below is a description of what is meant by income security, or the state of having enough income to make ends meet without the need for public or private assistance. It starts with an account of what it takes to be self-sufficient in New Jersey based on the Self-Sufficiency Standard. It then details poverty rates and the depth of poverty across New Jersey. Then, it describes specific populations more affected by poverty and the particular income security issues they face. This assessment of the problems around income security helps provide a framework for understanding whether or not budget allocations are sufficient to meet the need.

The Self-Sufficiency Standard, an estimate of the amount of income needed for a family to adequately meet their basic needs without public or private assistance, is considered the Real Cost of Living in New Jersey. It assumes a family is working and has employer-provided health care but also faces work-related expenses such as child care. Figure 1 depicts the annual wage as determined by the self-sufficiency standard for each county in New Jersey.



Source: Diana Pearce, "The Real Cost of Living in 2005: The Self-Sufficiency Standard for New Jersey," Prepared for Legal Services of New Jersey Poverty Research Institute, June 2005.

The real cost of living in New Jersey for a three-person family consisting of one adult, one infant, and one preschooler ranged from just below \$40,000 to a little over \$60,000 in 2005, depending on the county. This range offers an approximation of the level of income needed by the residents of New Jersey's twenty one counties to reach income security.

Poverty rates, on the other hand, measure a level of annual income so low as to hold self sufficiency out of reach. In 2005 a total of 738,969 New Jersey residents lived with income below the federal poverty line—an annual amount of \$15,735 for a family of three.<sup>1</sup> As well, 338,275 persons existed at what is considered severe poverty, less than fifty percent of the federal poverty line—a staggeringly low income of \$7,868 in a year for the same three-person family.<sup>2</sup>

At these low levels of income, New Jersey families are often left without adequate resources to meet their most basic food, clothing, shelter and medical needs. For this reason, true poverty in New Jersey—or the level of income necessary to survive in our high cost state—is more reasonably measured at 200 percent of the federal poverty line. As such, over 1.8 million New Jersey residents live in true poverty, meaning more than one in five residents suffered income insecurity in 2005.<sup>3</sup> It is important to understand that federal poverty guidelines are useful for broad comparisons of well-being that remain consistent over time, but they do not provide an accurate portrait of the cost of living. This is because the poverty line applies uniform poverty thresholds to all U.S. residents without taking into consideration geographic differences in the cost of living or cost variations based on the age of children in a household. Therefore, the income needed to meet basic living expenses in New Jersey varies significantly from the poverty line set by the federal government and even varies dramatically across counties and based on family size and a children's age. Since state and county population income data are not calculated using the more accurate self-sufficiency standard, however, analysis of poverty trends primarily depends on poverty rates calculated by the Census Bureau.

Below, figure 2 depicts the deep income polarization within New Jersey. Despite having counties with high rates of severe poverty, New Jersey consistently ranks as one of the wealthiest states in the country. Its median household income in 2005 was 34 percent higher than that of the nation.<sup>4</sup>

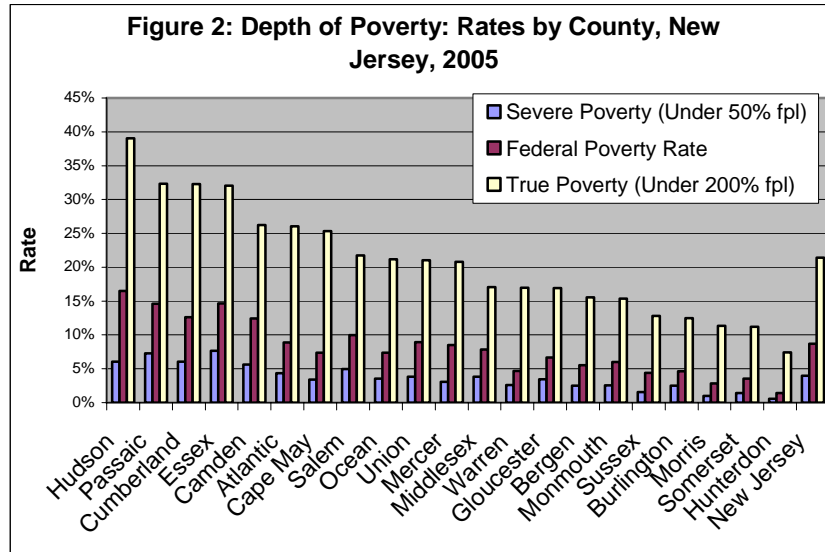
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<sup>1</sup> U.S. Census Bureau, 2005 American Community Survey

<sup>2</sup> U.S. Census Bureau, 2005 American Community Survey

<sup>3</sup> U.S. Census Bureau, 2005 American Community Survey

<sup>4</sup> Author's analysis of 2005 American Community Survey



Source: Author's Analysis of U.S. Census Bureau, 2005 American Community Survey

The story of poverty in New Jersey is one of a disproportionate impact on particular communities. Figure 2 clearly illustrates this unequal distribution of poverty in New Jersey. It denotes severe poverty (50 percent of the federal poverty line), federal poverty rate (100 percent of the federal poverty line), and true poverty (200 percent of the federal poverty line) for all counties. It shows an unequal distribution of poverty with higher rates of income inadequacy in selected urban and rural counties including Cumberland, with a 12.6 percent poverty rate, Passaic at 14.6 percent, and Hudson at 16.5 percent. Other counties such as Morris County, at 2.9 percent of residents in poverty, show a radically different picture.<sup>5</sup> Not only is this significant for financial and personal costs but also the social service needs of these counties

Specific populations within New Jersey also suffer disproportionately with poverty, and New Jersey administers a variety of programs that target assistance to need groups. Children in New Jersey experience poverty at a greater rate than their adult counterparts, particularly within poor cities. In 2005 child poverty was at 16 percent statewide, yet, well over half (58%) of the children in the city of Camden lived in poverty as did nearly a third (31%) of Newark's children.<sup>6</sup> In order to help poor families meet basic needs and move toward work, New Jersey operates Work First New Jersey (WFNJ), its public assistance or welfare program. Unfortunately, welfare benefits, at a maximum of \$5,088 annually are a far cry from the real cost of living identified as between \$40,000 and \$60,000 above.<sup>7</sup> Even when WFNJ payments are combined with food stamps it becomes an annual income of only \$9,804.<sup>8</sup> Disabilities provide an

<sup>5</sup> U.S. Census Bureau, 2005 American Community Survey

<sup>6</sup> Author's analysis of 2005 Decennial Census, U.S. Census Bureau.

<sup>7</sup> The maximum monthly benefit for a family of 3 is \$424 in New Jersey. Actual benefit levels may be lower if the family has another source of income, such as paid part-time employment, disability payments, or child support, or if benefits are reduced due to family cap or sanction.

<sup>8</sup> Pearce, Diana. June 2005. "The Real Cost of Living in 2005: The Self-Sufficiency Standard for New Jersey." Prepared for Legal Services of New Jersey, pg. 15.

additional challenge to income security, indeed 23 percent of New Jersey's poverty population in 2005 had a disability.<sup>9</sup> Programs such as Supplemental Security Income (SSI) and Temporary Disability Insurance (TDI) provide basic financial assistance to individuals who are unable to work due to permanent or temporary disabilities. Similar to WFNJ payment, SSI and TDI both provide cash assistance at rates below what is required for self-sufficiency.<sup>10</sup> Unfortunately, even work doesn't always provide the income security it should. Almost 60 percent of poor families in 2005 included at least one adult who worked at some point during the year.<sup>11</sup> Despite the recent increase in the state minimum wage to \$7.15 per hour, which will provide a full-time minimum wage worker with an annual wage of \$19,200,<sup>12</sup> the working poor still represent a significant portion of the state's official poverty population, and as well as the larger population of residents living with incomes below the real cost of living in the state. Even with specific programs aimed at addressing the need of New Jersey's low-income and working poor populations, such as the state Earned Income Tax Credit, poverty and income inadequacy remain. Largely because most of these programs do not raise family income levels high enough.

Low-income families are also at risk of slipping through the unemployment safety net when they lose a job. Unemployment insurance—the primary mechanism for helping working individuals that lose their jobs through no fault of their own restricts eligibility to only those individuals with earnings above a certain 'base amount.'<sup>13</sup> As such, low-wage and entry-level workers may move in and out of the labor force without acquiring enough income to qualify for benefits during periods of unemployment. Certainly, many of the jobs available to low-income workers are seasonal or part-time in nature. One study investigated whether welfare recipients in New Jersey that exited welfare and had worked in the two year period after leaving would be eligible for UI. The study simulated whether or not these welfare-leavers would have been monetarily eligible for UI if they experienced a qualifying job loss—through no fault of their own. They found that one of every four welfare-leavers that had found employment would have been ineligible for UI in 2002. As well, two-thirds of those deemed ineligible would be ineligible because their base period earnings were too low.<sup>14</sup> UI weekly benefits in New Jersey, which cover 60 percent of previous earnings, are relatively generous compared to other states and offer a more substantial safety net than welfare benefits to low-wage

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<sup>9</sup> Author's analysis of U.S. Census Bureau, 2005 American Community Survey, B23005

<sup>10</sup> Additionally, the Social Security Disability program (SSD) provides monthly cash assistance to individuals who are disabled, but have sufficient work history to be eligible for benefits. The SSD program is not discussed in this report as it is an entirely federally administered program. While benefit levels are higher for SSD recipients than SSI recipients (who do not have sufficient work history for SSD), they still fall below self-sufficiency levels in New Jersey.

<sup>11</sup> Author's analysis of U.S. Census Bureau, 2005 American Community Survey, B17004.

<sup>12</sup> Pearce, Diana. June 2005. "The Real Cost of Living in 2005: The Self-Sufficiency Standard for New Jersey." Prepared for Legal Services of New Jersey, pg. 15.

<sup>13</sup> UI eligibility in New Jersey requires employment in the first four of the last five calendar quarters with 20 or more weeks of work AND earnings of at least 20 times the state minimum hourly wage OR earnings at 1,000 times the state minimum hourly wage. Department of Labor and Workforce Development. "Just the Facts 2004".

<sup>14</sup> Rangarajan, Anu, Carol Razafindrakoto, and Walter Corson. "Study to Examine UI Eligibility Among Former TANF recipients: Evidence from New Jersey." November 2002. Mathematica Policy Research, Inc.

workers.<sup>15</sup> These higher benefits, however, are irrelevant to workers who cannot access them when needed.

Unlike other families, many low-income families are less able to handle the loss of income that results from a setback such as losing a job. One of major reasons for this is a low level or even complete lack of savings. On average, families with lower incomes have less opportunity to save as most of their income is spent on day to day expenses. These families lack any financial resources when faced with an unexpected hospital bill or car repair. Many feel forced to take out small loans with high interest rates, such as payday loans, while others juggle expenses. The economic constraints on saving for lower-income populations are exacerbated by the low resource limits in almost all need-based programs. For instance, welfare applicants are only eligible for assistance if they have few or no assets, and benefit levels are too low to facilitate savings once they are found eligible. All too frequently, little problems spiral into bigger problems without the cushion of savings. For example, a traffic ticket might be accompanied by a fine that cannot be paid and might result in a poor credit rating. Recent policy has begun to recognize this difficulty and is encouraging savings through the development of Individual Development Accounts (IDAs) that provide for matched savings accounts to develop assets. Unfortunately, funding for this program is low and only a very small portion of the poverty population benefits.

As the data illustrate, achieving income security in New Jersey requires an annual income of between \$40,000 and \$60,000 a year, depending on the county of residence. Particular parts of the state and particular groups have an especially difficult time reaching income security despite New Jersey's various assistance programs. Many face severe economic constraints as a result. Indeed, many residents rely on public programs to provide financial security.

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<sup>15</sup> Rangarajan, Anu, Carol Razafindrakoto, and Walter Corson. "Study to Examine UI Eligibility Among Former TANF recipients: Evidence from New Jersey." November 2002. Mathematica Policy Research, Inc.

## Income Security Programs

Income security programs provide critical support to New Jersey residents and the communities in which they live. These programs help support individuals and families who work, are looking for work, or are disabled. Such important programs include Work First New Jersey, Supplemental Security Income (SSI), Unemployment Insurance and the Earned Income Tax Credit. Additional federal programs also provide cash payments to eligible recipients, including Railroad Retirement Benefits, Veterans' Benefits and several programs administered by the Social Security Administration. Funding for these federally administered programs does not pass through New Jersey's budget; therefore, they are not discussed in this report.

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*Note: Some services that intersect with Income Security are referenced in this chapter but are more fully covered under the other indicated chapters, including Work First New Jersey (WFNJ) Child Care (In the Child Care chapter), WFNJ Work Programs (in Employment and Job Creation), WFNJ Substance Abuse Initiative (in Substance Abuse), WFNJ Mental Health Initiative (in Mental Health), New Jersey FamilyCare and Healthcare Subsidy Fund (in Health), and One-Stop Career Centers (in Employment and Job Creation).*

## Detailed Program Information

### **Work First New Jersey (WFNJ)**

#### ***Program Purpose and Description:***

Work First New Jersey is New Jersey's public assistance program. The program has two parts: 1) the Temporary Assistance to Needy Families (TANF) program for families with children and 2) the General Assistance (GA) program for adults without custodial care of children. The TANF program is funded through a federal block grant and state match dollars called Maintenance of Effort (MOE), while the GA program is an entirely state-funded program. The Department of Human Services Division of Family Development (DHS/DFD) is the agency responsible for supervising the WFNJ program at the state level. The TANF program is administered at the local level by county welfare agencies (CWAs) in accordance with program policies and regulations promulgated by the Department of Family Development (DFD) and through various contracts with providers for certain services. The GA program is similarly administered by CWAs or by municipal welfare agencies (MWAs), depending upon the locality.

While the program is known as a cash assistance program for eligible needy families and adults, it is also designed to provide job preparation, work, and support services, with the goal of enabling participants to leave the program and become self-sufficient. Central to the program is a time limit on receipt of benefits and a requirement to engage in work or work activities (discussed further in the Employment and Jobs Creations chapter of this report).<sup>16</sup> In order to receive assistance, applicants must assign rights to future child support collections to the agency and cooperate in locating absent parents and in establishing, modifying and enforcing support orders. The applicant must also agree to register with the local One Stop Career Center<sup>17</sup> and to meet the WFNJ work requirements, unless deferred for good cause. Applicants must also:

- Be income and resource eligible;
- Provide all necessary documentation;
- Sign an agreement to repay benefits in the event of receipt of income or resources;
- Obtain and/or provide a Social Security Number for all members of the assistance unit; and
- Comply with personal identification requirements which may employ the use of high technology processes for the detection of fraud.

The welfare agency is required to assess all program participants to determine barriers to employment and work with the participants to develop an Individual Responsibility Plan. The plan identifies specific work requirements or program activities that the participant must engage in and sets forth supportive services that will be provided

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<sup>16</sup> Individuals may be deferred from work requirements and may also be exempted from the 60-month time limit if they are unable to work due to disability, family violence or certain other substantial barriers to work.

<sup>17</sup> See the program description in the Employment and Jobs Creation chapter of this report.

by the welfare agency when such supports are needed to participate. The types of support services provided can vary depending upon the WFNJ program.

Starting in fall of 2003, non-exempt WFNJ participants with more than 60 months of cumulative benefits (the federal time limit for assistance through the TANF block grant) were required to participate in the Supportive Assistance to Individuals and Families (SAIF) program if they wished to continue receiving benefits. SAIF provides intensive case management services designed to resolve client barriers to work and eventually move recipients into employment. SAIF case managers are also charged with identifying recipients who should be exempted from time limits due to age, disability, family violence, or assessment as chronically unemployable. SAIF case management services are provided through nine contracted vendors across the state, including both county welfare agencies and not-for-profit community agencies.

## **Work First New Jersey / Temporary Assistance to Needy Families (WFNJ/TANF)**

### ***Program Purpose and Description:***

For WFNJ/TANF participants, the program provides some support services, including child care and transportation, when needed to meet work requirements. Additional program supports and social services are also available, though some may vary by county.

Post-TANF transitional benefits are available to working families who have left the TANF cash assistance program, including up to 24 months of child care assistance and transitional Medicaid and up to 7 months of transportation assistance. Additional transitional services can include training vouchers and temporary work support payments in certain circumstances. These services are provided with federal TANF funds, State Maintenance of Effort (MOE) dollars, and/or state funds that are not designated as MOE. Services are provided either directly, or through contracts with community agencies to provide services, and are available to working families with incomes up to 250 % of the federal poverty line (fpl).

In FY05, DFD developed a new initiative for TANF families with children under 12 months old, known as the TANF Initiative for Parents (TIP). TIP was developed as part of the state's child welfare reform effort and is designed to help parents of infants on TANF to develop their parenting skills. Participants can choose to have the TIP representative come to their home, to participate in community sessions at the One-Stop Career Center, or to combine the two options. TIP participation involves developing an individualized training plan that can include guidance on nutrition, medical and child care services, employment supports and other services and referrals. Participation in the program is optional and parents who choose to participate can have their work activity requirement waived. The waiver is for a maximum of 12 months for the lifetime of the TANF case. Under the WFNJ/TANF program, the maximum payment for a family with one adult and two children is \$424.00/month. The welfare grant levels have not been increased since 1987.<sup>18</sup>

### ***Budget and Performance Trends:***

Funding for WFNJ/TANF is provided from both the federal TANF block grant and state Maintenance of Effort (MOE) money. Line item appropriation data reported in the state budget materials, however, does not clearly identify the source of funding, nor does it consistently include both TANF and MOE sources as well as other state sources of funding. Moreover, a significant portion of the TANF block grant and MOE funding is used for services to poor families not involved with the WFNJ program,<sup>19</sup> further clouding the funding picture.

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<sup>18</sup> For more information, see the program description and a link to the WFNJ/TANF state plan at: <http://www.state.nj.us/humanservices/dfd/wfnjws.html>.

<sup>19</sup> Federal TANF rules allow use of TANF and MOE funding for supportive services to low-income families not receiving welfare payments as a means of preventing dependency and supporting family self-

Data in the tables on the following pages includes information from the state budget materials, as well as budget information provided by DFD. Information regarding TANF-and MOE-funded programs not under the umbrella of the WFNJ program is included in other sections of the report, where appropriate. Many of the budget figures in the state budget materials do not agree with the figures obtained from DFD. In some cases, this is due to adjustments from prior years that are included in the DFD budget and/or the inaccuracy of budget projections made at the time the Budget Book was produced. Where discrepancies exist that are not explained by these factors, further explanations are provided.

<b>Work First New Jersey TANF Evaluation Data<sup>20</sup></b>				
<b>WFNJ</b>	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Estimated FY07</b>
Average monthly recipients	112,280	116,188	114,034	111,317
Total assistance expenditures	\$173,890,282	\$181,852,810	\$178,960,398	\$175,591,436
Less: Credits	(\$3,642,004)	(\$4,076,516)	(\$3,964,505)	(\$3,995,505)
Less: Recoveries	(\$5,040,000)	(\$5,179,881)	(\$7,259,812)	(\$7,359,812)
Less: 50% gross child support collections <sup>21*</sup>	(\$28,664,585)	(\$28,716,938)	(\$26,936,984)	(\$26,936,984)
Add: Child support disregards*	\$4,321,455	\$4,329,348	\$4,397,799	\$4,397,799
Total WFNJ costs <sup>22</sup>	\$141,284,030	\$148,627,705	\$145,738,897	\$142,238,935
Less: WFNJ county expenditures	(\$5,630,733)	(\$5,630,733)	(\$5,940,002)	(\$5,975,159)
State WFNJ expenditures	\$135,653,297	\$142,996,972	\$139,798,895	\$136,263,776
<b>Source: State FY07 Budget Book (p. D-236)</b>				

Note – This table includes information accounting for a number of sources of revenue and expenditure that influence the final cost of the WFNJ TANF program to the state. “Credits” and “recoveries” reflect money that is recaptured by DFD from recipients either because of previous over-payments in benefits (“credits”) or lump-sum receipts of cash (such as SSI-back payments), which trigger an obligation for recipients to repay a portion of cash assistance previously received (“recoveries”). “50% gross child support collections”

sufficiency. Such uses range from funding state EITC payments (see program description later in this chapter), to Social Services for the Homeless assistance (see program description in the Additional Social Service Programs chapter of this report), to funding for preschool programs in Abbott districts (see program description in the Education chapter of this report).

<sup>20</sup> Two lines of evaluation data provided in the State FY06 Budget Book are not included here because they are misleading: “Average monthly grant” and “Add: burials.”

<sup>21</sup> See the Child Support chapter of this report for a discussion of the division of child support payments between the state, the federal government, and the receiving family.

<sup>22</sup> Language in the State FY06 Budget Book (p. D-221) includes a note stating that the “Total WFNJ costs” figure includes funding to offset reduced Child Support Program collections as a result of federal changes in distribution hierarchy.

reflects the portion of child support funds collected on behalf of TANF recipients that is retained by the state rather than being refunded to the federal government to off-set the block grant funding spent on cash assistance. Of this 50%, the state “passes through” the first \$50 each month to recipient families before using revenue to off-set expenditure costs, and this cost is reflected in the “Child support disregards” line. The portion of program costs born by the counties is indicated as “WFNJ county expenditures.” The final line for state expenditures indicates the sum of TANF and MOE funding that the state expends to cover the remaining cost of the WFNJ-TANF cash assistance program. \* This information marks information duplicated under the discussion of the Office of Child Support in the Child Support chapter of this report.

<b>Work First New Jersey TANF Work Activities Evaluation Data</b>				
<b>WFNJ Activities</b>	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Est. FY07</b>
Average monthly recipients entering employment	857	896	937	958
Average monthly recipients in supported work	3,687	3,360	3,360	3,360
Average monthly recipients in on-the-job training	497	357	357	357
Average monthly recipients in Alternative Work Experience (AWEP)	10,909	7,495	7,495	7,495
Average monthly recipients in Community Work Experience (CWEP)	1,365	978	978	978
Average monthly recipients in Vocational Training/Ed for teen parents	5,232	3,885	3,885	3,885
Employment/Work Activity Initiatives	3,713	2,735	2,735	2,735
Average monthly recipients in other activities	1,692	1,544	1,544	1,544
Average monthly recipients receiving training related expenses	8,644	6,874	6,170	5,854
<b>Source: State FY07 Budget Book (p. D-237)</b>				

Note – This evaluation data also appears in the Employment and Jobs Creation chapter of this report.

<b>Temporary Assistance to Needy Families Block Grant Schedule 2 (denotes federal revenue)</b>			
<b>Actual FY05</b>	<b>Estimated FY06</b>	<b>Estimated FY07</b>	<b>Appropriation FY07</b>
\$531,298,000	\$437,021,000	\$462,186,000	\$463,869,000
<b>Source: State FY07 Budget Book (p. C-28) &amp; FY07 Appropriations Bill S2007 (p. 15)</b>			

Note – This funding represents the entire federal block grant appropriation, including the portion that funds services for non-TANF low-income families. This line item does not include the state MOE funds for TANF and related programs.

<b>TANF/WFNJ</b>						
<b>Grants-In-Aid (distribution by fund and object)</b>						
	<b>Orig. &amp; --Supple. FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/ Recommend FY07</b>	<b>Actual Approp. FY07</b>
WFNJ – Training Related Expenses (TREs) <sup>23</sup>	\$12,905,000	\$13,121,000	\$7,276,000	\$14,013,000	\$14,130,000	\$14,130,000
WFNJ Support Services <sup>24</sup>	\$73,230,000	\$87,796,000	\$44,944,000	\$74,003,000	\$75,664,000	\$75,664,000
WFNJ – Comm. Housing for Teens	\$200,000	\$216,000	\$216,000	\$209,000	\$210,000	\$210,000
WFNJ – Breaking the Cycle	\$8,554,000	\$8,208,000	\$6,541,000	\$8,166,000	\$7,167,000	\$7,167,000
WFNJ – Child Care <sup>25</sup>	\$242,650,000	\$257,192,000	\$207,707,000	\$270,586,000	\$275,558,000	\$275,558,000
<b>Source: State FY07 Budget Book (p. D-239) &amp; FY07 Appropriations Bill S2007 (p. 126, 127)</b>						

Note – The above information regarding “Total FY05 Available” and “Expended FY05” indicates that most of the WFNJ-TANF programs other than cash assistance failed to spend a significant portion of their available funding in FY04. While there was some under-spending, which prompted DFD to re-examine its funding allocation in following fiscal years, the amount of funding that was not spent is significantly less than indicated in this chart and the cause of the under-spending was primarily due to lower case numbers than expected.

<sup>23</sup> This line item includes funding for TREs drawn from the federal Food Stamps Program funding, which provides funding for transportation assistance provided to GA recipients.

<sup>24</sup> This line item was formerly named “Work First New Jersey – Training Activities.” It includes funding for Career Advancement Vouchers, EEI, and Post-TANF Transportation Block Grant funding, as well as other supports for training and work activities provided through the welfare offices. Training services provided through the OSCCs are not included in this line-item.

<sup>25</sup> This line item includes funding for all of the state child care programs, including child care funding for TANF and post-TANF clients as well as the NJ Cares for Kids program for non-TANF clients. For further information, see the Child Care chapter of this report. The line item funding information is duplicated in the Child Care chapter.

<b>TANF/WF NJ</b>						
<b>State Aid (distribution by fund)</b>						
	<b>Orig. &amp; --Supple. FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/Recomm. FY07</b>	<b>Actual Approp. FY07</b>
WFNJ – client benefits*	\$135,558,000	\$233,580,000	\$218,746,000	\$139,797,000	\$136,624,000	\$130,756,000
County administrative funding	\$219,677,000	\$223,789,000	\$221,998,000	\$251,112,000	\$258,079,000	\$258,079,000

**Source: State FY07 Budget Book (p. D-240) & FY07 Appropriations Bill S2007 (p. 128)**

Note – The line item for county administrative funding covers all staff, technological and overhead costs for the County Welfare Agencies (CWAs), including those functions (such as Food Stamps and Child Support Enforcement) other than WF NJ-TANF and WF NJ-GA performed by these agencies.

\*Note that the Appropriation Bill reduced the appropriation for cash assistance by approximately \$6 million, although the DFD budget (see following table) budgets \$136 million in cash assistance expenditures for FY07. If the higher benefit funding is required to assist all eligible applicants, funding will need to be transferred from other funding lines in the DFD budget.

<b>WF NJ Budget for Working Poor Families</b>						
<b>MOE &amp; TANF Funding – FY06 and FY07</b>						
<b>Program</b>	<b>MOE FY06</b>	<b>TANF FY06</b>	<b>Total TANF &amp; MOE FY06</b>	<b>MOE FY07</b>	<b>TANF FY07</b>	<b>Total TANF &amp; MOE FY07</b>
Cash	\$59,808,000	\$89,818,000	\$149,626,000	\$23,680,000	\$113,051,000	\$136,731,000
Emergency Assistance <sup>26</sup>	\$14,363,000	\$81,957,000	\$96,957,000	\$16,976,000	\$75,651,000	\$92,627,000
Child support collections <sup>27</sup>	\$28,470,000	---	\$28,470,000	\$26,937,000	---	\$26,937,000
<b>Total cash assistance</b>	<b>\$102,641,000</b>	<b>\$171,775,000</b>	<b>\$274,416,000</b>	<b>\$67,593,000</b>	<b>\$188,702,000</b>	<b>\$256,295,000</b>
Work activities <sup>28</sup>	\$27,834,000	\$34,313,000	\$62,147,000	\$29,679,000	\$36,814,000	\$66,492,000
Child care (TANF) <sup>29</sup>	\$26,374,000	\$22,505,000	\$48,879,000	\$26,374,000	\$29,281,000	\$55,655,000

<sup>26</sup> See TANF:EA budget figures under the Emergency Assistance program discussed later in this chapter; DFD figures are higher due to inclusion of some DYFS costs.

<sup>27</sup> See the New Jersey Office of Child Support description in the Child Support chapter of this report.

<sup>28</sup> In past years the DFD working poor budget has separately reported funding for “Work Activities,” Career Advancement Vouchers, EEI, and Post-TANF Transportation, which are combined in departmental line item funding for WF NJ support services presented earlier. The FY07 Working Poor budget does not designate separate lines for Career Advancement Vouchers, EEI and Post-TANF Transportation, and it is unclear whether the \$4 million increase for work activities includes funding for some of these services, or whether their funding sources have been otherwise shifted within DHS.

<sup>29</sup> Both categories of child care funding listed in this table are included in the total line-item appropriation for WF NJ child care (in addition to other childcare funding) listed under DHS child care in the Child Care chapter of this report. See also the following additional analysis.

TREs/ Transportation <sup>30</sup>	---	\$10,000,000	\$10,000,000	---	\$11,046,000	\$11,046,000
<b>Program</b>	<b>MOE FY06</b>	<b>TANF FY06</b>	<b>Total TANF &amp; MOE FY06</b>	<b>MOE FY07</b>	<b>TANF FY07</b>	<b>Total TANF &amp; MOE FY07</b>
Substance abuse treatment <sup>31</sup>	---	\$18,719,000	\$18,719,000	---	\$2,182,000	\$2,182,000
Case Management <sup>32</sup>	\$5,811,000	\$26,205,000	\$32,016,000	\$14,380,000	\$25,951,000	\$40,332,000
Supplemental Assistance for Individuals and Families <sup>33</sup>	---	---	---	---	\$3,400,000	\$3,400,000
Parenting Education <sup>34</sup>	---	---	---	---	\$3,854,000	\$3,854,000
Mental health assessments and treatment <sup>35</sup>	---	\$2,400,000	\$2,400,000	---	\$2,400,000	\$2,400,000
Faith-based initiatives <sup>36</sup>	---	\$1,055,000	\$1,055,000	---	\$1,055,000	\$1,055,000
Other	---	\$575,000	\$575,000	---	\$1,208,000	\$1,208,000
<b>Total transition to work</b>	<b>\$60,019,000</b>	<b>\$115,772,000</b>	<b>\$175,791,000</b>	<b>\$70,433,000</b>	<b>\$117,191,000</b>	<b>\$187,624,000</b>
Child care - transitional	\$923,000	\$21,111,000	\$22,034,000	---	\$50,767,000	\$50,767,000
Early childhood ed. programs <sup>37</sup>	\$210,000,000	\$1,530,000	\$211,530,000	\$215,000,000	\$1,873,000	\$216,873,000
Earned Income Tax Credit <sup>38</sup>	\$98,607,000	\$18,393,000	\$117,000,000	\$100,000,000	\$18,393,000	\$118,393,000
Kinship care	---	\$17,583,000	\$17,583,000	---	\$3,083,000	\$3,083,000
Rental	---	\$2,083,000	\$2,083,000	---	\$1,008,000	\$1,008,000

<sup>30</sup> The funding indicated in this budget for “TREs/Transportation” does not include funding for transportation assistance to non-TANF clients, which are included in the departmental line item presented earlier.

<sup>31</sup> See WFNJ SAI description in the Substance Abuse chapter of this report. Note that the funding indicated in this table is lower than the line item appropriation because the line item includes both TANF and GA SAI participants.

<sup>32</sup> The increase in case management funding for FY07 likely reflects the need for increased services to support the increased work requirements in the TANF program under the federal Deficit Reduction Act.

<sup>33</sup> This budget provides the only funding detail available about the SAIF program, which is described earlier under the general program description of Work First New Jersey. This funding detail, however, only covers the TANF portion of SAIF.

<sup>34</sup> This line item likely refers to the TANF Initiative for Parents (TIP) program that provides an alternative work activity for new parents during the first 12 months after the birth of a child.

<sup>35</sup> See WFNJ Mental Health Initiative description in the Mental Health chapter of this report.

<sup>36</sup> See OFBI description in the Community and Economic Development chapter of this report.

<sup>37</sup> See Abbot District Funding description in the Education chapter of this report.

<sup>38</sup> See Earned Income Tax Credit discussed later in this chapter.

assistance <sup>39</sup>						
Homeless prevention	---	\$3,250,000	\$3,250,000	---	---	---
<b>Total support for wrking poor</b>	<b>\$309,530,000</b>	<b>\$67,550,000</b>	<b>\$377,080,000</b>	<b>\$315,000,000</b>	<b>\$75,124,000</b>	<b>\$390,124,000</b>
<b>Program</b>	<b>MOE FY06</b>	<b>TANF FY06</b>	<b>Total TANF &amp; MOE FY06</b>	<b>MOE FY07</b>	<b>TANF FY07</b>	<b>Total TANF &amp; MOE FY07</b>
School-based youth program	---	\$4,050,000	\$4,050,000	---	\$4,942,000	\$4,942,000
Independent living services expansion	---	\$5,500,000	\$5,500,000	---	\$5,500,000	\$5,500,000
Adolescent pregnancy prevention	---	\$1,100,000	\$1,100,000	---	\$1,100,000	\$1,100,000
SSI attorneys' contract (LSNJ)	---	\$1,000,000	\$1,000,000	---	\$1,000,000	\$1,000,000
Wage supplemental	---	\$1,280,000	\$1,280,000	---	\$1,000,000	\$1,000,000
<b>Total welfare prevention</b>	<b>---</b>	<b>\$17,471,000</b>	<b>\$17,471,000</b>	<b>---</b>	<b>\$13,542,000</b>	<b>\$13,542,000</b>
<b>Technology</b>	<b>---</b>	<b>\$6,997,000</b>	<b>\$6,997,000</b>	<b>\$64,000</b>	<b>\$6,885,000</b>	<b>\$6,949,000</b>
<b>Administration</b> <sup>40</sup>	<b>\$35,437,000</b>	<b>\$61,920,000</b>	<b>\$97,357,000</b>	<b>\$36,662,000</b>	<b>\$62,425,000</b>	<b>\$99,087,000</b>
<b>GRAND TOTAL</b>	<b>\$507,627,000</b>	<b>\$441,485,000</b>	<b>\$949,112,000</b>	<b>\$489,752,000</b>	<b>\$463,869,000</b>	<b>\$953,621,000</b>
<b>Source: Division of Family Development WFNJ for Working Poor Budget – FY06-FY07</b>						

**Additional Analysis:**

Due to the different sources of information provided in the preceding charts, which include overlapping but not identical program categories in many cases, it is necessary to provide some guidance in interpreting this funding information. In general, the figures provided from state budget materials are less specific in differentiating funding sources and populations served by programs. The exception is the evaluation data, which includes detailed breakdowns of the numbers served in different work activities and the various additions and subtractions impacting the state's bottom line expenditures on cash assistance. The appropriations data in the state budget materials provides less detail. It is, therefore, not possible to directly match most of the line items from these materials with the budget lines in the Working Poor Budget provided by DFD.

<sup>39</sup> See Social Services for the Homeless description in the Additional Social Service Programs chapter of this report.

<sup>40</sup> The administrative funding indicated includes the portion of DFD and CWA administration costs that is allocated solely to the TANF program, in comparison to the departmental line item, which includes administrative expenses for other programs.

The DFD budget is also more accurate for FY06 and FY07 as it was produced after the end of FY06, rather than approximately halfway through FY06.

Having both sets of numbers provides the opportunity to develop a clearer understanding of how various programs are being funded and what changes in funding have occurred in the past few years. The tables above present various figures for cash assistance payments for FY07, which reflect calculations of different totals, rather than discrepancies between sources of information. The budgeted “total assistance expenditures” of \$175,591,436 listed under the State Budget Book’s evaluation data is a statement of gross expenditures, without subtracting out refunds, credits and child support collections. This figure thus reflects the total assistance received by recipients, but exceeds total government spending on this assistance through the WFNJ program. The \$130,756,000 appropriation for “WFNJ - client benefits” is an early estimate of the net funds to be paid by DFD in cash assistance, while the \$136,731,000 figure in the Working Poor Budget is a more current estimate of this net cost to the state.

The funding levels indicated for childcare are also different in the different budget materials. The Working Poor Budget indicates only child care expenditures are paid out of TANF and MOE funding, whereas the majority of New Jersey’s child care assistance is provided through various other funding sources, primarily the federal Child Care Development Fund (CCDF) and TANF funding transferred into CCDF.<sup>41</sup> The state budget materials combine all child care funding into one line item called WFNJ-Child Care. This line item shows a slight increase in total child care funding from FY06 to FY07, but this increase is much smaller than the increase in the Working Poor budget-line. The increase of approximately \$6.7 million in funding for active TANF Child Care reflects the expectation that costs for providing child care to TANF participants will increase due to increased work participation requirements that will necessitate engaging more TANF parents in work activities. The more than doubling of the Transitional Child Care funding line in the Working Poor budget likely does not indicate an actual increase in child care funding for this category, but rather the inclusion of funding for other child care vouchers. The FY05 Working Poor budget included a separate line-item for working poor child care. This may have been recombined with the transitional child care funding line in FY07 after being moved out of the working poor budget in FY06. The Child Care chapter of this report contains a fuller explanation of funding around various welfare and non-welfare child care assistance provisions from DFD.

The final point for comment relates to the differentiation of funding from TANF versus MOE in the Working Poor Budget. While the TANF block grant provided states with greater flexibility in the use of federal TANF funds that had previously been used for cash assistance, there is even greater flexibility with MOE funds. This flexibility could potentially be used in different ways to address the needs of families transitioning off of welfare, particularly those families that are not transitioning into work or are moving into jobs that do not meet minimal self-sufficiency levels of income and benefits. As the Working Poor Budget reveals, the majority of MOE funding has been committed

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<sup>41</sup> See the discussion of DHS Child Care programs in the Child Care chapter of this report.

to funding for Abbott school districts<sup>42</sup> and to a lesser degree the state Earned Income Tax Credit (EITC). While both of these expenditures are important priorities for state funding, these programs are only tangentially related to a portion of welfare-leavers. Thus, commitment of state MOE funds for these purposes, rather than identifying alternative resources, pins down significant state resources under the auspices of the welfare program that are not serving the welfare population.<sup>43</sup>

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<sup>42</sup> The line labeled “early childhood education programs” in the Working Poor Budget provides supplemental funding for Abbott school districts. See the description of Abbott in the Education chapter of this report.

<sup>43</sup> For a more in-depth analysis, see the Legal Services of New Jersey Poverty Research Institute report *How New Jersey’s Public Assistance Dollars Are Spent*, June 2000.

**Work First New Jersey / General Assistance (WFNJ/GA)**

***Program Purpose and Description:***

Through its General Assistance (GA) program, New Jersey offers limited cash assistance and support services to individuals and couples with no custodial children. In most cases, GA is administered through County Welfare Agencies, although about one-third of New Jersey's 566 municipalities maintain their own welfare offices, referred to as Municipal Welfare Agencies (MWAs), to serve those clients. An “employable” single adult with no other income can receive \$140 per month. An individual who is unable to work due to a disability or medical condition will be deemed “unemployable” during the time that the condition exists, and can receive up to \$210 per month. A childless “employable” couple can receive \$193 per month. While GA recipients are entitled to most of the same support services as TANF participants, they do not receive identical post-WFNP transitional benefits. Former GA recipients who are employed do not receive transitional medical assistance, supplemental work support payments or training vouchers.

***Budget and Performance Trends:***

<b>WFNJ General Assistance (GA) GA Employable Evaluation Data</b>				
	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Est. FY07</b>
Average monthly recipients	18,463	22,160	21,924	21,906
State expenditures	\$33,269,043	\$39,383,442	\$38,735,690	\$38,440,783
<b>Source: State FY07 Budget Book (p. D-236)</b>				

<b>WFNJ General Assistance (GA) GA Unemployable Evaluation Data</b>				
	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Est. FY07</b>
Average monthly recipients	14,014	15,297	15,554	15,726
Total assistance expenditures	\$38,058,635	\$42,457,125	\$44,033,221	\$44,365,768
Refunds to assistance	(\$13,657,258)	(\$17,331,465)	(\$16,299,559)	(\$16,673,835)
State expenditures	\$24,401,377	\$25,125,660	\$27,733,662	\$27,691,933
<b>Source: State FY06 Budget Book (p. D-219)</b>				

Note – “Refunds to assistance” indicates payments from the lump-sum back-payments for newly accepted SSI recipients who had been receiving GA cash assistance while their SSI case was pending.

**WFNJ General Assistance  
State Aid (distribution by fund and object)**

	<b>Orig. &amp; --Supple. FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/Recommend FY07</b>	<b>Actual Approp. FY07</b>
Payments for costs of GA	\$61,684,000 \$8,522,000 <sup>S</sup>	\$68,165,000	\$67,544,000	\$80,526,000	\$66,133,000	\$66,133,000
GA county administration	\$23,805,000	\$23,805,000	\$23,805,000	\$26,005,000	\$26,005,000	\$26,005,000

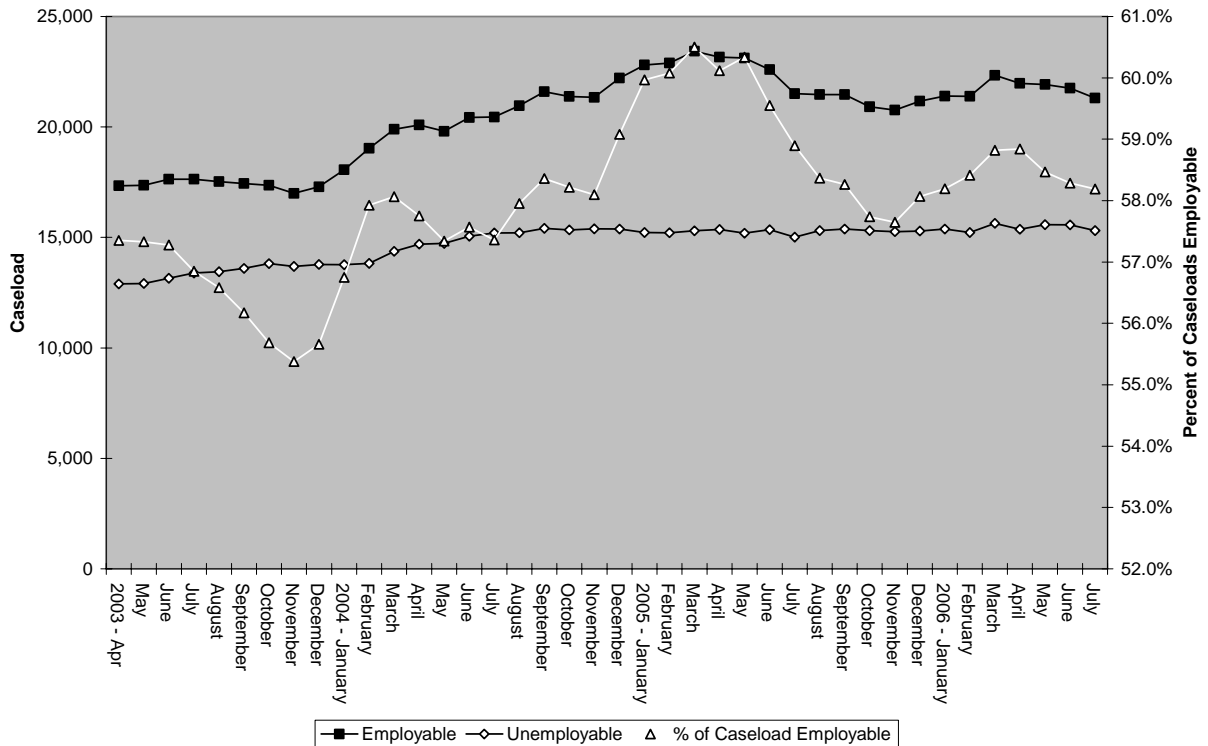
**Source: State FY07 Budget Book (p. D-240) & FY07 Appropriations Bill S2007 (p. 128)**

Note – The “payments for costs of GA” indicates the appropriation for GA cash assistance (see the following discussion for the figures for EA-GA appropriation), while the “GA county administration” line indicates administrative costs to the counties for the GA program, which is broken out from the general county administration line (included under the WFNJ-TANF appropriation data) because GA costs are covered exclusively by state money. The administrative costs of Municipal Welfare Agencies are covered by the municipalities.

**Additional Analysis:**

The GA caseload as a whole has grown by a little under 20% over the past three years. Due to increasing concerns over increasing costs, it has leveled off since the rapid caseload growth in 2005.

**GA Caseload Trends April 2003 - July 2006**



Although the number of recipients classified as unemployable has risen moderately, the majority of the fluctuation in the caseload is related to “employable” recipients who are required to participate in work activities. After a brief dip in 2003 the rate of GA employables rose significantly to a peak of over 23,400 in March 2005 and has since fallen again to about 21,300 in July 2006. Although the employable GA category is logically more connected to labor market trends, and thus more likely to evidence volatility in caseload due to the ebb and flow of low-wage employment opportunities, background information about program implementation offers a more likely explanation of the caseload trend over the last several years. It seems evident that the disproportionate increase in the employable GA caseload in comparison to the increase in the GA caseload as a whole was the result of a spike in employable cases being opened in one county, which was not providing adequate screening for deferrals. Now that this issue has been addressed the ratio of employable to unemployable GA recipients has normalized again.

## **Work First New Jersey / Emergency Assistance (EA)**

### ***Program Purpose and Description:***

Emergency Assistance (EA) provides funding for housing emergencies as well as other forms of assistance to eligible Work First New Jersey clients and to SSI recipients. EA is the only WFNJ program available to SSI recipients. TANF, GA and SSI clients in crisis situations are eligible to receive funds for essentials such as food, clothing, shelter, utility payments, transportation, aid in the search for housing, moving expenses, and rent or mortgage payments. Eligibility for EA is restricted to those WFNJ recipients of the highest need – including those who are homeless or about to become homeless and those who have experienced a loss of food, housing, or clothing due to a disaster such as fire or flood. There is a 12 month time limit for monthly EA payments, but some extensions of up to an additional 12 months are granted under hardship conditions and all recipients have a right to apply for an extension. Although the time limit for EA receipt without an extension is 12 months, initial awards are not always for the full 12 month time period. The length of assistance is also reduced if recipients receive payments for additional expenses, such as security deposits or utility payments. Temporary Rental Assistance (TRA) is a specific element of EA used to pay rent for permanent housing placements and is a priority use of EA funds, but general EA funding can also be used to pay for shelter and hotel/motel placements.

WFNJ (TANF and GA) recipients who receive EA must contribute a portion of their income toward the cost of their housing. The portion ranges between 50% and 65% of their income, depending on whether or not meals or cooking facilities are included in the shelter arrangement. WFNJ recipients with some additional income beyond their cash assistance grants (such as child support disregards or a small amount of earned income), are not required to contribute more than their total cash grant when the grant amount is less than the applicable percentage of their total income. Currently, SSI recipients with no other source of income are not required to contribute toward the cost of shelter provided through EA.

### ***Budget and Performance Trends:***

Evaluation and budget data for EA is reported separately for GA, TANF and SSI in budget materials. In addition to the information provided in the state budget materials, information provided by DFD is also included in the following tables, which offers more current information than the estimates for FY06 and FY07 included in the state budget materials. There are some differences in the way that data is reported in these sources, and these differences are explained in notes following the tables. All tables indicate which population is counted in the data provided, and the evaluation and budget data are grouped by the population receiving assistance. While there is significant information available regarding the GA and TANF EA programs, both in terms of funding and program statistics, the information available for SSI is much more limited. The state budget materials include evaluation data indicating monthly average recipients and yearly cost of EA for SSI recipients, but the appropriation for this cost is included in the general

line item for “payments for SSI.”<sup>44</sup> The only additional information is available from monthly DFD program statistics. In April, 2006 there were 1,228 SSI recipients receiving EA.<sup>45</sup>

<b>Emergency Assistance Program (GA)</b>				
<b>Evaluation Data</b>				
	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Estimated FY07</b>
Average monthly recipients	5,703	7,408	7,400	7,431
State expenditures <sup>46</sup>	\$51,940,871	\$69,930,038	\$69,992,160	\$70,009,829
<b>Source: State FY07 Budget Book (p. D-236)</b>				

<b>Emergency Assistance Program (GA)</b>			
<b>Evaluation Data – Breakdown by Assistance Type</b>			
	<b>CY04 Average</b>	<b>CY05 Average</b>	<b>CY06 Average (through April 2006)</b>
TRA payments/mo.	3,263	3,700	3,553
Other EA payments/mo.	3,420	3,755	3,589
<b>Total EA payments/mo.</b>	<b>6,683</b>	<b>7,455</b>	<b>7,142</b>
<b>Source: Historical Current Program Statistics, Division of Family Development (Figure 10)</b>			

Note – Since the two preceding tables reflect different time periods (fiscal year vs. calendar year), the caseload averages are substantially different. This difference reflects the steady growth in GA-EA through early 2005, before leveling off at a level somewhat below the May 2005 peak. The following table provides fiscal year data from DFD and is comparable to the fiscal year data provided in the state budget materials, with the exception of FY05, as the revised FY05 figure in the State Budget Book did not adequately adjust for the continuing rise in the EA caseload.

<sup>44</sup> See the SSI program information following in this chapter.

<sup>45</sup> Current Program Statistics April 2006 (p. 10).

<sup>46</sup> Language in the State FY06 Budget Book (p. D-221) includes a note stating that the FY04 figure includes funding to offset reduced Child Support Program collections as a result of federal changes in distribution hierarchy.

**Emergency Assistance Program (GA)  
DHS Breakdown of GA - EA Expenditures and Caseload  
(Through May, 2006)**

	<b>FY04</b>	<b>FY05</b>	<b>FY06 (YTD)</b>
<b>Average monthly cost</b>			
TRA (% change)	\$1,159,820 (80%)	\$1,696,694 (46%)	\$1,757,952 (4%)
EA (% change)	\$3,168,204 (32%)	\$4,138,195 (31%)	\$4,045,633 (-2%)
TRA & EA combined	\$4,328,024 (42%)	\$5,834,889 (35%)	\$5,803,584 (-1%)
<b>Average monthly cases</b>			
TRA (% change)	2,679 (56%)	3,640 (36%)	3,559 (-2%)
EA (% change)	3,023 (26%)	3,768 (25%)	3,610 (-4%)
TRA & EA combined	5,703 (38%)	7,408 (30%)	7,169 (-3%)
<b>Average monthly cost per case</b>			
TRA (% change)	\$433 (16%)	\$466 (8%)	\$494 (6%)
EA (% change)	\$1,048 (5%)	\$1,098 (5%)	\$1,121 (2%)
TRA & EA combined <sup>47</sup>	\$759 (3%)	\$788 (4%)	\$810 (3%)

**Source: Department of Human Services, Division of Family Development – Emergency Assurances Statistics**

Note – the % change indicates changes in caseloads and costs compared to the previous fiscal year averages.

**Emergency Assistance (GA)  
State Aid (distribution by fund & object)**

<b>Orig. &amp; --Supple.<sup>S</sup> FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.<sup>48</sup></b>	<b>Request Recomm. FY07</b>	<b>Actual Approp. FY07</b>
\$57,892,000 \$4,396,000 <sup>S</sup>	\$67,151,000	\$67,151,000	\$79,508,000	\$70,010,000	\$70,010,000

**Source: State FY07 Budget Book (p. D-240) & FY06 Appropriations Bill S3000 (p. 128)**

<sup>47</sup> Calculations by author for FY03, FY04 and FY05 (YTD) average monthly cost per case of TRA & EA combined.

<sup>48</sup> The \$4,072,000 figure represents a supplemental appropriation during FY05.

<b>Emergency Assistance (TANF) Evaluation Data</b>				
	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Estimated FY07</b>
Average monthly recipients	12,641	17,757	17,435	17,082
Total assistance expenditures	\$63,175,167	\$79,925,678	\$81,625,091	\$79,433,350
Less: Credits	(\$464,557)	(\$587,975)	(\$381,515)	(\$485,472)
Net emergency assistance costs	\$62,710,610	\$79,337,703	\$81,243,576	\$78,947,878
Less: County expenditures	(\$3,135,498)	(\$3,972,932)	(\$4,062,179)	(\$4,149,020)
State WFNJ expenditures	\$59,575,12	\$75,364,771	\$77,181,397	\$74,798,858
<b>Source: FY07 Budget Book (p. D-236)</b>				

Note – This table includes information accounting for two sources that reduce the costs to the state of providing emergency assistance to TANF recipients (credits, which adjust for mis-payments in previous months, and the portion of EA expenditures that are born by the county), so that the final line for State WFNJ expenditure represents the final cost that must be covered through combined TANF and MOE funds.

<b>Emergency Assistance Payments (TANF) Evaluation Data – Breakdown by Assistance Type</b>			
	<b>CY04 Average</b>	<b>CY05 Average</b>	<b>CY06 Average (through April 2005)</b>
TRA payments/mo.	2777	3,387	3,259
Motel housing payments/mo.	473	473	511
Emergency shelter payments/mo.	422	376	362
Other TANF-EA payments/mo.	2,112	1,963	1,697
<b>Total payments/month<sup>49</sup></b>	<b>5,784</b>	<b>6,198</b>	<b>5,828</b>
<b>Source: Historical Current Program Statistics, Division of Family Development (Figure 8)</b>			

Note – The caseload data provided in the state budget materials indicates the total number of assistance recipients (including all members of assisted households as separate recipients), whereas the caseload data provided by DFD in the preceding and following tables indicates the total number of households assisted.

<sup>49</sup> Note – The various categories of EA assistance sum to more than the total payments because this figure is an unduplicated count of households receiving assistance and some households may receive more than one form of assistance in one month.

**Emergency Assistance Program (TANF)  
DHS Breakdown of EA-TANF Expenditures and Caseload  
(Through August, 2006)**

	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07 (YTD)</b>
<b>Average monthly cost</b>				
Hotel or motel (percent)	\$976,269 (17.93%)	\$942,960 (13.71%)	\$1,023,386 (15.26%)	\$930,183 (14.34%)
Shelter or nonprofit (percent)	\$1,297,767 (23.84%)	\$1,177,011 (17.11%)	\$935,419 (13.94%)	\$950,624 (14.65%)
Trans. housing or leased apt. (percent)	\$1,483,631 (27.25%)	\$2,762,832 (40.16%)	\$2,848,797 (42.475)	\$2,753,983 (42.45%)
Prevention (percent)	\$1,313,655 (24.13%)	\$1,573,591 (22.87%)	\$1,539,124 (22.94%)	\$1,467,946 (22.63%)
Furniture (percent)	\$372,970 (6.85%)	\$423,523 (6.16%)	\$361,787 (5.39%)	\$384,238 (5.92%)
<b>ALL TANF – EA (percent)</b>	<b>\$5,444,294 (100%)</b>	<b>\$6,879,918 (100%)</b>	<b>\$6,708,513 (100%)</b>	<b>\$6,486,974 (100%)</b>
<b>Average monthly cases</b>				
Hotel or motel (percent)	495 (9.83%)	465 (6.60%)	496 (7.44%)	462 (7.20%)
Shelter or nonprofit (percent)	549 (10.92%)	517 (7.33%)	378 (5.67%)	384 (5.99%)
Trans housing or leased apt. (percent)	2,006 (39.87%)	3,754 (53.27%)	3,676 (55.12%)	3,467 (54.05%)
Prevention (percent)	1,446 (28.73%)	1,692 (24.01%)	1,586 (23.78%)	1,538 (23.97%)
Furniture (percent)	536 (10.65%)	619 (8.79%)	533 (7.99%)	564 (8.79%)
<b>ALL TANF – EA (percent)</b>	<b>5,032 (100%)</b>	<b>7,047 (100%)</b>	<b>6,670 (100%)</b>	<b>6,414 (100%)</b>
<b>Average monthly cost per case</b>				
Hotel or motel	\$1,973	\$2,027	\$2,062	\$2,015
Shelter or nonprofit	\$2,362	\$2,278	\$2,472	\$2,476
Trans housing or leased apt.	\$740	\$736	\$775	\$794
Prevention	\$909	\$930	\$970	\$955
Furniture	\$696	\$684	\$679	\$681
<b>ALL TANF – EA</b>	<b>\$1,082</b>	<b>\$976</b>	<b>\$1,006</b>	<b>\$1,011</b>
<b>Source: Department of Human Services, Division of Family Development – Emergency Assurances Statistics</b>				

Note – The percentages given indicate the percent of total EA assistance represented by the given form of EA. Percentages may not sum to 100% due to rounding. This data provides a more up-to-date picture of TANF-EA caseloads than either of the other sources.

<b>Emergency Assistance (TANF) State Aid (distribution by fund &amp; object)</b>					
<b>Orig. &amp; --Supple.<sup>s</sup> FY04</b>	<b>Total FY04 Available</b>	<b>Expended FY04</b>	<b>FY05 Adjusted Approp.</b>	<b>Request Recomm. FY06</b>	<b>Actual Approp. FY06</b>
\$73,310,000	\$97,474,000	\$46,957,000	\$77,181,000	\$74,798,00	\$74,798,000
<b>Source: State FY07 Budget Book (p. D-240) &amp; FY07 Appropriations Bill S20070 (p. 128)</b>					

<b>Emergency Assistance (SSI) Evaluation Data</b>				
	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Estimated FY07</b>
SSI-EA recipients	957	1,225	1,435	1,446
SSI-EA	\$9,642,529	\$12,334,398	\$14,189,228	\$15,291,658
<b>Source: State FY07 Budget Book (p. D-237)</b>				

Note – The information in the preceding table duplicates information provided under the SSI program description later in this chapter.

<b>SSI Emergency Assistance DFD – Average Monthly Data</b>			
	<b>FY05</b>	<b>FY06</b>	<b>% Change FY05- FY06</b>
Avg. monthly cost	\$1,035,689	\$1,253,940	21%
Avg. monthly recipients	1,225	1,454	19%
Avg. monthly cost/recipient	\$845	\$862	2%
<b>Source: Department of Human Services, Division of Family Development – Emergency Assistances Statistics</b>			

***Additional Analysis:***

The DFD program statistics reflect a downward trend in both EA cases and costs in FY06 and the first part of FY07 (except for the SSI-EA component which has risen, but which makes up only a small portion of total EA). Given the continued high costs of housing in New Jersey, this decline is surprising. The value of temporary rental assistance (TRA) vouchers had declined modestly in some areas due to changes in the calculation of Fair Market Rents by the U.S. Department of Housing and Urban Development. This might have had a depressive effect on TRA assistance, since lower values makes TRA more difficult to use. Other policy or implementation impacts should also be explored, however, to determine why utilization of this important support has declined.

## **Supplemental Security Income (SSI)**

### ***Program Purpose and Description:***

The Supplemental Security Income (SSI) program is administered by the Federal Social Security Administration. The program provides income support to people who are disabled and do not have sufficient work history to be eligible for Social Security Disability benefits (SSD). Eligibility is needs-based, with strict income and resource requirements. For example, an SSI recipient who is a single individual is not permitted to have more than \$2,000 in countable resources (such as a savings account).

For CY06,<sup>50</sup> SSI provides \$634.25 per month to an individual living in New Jersey. Of this amount, \$31.25 is from New Jersey's state supplement. Eligible couples in New Jersey receive a monthly payment of \$929.36, \$25.36 of which is from the state supplement. Some funding is also available to provide \$40 per month for people living in nursing homes under title XIX of the Social Security Act, as a personal needs allowance.

SSI recipients who believe that they can benefit from vocational training or education are provided incentives to do so under the Ticket to Work program. This program provides funding for recipients to access rehabilitative programs that facilitate employment.<sup>51</sup> Two additional programs aimed at promoting work among individuals with disabilities are discussed separately in other chapters of this report. Supported Employment is discussed in the description of Vocational Rehabilitation in the Employment and Job Creation chapter, while WorkAbility is discussed in the Disability Programs and Services chapter.

### ***Budget and Performance Trends:***

The state budget materials provide extensive evaluation data for the SSI program, including both total caseload numbers and EA caseload numbers (which are also presented in the preceding EA discussion). The evaluation data also includes funding information which is much more detailed than the appropriation line items in the departmental budget. Relationships between these two sets of budget numbers are indicated in notes following the tables.

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<sup>50</sup> The federal portion of the SSI benefit is adjusted annually. The state supplemental payment has not been increased since 1985.

<sup>51</sup> The Ticket to Work program is discussed in a footnote to the Vocational Rehabilitation discussion in the Disability Programs and Services chapter of this report, but the federal funding for this program goes directly to contracted providers and does not pass through the state, so no budget information is provided.

<b>Supplemental Security Income (SSI) Evaluation Data</b>				
	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Estimated FY07</b>
Average monthly recipients	143,447	148,516	147,497	149,610
State share of average monthly grant	\$29.54	\$29.53	\$30.41	\$30.34
Total assistance expenditures	\$50,849,093	\$52,628,130	\$53,824,605	\$54,470,009
Emergency Assistance recipients*	957	1,225	1,435	1,446
Emergency Assistance*	\$9,642,529	\$12,334,398	\$14,189,228	\$15,291,658
Less: Recoveries	(\$149,236)	(\$212,739)	(\$207,913)	(\$243,824)
Net SSI expenditures	\$71,114,873	\$75,518,108	\$78,177,462	\$80,056,390
SSI administrative expenses	\$15,526,513	\$16,324,804	\$16,960,883	\$17,149,427
<b>Source: State FY07 Budget Book (p. D-237)</b>				

Note – The “State share of average monthly grant” reflects the average state supplement for all SSI recipients, averaging supplements for both singles and married couples. The slight fluctuations reflect changes in the proportion of married versus single recipients rather than fluctuations in the size of the state supplement, which has not changed.

\*Note – The information presented in this table regarding “Emergency Assistance recipients” and “Emergency Assistance” duplicates information presented under the Emergency Assistance description earlier in this chapter of the report.

<b>SSI State Aid (distribution by fund and object)</b>						
	<b>Orig. &amp; --Supple.<sup>s</sup> FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/ Recommend FY07</b>	<b>Actual Approp. FY07</b>
Payments for SSI	\$72,607,000 \$1,452,000 <sup>s</sup>	\$74,711,000	\$74,711,000	\$76,933,000	\$80,056,000	\$80,056,000
SSI admin. fee to SSA	\$16,003,000	\$16,325,000	\$16,325,000	\$17,006,000	\$17,149,000	\$17,149,000
<b>Source: State FY07 Budget Book (p. D-240) &amp; FY07 Appropriations Bill S2007 (p. 128)</b>						

Note: The totals listed above include federal funding distributed through the state. The appropriation for payments includes both cash assistance and EA payments.<sup>52</sup> The evaluation data in the preceding chart reports this funding as “net SSI expenditures” and reflects the governor’s recommended appropriation level, as the evaluation data is published at the time of the recommended budget and is not amended in the appropriation bill.

<sup>52</sup> See the budget information provided under EA earlier in this chapter.

## **Individual Development Accounts**

### ***Program Purpose and Description:***

New Jersey's Department of Community Affairs (DCA) provides funding for community programs assisting low-income families to develop personal savings accounts through Individual Development Accounts (IDAs). The purpose of the program is to assist low-income working families to build assets rather than simply increasing income, and to support more long-term self-sufficiency through asset accumulation. Low-income households that are able to save a small amount of money each month in an IDA account receive matching deposits from either public or private funds. In addition to a one-time transfer of federal TANF funding to DCA for this program, IDA programs also leverage matching funding from other entities, including local governments, financial institutions, foundations, churches, and private donors. DCA-funded programs provide a \$1 match for every \$1 saved by the participant, up to a maximum of \$1,500 a year for 3 years (private matches range from \$1 to \$4 for every \$1 saved). The accumulated savings can be used to invest in home ownership, education, or small business ownership. Participants can withdraw the money they deposited at any time for any purpose, but they only receive the matching funds for approved investments. Eligibility is limited to working families with a minor child at or below 200% fpl and families with a minor child that would be eligible for Work First New Jersey. Participants are required to complete 16 hours of financial education and 8 to 10 hours of asset-specific education.

DCA also administers the federal Assets For Independence (AFI) grant and supplies a dollar-for-dollar match to the federal money. This funding is deposited directly into accounts for three partner agencies to use as matching contributions to participants' IDAs. The AFI IDA grant involves the same eligibility and participation requirements as the TANF-funded IDA program. DCA funds nine community based agencies, which provide counseling and training on asset building in addition to authorizing withdrawals of money and monitoring the accounts. This program is available in 18 of New Jersey's 21 counties, and statewide to the mentally ill through a specialized provider agency.<sup>53</sup>

### ***Budget and Performance Trends:***

DCA received a one-time \$2 million appropriation of TANF funds<sup>54</sup> in November 2002 to establish a three-year IDA program, which has been extended through FY07 with no additional funding. This funding was then sub-granted to eight community agencies serving 18 counties. The programs first began to serve participants in the spring of 2003 and, as of June, 2006, 390 accountholders had participated in the program, including 43 graduates, 212 active accountholders, and 135 drop-outs.<sup>55</sup>

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<sup>53</sup> Information adapted from various DCA sources.

<sup>54</sup> See breakdown of funding in chart on following page.

<sup>55</sup> Information provided by DCA staff.

AFI has served between 85 and 90 participants, including 30 mental health services consumers. This five year program is set to expire in September 2007, unless DCA's application for a second AFI grant is approved.<sup>56</sup>

<b>Savings and Investments of IDA Participants 2003-2006</b>		
	<b>Active Accountholders</b>	<b>IDA Graduates</b>
Savings	\$403,253	\$96,961
Matching funding spent	n/a	\$110,279
<i>Home purchase</i>	n/a	<i>\$91,671</i>
<i>Other (business, education)</i>	n/a	<i>\$18,608</i>
<b>Source: Program information provided by DCA</b>		

<b>IDA Funding FY03-FY07<sup>57</sup></b>		
<b>Source of Funding</b>	<b>Funding Amount</b>	<b>Use of funds</b>
<b>Federal TANF Block Grant</b>	<b>\$2,000,000</b>	
<i>Grants to community agencies</i>	<i>\$1,599,304</i> <i>(\$199,913 to each agency)</i>	Matching funds for participant contributions to IDAs
<i>Additional supports portion</i>	<i>\$100,000</i> <i>(5%)</i>	Supports for participating families (child care assistance, etc.)
<i>Credit counseling portion</i>	<i>\$96,000</i> <i>(\$12,000 to each agency)</i>	Funding for agency credit counseling programs
<i>Administrative portion</i>	<i>\$200,000</i> <i>(10%)</i>	DCA administration, Community agency administration & portion of case management
<b>Federal Assets for Independence Grant</b>	<b>\$200,000 (+ \$200,000 DCA matching funds)</b>	Matching funds for participant contributions to IDAs (match ratios 1:1 to 1:3)
<b>Private funds generated</b>	<b>\$750,000 (approximate)</b>	Case management
<b>Source: Information provided by DCA staff, via phone conversation November 18, 2004 &amp; via facsimile December 17, 2004.<sup>58</sup></b>		

<sup>56</sup> Information from DCA staff via facsimile communication on December, 17, 2004.

<sup>57</sup> Note - funding is one-time funding, not renewed every year. Both TANF and Assets for Independence Grant funding are due to expire in 2007, unless renewed. DCA has applied for a new Assets for Independence Grant that will be awarded starting in October, 2007 if received.

<sup>58</sup> No more recent information was available from DCA staff at the time of publication.

## **Unemployment Insurance (UI)**

### ***Program Purpose and Description:***

Unemployment insurance (UI) is designed to provide temporary partial wage replacement to support workers who lose their jobs through no fault of their own. Money for UI is generated by requiring both employer and employee contributions to the state unemployment insurance fund. The employee portion of the UI payroll tax is a flat tax. In 2006, employees were required to make contributions on the first \$25,800 of their earned income, while earnings above \$24,300 go untaxed. Lower-wage workers, therefore, contribute a higher percentage of their salary to the fund than do high-income workers. The maximum weekly benefit rate for an unemployed worker is 60% of their average weekly wage, with a cap of \$521 a week in 2006.<sup>59</sup> The maximum duration of benefits is 26 weeks. For unemployed workers receiving job training, an additional 26 weeks of unemployment benefits are available through the Additional Benefits during Training (ABT) program.

Due in large part to the economic performance of the late 1990's, the UI program contains fund balances. In FY03, \$125 million in UI payroll taxes were redirected from the UI fund to the Health Care Subsidy Fund to provide compensation to hospitals that provide free or reduced cost care to some eligible low-income patients.

### ***Budget and Performance Trends:***

The Unemployment Insurance program is funded through a proprietary fund (the Unemployment Compensation Fund) that is administered by the state but receives federal funding, making budget information difficult to track. The evaluation data provided in the budget book reports over \$1.9 billion in benefits paid that are not included as part of the departmental appropriation for the Department of Labor and Workforce Development.<sup>60</sup> The departmental budget reflects only the \$1175.5 million in federal funding for LWD's administrative expenses related to the unemployment compensation program. This funding does not pass through the Unemployment Compensation Fund. Information regarding the fund is provided in the appendix to the budget book and provides more detail regarding the various revenue sources for UI and the total expenditures. There are some disparities, however, between the expenditures reported from this fund and the information provided in the departmental budget evaluation data regarding benefit payments.

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<sup>59</sup> The statewide maximum benefit allowance is calculated each year based on 56 2/3% of the statewide average weekly wage.

<sup>60</sup> OLS Departmental Budget Analysis (p. 4).

<b>Unemployment Insurance (UI) Evaluation Data</b>				
	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Estimated FY07</b>
Covered workers <sup>61</sup>	3,813,549	3,838,800	3,881,200	3,920,200
Net benefits paid	\$2,155,000,000	\$1,911,000,000	\$1,951,000,000	\$1,917,000,000
Average insured unemployed rate	3.40%	3.10%	3.00%	2.80%
Initial claims	582,105	546,216	531,400	498,700
Average weekly benefit payments	\$321	\$323	\$336	\$351
<b>Source: State FY07 Budget Book (p. D-257)</b>				

Note: The calculation of “average insured unemployed rate” is a calculation of unemployment that is used as an alternative to the official unemployment rate. The calculation uses the total number of employees covered under unemployment insurance (reported in the table as “covered workers”) rather than total labor population as a base and divides this base into the number of insured unemployed.

<b>Unemployment Insurance Schedule 2 (denotes federal revenue)</b>			
<b>Actual FY05</b>	<b>Estimated FY06</b>	<b>Estimated FY07</b>	<b>Appropriation FY07</b>
\$105,073,000	\$135,500,000	\$119,916,000	\$119,916,000
<b>Source: State FY07 Budget Book (p. C-28) &amp; FY07 Appropriations Bill S2007 (p. 15)</b>			

<b>Unemployment Insurance (UI) Federal Funds Appropriation Data</b>					
<b>Orig. &amp; --Supple. FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/ Recommend FY07</b>	<b>Actual Approp. FY07</b>
\$138,500,000	\$161,373,000	\$108,450,000	\$133,100,000	\$117,516,000	\$119,916,000
<b>Source: State FY07 Budget Book (p. D-259) &amp; FY07 Appropriations Bill S2007 (p.15)</b>					

Note – This table represents the federal funding provided for administrative expenses, including federal Reed Act funds earmarked for UI system and OSCC improvements.<sup>62</sup> \* There is no line-item appropriation for UI in the departmental section for the FY07 Appropriations bill, but the anticipated federal funding is noted in the federal funding section. Additionally, there is a note in language in the bill

<sup>61</sup> Annual figures for “covered workers” reflect the number of workers who would be eligible for unemployment insurance benefits were they to lose their employment under conditions covered by the program. Workers not in this category include workers without sufficient wages, principally those without 20 base weeks of work history

<sup>62</sup> OLS Analysis of the LWD Departmental Budget (p. 7). See the discussion of Reed Act funds for improvements to the state’s employment services system under the One Stop Career Center description in the Employment and Jobs Creation chapter of this report.

that appropriates \$18,614,000 from the Vocational Rehabilitation Services line-item for the Unemployment Compensation Auxiliary Fund.<sup>63</sup>

<b>Unemployment Compensation Fund (N.J.S.A. 43:21-9a)</b>			
	<b>Actual FY05</b>	<b>Estimated FY06</b>	<b>Estimated FY07</b>
<b>Beginning balance</b>	<b>\$1,539,201,000</b>	<b>\$1,442,893,000</b>	<b>\$1,068,193,000</b>
Total revenues	\$1,860,841,000	\$1,568,300,000	\$2,026,300,000
<i>Revenue – federal and other grants</i>	<i>\$37,376,000</i>	<i>\$36,000,000</i>	<i>\$35,000,000</i>
<i>Revenue – services and assessments</i> <sup>64</sup>	<i>\$1,763,904,000</i>	<i>\$1,484,000,000</i>	<i>\$1,959,000,000</i>
<i>Revenue – investment earnings</i>	<i>\$55,166,000</i>	<i>\$43,300,000</i>	<i>\$31,300,000</i>
<i>Revenue - other</i>	<i>\$4,395,000</i>	<i>\$5,000,000</i>	<i>\$1,000,000</i>
Total available	\$3,400,042,000	\$3,011,193,000	\$3,094,493,000
Total expenditures	\$1,957,149,000	\$1,943,000,000	\$1,880,000,000
<b>Fund Balance June 30<sup>th</sup></b>	<b>\$1,442,893,000</b>	<b>\$1,068,193,000</b>	<b>\$1,214,493,000</b>
<b>Source: State FY07 Budget Book (p. H-43)</b>			

Note – The “total expenditures” reported in this table is slightly lower than the information provided in the departmental evaluation data for net benefits paid (\$1.917 billion).

***Additional Analysis:***

Several issues challenge the effectiveness and viability of the Unemployment Insurance program in New Jersey. The time limit on how long unemployed workers can receive benefits cuts off assistance to many workers and families. According to the most recent calculation (2<sup>nd</sup> quarter, 2006), the number of long-term unemployed in New Jersey – those exhausting unemployment insurance benefits before they are able to find work – remains at nearly half of all eligible claimants (4.4%), compared with the national average of 35%.<sup>65</sup> This exhaustion rate ranks New Jersey second worst in the nation behind the District of Columbia. In human terms, 69,890 New Jersey workers lost their income from unemployment benefits before finding another job in the first half of 2006, and another 146,149 exhausted benefits in 2005.

<sup>63</sup> State FY07 Appropriation bill S2007 (p. 139)

<sup>64</sup> The primary source of funding for the Unemployment Compensation Fund is the payroll taxes assessed on employees and employers.

<sup>65</sup> U.S. Department of Labor Employment and Training Administration, Labor Force Information by State CYQ: 2005.3. This rate is down somewhat from 56.6% in Sept. 2003 when New Jersey ranked worst in the nation, but remains at critically high levels.

A further challenge for New Jersey's UI program includes events in recent history that have depleted reserves in the UI Fund. This has led to a situation of potential insolvency were the state to face a significant economic downturn. In addition to some revenue depleting concerns such as extensive UI tax deductions to employers and under-collection of employee UI taxes due to misclassification, the funds balances have also been raided in recent years. Diversions totaling almost \$4.7 billion were made between 1993 and 2006 to help fund the Charity Care program.<sup>66</sup> The FY07 budget ceased this trend of diversion in an effort to restore the solvency of the fund and prevent an increase in payroll taxes in the event of a recession. The fund is not beginning to be rebuilt, although there are further steps that can be taken to protect the Unemployment Compensation Trust Fund.<sup>67</sup>

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<sup>66</sup> See the program description for Charity Care in the Health chapter of this report.

<sup>67</sup> See the recommendations section of this chapter for a full discussion of these steps.

## **Temporary Disability Insurance (TDI)**

### ***Program Purpose and Description:***

Under the New Jersey Temporary Disability Benefits Law, cash benefits are payable when you cannot work because of sickness or injury not caused by your job.<sup>68</sup> New Jersey is one of only six states (including Puerto Rico) that provide compulsory temporary disability insurance for workers, and has done so since the program was established in 1948. Benefits are calculated at two-thirds of eligible workers' average weekly wage, but are limited to a maximum of 53 percent of the statewide average weekly pay. The maximum weekly benefit rate for 2006 is \$488. Total benefits extend to 26 weeks at the weekly benefit rate, or 1/3 of total wages earned in the base year, whichever is less.

All workers whose employment is covered by the New Jersey Unemployment Compensation Law are protected by a mandatory disability insurance system. Workers who become disabled within 14 days of their last day of work in covered New Jersey employment may be covered for disability insurance under the State Plan or an approved Private Plan. There is a third program for those whose disabilities begin more than 14 days after the last day of work. This program is known as "Disability During Unemployment" and is not reflected in the state evaluation and budget figures below.<sup>69</sup>

### ***Budget and Performance Trends:***

State budget materials report evaluation and funding data separately for the State Disability Insurance Plan and Private Disability Insurance Plans. Benefits for both types of plans are paid out of the State Disability Benefits Fund and are not reflected in the departmental budget. The departmental budget line item appropriation reflects funding for the administrative costs of both the state plan and private plans, which are charged partly to the state plan administrative fund and assessed proportionately against the private plans.

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<sup>68</sup> Inability to work due to sickness or injury that is job related is covered by Worker's Compensation Insurance.

<sup>69</sup> State FY04 Budget Book (p. D-287).

<b>State Disability Insurance Plan Evaluation Data</b>				
	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Estimated FY07</b>
Covered workers	2,790,000	2,804,600	2,837,800	2,864,200
Claims received	174,232	172,919	172,919	173,000
Total benefits paid	\$422,000,000	\$429,000,000	\$448,000,000	\$467,000,000
Costs per claim processed	\$100	\$104	\$104	\$104
Average weekly benefit payment	\$346	\$354	\$356	\$360
<b>Source: State FY07 Budget Book (p. D-257)</b>				

<b>State Disability Insurance Plan Appropriations Data</b>						
	<b>Orig. &amp; --Supple. FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/ Recommend FY07</b>	<b>Actual Approp. FY07</b>
Direct State Services	\$21,291,000	\$28,132,000	\$26,700,000	\$21,833,000	\$21,833,000	\$21,833,000
Other Funds <sup>70</sup>	---	---	--- <sup>71</sup>	\$6,550,000	\$8,550,000	\$8,550,000
<b>Source: State FY07 Budget Book (p. D-258, D-259) &amp; FY07 Appropriations Bill S2007 (p. 135, 136)</b>						

<sup>70</sup> The FY07 Appropriations Bill designates the additional \$8,550,000 in language, indicating that in addition to funding appropriated for administrative costs Associated with the State Disability Insurance Plan an amount not to exceed \$8,550,000 is appropriated from the State Disability Benefits Fund.

<sup>71</sup> The FY06 Budget Book lists a FY05 Adjusted Appropriation from Other funds of \$6,350,000 (p. D-248), but this appropriation is not noted in the FY07 Budget Book.

**State Disability Insurance Plan  
Direct State Services (Distribution by Fund and Object)  
Appropriations Data**

	<b>Orig. &amp; --Supple. FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/ Recomm. FY07</b>	<b>Actual Approp. FY07</b>
Reimbursement to Unemployment Insurance for joint tax functions	\$5,500,000	\$9,200,000	\$8,803,000	\$5,500,000	\$5,500,000	\$5,500,000
State Disability Insurance Plan	---	\$345,000	\$344,000	\$300,000	\$300,000	\$300,000

**Source: State FY07 Budget Book (p. D-258) & FY07 Appropriation Bill S2007 (p. 135)**

Note – This table provides detailed line item appropriations for the portion of the Direct State Services appropriation listed in the preceding table that does not cover administrative expenses such as staff salaries and other fixed overhead costs. Since there is significant overlap in the tax functions of the TDI and UI, a portion of state disability insurance funding is used to reimburse the UI fund.

**Private Disability Insurance Plan  
Evaluation Data**

	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Estimated FY07</b>
Covered workers	725,400	729,200	737,800	744,700
Plans in force	5,068	5,123	5,150	5,200
Claims received	12,661	11,315	11,500	11,500
Total benefits paid	\$25,000,000	\$24,000,000	\$24,000,000	\$24,000,000
Costs per claim processed	\$173	\$196	\$196	\$196

**Source: State FY07 Budget Book (p. D-257)**

<b>Private Disability Insurance Plan Appropriations Data</b>						
	<b>Orig. &amp; --Supple. FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/ Recommend FY07</b>	<b>Actual Approp. FY07</b>
Direct State Services	\$4,114,000	\$5,562,000	\$5,207,000	\$4,334,000	\$4,334,000	\$4,334,000
Other funds	---	---	--- <sup>72</sup>	\$1,000,000	\$1,000,000	--- <sup>73</sup>
<b>Source: State FY07 Budget Book (p. D-258, D-259) &amp; FY07 Appropriations Bill S2007 (p. 135)</b>						

<b>State Disability Benefit Fund (N.J.S.A. 43:21-46a)</b>			
	<b>Actual FY05</b>	<b>Estimated FY06</b>	<b>Estimated FY07</b>
<b>Beginning balance</b>	<b>\$218,182,000</b>	<b>\$154,479,000</b>	<b>\$189,079,000</b>
Total revenues	\$533,741,000	\$546,300,000	\$574,300,000
<i>Taxes</i>	<i>\$497,338,000</i>	<i>\$510,000,000</i>	<i>\$537,000,000</i>
<i>Services and assessments</i>	<i>\$33,262,000</i>	<i>\$34,000,000</i>	<i>\$35,000,000</i>
<i>Investment earnings</i>	<i>\$1,778,000</i>	<i>\$2,200,000</i>	<i>\$2,200,000</i>
<i>Other</i>	<i>\$1,363,000</i>	<i>\$100,000</i>	<i>\$100,000</i>
Total available	\$751,923,000	\$700,779,000	\$763,379,000
Total expenditures and other financing uses	\$597,444,000	\$511,700,000	\$585,147,000
<i>Total expenditures</i>	<i>\$453,654,000</i>	<i>\$477,000,000</i>	<i>\$498,500,000</i>
<i>Transfers to other funds</i>	<i>\$143,790,000</i>	<i>\$34,700,000</i>	<i>\$86,647,000</i>
<b>Fund Balance June 30<sup>th</sup></b>	<b>\$154,479,000</b>	<b>\$189,079,000</b>	<b>\$178,232,000</b>
<b>Source: State FY07 Budget Book (p. H-29)</b>			

Note – The majority of the funding that was transferred to other funds in FY07 is a \$50 million transfer to the State General Fund (p. 284 of the S2007). No such transfer was made in FY06, although an even larger transfer of \$110 million was made in FY05.

<sup>72</sup> The FY06 Budget Book lists a FY05 Adjusted Appropriation from Other funds of \$1,000,000 (p. D-249), which is not reflected in the FY07 Budget Book.

<sup>73</sup> No appropriation beyond the Direct State Services line-item is included in the Appropriations Bill, but language in the bill allows for additional funding to be appropriated from the State Disability Benefits Fund for the costs of benefits and administration in the Private Disability Insurance plan, as needed.

## **State Earned Income Tax Credit (EITC)**

### ***Program Purpose and Description:***

The federal Earned Income Tax Credit began in 1975, and was designed as a program to return a portion of the Social Security Tax back to low-income taxpayers. Although it was made permanent in 1978, it was not until the program was significantly expanded during the 1990s that the EITC took hold. In 2005 nearly 466,000 families and individuals filed for federal EITC, receiving an average benefit of \$1,757. Eligibility for the federal credit is income restricted, with the 2006 income eligibility restricted to incomes of \$31,888 for a single taxpayer with one qualifying child (\$33,888 for married filing jointly), \$36,222 for a taxpayer with more than one qualifying child (\$38,222 for married filing jointly), and \$12,080 for a taxpayer with no qualifying children (\$14,080 for married filing jointly).<sup>74</sup> Generally, the credit is received as a refund when participants file their federal income tax, but starting in 2004 some employees with custodial care of children have the option of filing for advance payment through their employer, allowing them to collect a portion of the credit throughout the year and the balance when filing their taxes. Credits are fully refundable, meaning that they are not limited to the value of actual taxes paid and may exceed this level if the recipient is entitled to a credit greater than the value of federal taxes owed.

Nineteen states<sup>75</sup> and three localities<sup>76</sup> have enacted state EITCs to enhance the effectiveness of the federal program. New Jersey's state-based EITC is modeled, with some exceptions, after the federal credit. The New Jersey EITC, like the federal credit, is fully refundable. The New Jersey credit is equal to 20% of the federal credit but is available only to persons with qualifying children who earn below \$20,000. Because eligibility for the state credit is more restrictive, a significantly smaller number of New Jersey families qualify for the NJEITC than for the federal corollary. Participation in the state-based credit, however, remains below the estimated eligibility rate, indicating the need for additional outreach.

The NJEITC is primarily financed using funds generated through the TANF block grant<sup>77</sup> and is administered through the New Jersey Department of Treasury.

### ***Budget and Performance Trends:***

The FY07 state budget materials do not include evaluation data for the state EITC program, although such information has been provided in state budget materials prior to FY06. The DHS departmental budget appropriation includes a line item for the state EITC which indicates the portion of TANF Block Grant funds that goes into the program.

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<sup>74</sup> Internal Revenue Service EITC Overview: <http://www.irs.gov/individuals/article/0,,id=96406,00.html>.

<sup>75</sup> Colorado, the District of Columbia, Delaware, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Oregon, Rhode Island, Vermont, Virginia and Wisconsin. Colorado suspended its EITC for 2003; however, Denver residents are still able to claim the city's EITC.

<sup>76</sup> Montgomery County, Maryland, San Francisco, California, and Denver, Colorado.

<sup>77</sup> See the Working Poor Budget table under the TANF program earlier in this chapter.

Additional information is available from other sources. The Working Poor Budget, supplied by DFD, indicates both TANF and state Maintenance of Effort monies used to fund the EITC. Information provided to OLS by the Department of Treasury also provides a detailed breakdown for 2001-2004 of all state EITC recipients by income level and average benefit, with supplemental information for the 2005 tax year provided by DFD.

<b>State EITC Data by Tax Year and Income Level of Recipient</b>					
<b>Annual Income Level</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005<sup>78</sup></b>
\$0 - \$5,000					
# of EITC returns	28,329	32,227	29,604	21,810	<i>na</i>
Average EITC benefit	\$180.62	\$219.31	\$247.18	\$241.57	<i>na</i>
<i>Total EITC amount</i>	<i>\$5,116,924</i>	<i>\$7,067,596</i>	<i>\$7,317,385</i>	<i>\$5,268,745</i>	<i>na</i>
\$5,000 - \$10,000					
# of EITC returns	57,015	59,715	57,558	47,800	<i>na</i>
Average EITC benefit	\$379.46	\$446.60	\$512.25	\$524.79	<i>na</i>
<i>Total EITC amount</i>	<i>\$21,634,969</i>	<i>\$26,668,645</i>	<i>\$29,484,071</i>	<i>\$25,084,962</i>	<i>na</i>
\$10,000 - \$15,000					
# of EITC returns	67,777	69,209	68,161	58,487	<i>na</i>
Average EITC benefit	\$450.70	\$546.52	\$637.62	\$830.04	<i>na</i>
<i>Total EITC amount</i>	<i>\$30,547,015</i>	<i>\$37,824,373</i>	<i>\$43,461,099</i>	<i>\$48,546,373</i>	<i>na</i>
\$15,000 - \$20,000					
# of EITC returns	64,431	65,537	64,540	56,965	<i>na</i>
Average EITC benefit	\$338.23	\$433.36	\$515.15	\$541.25	<i>na</i>
<i>Total EITC amount</i>	<i>\$21,792,262</i>	<i>\$28,401,064</i>	<i>\$33,247,850</i>	<i>\$30,832,542</i>	<i>na</i>
<b>Total</b>					
<b># of returns with EITC</b>	<b>217,552</b>	<b>226,688</b>	<b>219,863</b>	<b>185,062</b>	<b>201,800</b>
<b>Average EITC benefit</b>	<b>\$363.55</b>	<b>\$440.97</b>	<b>\$516.28</b>	<b>\$592.95</b>	<b>\$557</b>

<sup>78</sup> Detailed information was not provided by the Department of Treasury in the FY07 budget materials, but total number of participants and average benefit levels was provided by DFD, which administers the EITC outreach program.

<b>Total EITC amount</b>	<b>\$79,091,170</b>	<b>\$99,961,677</b>	<b>\$113,510,405</b>	<b>\$109,732,622</b>	<b>\$112,402,600</b>
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**Source: Department of Treasury Response to OLS FY06 Discussion Points, Attachment K; Information provided by DFD staff**

**State Earned Income Tax Credit  
DFD Budget FY06 & FY07**

<b>Maintenance of Effort (MOE) FY06 --State Funds</b>	<b>TANF Block Grant Funds FY06</b>	<b>Total TANF/MOE Funding FY06</b>	<b>Maintenance of Effort (MOE) FY07 --State Funds</b>	<b>TANF Block Grant Funds FY07</b>	<b>Total TANF/MOE Funding FY07</b>
\$98,607,000	\$18,393,000	\$117,000,000	\$100,000,000	\$18,393,000	\$118,393,000

**Source: DFD budget document: Work First N.J. Working Poor Budget FY06 and Work First N.J. Working Poor Budget FY07**

Note – This information is duplicative of the Earned Income Tax Credit line in the Working Poor Budget under the TANF program description earlier in this chapter.

**Earned Income Tax Credit  
State Aid**

<b>Orig. &amp; --Supple. FY03</b>	<b>Total FY03 Available</b>	<b>Expended FY03</b>	<b>FY04 Adjusted Approp.</b>	<b>Request Recommend FY05</b>	<b>Actual Approp. FY05</b>
\$86,000,000	\$86,000,000	\$86,000,000	\$18,393,000	\$18,393,000	\$18,393,000

**Source: State FY07 Budget Book (p. D-240) & FY07 Appropriations Bill S2007 (p. 128)**

**Additional Analysis:**

As is evident in the discrepancy between the charts of EITC funding drawn from the DFD Budget and the State Budget Book, the state budget materials indicate only a portion of the funding that goes to the state EITC program for FY06. The portion of the TANF block grant funding that is used to fund the EITC is reported under the DHS department budget,<sup>79</sup> but the state MOE contribution, which comes from the state's general fund, is not indicated. Thus, the apparent drop in funding suggested by the State Budget Book figures indicates a re-shifting of funding sources rather than actual fluctuation in the budget for the state EITC program. From FY01 to FY04, New Jersey used primarily TANF funding to pay for the expenses of the state EITC program. Therefore, budget figures in the FY06 Budget Book reflect the high level of TANF funding directed to the EITC program in FY03 and FY04. In FY05, the funding streams for the program changed, with more than 80% of funding now coming from the state's general fund and counting toward the MOE requirement to draw down federal TANF

<sup>79</sup> In the FY04 State Budget Book, the EITC appropriation was reported under the Department of Treasury. The Treasury appropriation for FY03 and FY04 is reported under the DHS budget line item in the FY05 State Budget Book.

money. Since the Budget Book line item reflects only the TANF portion of funding, the shift in funding sources appears as a drop in funding although this is not the case.<sup>80</sup>

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<sup>80</sup> Verified by DFD staff via phone conversation, December 10, 2004.

## Recommendations

### Work First New Jersey (WFNJ) – ENSURING AN EFFECTIVE SAFETY NET

- Public assistance grants have not been raised in 20 years. New Jersey must immediately increase welfare payments, starting with a \$100 million commitment in FY08, apportioned as follows:
  - Monthly assistance grants should be increased to an amount equal to 70% of the Division of Family Development (DFD) published “Standard of Need” for all WFNJ participants.
  - Additional assistance should be provided to WFNJ recipients who are deferred from work requirements. For these cases, grants should be increased to an amount equal to 85% of the established Standard of Need.
  - The state must also recognize the additional needs of individuals who have been on the WFNJ program for 5 years or longer but for whom cash assistance will soon end due to time limits. Further assistance is needed in order to enable them to move into sustainable employment. For these individuals, WFNJ grants should be increased to an amount equal to 85% of the Standard of Need.
  - The state must provide a realistic safety net and must increase grant amounts for those exempt from the WFNJ time limits, to an amount equal to 100% of the Standard of Need.

Cash assistance grants are far below the levels of income needed to meet basic needs such as food, housing, utilities, transportation, and personal care items, and thus fail to provide a minimum safety net, much less support self-sufficiency. Monthly cash grants were last adjusted for inflation in 1987 and have remained flat since then. Their purchasing power has declined significantly over the intervening 16 years. The value of cash welfare grants has fallen 38% since 1987. By contrast, in recognition of the cost to provide basic needs, the Kinship Legal Guardianship payments, assistance payments made to caregivers other than parents, have recently doubled to \$500 per month, per child, far outstripping the WFNJ assistance paid to a parent caregiver by \$334 - \$450 per child, depending on the household size.

Grant amounts must be increased to an amount that realistically addresses the state’s cost of living and, minimally, to an amount that comports with the state “Standard of Need.”<sup>81</sup> In the past, grants have remained lower than a family’s actual need in part as a disincentive to long-term reliance on welfare benefits. However, since the inclusion of mandatory work requirements and time limits in 1997, a financial disincentive is no longer as valuable. In addition, the decline in value of the existing payments makes grant increases essential even if a financial disincentive is retained.

Because many who are unable to work have increased financial needs due to a disability or medical condition, higher levels of assistance should be provided to WFNJ recipients who are deferred from work requirements. For individuals who have been on the WFNJ program for five years or longer but for whom cash

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<sup>81</sup> See: N.J.A.C. 10:84 -1.6.

assistance will soon end due to time limits, the state must recognize the need for additional assistance. Many of these individuals have been unable to leave the welfare program because of significant barriers, including homelessness, medical conditions, domestic violence, substance abuse, mental health issues, and other significant impediments to self-sufficiency. For these individuals, further assistance is needed in order to enable them to move into sustainable employment. Finally, some WFNJ recipients are unable to work due to disability or similar circumstances and must rely upon the WFNJ program long-term as their sole source of meeting basic needs. The state must provide these individuals with a realistic safety net and must increase grant amounts for those exempt from the WFNJ time limits to an amount equal to 100% of the Standard of Need.

- Public assistance programs (WFNJ and SSI) must also include an annual cost of living adjustment in order to keep pace with inflation.
- As with grant levels, the resource limits have not been adjusted in many years and do not reflect the value of today's dollar. The resource limits for program eligibility must be expanded to enable recipients to accumulate more assets to assist them in becoming self-sufficient.
- The vehicle asset limit does not reflect the cost of vehicles in New Jersey. For many parts of the state, a reliable car is a necessity for a family. However, the resource limits prohibit a family with a \$9,500 car from accessing public assistance, even if the family has little equity in the vehicle.
- Supportive services to assist adults transitioning from welfare to work must be available for all adults, including adults without dependent minor children.

The WFNJ/TANF program contains critical support services for families that secure employment and are able to leave WFNJ rolls. These services provide vital assistance to families in their efforts to maintain stable employment and must be preserved and expanded. Similar support services must be provided to General Assistance recipients who are also in need of transitional services in order to preserve employment.

- The WFNJ income disregards must be expanded to encourage and support more families moving from welfare to work, and to encourage the establishment of child support orders and child support payments.

Earned income disregards should be expanded so that welfare recipients can transition to work without an immediate loss of benefits and services. Because of the tremendous disparity between grant levels and the level of earnings needed to meet basic needs, the earned income should be disregarded entirely for three months, followed by a 75% for all months thereafter.

Child support pass through payments should also be increased, to \$100 per child, in order to encourage the establishment of orders and the payment of support. Since families who lose WFNJ assistance due to child support do not continue to receive supportive services, increased pass through payments would enable families to transition from welfare with less harmful effects on the family.

- New Jersey must fully commit to the Supplemental Workforce Development Benefits program, provide adequate funding to serve the 1,500 participants allowed by statute and open the program to many more eligible candidates.

Because the WFNJ program is time limited, with limited opportunities for meaningful education and training, the Supplemental Workforce Development Benefits program is essential for participants seeking to improve their education. As a result of new Federal TANF regulations, post-secondary education is no longer an allowable TANF work activity, making the “Smart Steps” program essential. The program is designed to serve WFNJ eligible individuals who need additional education assistance, and will allow these individuals to obtain the education needed to achieve their longer-term employment goals, leading to more stable, self-supporting incomes. Because of very limited funding, the program is only expected to serve a few hundred of the roughly 45,000 families in the Work First New Jersey program, far below the 1,500 participants that the Supplemental Workforce Development Benefits program is authorized to assist. For many individuals, this program is their only avenue for securing the support they need in order to pursue education. It should be fully funded and expanded, in order to reach more families struggling to move out of poverty through education and employment.

- The family cap restriction must be eliminated.

The WFNJ program contains a “family cap” which denies a grant increase to a parent who has an additional child while receiving assistance. The cap has not been proven to benefit families in any way but instead penalizes children who have been born into families on welfare. The family cap must be eliminated.

- New legislation regarding deferrals for new parents in TANF should incorporate extended deferrals for parenting programs, while protecting the minimum 12-week deferral for each child.

New Jersey has recently begun a pilot program called the TANF Initiative for Parents (TIP) program. The program, currently in Camden County with plans for expansion into four other counties, allows WFNJ recipients with infants less than 12 months of age to participate in a parenting program in lieu of other work activities. Pending legislation would amend the WFNJ program to allow for a cumulative 12 months of deferral from other work requirements for a parent who participates in a specialized parenting program such as the TIP program. While the legislation recognizes and supports the alternative program, it also imposes a lifetime cumulative limit of 12 months on all work deferrals for new parents. Additional amendments are needed to

ensure that all parents retain the current 12-week deferral from work requirements after the birth of a child in addition to the new parenting program alternative.

- Funding to county and municipal welfare agencies must be adequate to support and strengthen the case management needs for the WFNJ/TANF and WFNJ/GA caseload.
- The state must commit to and invest in on-going monitoring of WFNJ and LWD's employment & training programs.

Over the past year, and continuing into the next year, the WFNJ program has undergone several significant and critical changes that warrant close monitoring and attention to ensure that the program is working in the best way possible. During the initial years of the WFNJ program, Mathematica Policy Research Inc. conducted a multi-tiered study which provided invaluable insight into the program's strengths and shortcomings. Given the reorganization of the WFNJ work program and the reorganization of the child welfare system to increase WFNJ case management responsibilities, additional ongoing monitoring and evaluation of the WFNJ program should continue.

In addition, in order to ensure the success of the transfer of WFNJ services to the LWD, New Jersey must require additional reporting and accountability to evaluate WFNJ participants' success at moving into sustainable, economically sufficient employment. Consistent reporting requirements and performance measures should be required for all of the employment and training programs administered by the LWD, including WIA, WDP, and WFNJ.

### **Unemployment Insurance**

- Use current UI fund balances to create a temporary state extension program, which would address New Jersey' exhaustion rate of 46.9%.<sup>82</sup>

The number of long-term unemployed in New Jersey – those exhausting state-funded unemployment insurance benefits before they are able to find work – remains at critical levels. New Jersey's worsening unemployment exhaustion rate, now at 49.6%, stands as the fourth worst of all states. Additionally, the Temporary Extended Unemployment Compensation program, a federal program designed to provide additional aid to workers during economic downturns, ended in December 2003 leaving jobless workers who have been unable to return to the labor force with no further income support. In the first three months of 2005, 38,887 workers exhausted UI benefits and faced this total loss of income. We recommend creating a modest state extension program with UI fund balances.

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<sup>82</sup> U.S. Department of Labor Employment and Training Administration, Labor Force Information by State CYQ: 2005.1.

- Increase New Jersey's UI benefit formula for the duration of base benefits by four weeks to the Massachusetts' level of 30 weeks, in order to further address NJ's record high cost of living and UI exhaustion rates.

New Jersey's unemployed workers now receive benefits equal to two-thirds of their average base week earnings. Their maximum weekly benefit allowance for 2005 is \$503, and the maximum duration is 26 weeks. While these benefits rates are on par with those of most other states, New Jersey's cost of living is among the highest in the country. The state's UI benefits formula should approach that of an economically comparable state, such as Massachusetts. We recommend a four week increase in the duration of base benefits to the Massachusetts level of 30 weeks. This measure further addresses NJ's record high cost of living and UI exhaustion rates.

- Provide an additional \$50 million to more adequately fund Additional Benefits during Training (ABT) and thereby address NJ's high UI exhaustion rates and the need for worker retraining tailored to shifting job sector opportunities.

While New Jersey's unemployed currently exhaust UI benefits at the highest rate in the country, economists have forecast a rise in jobs within particular sectors of the state's economy. Without proper training within expanding job sectors, any boom in New Jersey's economy will remain irrelevant to our many dislocated and long-term unemployed workers. ABT provides exhausters with up to 26 weeks of additional benefits while they receive necessary job training. Current ABT funding and disbursements should rise commensurate with the significant increase in the number of long-term unemployed workers and focus on training the workforce to participate in the most economically resilient parts of the state's employment sector.

- Allocate an additional \$15 million to alter the dependency benefits formula to allow a higher maximum benefit allowance (MBA) commensurate with the dependency amount, as done in other states.

New Jersey currently provides a 7% increase in UI benefits for a household's first dependent, and a 4% increase for each of the household's next two dependents, for a maximum dependency increase of 15%. Unlike many states, however, New Jersey's dependency benefit will not raise an unemployed worker's overall MBA. In other words, the maximum weekly benefit a claimant can receive in New Jersey in 2004 is \$490 – regardless of whether they qualify for a dependency benefit. New Jersey's formula should be modernized to better reflect the face of today's workforce, increasingly that of caretakers, particularly women, by increasing the MBA by the amount of the awarded dependency benefit. New Jersey's unemployed working families need a dependency benefits formula that permits a higher maximum benefit allowance commensurate with the dependency amount, as done in other states.

- Insure leave for birth and adoption under FMLA/NJFLA by allocating \$101.1 million of state funds.

The overall necessity for paid family leave insurance is clear. (See first TDI recommendation.) Birth and adoption constitute the most often used basis for taking leave under the FMLA, by far. The state should establish paid leave insurance for workers needing time for birth or adoption under the Family Medical Leave Act or the New Jersey Family Leave Act. A study by the Urban Institute evaluates the costs of birth and adoption, or “baby UI” legislation as very modest<sup>83</sup>, as do previously released estimates by the U.S. Department of Labor.<sup>84</sup>

- Allocate \$10 million of administrative funding to investigate and recover unpaid employer contributions resulting from fraud and error, to adjust experience ratings and to restore unpaid and underpaid claimants.

In 2002, the U.S. Department of Labor reported \$268 million in underpayments (paid but not at the proper level) to UI claimants. In addition, the National Employment Law Project (NELP) estimated \$1.03 billion in benefits wrongfully denied. Together, these underpayments total \$1.3 billion, or about 3.2% of all UI benefits paid nationally.

The non-monetary errors are mainly attributable to agency worker error in applying eligibility laws such as voluntary quit and misconduct. Coupled with New Jersey’s consistent failure to meet federal timeliness guidelines for dispersing UI payments, these patterned errors signal a strong need to fund more training and staffing. The monetary errors, by contrast, are largely attributable to employer falsification and fraud. For example, according to a 2000 USDOL report, 80,000 workers were wrongfully denied benefits because the employer called them “independent contractors” rather than “employees.” DOL audits have discovered hundreds of millions of dollars in unreported wages.<sup>85</sup>

New Jersey has an unacceptably high improper denial rate – 7.24% of monetary denials were improper, 6.65% of separation denials and 6.71% of non-separation denials.<sup>86</sup> Unlike many other states, New Jersey’s rate did not significantly decrease from corrective action.<sup>87</sup> It follows, therefore, that New Jersey must dedicate more resources to uncovering and correcting employer fraud, minimizing benefit barriers and equipping claimants for appeals.

- Reform the Unemployment Insurance Trust Fund to prevent future diversions that would deplete the fund and to ensure equity in its collections process.

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<sup>83</sup> Vroman, Wayne, “Compensating American Families for Birth and Adoptions,” at <http://www.urban.org/pdfs/BAAUC.pdf>.

<sup>84</sup> See “Birth and Adoption Unemployment Compensation; Final Rule,” *Federal Register*: Volume 65, Number 114, pp. 37209-37227, estimating annual costs nationwide at between zero and \$196 million.

<sup>85</sup> “The Whole Truth, Concerning Employer Fraud and Wrongfully Denied Claims,” at <http://www.nelp.org/docUploads/WholeTruth%2Epdf>.

<sup>86</sup> US DOL 2002 “Denied Claims Accuracy Rates,” [http://www.ows.doleta.gov/unemployment/bam/2002/dca\\_rates\\_cy02](http://www.ows.doleta.gov/unemployment/bam/2002/dca_rates_cy02).

<sup>87</sup> See “Denied Claims Accuracy Rates,” U.S. Department of Labor, 2002 at [www.ows.doleta.gov/unemploy/bam/2002/dca\\_rates\\_cy02.asp](http://www.ows.doleta.gov/unemploy/bam/2002/dca_rates_cy02.asp).

- Consult with hospitals and other actors; consider alternative solutions, including a statutory amendment restricting future statutory diversions as proposed by the Governors Transitional Task Force.
- Propose amending the tax adjustment to include employers' schedules. The employee tax should also balance the burden by increasing the taxable wage base above the current level of \$25,800 (for TDI and UI), while continuing to index to average wages in the State.
- Further address employer fraud through rigorous regulations for 1) SUTA dumping statute, 2) independent contractor mislabeling, as recommended by the transition team. Establish an affirmative ABC/economic realities test-form with each 1099 filing/covered employment challenge.

### **Temporary Disability**

- The state should appropriate \$42.9 million for a new family temporary disability program that provides leave insurance for individuals who have to care for sick children, parents and spouses under the Family Medical Leave Act (FMLA) or New Jersey Family Leave Act (NJFLA).

According to a U.S. Department of Labor report, of those workers who needed to use family leave, 88% did not but would have if they received some pay during their time off.<sup>88</sup>

- There should be a \$50 million increase in TDI, specifically to extend benefits duration to that of more equitable state formulas - from 26 to 52 weeks - to close the current gap for those exhausting TDI and awaiting Social Security Disability benefits.

New Jersey's temporarily disabled workers now receive benefits based upon two-thirds of their average weekly wage, subject to a maximum of 53 percent of the statewide average weekly pay. The maximum weekly benefit rate for 2004 is \$459. Total benefits extend to 26 weeks at the weekly benefit rate, or 1/3 of total wages earned in the base year, whichever is less. New Jersey's real cost of living is among the highest in the country. Its benefits formula should grant up to 52 weeks of benefits.

For those not fortunate enough to fall under a spouse's insurance plan, loss of job often means loss of healthcare. For many, neither COBRA<sup>89</sup> nor an outside private

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<sup>88</sup> *Balancing the Needs of Families and Employers: The Family and Medical Leave Surveys 2000 Update*, U.S. Department of Labor, Office of the Assistant Secretary for Policy, Washington D.C., 2001.

<sup>89</sup> The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) is a federal law which provides a former employee the option to continue on their employer's health care plan for a limited period of time. Beneficiaries may be required to pay the entire premium for coverage. It cannot exceed 102% of the cost to the plan for similarly situated individuals who have not incurred a qualifying event. Premiums reflect the total cost of group health coverage, including both the portion paid by employees and any

insurer is a real option. Often totaling over \$400 per month, COBRA is cost prohibitive for the majority of unemployed workers who lack substantial savings. TDI's modest wage replacement at two-thirds of the claimant's average weekly wage means sub-minimum wage living for many and is insufficient to finance privately attained health care.

### **Earned Income Tax Credit (NJEITC)**

- Funding for the NJEITC must be allocated from general revenues, not from the TANF program, in order to free up scarce and over-expended TANF funds, necessary for essential TANF programs and related costs.

New Jersey's EITC, though modeled in part after the federal tax credit, has significant limitations. These exist because TANF funds are the primary source of revenue for the NJEITC. New Jersey's EITC is currently limited to households with earnings below \$20,000 and having one or more qualified dependents.

- Expand the earnings ceiling for NJEITC eligibility to that of the federal credit.

The amount of the federal EITC benefit is gradually phased out as a household's income increases, until reaching an income ceiling. For tax year 2006, the federal ceiling for annual earnings is \$31,888 for a single parent household<sup>90</sup> with one child and \$36,222 for a household with two or more children. These thresholds are adjusted upward each year to keep pace with inflation. The NJEITC benefit, on the other hand, has a fixed eligibility cap of \$20,000. In other words, if a household earns more than \$20,000 they are ineligible for the NJEITC, regardless of the number of children or increases in the cost of living. For example, for tax year 2004, a household earning \$19,995 with two qualifying dependents would be eligible for a federal EITC of \$3,050, and a NJEITC of \$610 (20% of the federal credit), for a total combined EITC benefit of \$3,660. On the other hand, if that same household earned just \$10 more, \$20,005, while eligible for a federal credit of \$3,040 they would be ineligible for any NJEITC. This has the effect of providing a disincentive to increase earnings. The NJEITC should mirror the federal EITC and contain a gradual earnings phase out.

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portion paid by the employer before the qualifying event, plus 2% for administrative costs. See [http://www.pueblo.gsa.gov/cic\\_text/employ/cobra/cobra/txt](http://www.pueblo.gsa.gov/cic_text/employ/cobra/cobra/txt).

<sup>90</sup> For all benefit levels, the EITC benefit is \$2,000 higher for married households, filing jointly, than for households of the same income and number of dependents but who are single.