

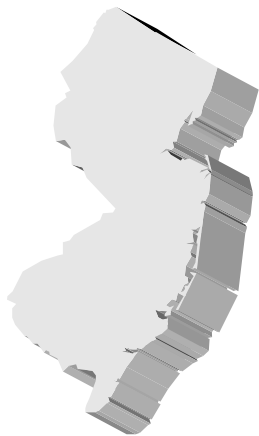
Income Support and Social Services for Low-Income People in New Jersey

Susan A. Riedinger
Amy-Ellen Duke
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State Reports



Assessing
the New
Federalism
*An Urban Institute
Program to Assess
Changing Social Policies*



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This report is part of The Urban Institute's *Assessing the New Federalism* project, a multi-year effort to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director and Anna Kondratas is the deputy director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, Inc., the project studies child and family well-being.

The project has received funding from the Annie E. Casey Foundation, the W.K. Kellogg Foundation, the Henry J. Kaiser Family Foundation, the Ford Foundation, the John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, the Commonwealth Fund, the Stuart Foundation, the Robert Wood Johnson Foundation, the Weingart Foundation, the McKnight Foundation, the Fund for New Jersey, and the Rockefeller Foundation. Additional funding is provided by the Joyce Foundation and the Lynde and Harry Bradley Foundation through a subcontract with the University of Wisconsin at Madison.

The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to The Urban Institute, its trustees, or its funders.

The authors would like to acknowledge the assistance of our local collaborator, Ciro Scalera of the Association for the Children of New Jersey, and the many individuals from the legislature, state government agencies, Hudson County government agencies, and the nonprofit sector who gave generously of their time to participate in interviews, send us material, and review notes, memos, and earlier versions of this report. The warm welcome we received on our visits, and the cooperation that was forthcoming throughout this rather lengthy process, are much appreciated, and their contributions have made the report more accurate and more readable. In addition to the authors, several Urban Institute staff also contributed to this report. Keith Watson and Jerome Gallagher constructed two of the tables; Freya Sonenstein and Sheila Zedlewski made many substantive and editorial contributions, from development of the initial outline to review of the penultimate draft; Felicity Skidmore of the Urban Institute Press ably compiled the Highlights of the Report; and core staff of *Assessing the New Federalism* helped with every aspect of moving the report along to its final form.

About the Series

Assessing the New Federalism is a multi-year Urban Institute project designed to analyze the devolution of responsibility from the federal government to the states for health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. In collaboration with Child Trends, Inc., the project studies changes in family well-being. The project aims to provide timely nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at the Urban Institute's Web site. This paper is one in a series of reports on the case studies conducted in the 13 states, home to half of the nation's population. The 13 states are Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Two case studies were conducted in each state, one focusing on income support and social services, including employment and training programs, and the other on health programs. These 26 reports describe the policies and programs in place in the base year of this project, 1996. A second set of case studies to be prepared in 1998 or 1999 will describe how states reshape programs and policies in response to increased freedom to design social welfare and health programs to fit the needs of their low-income populations.

The income support and social services studies look at three broad areas. Basic income support for low-income families, which includes cash and near-cash programs such as Aid to Families with Dependent Children and Food Stamps, is one. The second area includes programs designed to lessen the

dependence of families on government-funded income support, such as education and training programs, child care, and child support enforcement. Finally, the reports describe what might be called the last-resort safety net, which includes child welfare, homeless programs, and other emergency services.

The health reports describe the entire context of health care provision for the low-income population. They cover Medicaid and similar programs, state policies regarding insurance, and the role of public hospitals and public health programs.

In a study of the effects of shifting responsibilities from the federal to state governments, one must start with an understanding of where states stand. States have made highly varied decisions about how to structure their programs. In addition, each state is working within its own context of private-sector choices and political attitudes toward the role of government. Future components of *Assessing the New Federalism* will include studies of the variation in policy choices made by different states.

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Highlights of the Report

This report focuses on the baseline conditions of cash assistance and social services in New Jersey, as the state embarked on the new welfare reforms specified in the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)—in particular, replacement of Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF).

State Overview

New Jersey's population is the fifth largest in the nation. It is a highly urban state, with more than the average share of noncitizen immigrant residents (9 versus 6 percent nationally). With an overall birthrate similar to the national average, it has a teen birthrate that is one of the nation's lowest. New Jersey's economy is growing more slowly than the nation's and its unemployment rate is higher. Even so, New Jersey residents are relatively well-off, with per capita income averaging almost \$30,000 in 1995, compared with \$23,000 nationwide. Most of the political power rests with the governor, who is the only statewide official elected by popular vote and who appoints all county judges, all prosecutors, and the commissioners of the 17 statewide executive agencies. Since 1994, the state has been led by a Republican governor, Christine Todd Whitman, and both legislative houses have had Republican majorities, resulting in few legislative challenges to the governor's proposals, including her welfare reform proposal.

Setting the Policy Context

The state's current goal for its low-income population is to change behavior by emphasizing personal responsibility, the importance of work, and time-limited assistance. In some respects, this has meant a more stringent approach than is required by federal law—for example, requiring mothers of children older than 12 weeks to work and instituting one of the nation's earliest laws eliminating AFDC benefit increases for children conceived and born while the mother is on welfare. But in others it has meant retaining the state's traditionally generous safety net, such as maintaining its state-funded General Assistance and its state-funded Aid to Families with Dependent Children (AFDC-New Jersey [AFDC-N]), established for two-parent low-income families who did not qualify for the federal AFDC-Unemployed Parent (AFDC-UP) program.

State social welfare spending has increased much more slowly under the current governor than under previous administrations, although New Jersey's welfare benefits are still slightly higher than the national average. The fiscal year (FY) 1997 appropriations recommended for the Department of Human Services (DHS), the primary state department serving low-income families, account for 23 percent of total state appropriations. Local governments are required to contribute to the benefit and administrative costs of the welfare system, even though the state is very prescriptive in the income support and social services area. Tension has long existed over the impact of state policies on local budgets. In 1995, the voters approved a "State Mandate/State Pay" constitutional amendment, but this still excludes laws written to comply with unfunded federal laws.

Basic Income Support

In addition to the federal Supplemental Security Income (SSI) and Food Stamp programs, New Jersey's primary income support programs for low-income families in 1996 were the two state-funded programs already mentioned and AFDC/AFDC-UP, along with the Family Development Program (FDP)—which was New Jersey's version of the Job Opportunity and Basic Skills (JOBS) program (the pre-TANF employment and training program for AFDC recipients).

State-Funded Programs

AFDC-N paid benefits equal to two-thirds of the federal AFDC benefit levels in 1996. The program, jointly funded by the state and its counties, accounted for \$17 million (8 percent) of state and county AFDC expenditures in that year. General Assistance, available to low-income single adults and childless couples, paid \$210 a month for unemployable recipients and \$140 a month for employable recipients in 1996. The state spent \$175 million on General Assistance in FY 1995.

AFDC and FDP

New Jersey's maximum AFDC benefit level in 1996 was \$424 a month for a family of three (compared with a national average of \$393). Together with a maximum of \$307 a month in food stamp benefits, this yielded such a family an income of \$731 a month (68 percent of the federal poverty level). The state's AFDC administrative costs were the second highest in the country in 1996 but varied widely across the state—from 40 to 50 percent of the AFDC budget in some wealthy counties to 7 to 12 percent in some poorer, urban ones.

New Jersey applied for a federal waiver in June 1992 in order to implement the FDP's package of reforms, which changed AFDC benefit and eligibility rules with the goal of altering opportunity and behavior. All parents of children over age two were required to participate in FDP or have their grant reduced by 20 percent. The FDP initiative was phased in statewide over the next two years. Interestingly, it shifted New Jersey's JOBS program's prior focus on immediate employment to a focus on education and job training as a way to help recipients develop better job skills.

FDP was also intended to (1) address the needs of the entire family by requiring all families on AFDC to complete a family plan addressing every family member's needs and plans for self-sufficiency, and (2) change the welfare office culture by co-locating case managers with child care and other supportive service specialists for better coordination of service delivery. In addition, FDP was concerned with supporting families and increasing family responsibility, which it did in three ways. First, it removed the AFDC marriage penalty by allowing the children of a woman who married a man not their father to remain eligible for cash assistance until the total household income exceeded 150 percent of the federal poverty level. Second, it increased the state's AFDC-N benefit to equal AFDC-UP benefit levels. Third, it denied cash benefit increases to families on AFDC who gave birth to another child while on assistance—the country's first family cap.

FDP had indifferent success. Lack of time and energy prevented caseworkers from implementing the family plan as designed. And a program evaluation found that the family cap made no difference in the proportion of additional children born while the mother was on welfare, though other studies challenged these results. Given the success of Work First models in other states, the governor and state administrators started to rethink FDP's focus. By late 1995, the state was beginning to step up the pace at which recipients with marketable skills were expected to get jobs. And in March 1996, the governor released her welfare reform plan, Work First New Jersey (Work First NJ). Passage of PRWORA in August 1996 provided the push needed to bring the governor's plan to the floor of the legislature.

Programs That Promote Financial Independence

To help promote self-sufficiency, cash assistance programs often need to be supplemented with employment and training, subsidized child care, child sup-



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port collection efforts, and health insurance coverage. In New Jersey, major changes have been taking place in several of these areas.

Employment and Training

In May 1995, the governor signed Executive Order No. 36, creating Workforce New Jersey, the goal of which was to create a comprehensive workforce system for all workers. The order created a system of Workforce Investment Boards as the planning and oversight bodies for all local employment and training activities. Not functional until 1997, these are local partnerships of private- and public-sector participants, including educational institutions. The One-Stop Career Center system, created while the shift to local Workforce Investment Boards was occurring (1995–1997), is intended to provide a single point of access (and service administration) for career planning, social services, and workforce readiness activities. The One-Stop system is a virtual system, allowing access to all resources through the Internet, with some physical locations for service access and administration.

The new workforce system has four levels. The governor, at the top, is the key decisionmaker behind the recent changes. The State Employment and Training Commission (SETC), created in 1989, is the second level. The SETC's members are appointed by the governor, are confirmed by the Senate, and include commissioners from the departments of Community Affairs, Commerce and Economic Development, Education, Human Services, and Labor, joined by representatives from business, labor, the public, community-based organizations, and elected officials. A forum for all interested parties to work together, it developed the statewide workforce readiness plan and reviews the Workforce Investment Boards' plans.

The third level is the state Department of Labor (DOL). DOL drives workforce activities in the state by promulgating central directives for implementation at the local level. DOL took over the Food Stamp Employment and Training Program (FSET) from DHS in 1992, a program in which the non-AFDC food stamp population (including able-bodied adults and other low-income families) was required to participate. The 1995 executive order replaced DHS with DOL as the primary agency concerned with workforce issues for welfare recipients. In addition, DOL oversees the Job Training Partnership Act (JTPA) program, the General Assistance Employment Program, the Workforce Development Partnership Program, the Self-Employment Assistance Program, and the State Employment Service. School-to-Work initiatives are joint between DOL and the Department of Education (DOE).

New legislation has now extended DOL's mandate to include the local Workforce Investment Boards, which are built on JTPA's Private Industry Councils, and the One-Stop Career Center system, which is a technologically (rather than geographically) integrated job service/information system. At the fourth (local) level, the workforce system is composed of the Workforce Investment Boards, the One-Stop Career Centers, and training/support services providers. The Workforce Investment Boards are connected to county govern-

ment, with services provided by County Employment Service offices and local contractors, including community colleges and other entities that have traditionally been part of the JTPA system.

Child Care

Although the state was anticipating a major overhaul of the child care delivery system, at the time of our visit in March 1997 these changes had not yet been implemented. The major child care programs in New Jersey at that time were Title IV-A At-Risk Child Care, the Child Care Development Block Grant (CCDBG), Title IV-A AFDC/JOBS child care, Title IV-A Transitional Child Care, and state contracts with private child care providers (funded out of Social Services Block Grant and state monies). The combination of programs, as administered in New Jersey, was more generous to welfare and former welfare recipients, and to parents of children under the supervision of Child Protective Services, than to working poor families.

The service delivery system involved multiple agencies at the state and county levels and was not seamless from an administrative or family perspective. The reimbursement rates for providers and the parent copayment rates were the same for all federally funded child care subsidies. But the payment systems were separate and incompatible. Families could enroll for any of the subsidy programs with one application. But when parents were no longer eligible for the transitional program, they had to reapply for the CCDBG and At-Risk subsidies. Even though spending on subsidized child care had increased in the past several years through more effective use of the funds for which there is a federal match, each of the programs reported substantial waiting lists, with the biggest supply gap in infant care.

The two major early childhood development programs in New Jersey—GoodStarts and Early Childhood Program Aid (ECPA)—were both administered through DOE. Although DOE had a collaborative relationship with DHS for their development, there was no perceptible coordination between these programs and the subsidized child care programs.

In FY 1995, 10 GoodStarts programs were funded with \$5.9 billion in state monies appropriated to DOE and \$2.5 million in federal CCDBG set-aside funds administered by DHS. These were full-day programs designed to foster collaboration among local public schools and community agencies in expanding participation of low-income urban children ages three to four. The GoodStarts grants to the districts ended in June 1997, but districts can use ECPA funding to support GoodStarts-like programs. ECPA was announced in January 1997. Funded by DOE at \$287.5 million, ECPA aid is provided to the state's 125 poorest school districts to guarantee prekindergarten and full-day kindergarten for all children in those districts. DOE would like local districts to work with DHS to target their programs to working mothers on welfare, but whether this is done depends on each school district. In addition to collaboration with DOE, DHS has ties to the Head Start community in New Jersey, with the Head Start



Collaboration project (a federally funded project in every state) operating out of DHS.

Child Support

New Jersey's child support system is state supervised and county administered, with program responsibilities divided between the Office of Child Support and Paternity in DHS and the Administrative Office of the Courts, part of the judiciary. The Office of Child Support and Paternity is responsible for program administration; the Administrative Office of the Courts for the establishment, enforcement, and collection of child support orders. Both the county welfare office, as the local counterpart of the Office of Child Support and Paternity, and the county probation department, as the local counterpart of the Administrative Office of the Courts, play prominent roles—resulting in much local variation and significant tension between administrative and judicial emphases.

In 1995, the state centralized child support collection and distribution, resulting in an 11 percent increase in collections over the next year (most of which came from non-AFDC cases). Also in 1995, the Office of Child Support and Paternity developed the Paternity Opportunity Program (POP), a statewide hospital-based program documenting paternity for nonmarital children at birth. Though voluntary, the program resulted in paternity establishments for over 70 percent of such births the following year. In 1996, the state enacted a program to suspend drivers' and occupational licenses of noncustodial parents who were late with payments. The state also has a small lien program, using immediate income and civil lawsuit withholding, assets seizure, and income tax offsets as enforcement mechanisms. At the time of our visits, the state was considering adding to its enforcement arsenal the interception of unemployment and workers compensation benefits, lottery winnings, inheritances, and assets in financial institutions, and it did so in 1998.

Medicaid and Other Health Insurance

Medicaid is the dominant health program for low-income families in New Jersey, accounting for 15.6 percent of the state's general fund spending. New Jersey's Medicaid spending per child is close to the national average, but the state spends considerably more than the national average per disabled and elderly beneficiary. Its Medicaid eligibility criteria are often the maximum allowed without waiver and always more generous than the national average. New Jersey Medicaid moved to mandatory managed care through waiver in June 1995.

In addition to a generous Medicaid program, the state has a historic commitment to serve uninsured individuals, with a state mandate prohibiting hospitals from turning away prospective patients dating back to the 1970s. Hospital subsidies are funded largely through the state's Disproportionate Share Hospital (DSH) program, which leverages federal Medicaid dollars. The state also has a small subsidized insurance program for working families that was supposed to cover 100,000 individuals, but stable funding was never established for the program. It suspended enrollment in March 1997, at which time it was serving

fewer than 16,000 people. The governor has made extending children's health coverage a priority, and she won legislative passage of New Jersey KidCare—a new private, managed care health insurance program—at the end of 1997. The state is contributing 35 percent of the funding, with further funds coming from the State Children's Health Insurance Program, which was passed as part of the federal Balanced Budget Act of August 1997.

Teen Pregnancy Prevention

New Jersey's very low teen pregnancy rates have kept teen pregnancy prevention a low priority, with no coordinated statewide initiative. In the wake of federal legislation allowing states to spend TANF funds for the purpose, the governor announced a new \$1.1 million state initiative. It is unlikely that the state will qualify for any of the monetary incentives in the federal legislation, however, because such a low initial rate makes major rate reductions unlikely.

Last-Resort Safety Net Programs

Although one of the goals of devolution is to promote the well-being of children and families, it is important to consider what might happen to families for whom the new rules and programs do not work as designed. Child welfare, emergency services, and housing have existed for a long time to “pick up the pieces” when families cannot cope.

Child Welfare

The child welfare system in New Jersey is state supervised and administered by the Division of Youth and Family Services (DYFS) under DHS, with 4 regional offices and 32 district field offices. Over the past several years, reports of child maltreatment have increased although the share of substantiated reports has fallen—attributed by caseworkers to 1993 changes in the state's definition of child abuse and neglect that made such cases more difficult to substantiate. DYFS funds a variety of child welfare services, more than half of which are provided by the division itself. Concerns about rising caseloads led to highly critical public hearings in late 1996, establishment by the governor of a Blue Ribbon Task Force in early 1997, and a survey by a child advocacy organization. The survey found, and our respondents in DYFS confirmed, that the division was not able to respond adequately to abuse and neglect reports, a problem that was aggravated by the implementation of new case-handling standards on substance abuse, which markedly increased the number of children under DYFS supervision. In response to these problems, legislation was passed in July 1997 to provide \$18 million in additional resources.

Emergency Services and Housing

Housing affordability is a top concern in New Jersey, where housing costs are nearly twice the national average. The Division of Family Development, in



DHS, administers the state's Title IV-A Emergency Assistance to clients who are, or are in imminent danger of being, homeless through no fault of their own. Emergency Assistance dollars are used for a variety of services, including temporary rental assistance, motel and shelter placements, back rent, back utilities, and furnishings. The Division of Mental Health Services purchases community mental health services through contracts with nonprofit providers. The Department of Community Affairs provides diverse services that include affordable housing, fire safety, child care, local police services, and protection against domestic violence. The bulk of housing assistance is provided through federal public housing and Section 8 vouchers.

Implications of the New Welfare Reform Legislation

New Jersey's response to TANF is Work First New Jersey, developed from the governor's 1995 welfare reform proposal and differing from it primarily to fit the parameters of the federal legislation. Work First NJ attracted broad bipartisan support and was passed by the legislature and signed by the governor in the form of two bills that became law in January and March 1997. Work First NJ retained the family cap from FDP but changed the education and training focus of FDP drastically in the direction of immediate placement of recipients in jobs and integrating them into mainstream society.

Work First NJ has three main goals. First, it replaces welfare with work by requiring recipients to participate in a work activity that will lead directly to employment for at least 35 hours a week once they are determined work ready, at the latest after 24 months on welfare. Earned income and asset disregards and transitional benefits are increased. Second, it fosters individual responsibility by requiring each recipient to sign an individual responsibility plan that outlines the recipient's required work activity and the state/county commitment to provide support services. Third, it supports efficient administration by consolidating and streamlining AFDC, JOBS, General Assistance, and Emergency Assistance into one program. Work First NJ also incorporates tougher sanctions—removing the parent's benefit from the grant for a minimum of one month for the first instance of noncompliance and progressing to termination of cash assistance for all family members and case closure if the parent does not comply within 90 days of failing to participate. Work First NJ incorporates one major exception to TANF. It features six-month extensions of the five-year time limit for "extreme hardship" cases and for participants who have full-time jobs but remain Work First NJ-eligible because of the earned income disregard.

In order to comply with TANF, selected components of Work First NJ were implemented through emergency regulations in February and April 1997—before the technological infrastructure was in place, before workers had been trained, and before the client flow with DOL had been determined. Because of this, early implementation was largely state controlled. Work First NJ was fully implemented in July 1997. The state expects to permit increased county flexi-

bility as the infrastructure is put into place and local staff are trained. New Jersey is receiving a TANF windfall, as are most states, which it is reinvesting in social service programs such as child care, substance abuse treatment, transportation, and technology.

PRWORA influenced the state to pass legislation in two key areas of child support: new-hire reporting and the Uniform Interstate Family Support Act (UIFSA), which will make it easier to enforce interstate child support cases (accounting in 1996 for 25 percent of its cases but only 5 percent of its collections). In addition, New Jersey will continue the \$50 pass-through of child support payments to families receiving cash assistance.

With respect to legal immigrants, New Jersey's governor has replaced as many of the benefits removed by PRWORA as possible, but she has expressed concern that New Jersey not be overly generous, due to fiscal constraints, and not become an immigrant magnet compared to neighboring states. The state has created a state food program to purchase federal food stamps for legal immigrants residing in the United States as of August 22, 1996, who are disabled, elderly, or children. Following the federal restoration of food stamp eligibility to most of these immigrants, the state expanded its program to cover immigrant parents of children receiving food stamps. Like most states, New Jersey has opted to provide TANF and Medicaid benefits to legal immigrants who were in the country on the date of PRWORA's passage.

The Work First NJ implementation challenges facing the state are substantial. The governor has issued an executive order requiring all departments to cooperate, including working together to leverage federal dollars. Collaboration between DHS and DOL, in particular, will play a principal role in determining Work First NJ's success. Under Work First NJ, DHS serves as the entry point for welfare recipients to the DOL One-Stop labor force system. How seamless this will be is still unknown, because the local parts of the Workforce New Jersey structure are still in the early stages of development. DHS was still negotiating with employers for jobs for Work First NJ recipients in March 1997, for example, a responsibility that formally belongs to the local Workforce Investment Boards (under DOL) and was scheduled to be turned over to DOL at the beginning of 1998. In addition, though the state unemployment rate is low, local unemployment rates are double the state average in urban areas such as Jersey City (where there are high concentrations of welfare recipients). Some advocates fear that the job supply will be inadequate, though state officials believe there are plenty of entry-level jobs. Finally, state legislation specifies that Work First NJ clients will not be required to participate in work activities if they do not have child care. Since the state will be required to meet the TANF participation targets, there will be a great effort to ensure that Work First NJ recipients who need such care get it. This push could have the effect of limiting the child care subsidies available to working poor families, although the state is maintaining separate funds to guard against this eventuality and several initiatives are under way to increase the supply.



Introduction

This report presents the findings of the Urban Institute’s case study in New Jersey, which was designed to provide a broad picture of the state’s social safety net for low-income families with children. The case study examined the current goals, policies, practices, organizational structure, and funding of—and recent changes in—a wide variety of programs serving children and their families. Our review covered baseline conditions and changes in income security programs stemming from state-initiated reforms, and the availability of employment, training, and child care programs to support low-income families. We also looked at how other programs and services, such as child welfare and emergency services, work to assist the most vulnerable low-income families in the state.

Urban Institute researchers visited Trenton in March 1997 to conduct interviews concerning state-level policies and programs. In April 1997, we visited Jersey City (Hudson County) to develop a picture of local programs and issues. At the time of our visits, Work First New Jersey (Work First NJ), New Jersey’s Temporary Assistance for Needy Families (TANF) program, had just been enacted into law. The final legislation was signed on March 24, 1997, and the second round of program implementation began on April 2 (the first round had been implemented in February). The state was also in the midst of restructuring its workforce development system, a process that had been set in motion in 1995.

This report describes New Jersey’s programs and policies prior to the implementation of Work First NJ, outlines the changes made to state programs under Work First NJ, and analyzes the circumstances that were shaping the state’s response to federal changes in major social programs.

The report begins with a discussion of the characteristics of the state in terms of its population, economic condition, and political environment. Next,

it describes the state’s agenda for meeting the needs of low-income families, including a discussion of spending in this area and an overview of the service delivery structure in the state. This is followed by descriptions of the three broad social program areas—supports for basic income needs, programs that help to move families toward financial independence, and programs that provide a last-resort safety net for families and children. Finally, the report describes the direction in which the state plans to move in the coming years and the particular challenges that New Jersey faces in providing this support system to low-income families.

New Jersey: A Brief Overview

This section provides the context for understanding the social programs we describe later in the report. At the time of our site visits, policy development in New Jersey was characterized by a strong governor who set the state's policy agenda and by a conservative fiscal environment, with recent large income tax cuts and controlled state spending. The state's economy was doing well, although it lagged behind the national economy, and the state's population was growing at a rate that was substantially lower than the nation as a whole. New Jersey households enjoyed relatively high incomes, on average, compared with the rest of the nation.

The State's Population

Although New Jersey is the fifth-smallest state geographically, it ranks ninth in population, with 7.9 million inhabitants in 1995. The population density in New Jersey is more than 10 times that of the United States as a whole (1,054 versus 72 persons per square mile). As shown in table 1, only 14 percent of New Jersey's population lives in rural areas, compared with 36 percent nationwide. The state's population is growing relatively slowly—between 1990 and 1995, New Jersey's population grew by 2.8 percent, exactly half of the population growth rate of the United States as a whole.

The population of New Jersey mirrors that of the United States in terms of the percentage of African-American and Hispanic residents, but New Jersey has a higher percentage of noncitizen immigrant residents (9 percent of New

Table 1 *New Jersey State Characteristics*

	New Jersey	United States
Population Characteristics		
Population (1995) ^a (in thousands)	7,889	260,202
Percent under 18 (1995) ^a	25.5%	26.8%
Percent Hispanic (1995) ^a	11.1%	10.7%
Percent Non-Hispanic Black (1995) ^a	11.9%	12.5%
Percent Noncitizen Immigrant (1996) ^b	9.0%	6.0%
Percent Rural (1990) ^c	14.2%	36.4%
Population Growth (1990–95) ^d	2.8%	5.6%
Births per 1,000 Women Ages 15–44 (1994) ^e	65.9	66.7
Percent to Unmarried Women (1994) ^e	28.1%	32.6%
Percent to Women under 20 That Were Nonmarital (1994) ^e	88%	76%
Per 1,000 Women Ages 15–19 (1994) ^e	39	59
State Economic Characteristics		
Per Capita Income (1995) ^f	\$29,848	\$23,208
Percent Change in Per Capita Income (1990–95) ^{f, g}	19.8%	21.2%
Percent Poor (1994) ^h	9.5%	14.3%
Employment Rate (1996) ^{h, i}	63.1%	63.2%
Unemployment Rate (1996) ⁱ	6.2%	5.4%
Percent Jobs in Manufacturing (1995) ^k	14.6%	16.0%
Percent Jobs in Service Sector (1995) ^k	25.6%	23.1%
Percent Jobs in Public Sector (1995) ^k	14.4%	14.7%
Family Profile		
Percent Two-Parent Families (1994) ^{h, l}	37.4%	35.7%
Percent One-Parent Families (1994) ^{h, m}	11.2%	13.8%
Percent Mothers with Child 12 or under		
Working Full Time (1994) ^{h, n}	36.1%	38.1%
Working Part Time (1994) ^{h, o}	15.9%	16.1%
In Two-Parent Families and Working (1994) ^{h, p}	40.9%	40.3%
In One-Parent Families and Working (1994) ^{h, p}	11.1%	13.9%
Percent Children below Poverty (1994) ^h	14.1%	21.7%
Median Income of Families with Children (1994) ^h	\$51,920	\$37,109
Percent Children Uninsured (1995) ^a	9.2%	10.0%
Political		
Governor's Affiliation (1996) ^q	Republican	
Party Control of Senate (Upper) (1996) ^q	16D-24R	
Party Control of House (Lower) (1996) ^q	29D-50R	

a. Two-year concatenated March Current Population Survey (CPS) files, 1995 and 1996. These files are edited by the Urban Institute's TRIM2 microsimulation model. Excludes those in families with active military members.

b. CPS three-year average (March 1996–March 1998, where 1996 is the center year) edited by the Urban Institute to correct misreporting of citizenship.

c. U.S. Bureau of the Census, *1990 Census of Population: General Population Characteristics*. Washington, DC, 1992.

d. U.S. Bureau of the Census, *Statistical Abstract of the United States: 1996* (116th edition). Washington, DC, 1996.

e. National Center for Health Statistics, *Monthly Vital Statistics Report*, Vol. 44, No. 3, and Vol. 44, No. 11. Hyattsville, MD, 1996.

f. U.S. Department of Labor, *State Personal Income, 1969–1995*. CD-ROM. Washington, DC: Regional Economic Measurement Division (BE-55), Bureau of Economic Analysis, Economics and Statistics Administration, U.S. Department of Commerce, October 1996.

g. Computed using mid-year population estimates of the Bureau of the Census.

h. CPS three-year average (March 1994–March 1996, where 1994 is the center year) edited using the Urban Institute's TRIM2 microsimulation model.

i. U.S. Department of Labor, *State and Regional Unemployment, 1996 Annual Averages*. USDL 97–88. Washington, DC, March 18, 1997.

j. Employment rate is calculated using the civilian noninstitutionalized population 16 years of age and over.

k. Bureau of Labor Statistics, *1995 Geographic Profile of Employment and Unemployment*.

l. Percent of all families (two or more related persons living in the same household) that include one or more related children and where the head of the family is nonelderly and married, and the spouse is present.

m. Percent of all families (two or more related persons living in the same household) that include one or more related children and where the head of the family is not married and nonelderly.

n. Full-time work is defined as at least 1,750 hours per year (50 weeks × 35 hours per week).

o. Part-time work is defined as at least 910 hours per year (52 weeks × 17.5 hours per week) and less than 1,750 hours per year (50 weeks × 35 hours per week).

p. Working is defined as working at least 910 hours per year (50 weeks × 35 hours per week).

q. National Conference of State Legislatures, *1997 Partisan Composition, May 7 Update*. D indicates Democrat and R indicates Republican.

Jersey's population compared with 6 percent of the U.S. population). New Jersey ranks fifth among the 50 states in terms of the number of foreign-born residents, with 967,000 in 1990.¹ About half of New Jersey's immigrants are noncitizens. In Hudson County, the local site visited for the case study, immigrants comprised nearly one-third of the population in 1990. In addition, New Jersey has the most diverse immigrant population of any state. In federal fiscal year (FY) 1995, no one nationality accounted for more than 10 percent of immigrants granted permanent resident status in New Jersey.²

There are substantially fewer teenage births in New Jersey than in the United States as a whole. In 1993, New Jersey ranked 48th among the 50 states in the rate of births to teenage mothers, though a higher proportion of those births were to unmarried teenagers in comparison to the national average.³ As shown in table 1, there were 39 births per 1,000 women ages 15 to 19 in New Jersey in 1994, compared with 59 nationwide. Eighty-eight percent of these births were to unmarried women under 20, compared with 76 percent for the nation. The state's birthrate for all women ages 15 to 44, however, was very similar to the national figure—66 births per 1,000 women in New Jersey compared with 67 births per 1,000 women in the entire United States.

The Economy

Since 1992, New Jersey's economy has grown moderately, but at a slower rate than the nation as a whole. In 1992, when national economic indicators began to improve, the New Jersey economy was still experiencing a recession. The state unemployment rate peaked at 9.3 percent in June and July 1992.⁴ By July 1993, the unemployment rate had fallen to 7.3 percent, and it has continued to decline steadily since that time. However, it remains above the national unemployment rate. While the national unemployment rate dropped below 6 percent in September 1994, the rate in New Jersey did not reach that level until January 1997.

Job growth in New Jersey has also been slower than in the country as a whole. Between 1993 and 1995, the number of jobs in New Jersey grew 3 percent, compared with 6 percent nationwide.⁵ The employment sectors showing the largest increases in New Jersey during this period were construction, transportation and public utilities, and services. The number of manufacturing jobs fell by 3 percent.

Despite the slow growth in New Jersey's economy, New Jersey residents are relatively wealthy. As shown in table 1, per capita income in 1995 was almost \$30,000 in New Jersey, compared with about \$23,000 nationwide. Per capita income grew by about 20 percent between 1990 and 1995 in the United States and in New Jersey. However, adjusting for inflation, per capita income during this period increased by only 5.5 percent in the United States and 3 percent in New Jersey.⁶ Not surprisingly, given the relatively high incomes in New Jersey, a lower proportion of people in New Jersey, especially children,



live below the federal poverty level than nationwide. About 22 percent of children in the United States live below the poverty level, compared with only 14 percent of children in New Jersey.⁷

Although New Jersey residents are on average relatively wealthy, the economic conditions of New Jersey's counties vary substantially. County unemployment rates in 1994 ranged from about 4 percent in Hunterdon County to 10 percent in Cumberland County.⁸ Similarly, in 1993, when state per capita income was almost \$27,000, county per capita income ranged from about \$19,500 in Cumberland County to \$36,500 in Somerset County.

The Political and Budgetary Landscape

New Jersey's governor enjoys more power than nearly any other governor in the country. New Jersey is one of only three states in which the governor is the only statewide official elected by popular vote.⁹ The governor appoints all county judges, all prosecutors, and the commissioners of each of the 17 executive agencies. New Jersey's governor cannot be removed from office by recall and can rewrite portions of bills passed by the legislature using the conditional veto. The governor also has the power of line-item veto, and she determines the size of the state budget. According to the state constitution, the legislature cannot make appropriations in a given fiscal year that would exceed the governor's revenue estimate for that period. Wielding the power to originate and contain spending and disapprove of any changes made by the legislature, the governor is able to direct state policy and limit the influence of the legislature.

New Jersey's governor also steers the state's budget process. The New Jersey constitution requires a balanced budget and restricts state long-term borrowing to 1 percent of total appropriations, unless higher amounts are approved by voters during a general election. The state budget process begins in August or September of each year when the governor's office provides guidance to each state agency on the administration's funding priorities for the year. After the state Office of Management and Budget and the departments agree on budget targets, the Office, the governor's staff, and the state treasurer finalize the budget, which the governor presents in the budget message before February 15 of the following year. Through Appropriations Committee hearings, the legislature reviews the budget and makes changes. Revenue estimates are also reviewed by the legislature. Once this process is complete, the Senate and Assembly approve the budget and send it to the governor. The budget must be signed by the governor each year by July 1, the beginning of the state fiscal year.

During her administration, New Jersey's current governor, Republican Christine Todd Whitman, has initiated most of the state's major new legislation. Since both houses of the legislature are controlled by Republicans, the legislature has challenged few of the governor's proposals. The Republican legislature takes a more active role in opposing the governor or altering legislation

when large sums of money are at stake or when the legislators' districts would be adversely affected. Legislative staff indicated that at the time of our visit, there were more struggles between the houses of the legislature than between the legislature and the governor.

The hallmarks of the Whitman administration have been the 30 percent income tax reduction implemented during her first three years in office and relatively low state spending. Growth in state spending has been substantially lower during the Whitman administration than during previous administrations, increasing on average only 1.3 percent annually, which is well below the rate of inflation.¹⁰ In contrast, during Democratic Governor Jim Florio's administration (1990 to 1994), state spending increased on average 6.3 percent annually.¹¹

The state-local relationship has also been strained by Governor Whitman's fiscal policies. Counties and municipalities argue that Whitman's substantial income tax cuts and state spending decreases have put pressure on them to increase property taxes. Funding to municipalities was not increased to recognize inflation during the Whitman administration. A county official asserted that counties are in the position of either reducing benefits available to county residents or raising property taxes to pay for them. In 1996, property tax collections in 43 towns increased by at least 10 percent.¹² The public appears to share the localities' assessment of the impact of Whitman's policies on property taxes. In a recent New York Times/CBS News poll, 53 percent of those polled disapproved of Whitman's handling of the issue of property taxes, versus 24 percent who approved.¹³

In view of the fact that property taxes have grown at a slower rate under her administration than in the past, Governor Whitman strongly refutes the notion that her policies have driven up property taxes, citing several accomplishments of her administration that have directly or indirectly helped to provide property tax relief by lowering county costs. In December 1994, the governor signed legislation that created a statewide court system in New Jersey. Previously, the courts had been county operated and funded. Instituting a statewide system alleviated discrepancies in the court systems across counties and relieved counties of the financial responsibility of operating the courts. In her 1997 State of the State address, Governor Whitman estimated that by the end of 1997, the takeover will have provided \$477 million in "direct property tax relief." The governor started a Local Government Budget Review program in 1994 to help "local governments and school districts control costs and keep property taxes down."¹⁴ Under this program, state officials audit local governments or school districts to identify cost-saving measures. Citing the local budget reviews, the State Mandate/State Pay constitutional amendment signed during her administration (described later), the county court takeover, and several other initiatives, Governor Whitman has asserted that "The bottom line is that property taxes, and how much is raised by them, is very much a local decision."¹⁵



Setting the Social Policy Context

While emphasizing work and personal responsibility more than in the past, New Jersey continues to have a strong commitment to serving its low-income population. In this section, we present the state's agenda for serving low-income families, review state spending on social welfare programs, and describe the programs' organizational structure, including state-local relationships in administering programs. This information provides important background for understanding the major social welfare programs we review later.

New Jersey's Agenda for Serving the Needs of Low-Income Families

An oft-repeated slogan of Governor Whitman's administration is to move toward "smaller, smarter government." This phrase encapsulates the administration's philosophy regarding the role of government, including the role and administration of social welfare programs. As described in this report, several program areas, including employment and training, child care, income support, and child support, are in flux, as programs are consolidated, reshaped, and streamlined. One of the main goals of these changes is to make programs more efficient and reduce state spending on administrative costs.

The Whitman administration's overarching goals for low-income children and families are embodied in the provisions of the state's welfare reform initiative, Work First NJ. Compared with prior income support pro-

grams in New Jersey, Work First NJ more strongly emphasizes personal responsibility, the importance of work, and time-limited assistance. In some respects the state has taken a more stringent approach than is required under federal law, such as requiring parents with children older than 12 weeks to participate in work activities, but in several other ways the state has softened the impact of federal requirements. For example, the state will finance up to two six-month extensions to the five-year lifetime time limit on benefits under certain circumstances and is maintaining, under the auspices of Work First NJ, its state-funded General Assistance program, which covers both employable and unemployable adults. A state-funded Aid to Families with Dependent Children (AFDC) program (AFDC-New Jersey [AFDC-NJ]), which covered two-parent families who did not qualify for the federal AFDC-Unemployed Parent (AFDC-UP) program, has also been maintained under the Work First NJ umbrella.

A defining aspect of New Jersey's approach to the low-income population is the attempt to change individual behavior. By setting up a system of incentives, several initiatives targeted to low-income families seek to elicit certain behaviors from recipients or to prevent others. The family cap provision, which seeks to limit additional births to mothers receiving welfare by not increasing the family's benefit amount after an additional child is born, has now been implemented by many states, but was developed and first implemented in New Jersey. In an attempt to support marriage in families receiving welfare, New Jersey's Family Development Program (FDP), the precursor of Work First NJ, eliminated some of the AFDC program's marriage penalties. And to replace federal benefits to immigrants lost under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), signed by President Clinton in 1996, the state is providing substitute services in conjunction with establishing a naturalization campaign to induce immigrants to become U.S. citizens.

Social Welfare Spending and Coverage

As stated earlier, state spending has increased at a much slower rate during the Whitman administration than during previous administrations. For the Department of Human Services (DHS), the primary state department serving low-income families, the administration's goal has been to reduce costs without reducing services.¹⁶ In her FY 1997 budget (July 1–June 30), the governor recommended state appropriations of \$3.6 billion for the department, which is about 23 percent of total recommended state appropriations.¹⁷ Recommended appropriations for the department fell to about \$3 billion in the governor's FY 1998 and FY 1999 budgets, accounting for 18 and 17 percent, respectively, of total recommended appropriations for those years.¹⁸ Since 1994, the "most significant programmatic decrease" in the state budget has been in the area of public assistance, which has decreased by 35 percent owing to declining caseloads.¹⁹

Table 2 Social Welfare Spending for Families with Children in New Jersey, Fiscal Year 1995

Program	Federal	State/Local	Total	Spending per Poor Family ^a	
	Spending	Spending	Spending	New Jersey	United States
	\$ in millions				
Income Security					
AFDC and AFDC-UP ^b	\$223.9	\$212.1	\$436.0	\$932	\$987
AFDC-N (state only) ^c	—	17.0	17.0	36	—
SSI for Children ^d	—	—	108.8	232	184
EITC Federal ^e	493.1	—	493.1	1,053	1,010
General Assistance ^f	—	175.0	175.0	374	—
Food Security					
Food Stamps, Households with Children ^g	402.5	—	402.5	860	711
Child Nutrition ^h	176.7	—	176.7	378	344
Education and Training					
JOBS ⁱ	33.6	21.6	55.2	118	59
JTPA ^j	55.6	—	55.6	119	73
Child Care/Child Development					
AFDC/Transitional Child Care ^k	16.7	15.7	32.4	69	61
At-Risk ^l	8.4	19.0	27.4	59	20
CCDBG ^m	15.0	—	15.0	32	34
GoodStarts ⁿ	2.5	5.9	8.4	18	—
Head Start ^o	74.6	—	74.6	159	117
Child Support Enforcement^p	67.3	33.8	101.1	216	115
Child Welfare^q	123.3	196.8	424.9	—	—
IV-A Emergency Assistance^r	33.1	33.1	66.2	141	124
Health					
Medicaid, Children Only ^s	250.7	250.7	501.5	1,072	984

a. **Spending per Poor Family.** This is spending on each item divided by the number of poor persons in families with children. The number of poor was estimated using the average poverty rate for persons in families with children for 1993–1995 (derived from three years of the CPS).

b. **AFDC and AFDC-UP.** Includes benefits and administrative costs. *Source: State of New Jersey Budget, Fiscal Year 1996–97.*

c. **AFDC-N.** *Source: State of New Jersey Budget, Fiscal Year 1996–97.*

d. **SSI for Children.** Spending is for the calendar year, estimated based on spending in June and December of each year. Includes federal spending and also state supplements for states in which the state supplement is federally administered. *Source: Urban Institute estimates derived from data published in Children Receiving SSI (June 1993, December 1993, June 1995, December 1995), Office of Research, Evaluation, and Statistics, Social Security Administration.*

e. **EITC Federal.** *Source: Statistics of Income Bulletin (Spring 1997 and Spring 1995), Internal Revenue Service.*

f. **General Assistance.** *Source: State of New Jersey Budget: FY 1996–97, p. D-187.*

g. **Food Stamps, Households with Children.** Includes benefit payments only, not administrative costs. Estimates are derived by multiplying actual benefit spending in each state by the estimated proportion of spending for households with children in each state. *Source: Urban Institute tabulations based on Food Stamp quality control data and tabulations by Food and Consumer Service, U.S. Department of Agriculture.*

h. **Child Nutrition.** Includes federal spending for the Women, Infants, and Children program; school lunches; and school breakfasts, plus federal obligations for the Child and Adult Care Food Program and the Summer Food Service for Children. (Federal obligations may differ from actual spending.) *Source: Budget Information for the States, Budget of the United States Government, Fiscal Year 1997 and Fiscal Year 1995, Office of Management and Budget.*

i. **JOBS.** Total spending (combined federal and state) is average monthly expenditures multiplied by 12. The federal and state shares for 1995 were estimated based on the match rates for various components of JOBS spending for federal obligations in the fiscal year. *Source: Urban Institute tabulations based on forms FSA-331 and ACF-332, Administration for Children and Families, U.S. Department of Health and Human Services.*

j. **JTPA.** Includes federal obligations to states for JTPA spending under Title II-A (disadvantaged adults), Title II-B (summer youth), and Title II-C (youth training). Federal obligations to states may differ from actual spending. *Source: Budget Information for the States, Budget of the United States Government, Fiscal Year 1997 and Fiscal Year 1995, Office of Management and Budget.*

k. **AFDC Child Care.** The administrative costs of AFDC/Transitional Child Care are included in the child care amounts for the state figures. Those costs are included in the AFDC program spending amounts for the federal figures. *Source: Figures provided by the Division of Family Development, New Jersey Department of Human Services, August 1997.*

l. **At-Risk Child Care.** *Source: Figures provided by the Division of Family Development, New Jersey Department of Human Services, August 1997.*

(Notes continued on page 22)



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Table 2 summarizes state spending for some of the major social welfare programs. Spending per poor child is higher in New Jersey than in the nation as a whole for all of the program areas examined. New Jersey's AFDC benefits are slightly higher than the national average, with a maximum monthly grant for a one-parent family with two children of \$424, compared with \$393 nationally.²⁰ This family would also receive a maximum of \$307 in food stamp benefits, which is slightly below the national average of \$310.²¹ Together, these payments would provide the family with an income (\$731 per month) that is 68 percent of the federal poverty level.

Local governments are required to contribute to the AFDC program. At the time of the Urban Institute site visits, counties paid 5 percent of AFDC costs, 50 percent of AFDC administrative costs, and 25 percent of the costs of the state AFDC-N program. In addition, counties paid 29.1 percent of child support enforcement costs. Local contributions to other social welfare programs varied by county and/or municipality.

Organization of Services and Administrative Structure

As shown in table 3, the primary state agency serving low-income families and children in New Jersey, and the largest department in the state, is DHS. Through three of its divisions, the department supervises the counties' administration of New Jersey's income support and child care program and administers the Medicaid and child welfare programs. At the time of the Urban Institute site visits, the Division of Family Development supervised the state's income support, emergency assistance, and child care voucher programs and housed the Office of Child Support and Paternity, the state's IV-D designated agency (the Child Support Enforcement program was established in 1975 as title IV-D of the Social Security Act). The Division of Youth and Family Services (DYFS) administered the state's child welfare programs, as well as the state's contracts with private child care centers, licensed child care centers, and registered family day care homes. The Division of Medical Assistance and Health Services administered the state's Medicaid program.

Notes to Table 2 continued

m. **CCDBG (Child Care Development Block Grant).** *Source:* Figures provided by the Division of Family Development, New Jersey Department of Human Services, August 1997.

n. **GoodStarts.** The federal contribution is taken from the CCDBG quality set-aside monies. The state figure does not include funds contributed by localities.

o. **Head Start.** Data are federal obligations, which may differ from actual spending. *Source:* *Budget Information for the States*, Budget of the United States Government, Fiscal Year 1997 and Fiscal Year 1995, Office of Management and Budget.

p. **Child Support Enforcement.** *Source:* Form OCSE-31, Office of Child Support Enforcement, U.S. Department of Health and Human Services.

q. **Child Welfare.** The total includes \$4.8 million in other funds, such as fees for certain services and an appropriation from the Casino Revenue Fund. *Source:* *Budget Watch Project, Budget Brief*, Association for Children of New Jersey, 1997.

r. **IV-A Emergency Assistance.** *Source:* ACF-231 Line by Line Report, Administration for Children and Families, U.S. Department of Health and Human Services.

s. **Medicaid, Children Only.** Expenditure data are for benefits only and do not include disproportionate share hospital (DSH) payments, administrative costs, accounting adjustments, or any expenditures for the U.S. Territories. *Source:* Urban Institute calculations based on data reported on forms HCFA-64 and HCFA-2028, Health Care Financing Administration, U.S. Department of Health and Human Services.

Table 3 *Organizational Structure of Social Welfare Programs*

Program	State Agency Location	Local Administrative Arrangement
Income Security AFDC General Assistance Food Stamps	Division of Family Development, Department of Human Services (DHS)	County welfare agency Municipal welfare agency County welfare agency
Education and Training JOBS	Department of Human Services	County welfare agencies do case management and refer clients for services
Summer/Other Youth Other JTPA	Department of Labor	Local Workforce Investment Boards (WIBs)
Child Care/Child Development		
Child Care IV-A JOBS and Transitional Child Care	Division of Family Development, DHS	County welfare agency ^a
CCDBG and IV-A At-Risk	Division of Family Development, DHS	New Jersey Cares for Kids (NJCK) Contractor ^a
State contracted centers (funded with state monies and federal SSBG funds)	Division of Youth and Family Services, DHS	Division of Youth and Family Services, DHS
Head Start	Directly administered by the federal government; Head Start Collaboration Project is housed within the Division of Family Development	Local Head Start Grantees
GoodStarts	Department of Education, with the Department of Human Services	Local school districts
Child Support Enforcement	Division of Family Development (DHS) and Administrative Office of the Courts	County welfare agencies and probation offices
Child Welfare Child Protection/Family Preservation Foster Care Adoption Assistance	Division of Youth and Family Services, DHS	Division of Youth and Family Services, DHS
Emergency Services IV-A Emergency Assistance McKinney, other homeless programs	Division of Family Development, DHS Department of Community Affairs	County welfare agency Local community-based organizations
Immigration/Refugees	Office of Refugee and Immigrant Services, DHS	Local community-based organizations
Health Medicaid	Division of Medical Assistance and Health Services, DHS	Division of Medical Assistance and Health Services, DHS

a. As of April 1, 1997, these programs were administered at the county level by a Unified Child Care agency contractor in each county.



Three other state agencies were also involved in supervising or administering programs for low-income children and families—the Administrative Office of the Courts, the Department of Education (DOE), and the Department of Labor (DOL). The Administrative Office of the Courts operated the state’s child support system in conjunction with DHS—DHS administered the program, and the Administrative Office of the Courts was responsible for the establishment and enforcement of child support orders. DOE was the primary agency responsible for administering the state’s early-childhood development programs—GoodStarts and Early Childhood Program Aid (ECPA). GoodStarts, however, was jointly administered with DHS. DOL oversaw all workforce activities in New Jersey, including the Job Training Partnership Act (JTPA), Employment Services, and the Food Stamp Employment and Training Program (FSET).

State-Local Relationship in Administering Programs

Programs that are state supervised and county administered can vary substantially across states depending on the degree of supervision that the state imposes. In New Jersey, state supervision is very active and prescriptive. Thus, variation in program operations across counties is limited. Local respondents with whom we spoke in New Jersey resented the amount of direction they received from the state, wishing that there were more flexibility at the local level.

With regard to Work First NJ, state officials told us that the state must be prescriptive in order to ensure that federal targets are met, but that counties can be innovative within the boundaries of regulations. State respondents also wanted to maintain some consistency across counties. County officials with whom we met, however, said that the block-granting of federal funds to the states has not increased local flexibility because the state is still heavily involved in program operations and counties need to operate within the state regulatory framework.

As in many states, tension has historically existed between New Jersey’s state and local governments regarding the impact of state policies on local budgets. After many years of effort, local governments were finally successful in 1995 in getting voters to approve a “State Mandate/State Pay” constitutional amendment. The enabling legislation was signed in May 1996. The amendment requires that the state provide funding for every program it mandates counties and municipalities to implement. Although this was a major victory for localities, the State Mandate/State Pay provision leaves some room for interpretation of what an unfunded mandate is and excludes laws written to comply with unfunded federal laws.

Basic Income Support

Welfare reform has been a priority in New Jersey for almost 10 years. Work First NJ, the state's most recent welfare reform program, is its third major welfare reform initiative. The first, Realizing Economic Achievement (REACH), was launched in 1988, before the federal Job Opportunities and Basic Skills (JOBS) program was mandated. REACH was replaced in 1993 with the Family Development Program (FDP). FDP was replaced in 1997 by Work First NJ. The three programs have common themes of promoting economic independence, supporting families, and encouraging personal responsibility but different means by which to attain these ends.

In this section we describe the income support programs available to New Jersey's low-income population. Because the implementation of Work First NJ was just beginning when Urban Institute researchers visited the state, we describe FDP here to provide a picture of where New Jersey has been in terms of its income support programs. New Jersey's future in income support is outlined later, when we describe Work First NJ.

New Jersey's Income Support Programs

Before the implementation of Work First NJ, New Jersey's primary income support programs consisted of federal/state AFDC and AFDC-UP; a state-funded AFDC-N program for two-parent families who could not meet the federal AFDC-UP eligibility requirements; FDP, the state's AFDC waiver project; Supplemental Security Income (SSI); General Assistance; and the Food Stamp program. Although counties needed to comply with state policies, implementation of income support programs, especially implementation of FDP, varied somewhat across the state.

Two of these programs, AFDC-N and General Assistance, were funded entirely with state and local funds. AFDC-N was available to two-parent families who could not satisfy the federal work criteria qualifying them for federal AFDC-UP matching funds. Families received benefits equal to two-thirds of the federal AFDC benefit levels. The program was jointly funded by the state and counties and accounted for \$17 million, or approximately 8 percent, of state and county AFDC expenditures in 1996.²² General Assistance was available to low-income single adults and childless couples. The program was divided into two segments; unemployable recipients received \$210 per month, and employable recipients received \$140.²³ In FY 1995, New Jersey spent over \$175 million on its General Assistance program.²⁴

New Jersey's AFDC benefit levels have not kept up with inflation. The state has not changed its maximum AFDC benefit level for single-parent families since 1987, and since 1970, the benefit has eroded by 65 percent in real value, compared with the national median decrease of 51 percent.²⁵

As of 1996, New Jersey had the second-highest welfare administrative costs in the country.²⁶ AFDC administrative costs varied widely across the state, with some wealthy counties spending up to 50 percent of their AFDC budgets on administrative costs, and poorer, urban counties such as Essex and Hudson spending 7 to 12 percent on such costs. State respondents said that some counties incurred high AFDC administrative costs because they charged AFDC for time that was spent on child support, Food Stamps, Medicaid, and other programs, thus inflating AFDC administrative costs.

Caseload Size and Trends

Caseloads of New Jersey's income support programs have fallen in recent years. New Jersey's AFDC caseload decreased by 19 percent over the past three years, lagging slightly behind the federal decline of 23 percent. As of July 1997, 99,800 families received federal and state AFDC benefits, a drop from 123,200 families in January 1994.²⁷ During 1996 and 1997, the caseload dropped dramatically, with a decrease of as many as 1,500 families per month. Several respondents attributed the sharp reduction to the strength of the economy and recipients' understanding that with the passage of PRWORA they would be required to go to work soon. The state's General Assistance program rolls shrank by 11 percent from 1994 to 1997, to a monthly caseload of 29,000 in July 1997. The Food Stamp caseload also decreased. The average number of monthly Food Stamp households dropped from 220,700 in 1994 to fewer than 184,000 in July 1997, a nearly 17 percent decrease, slightly less than the national decline.²⁸

New Jersey's Waiver Program

FDP, New Jersey's welfare waiver program, was initiated in 1991 by Democratic State Assemblyman Wayne Bryant from the Camden district.

Bryant thought the state's JOBS program, REACH, which encouraged participants to seek employment immediately, was insufficient in aiding or encouraging families to leave assistance. Bryant's primary goals were to increase individual and family responsibility and to reinforce the importance of two-parent families. Although all of the provisions were designed to promote financial independence, he believed that for most recipients, education and training would best foster the type of employment that would allow families to break the cycle of poverty. Given these goals, Bryant designed a package of reforms aimed at altering behavior and opportunity by changing AFDC benefit and eligibility rules. FDP development and legislation were driven primarily by Bryant, with little input from Democratic Governor Jim Florio, though Governor Florio supported the changes.

The state submitted waivers for the program in June 1992 and began to implement FDP in its three largest counties—Camden, Essex, and Hudson—in July 1992. The program was phased in across the remainder of the state over a two-year period.

New Jersey hoped FDP would help recipients and their families become independent by emphasizing education and job training and addressing the needs of the entire family. All families on AFDC (including those with children under two years) were required to complete a Family Plan that was intended to reflect the entire family's needs and plans for self-sufficiency, rather than simply the individual participant's. For instance, the needs of anyone living with the AFDC unit were addressed—i.e., children, aunts, uncles, etc.—if the problem interfered with the parent's attempts at financial independence. Parents of children over two were required to participate in education and training activities. In addition to ensuring that participants and their family members obtained a high school diploma or its equivalent, recipients were encouraged to seek long-term education and training, including four-year college degrees. Those recipients who failed to cooperate with FDP requirements saw their family unit's grant decrease by 20 percent.

The ambitious Family Plan and generous education and training activities were two of the largest roadblocks to successful implementation of FDP. Comprehensively serving families required more time and energy than most case managers possessed; therefore, the Family Plan in practice directed the service mix toward the participating individual rather than the entire household. For example, if the participant's child was having disciplinary problems in school and the case managers and the participant decided this matter was interfering with the participant's goal of self-sufficiency, the plan was designed to include working with the child to correct the problem. In reality, however, such problems rarely were addressed. In addition, many policymakers and administrators thought FDP failed to require a strong enough connection between education or training and eventual employment. Since participants could pursue continual education and training without a direct attachment to an employment goal, some participants pursued skills that were not marketable.



In addition to shifting New Jersey's JOBS program from a strong employment focus to an emphasis on education and training, FDP planners also hoped to change the culture of the welfare office beyond simply addressing the basic needs of the entire family, so they created the Family Resource Centers. Family Resource Centers allowed the counties to co-locate FDP case managers with child care and other supportive service specialists in order to better coordinate service delivery. Several local respondents noted the beneficial impact the centers had in facilitating recipients' positive reaction to FDP but lamented that the culture change was limited to the JOBS program; it had not permeated the regular AFDC structure because AFDC line workers remained in the county welfare office.

Although several provisions of FDP reflected the program's goals to increase family responsibility, the family cap has overshadowed all others because, at the time, it was the primary difference between FDP and other states' welfare reform programs. The family cap denied a cash benefit increase to families receiving AFDC who gave birth to another child while on assistance. The state hoped this provision would force families to plan ahead and consider either not having another child or seeking extra income from employment in order to bear the primary financial responsibility for an additional child. The state provided a financial incentive to these families to seek employment by allowing them to retain a higher percentage of their earned income.

New Jersey was especially concerned with the mixed message the AFDC program sent about marriage. Thus, FDP featured two targeted provisions aimed at fostering two-parent families by reducing the barriers to marriage that existed in the AFDC program. The first provision reduced the marriage penalty by allowing the children of a woman who married a man who was not their father to remain eligible for assistance until the total household income exceeded 150 percent of the federal poverty level. The second provision increased the state's payments to AFDC-N families by 33 percent in order to equal AFDC-UP benefit levels.

In late 1995, Governor Whitman and state administrators started to rethink FDP's emphasis on education and training, given its lack of direct employment focus and cues from the vetoed federal welfare reform legislation that encouraged a shift to a work-first orientation. The state began to look at evidence of the success of work-first models, such as Riverside County, California's GAIN program, which emphasized a labor force attachment model and eschewed education and training. In addition, policymakers thought that the predicted growth in the minimum-wage, entry-level service sector negated the need for longer term, high-skill training programs. Thus, rather than encourage most recipients to pursue a college degree or vocational training, the state began a slow shift toward moving recipients with marketable skills into jobs sooner. In late 1995, the state held brainstorming sessions with advocates, clergy, local officials, line workers, recipients, and several other groups to gather input on reforming welfare. However, some nonprofit and local government officials were unsatisfied with how their suggestions were incorporated into the state welfare reform plan.

In March 1996, Governor Whitman released what she hoped would become the state's welfare reform plan, Work First NJ, which embodied many of the provisions of the vetoed federal legislation. The governor tried to tailor Work First NJ to fit likely parameters of future federal welfare reform legislation, including work participation rates, teen live-at-home eligibility provisions, and a work-first orientation. She hoped the state would replace FDP with Work First NJ by applying for another set of welfare waivers, though some legislators wanted to simply refocus FDP toward work and wait for the results of the FDP evaluation before changing it. Governor Whitman and the legislature discussed how best to reform welfare, with the governor slowly gaining support for her plan until the passage of PRWORA provided the final push it needed to reach the legislature's floor.



Programs That Promote Financial Independence

To promote family self-sufficiency, income support programs use an incentive structure and case management and provide access to employment and training services, child support enforcement, child care subsidies, and health insurance coverage through Medicaid. These programs increase the financial resources available to families and offer other services designed to facilitate financial independence. In New Jersey, several of these programs are changing. New Jersey is implementing streamlined employment and training and child care systems, and it may also consolidate the child support system.

Employment and Training

Implementation of a Unified System

Governor Whitman signed Executive Order No. 36 in May 1995, giving new direction to New Jersey's workforce environment. Under this new strategy, called "Workforce New Jersey," the state sought to create a unified, streamlined system to prepare all workers for the challenges of the modern job market. The vision was to create a comprehensive workforce readiness system that puts the "customer first" and fulfills Whitman's mission to create "smaller, smarter," and more efficient government.²⁹

New Jersey's new integrated workforce system is intended to meet the needs of dislocated workers, the underemployed, and welfare recipients simultaneously. Previously, the Department of Human Services (DHS) had primary over-

sight of the welfare population. In contrast, the new system does not target welfare clients or process them differently than any other demographic group. Although this shift was prompted in part by the expectation of federal block-granting of employment and training dollars that would aid streamlined funding, it went forward without such a development.

The New Jersey State Employment and Training Commission (SETC) played an important role in developing the Workforce New Jersey system. Created in 1989, the primary mission of SETC is to improve the skills of New Jersey's workforce by creating a cohesive statewide system of employment training and services. It provides a forum where individuals from government, business, labor, and the public can work together to create policy initiatives for the workforce readiness system.³⁰ SETC members are appointed by the governor.

A large part of Executive Order No. 36 was the creation of Workforce Investment Boards as the planning and oversight bodies for all local employment and training activities. New Jersey's Workforce Investment Boards are local partnerships of private- and public-sector participants who coordinate local planning, policy recommendations, and oversight for all workforce readiness programs in their designated areas. Although the legislation was signed in 1995, Workforce Investment Boards were not functional until 1997. When Urban Institute researchers visited the state in spring 1997, membership of local boards had been named and the groups were organizing relevant committees and work groups. It was too early, however, to assess their place and influence in the workforce readiness system.

Occurring at the same time as the shift to local Workforce Investment Boards was the creation of a One-Stop Career Center system. The vision for New Jersey's One-Stop system includes a single point of local access (and administration of services) for career planning, social services, and workforce readiness activities. The centers "will integrate services sponsored by disparate agencies, provide for customer choice and universal access and be performance driven . . . [they are] best understood as an umbrella under which all workforce readiness and related programs function as if they were a single system."³¹ While some centers will be physical buildings, New Jersey sees the physical location of programs as less important than their connection to one another and adherence to common procedures that make access easier for users. The One-Stop system, under the purview of the Department of Labor (DOL), will establish these common procedures.

The unified system is of some concern to advocates for the poor, who are troubled by DOL's relative inexperience in dealing with hard-to-serve, low-income clients. The department, however, points to its experience running the Food Stamp Employment and Training Program (FSET) (since 1992) as an indicator that it will be able to accommodate persons with significant barriers to employment.

Program Development and Administration

The New Jersey workforce system has four levels. At the top level, Governor Whitman is the key decisionmaker behind the recent institutional, structural,

and programmatic changes in the workforce system. She crafts the legislation that directs New Jersey's workforce environment and sets priorities for the system. She also appoints the chairman and members of the SETC (who are confirmed by the Senate).

SETC forms the second level of the system. It identifies and analyzes important workforce issues and offers policy guidance to the governor. Sitting on SETC are commissioners from the departments of Community Affairs, Commerce and Economic Development, Education, Human Services, and Labor. They are joined by representatives from business, labor, the public, community-based organizations, and elected officials. SETC develops the statewide workforce readiness plan and reviews Workforce Investment Boards' plans.

The third level of the workforce development system is the state agency. At this level, DOL drives workforce activities. New Jersey has long been characterized by a state-based, locally delivered system for workforce services. This means that the system operates throughout the state by central directives from the department, but local providers deliver and organize training services. Specifically, DOL oversees the Job Training Partnership Act (JTPA), the General Assistance Employment Program (GAEP), the Workforce Development Partnership Program, the Self-Employment Assistance Program, and the State Employment Service. FSET was transferred to DOL from DHS effective January 1, 1992. School-to-Work initiatives are a joint effort between the departments of Labor and Education.

New workforce legislation extends DOL's mandate to include Workforce Investment Boards and the One-Stop Career Center system. The department is responsible for certifying membership of and implementing a funding formula for Workforce Investment Boards and ensuring their compliance with state and federal laws. Executive Order No. 36 also empowers the Commissioner of Labor to act on the governor's behalf to (1) resolve disputes arising under the workforce readiness programs; (2) request, accept, and direct the allocation of federal and state funds related to workforce readiness programs; (3) ensure that the state is in compliance with the provisions of the federal laws governing the workforce readiness system and provide for corrective action when necessary; and (4) carry out other responsibilities under the workforce readiness laws.³²

At the fourth level, the local level, the workforce system is composed of three parts: local Workforce Investment Boards; One-Stop Career Centers; and training/support services providers. Workforce Investment Boards oversee and integrate the One-Stop system into the local workforce system. The local unit of government to which the board is connected is the county. Workforce Investment Boards do not contract directly for services but provide a mechanism to communicate local priorities to state and local government officials and the SETC. Services are provided by County Employment Service offices and local contractors, including community colleges and other entities that have traditionally been part of the JTPA system. Built on the old Private Industry Council structure, Workforce Investment Boards retain Private Industry Council responsibilities for oversight of the JTPA program and assume additional



responsibilities for providing similar oversight to all local workforce readiness systems. Membership composition is mandated by executive order and includes an array of local providers, public organizations, and educational institutions, with the majority of members coming from the private sector.

Since the One-Stop system is not primarily a geographic, site-based system, it includes a number of technological innovations to increase access to information at the local level. One of the main sources of information in the One-Stop Career Center system is the Workforce New Jersey Public Information Network (WNJPIN), the Workforce New Jersey home page on the World Wide Web (<http://www.wnjp.state.nj.us>). WNJPIN is designed for job seekers, students, job counselors, and employers. The Web site offers job listings and career information as well as information on New Jersey's economy, state business practices, and public programs and services (including training, housing, day care, transportation, etc.). The Web site is intended to be a primary source of information for all those involved in the workforce readiness system—employers, workers, students, and job seekers. By using WNJPIN, the One-Stop system will include co-located physical centers and “virtual” centers with technological co-location via computer. At the time of the Urban Institute site visits, WNJPIN was up and running, and DOL reported being pleased with the feedback and use the site had received so far.

Services Targeted toward Low-Income Families

As mentioned previously, DOL was not viewed as an agency with extensive experience working with the hard-to-serve welfare population. The reputation of the JTPA program was that it “creamed” the most job-ready clients for its training programs because the program needed to meet high performance measures for level of wages and length of employment of those placed.

As discussed earlier, New Jersey's JOBS-related program, the Family Development Program (FDP), included a strong training element and focus on barriers of each individual family member. Under that program, case managers from DHS coordinated with several agencies for employment and training services. For job development and placement, FDP case managers worked with the New Jersey Workforce Readiness system and New Jersey Employment Service. Case managers did not make direct training referrals, but instead made a third-party referral through JTPA or other local contractors.

Low-income families not receiving AFDC could be served under GAEP or FSET. Persons receiving General Assistance were required to participate in GAEP, a workfare program that placed the majority of participants in community work experience positions. All employable General Assistance recipients were required to register with the Department of Labor Employment Service and comply with GAEP to remain eligible for assistance.

The FSET program served the non-public-assistance Food Stamp population, which was significantly smaller in New Jersey than in other states, because

those who received food stamps and General Assistance participated in GAEP instead of FSET. Operation of FSET was contracted by DHS to DOL. The program targeted those who had been unemployed for the preceding 12 months, had no significant work history, or lacked a high school diploma or general equivalency degree (GED). Work registrants who had received food stamps for less than six months were deferred.

Other Targeted Services

Youth, low-income families, dislocated workers, and workers in transition will all be served by the One-Stop systems and WNJPIN. Although the One-Stop system is intended to serve all job seekers, without an employment and training services block grant, dollars still flow to select populations. The hope is that the One-Stop Career Centers will blend multiple funding streams into a seamless system and clients will not need to know what funding source is financing their services.

Programs for youth include School-to-Work, which is jointly administered by the departments of Labor and Education. New Jersey received \$37.5 million dollars from the federal government in 1994 to establish a comprehensive School-to-Work system.³³ Activities in 1996 included a large (900-person) School-to-Work conference, internships, and job shadowing. Workforce Investment Boards also will focus on local initiatives for youth. They are charged with (1) establishing a School-to-Work system with all relevant players to link school-based and work-based learning and (2) developing workforce community needs assessments for urban areas and special-needs school districts.

Child Care

Although child care has been a priority in New Jersey for many years, at the time of our site visits it was an especially hot topic because of the passage of New Jersey's welfare reform legislation and the anticipated increase in demand by welfare recipients for subsidized care. As in other areas, such as child support and income support, the state was in the process of making major changes to the child care delivery system at the time we visited. To better clarify these changes, in this section we describe New Jersey's child care system as it was in March 1997, before any of the changes had been implemented. The changes are described later, as are the implications of the federal welfare legislation on child care in New Jersey.

Program Eligibility

The major child care programs in New Jersey in March 1997 were Title IV-A At-Risk child care, Child Care Development Block Grant (CCDBG), Title IV-A AFDC/JOBS child care, Title IV-A Transitional Child Care, and state contracts with private child care centers. The child care contracts were funded with federal Social Services Block Grant funds and state monies.³⁴



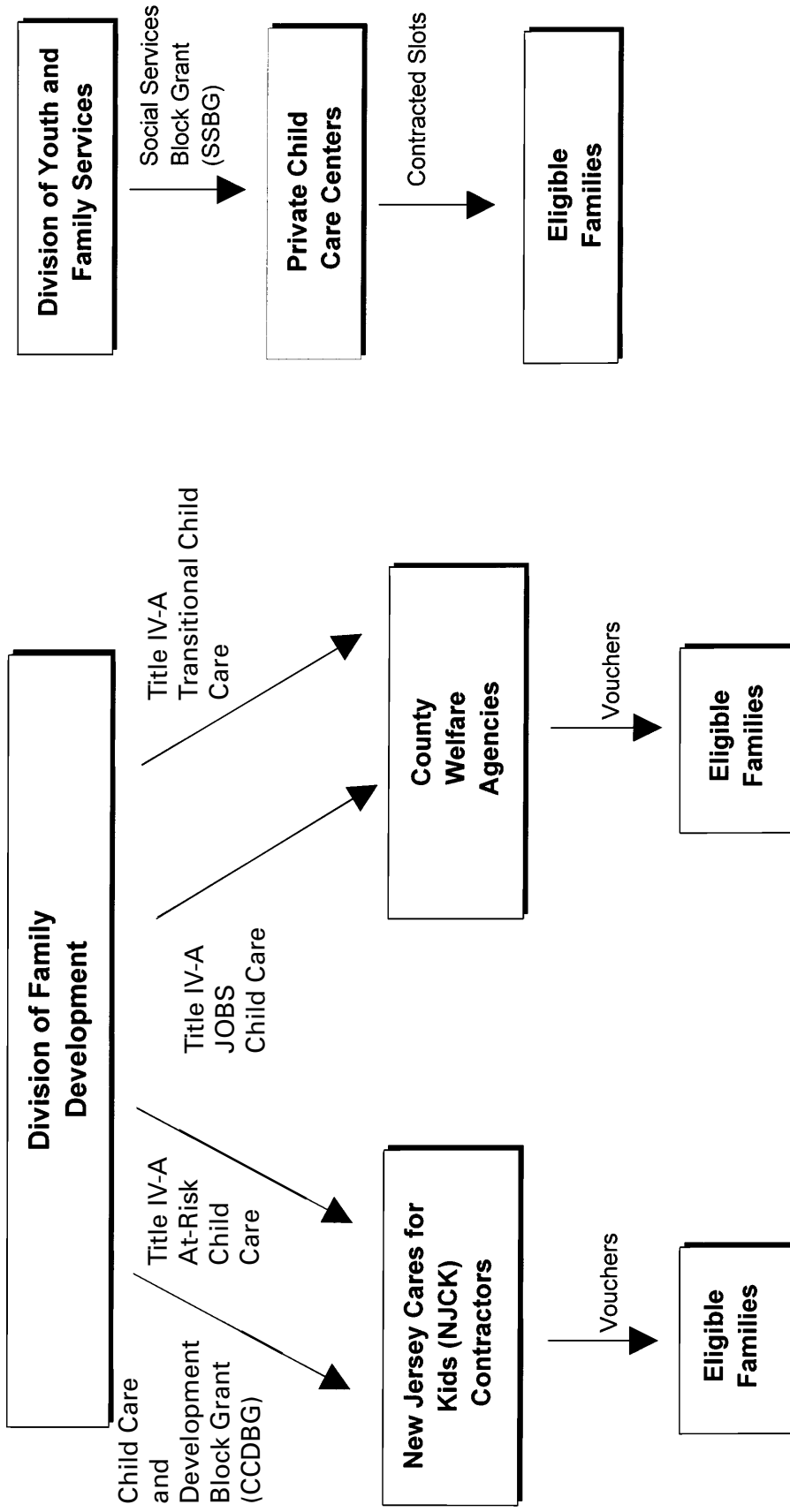
The AFDC/JOBS and Transitional programs were entitlement programs, meaning that all eligible families were served. Each of the nonentitlement programs (CCDBG, At-Risk, and state child care contracts), which did not have funding to enable them to serve all eligible families, had admission priorities that specified which eligible families would be served first. Program admission priorities primarily targeted former welfare recipients and other low-income families and children under the supervision of Child Protective Services. The At-Risk program targeted families determined by six admission priorities to be at risk of welfare participation. Highest priority was given to former Transitional Child Care clients and former AFDC clients who were not eligible for the Transitional Child Care subsidies. The top admission priorities for the CCDBG program and the state child care contracts were children under Child Protective Services' supervision and special-needs children. Lower priority categories for the state contracts, CCDBG, and At-Risk program targeted other groups of income-eligible families, such as non-public-assistance Food Stamp recipients and families whose incomes were at or below 185 percent of the federal poverty level.

Service Delivery

The service delivery system for child care subsidies in New Jersey involved multiple agencies at the state and county levels, as shown in figure 1. At the county level, there were two points of service delivery for child care vouchers. The AFDC/JOBS and Transitional program payments were administered by the county welfare agency, while the CCDBG and At-Risk programs were administered and paid by an agency in the county (referred to as the New Jersey Cares for Kids contractor). These agencies contracted with the state to administer funding for the CCDBG and At-Risk programs and to provide child care resource and referral activities. As discussed later, this structure was changed in April 1997 to a more unified system, partly in response to the federal block-granting of child care funds.

New Jersey's child care system had multiple components and was not seamless from the family perspective. Since 1991, the reimbursement rates for providers and the parent copayment rates were the same for all federally funded child care subsidy programs, and one application was used to enroll families in any subsidy program available. Administratively, however, the payment systems for the welfare-related (AFDC/JOBS and Transitional) and for the non-welfare-related (CCDBG, At-Risk, and state contracts) subsidy programs were completely separate. And from the point of view of parents, the system was not seamless either, with the biggest "seam" occurring when parents moved from the Transitional program to the CCDBG and At-Risk programs. When parents moved from AFDC/JOBS child care to Transitional Child Care, they did not have to reapply, but they did need to start making a copayment. However, when parents were no longer eligible for the Transitional program, they had to apply for CCDBG or At-Risk child care subsidies. Clients were encouraged to apply for those subsidies when they began receiving Transitional subsidies so they could be placed on the waiting list for CCDBG and At-Risk subsidies while they were receiving Transitional Child Care.

Figure 1 Flow of Major Federal Child Care Funding Streams from New Jersey DHS as of March 1997



Most of the child care subsidies in New Jersey were provided in the form of vouchers. The only program for which assistance was not in the form of vouchers was the state's contracts with child care centers. Of the total number of children in subsidized child care, about 32 percent were in state-contracted slots in private child care centers.³⁵ As discussed later, the voucher program will expand significantly in the next few years to meet child care demands of Work First NJ participants.

Funding

As evidenced by the waiting lists for child care subsidies, the funding of subsidies in New Jersey was not adequate to serve all eligible families. State-level respondents reported that statewide, about 9,000 children were on waiting lists for contracted slots and 5,000 to 6,000 children were on waiting lists for child care vouchers through the CCDBG and At-Risk programs. Because separate waiting lists were maintained for the different nonentitlement subsidy programs, these figures could double-count some children, although the degree of unmet demand was substantial.

Spending on the CCDBG, At-Risk, AFDC/JOBS, and Transitional programs has increased in the past several years, although spending on the AFDC/JOBS and Transitional programs has grown at a much faster rate, almost doubling in size. From FY 1993 to FY 1996, total expenditures on the CCDBG and At-Risk programs grew by 10 percent, compared with a growth of 95 percent in the AFDC/JOBS and Transitional programs.³⁶ State spending on the CCDBG and At-Risk programs actually fell by 2 percent over this period, while federal spending grew by 23 percent. Federal and state expenditures on the AFDC/JOBS and Transitional Child Care programs grew at approximately the same rate, with the largest increase for both—35 percent—coming between state FY 1995 and state FY 1996.

When the Title XX Social Services Block Grant originated, approximately 80 percent of the funding New Jersey received from the block grant went to child care. Over time, the state has freed up a large portion of the block grant funds designated for child care and replaced them with state grants-in-aid dollars. This allowed more of the block grant funds to be used for crisis services, services for the elderly, and others, without reducing the total amount of money going to child care. The state grants-in-aid account has been used for matching funds to pull down 100 percent of federal funds for the At-Risk program and could potentially be used as matching funds for the Child Care Development Fund developed under PRWORA.

Supply: Adequacy and Quality

Parents receiving child care vouchers could choose among licensed child care providers, registered family day care homes, and "approved homes." DYFS licensed and monitored child care centers in the state. The division also administered voluntary registration of family day care providers. The third group,

approved homes, were typically the homes of parents' relatives and friends. Approved homes were considered unregulated care compared with centers and family day care homes, although approved home providers had to pass a home inspection in order to receive subsidies from the state. These providers were not monitored by the state after they passed the home inspection, and the subsidies they received from the state were substantially lower than those received by licensed or registered providers. Of all children in care subsidized by vouchers in July 1997, 62 percent were in center-based care, 14 percent were in family day care homes, and 24 percent were in approved homes.³⁷

According to state and local respondents, the biggest gap in the supply of child care was care for infants. A local respondent noted that centers often did not want to get involved with infant care because it was very expensive, and there were no funds to develop the centers serving infants.³⁸ Of the state's 3,016 licensed child care centers in October 1996, 835 were licensed to serve children from birth to two-and-one-half years.³⁹ However, the centers licensed for infant/toddler care did not necessarily enroll children that young. Infants were most often cared for by the less regulated family day care homes and approved homes, both because of the shortage of center slots for infants and mothers' preferences that relatives (i.e., approved homes) care for their infants.

Other gaps in supply noted by respondents were programs for school-age children and care during nontraditional hours. Approximately 1,000 of the 3,016 licensed child care centers in the state in October 1996 were licensed to care for school-age children (ages 6 to 13).⁴⁰ But as noted above with regard to infant care, a center licensed for school-age children did not necessarily care for school-age children.

Relationship to Early Childhood Development Programs

The two primary early education programs in New Jersey at the time of the Urban Institute site visits were GoodStarts and Early Childhood Program Aid (ECPA). Both were administered through the Department of Education (DOE), although DHS had (or was going to have, in the case of ECPA) a collaborative relationship with DOE to develop both programs, as discussed below. However, in terms of joint planning and service delivery, there did not appear to be much coordination between the subsidized child care programs and the DOE programs at the state or local levels.

GoodStarts. GoodStarts was a full-day pilot program designed to “expand the participation of low-income urban children, ages three and four years, in effective preschool programs; foster collaborative planning among local public schools and community agencies for continuity of services and a smooth transition from preschool into kindergarten-primary school programs; and support improvement in early childhood programs, prekindergarten through second grade, through professional development, staff training, instruction, and assessment.”⁴¹ The programs were required to provide comprehensive services,



including parent education, health and nutritional services, and extended child care. The prekindergarten program could be provided by the local school district, a Head Start agency, or a state-contracted child care center.

GoodStarts was administered by DOE, in cooperation with DHS. “The two departments have jointly developed the program concept, design, and requirements. It is administered under the provisions of an interagency agreement that is consistent with the missions of the departments and the intent of the funding sources.”⁴² In FY 1995, 10 GoodStarts programs were funded using approximately \$5.9 million in state monies appropriated to DOE and approximately \$2.5 million in federal CCDBG quality set-aside funds administered by DHS. Funding for GoodStarts pilot programs was made available through a Request for Proposal process to special-needs school districts that joined in a collaborative planning process with local Head Start agencies. The GoodStarts grants to the districts ended June 30, 1997. ECPA funding can be used by districts to support GoodStarts-like programs.

Early Childhood Program Aid. In January 1997, the New Jersey Commissioner of Education announced that \$287.5 million in ECPA funding would be provided to the state’s 125 poorest school districts to guarantee prekindergarten and full-day kindergarten programs for all children in those districts.⁴³ Program components will include district and schoolwide planning, including evaluation; community collaboration; parent education; curriculum development; and professional development and training. Schools will be able to use funds for comprehensive services—for example, health and social services—as well as instructional services.

Some of the ECPA-funded programs will be developed with input from DHS. DOE respondents would like local school districts to work with DHS to target their programs to working mothers on welfare, but whether this is done will depend on the individual school districts. In addition, as part of an early childhood initiative announced by Governor Whitman in April 1997, DHS, in conjunction with DOE, will award planning grants of \$5,000 to 60 of the 125 special-needs school districts that received ECPA funds to develop comprehensive prekindergarten program models. The purpose of the small grants is to facilitate cooperation among the 125 ECPA school districts and the licensed early child care and education programs and Head Start grantees within the districts.

Head Start

In addition to collaborations with DOE, DHS has ties to the Head Start community in New Jersey. At the time of our site visits, the Head Start Collaboration project, a federally funded project in every state, was operated out of DHS, and the project director worked closely with the state child care staff. In fact, she participated in, among other policy groups, DHS’s Child Care Advisory Council and the joint DHS/DOE Interagency Management Team for GoodStarts.

Child Support

New Jersey's child support system has experienced several changes over the past few years—some in response to federal action, others in response to the state's own desire to increase child support orders and collections. The Paternity Opportunity Program (POP), the state's hospital-based paternity establishment program, was introduced in 1995 to increase paternity establishment and, in turn, collections. The state has enacted several enforcement and collection provisions recently, including a driver's and professional license suspension program. Child support legislation passed in 1998 (described later) further expands these provisions. In addition, the state has replaced some judicial procedures with administrative ones in hopes of increasing collections.

Program Administration

New Jersey's child support system is state supervised and county administered, with responsibilities for the program divided between the Office of Child Support and Paternity in DHS and the Administrative Office of the Courts, which is part of the judiciary branch. As the IV-D agency, the Office of Child Support and Paternity is responsible for the administration of the program, while the Administrative Office of the Courts is primarily responsible for the establishment, enforcement, and collection of child support orders and related activities. Both the county welfare agency and the county probation department play prominent roles as the local counterparts of the Office of Child Support and Paternity and the Administrative Office of the Courts, as does the local sheriff's department. Because child support is county administered and so many entities are involved, procedures are not uniform across the state. For instance, a judge may request information from a family in one county that would not be requested in another. In addition, county welfare agencies are run differently from county to county, which leads to variation in the emphasis placed on child support.

Because responsibilities for child support are held by both the Office of Child Support and Paternity and the Administrative Office of the Courts, the system features a combination of administrative and judicial practices, and there is significant tension between the offices over the competing administrative and judicial emphases. Although New Jersey, in an attempt to integrate administrative practices in the judicial framework, moved to a heavier reliance on hearing officers over judges in 1985, several critics believe the system remains too judicially oriented, since the modification or enforcement of a child support order still requires a judicial hearing officer.

Collections

In 1995, the state centralized child support collection and distribution functions. Total distributions of child support collections increased by 11 percent, from \$250 million in the first six months of state FY 1996 (July to December



1995) to \$278 million in the first six months of state FY 1997. The majority of the increase, however, was driven by non-AFDC cases. Total collections from AFDC and foster care cases increased by only 0.4 percent during the same period, from \$41.2 to \$41.4 million.⁴⁴ In FY 1995, New Jersey had \$480 million in total collections, a 15 percent increase since 1993, though AFDC collections experienced only a 5.5 percent increase over the same period. More than 18 percent of AFDC payments were recovered through child support collections in 1995, compared with 13.6 percent nationwide.⁴⁵

Paternity Establishment

The Office of Child Support and Paternity developed the hospital-based paternity establishment program known as POP in late 1995. The cornerstone of POP is the Certificate of Parentage (COP), which documents paternity for non-marital births when the child is born. Completing the certificate is optional. Seventy-one percent, or almost 23,000 COPs, were completed out of the state's 32,000 nonmarital births in 1996.

New Jersey has explored privatization of certain child support administrative responsibilities under POP. The Office of Child Support and Paternity contracted with an outside firm to complete the COPs that were missing data, provide in-hospital training on the program, and staff the toll-free help line for hospitals on weekends and evenings. The office is pleased with its contractor, which helps the case for future privatization.

Enforcement

In 1996, the state enacted a program to suspend the drivers' and professional/occupational licenses of noncustodial parents who were late with payments. Child support legislation passed in 1998 (described later) adds recreational licenses to the list. In addition, the state has a small lien program and uses immediate income and civil lawsuit withholding, seizure of assets, and income tax offset as enforcement methods. The new legislation expands New Jersey's enforcement and collection capabilities by allowing the state to intercept periodic or lump-sum payments such as unemployment and workers compensation benefits, lottery winnings, and inheritances and to seize assets in financial institutions.

Policies to Assist Noncustodial Parents

The Office of Child Support and Paternity is dedicated to debunking the "deadbeat dad" image. Its programs are aimed at expanding fathers' participation in their children's lives and increasing the feeling of parental responsibility. In addition, New Jersey's Mercer County is one of 10 national Parent's Fair Share sites, which it operates as Operation Fatherhood. This program uses peer group interaction and outreach workers to build relationships between noncustodial fathers and their children. It also helps noncustodial parents obtain employment and offers mediation to help parents resolve disagreements over such areas of dispute as visitation and child rearing.

Medicaid and Other Health Insurance⁴⁶

Medicaid

Medicaid is the dominant publicly financed health program in New Jersey. It accounts for 15.6 percent of the state's general-fund spending and almost 24 percent of general-fund spending when other state and federal Medicaid funding sources are included. As in many states, Medicaid was the fastest growing budget item in New Jersey from 1990 to 1995, although growth has slowed substantially since.

New Jersey spends about one-and-one-half times the national average per Medicaid beneficiary (\$4,668 versus \$3,146 nationally). Most of the difference is explained by higher than average spending per disabled and per elderly beneficiary. In contrast, spending per child is close to the national average.

The state's Medicaid eligibility criteria are often the maximum allowed without a federal waiver and are always above the national average. For example, New Jersey has voluntarily chosen to cover infants in families with incomes up to 185 percent of the federal poverty level. Similarly, the state has a broad "medically needy" program and is one of 13 states covering the elderly and disabled up to 100 percent of the federal poverty level.

New Jersey has actively controlled provider payment rates under its fee-for-service operations. More recently, the state has moved toward mandatory managed care for Medicaid. In June 1995, the state received a Section 1915(b) Medicaid waiver to implement mandatory managed care. The waiver makes nearly all Medicaid populations eligible for managed care. Almost all TANF and TANF-related beneficiaries must enroll in managed care. Generally, the medically needy, individuals in a home and community-based waiver program, and patients who are institutionalized in a long-term care or residential facility are excluded from enrollment.

Other Public Financing Programs

In addition to Medicaid, New Jersey addresses health financing for low-income or high-cost populations through several smaller state programs.

Hospital Subsidies. New Jersey has historically had a commitment to serve uninsured individuals. Since the late 1970s, state law has mandated that hospitals not turn away prospective patients for inability to pay. Hospitals accordingly provide significant amounts of uncompensated care—both charity care and bad debt. Under hospital rate-setting, in place through 1992, the state levied a uniform surcharge on all payers (including even Medicare until 1989) to fund its uncompensated care pool. This financing mechanism shifted funds from hospitals with high revenues to those high in uncompensated care, although it also undercut hospitals' incentives to collect on bad debts. In response to a federal district court case in which employers argued that the hospital rate-setting law violated the Employee Retirement Income Security Act



of 1974 (ERISA),⁴⁷ the legislature passed the Health Care Reform Act of 1992. The act deregulated hospital prices and created a smaller pool for charity care only and additional subsidy programs for certain needy hospitals.

Hospital subsidies are funded largely through the state's Disproportionate Share Hospital (DSH) program; the largest DSH component is the charity care pool. In August 1992, the state began treating its entire pool, no longer just the Medicaid share, as Medicaid DSH payments. Claiming a federal match on all pool expenditures sharply increased the state's DSH qualifying outlays, even though the pool shrank in 1993 when bad debt was excluded.

Additional Insurance Plans. As a part of the Health Care Reform Act of 1992, the state legislature also approved a subsidized insurance program for working families. The subsidy program, titled Health Access New Jersey, was two years in the planning and was implemented in 1995. Health Access was designed to provide health insurance subsidies to individuals with incomes up to 250 percent of the federal poverty level who are not eligible for Medicare or Medicaid and are not receiving employer-based coverage. Subsidies were offered on a sliding scale based on income and the health plan selected.

The state originally hoped that the program would cover 100,000 individuals within three years, thus alleviating some of the hospitals' burden of bad debt.⁴⁸ However, stable funding sources for the program were never found, and therefore program enrollment was limited. The program accepted enrollees from April 1 to December 31, 1995, and at the end of the period some 22,000 individuals were covered. New enrollment has since been halted, and attrition cut the number of enrollees to 15,678 in March 1997.⁴⁹

Governor Whitman has made extending children's health coverage an administration priority. She first proposed a subsidized insurance program for children, titled Children First, in December 1995 as part of a larger plan to restructure the state's system for funding charity care. At the time, the governor's proposal was rejected because it required a \$0.25 increase in the state's cigarette tax. A similar 1997 initiative also failed to win legislative support.

With new federal support, Governor Whitman has committed to extend health care coverage to all uninsured New Jersey children by the year 2001. The State Children's Health Insurance Program, passed by Congress as part of the Balanced Budget Act of August 1997, made new funds available to states. As a result of the act, Governor Whitman announced a \$136 million plan to expand Medicaid and also launch a new private, managed care-based health insurance program for children, titled New Jersey KidCare. This initiative is far larger than earlier initiatives and administered differently. The state will contribute 35 percent of spending.

Legislation for New Jersey KidCare was passed and signed in mid-December 1997. The state planned to begin offering health care coverage in January 1998 to children up through age 18 in families with incomes of up to 200 percent of

the federal poverty level. New Jersey's Medicaid program will be expanded to cover all children from families with incomes of up to 133 percent of the federal poverty level, while New Jersey KidCare will provide managed care coverage to children in families with incomes between 133 percent and 200 percent of the federal poverty level, primarily the working poor. In addition, the state hopes to expand the program further through private foundation support.⁵⁰

Teen Pregnancy Prevention

As mentioned earlier in the report, New Jersey has one of the lowest teen pregnancy rates in the country. Therefore, teen pregnancy prevention has been a low priority in state government in recent years. The departments of Human Services and Health have administered small programs, but there has not been a coordinated statewide initiative to combat teen pregnancy. Policymakers hoped the family cap would have a positive effect on nonmarital pregnancy, but preliminary findings from an evaluation of FDP showed that the birthrate of women whose grant was not increased when they gave birth to another child was identical to that of those whose grant was increased.⁵¹ Interestingly, birthrates fell for both the control group and those exposed to the family cap. The state speculates that women whose grant would have increased may have read or seen news reports that discussed the family cap and thus been exposed to its personal and family responsibility message, which in turn influenced the behavior of all welfare recipients.

The PRWORA legislation allows states to spend TANF funds to reduce teen pregnancy. Citing recent cases of teen mothers abandoning their newborns, in June 1997 Governor Whitman announced a new \$1.1 million state initiative to address teen pregnancy prevention. Using a combination of \$1 million in TANF block grant funds and \$100,000 in state discretionary monies, the prevention program will support community organizations that provide adult and peer mentors for at-risk teens. The program will also run a media campaign and create a statewide hot line. Governor Whitman also requested that the legislature pass a bill establishing an Advisory Council on Adolescent Pregnancy to develop a prevention and educational outreach strategy for teens and improve services to at-risk, pregnant, and parenting teens. It is unlikely that New Jersey will qualify for any of the monetary incentives in PRWORA that reward the states with the greatest reductions in nonmarital births, because its rate is already quite low.



Last-Resort Safety Net Programs

While welfare reforms might promote well-being for children and families, some families could face extreme economic hardships if the new rules and programs do not work as designed. Some families require assistance to address serious and immediate needs that go beyond financial support. To capture the types of programs designed for families in crisis, we describe New Jersey's child welfare, emergency services, and housing programs in this section. All of these programs faced challenges at the time of our site visit, for reasons such as a large reduction in child welfare staff, limited program resources, and a lack of sufficient affordable housing for low-income families.

Child Welfare

In recent years several changes have affected both the organization of New Jersey's child welfare system and the children and families it serves. This section discusses the structure of New Jersey's child welfare agency, changes in the population served by the agency, service delivery challenges facing child welfare workers, and the sources of funding for child welfare services.

Overview of Agency Structure and Caseload Trends

The child welfare system in New Jersey is state supervised and administered. The Division of Youth and Family Services (DYFS) under the Department of Human Services (DHS) administers child welfare services through the state

central office, 4 regional offices, and 32 district field offices. All policy and budgetary decisions are made by the state central office; therefore, caseworkers at each district office follow guidelines outlined by the state. The regional offices train new field staff, coordinate contracts, and serve as representatives for the district offices in their jurisdiction. District field offices conduct client intake and investigation and provide services to children reported for abuse or neglect. Although district workers have discretion in conducting investigations of child maltreatment, agency decisionmaking and planning are carried out almost exclusively by the state central office.

The mission of DYFS is to “protect vulnerable children and adults from abuse, neglect or exploitation; to support family preservation and community living; and to prevent family violence and disruption.”⁵² Like most states, New Jersey’s child welfare system must balance the competing concerns of protecting children from abuse and neglect and preserving the family. In New Jersey, this balance has historically fallen on the side of family preservation. In 1996, 84 percent of the 52,000 children in the division’s care were provided services in their homes. Only 7 out of 1,000 children reported for child maltreatment in New Jersey were removed from their homes, compared with 42 per 1,000 nationwide.

Over the past several years, reports of child maltreatment have increased in New Jersey, while the percentage of reports that are substantiated have declined. From 1990 to 1995, there was a 6.5 percent increase in the number of children reported for child abuse or neglect nationwide, compared with a 17.1 percent increase in New Jersey. At the same time, the percentage of child abuse and neglect reports that were substantiated nationwide rose by 19 percent (from 26.1 percent to 31 percent), while in New Jersey, the percentage of substantiated cases *fell* by almost 60 percent (from 36 percent to 14.6 percent).⁵³

Workers speculated that the decrease in the substantiation rate may be due in part to changes made in 1993 to the state definitions of child abuse and neglect. As a result of these changes, local child welfare staff said it has become more difficult to substantiate allegations of abuse and neglect. For example, an injury to a child by a parent is no longer enough to substantiate an allegation of physical abuse; caseworkers must now show that the location or severity of the injury could possibly cause permanent harm to the child. Caseworkers indicated that when they could not prove the possibility of permanent harm to the child, they designated the case—which they would have substantiated under the previous state definitions—to the “family problems” category of unsubstantiated cases. “Family problems” characterizes families in which the children may not actually have been abused, but have a greater potential of being at serious risk of harm if help is not received.⁵⁴ To compensate for their restricted ability to substantiate cases, caseworkers have used the family problems category more frequently since the child maltreatment definition was changed.

Because of the prevalence of substance abuse among families that enter the child welfare system, in 1996 DYFS implemented revised case-handling stan-

dards for drug-related cases of child abuse and neglect. These case standards emphasize the increased risk of harm to children living with substance abusers. Every case of child maltreatment involving a substance-abusing parent will now be regarded as high risk until an investigation is completed. Staff believe that these new case-handling standards will result in more out-of-home placements for children.

Current Service Delivery Challenges

DYFS provides a variety of child welfare services, including prevention, child protection, family preservation, and substitute care. The majority (57 percent) of DYFS services are provided by the division itself. Child protection and foster care services are provided by state employees, while private agencies provide family preservation services under contract to the department. From the division budget of \$431 million, approximately \$186 million is allocated to contracted services.

Interview respondents noted several challenges to delivering child welfare services in New Jersey. The challenges most consistently noted by DYFS staff were the decreases in staffing and increases in workers' caseloads over the past several years. Staffing for the division decreased by 809 positions from FY 1991 to FY 1997, a reduction of 23.4 percent.⁵⁵ However, the number of children served by the division from FY 1992 to FY 1998 increased by 11.3 percent. It is important to note that 24.4 percent of the reduction in division staff is attributable to the privatization of several state day care centers and residential facilities. In addition, some of the reductions were in child welfare administration, not caseworker staff. The impact of these administrative staff reductions is unknown.

Concern about workers' inability to manage their increasing caseloads led the state assembly to hold hearings in late 1996 on DYFS's handling of child abuse and neglect cases. Witnesses asserted that the division was not fulfilling its mission to protect children and that it had inadequate resources to handle the complex cases currently being referred. The governor established a Blue Ribbon Task Force in January 1997 as a result of these hearings, appointing 29 members who were charged with issuing a report on DYFS practices.

Independent of the legislative hearings and the governor's task force, during fall 1996 the Association for Children of New Jersey, a state child advocacy organization, surveyed individuals who are mandated to report suspected incidents of child maltreatment (such as teachers and doctors) and opened a toll-free hot line to obtain feedback on how well DYFS was functioning. This study was prompted by an increased number of calls to the association expressing concern that children in the child welfare system were at greater risk because of increased staff caseloads. About 20 percent of the calls received on the hot line were from DYFS staff; the rest were from parents, foster parents, social service providers, judges, court staff, and volunteers. A report based on the results of the hot line and survey responses published in early 1997 stated that three-



quarters of the respondents felt that the child welfare system in New Jersey was not doing an adequate job of protecting children.⁵⁶ The findings of the report were confirmed in our interviews with DYFS staff. They explained that their inability to respond properly to cases of child abuse and neglect was due to staff reductions that increased their caseloads and reduced the amount of time they could spend on each case.

The media attention given to the Association for Children of New Jersey report led to several changes at DYFS. Shortly after the report was published, the director of the division was terminated. In addition, the state Commissioner of Human Services reinstated the quality assurance unit of the division (which had been inactive for eight years) to perform spot checks on workers' adherence to case-handling procedures.

Child Welfare Funding

Between 1992 and 1995, child welfare expenditures in New Jersey increased by 9.2 percent, while the number of children served by DYFS declined by 5.4 percent, as shown in table 4. Under the Whitman administration, from FY 1995 to FY 1998, the estimated child welfare caseload increased by 11.3 percent, while child welfare expenditures increased by only 4.7 percent.⁵⁷ A portion of this change in division spending can be attributed to reductions in state spending under Governor Whitman. In addition, new case-handling standards on substance abuse implemented in 1996 increased the number of children under DYFS supervision by 10.3 percent during 1996.⁵⁸

In addition, over the past several years the portion of child welfare expenditures paid by state versus federal dollars has shifted. From FY 1992 to FY 1995, state funds spent on child welfare services increased 3.4 percent (from \$287.0 million to \$296.8 million), while federal funds increased 25.4 percent (from \$98.3 million to \$123.3 million). Under Governor Whitman, however, state funds for child welfare began to decrease while federal funds continued to increase. From FY 1995 to FY 1998, state funds fell by 7.1 percent (from \$296.8 million to \$275.8 million), while federal funds increased by 18.4 percent (from \$123.3 million to \$146.0 million). In FY 1995, federal funds accounted for 29 percent of child welfare expenditures in New Jersey, but that share had increased to 34 percent in the 1998 budget.⁵⁹

In fact, child welfare staff indicated that New Jersey has made a concerted effort in recent years to increase the amount of federal funds used for child welfare services. Specifically, the state has sought to increase the adoption assistance, Title IV-A Emergency Assistance, and Medicaid funds used for child welfare services. State claims for adoption assistance have increased significantly. In FY 1991, New Jersey claimed \$2.8 million in adoption assistance; by FY 1995, the figure had grown to \$8.9 million.⁶⁰

In response to the staffing and substance abuse issues discussed earlier, Governor Whitman signed legislation that provides new funding for child wel-

Table 4 *Child Welfare Expenditures and Caseload, FY 1992–1998*

	FY 1992 (Actual)	FY 1995 (Actual)	FY 1998 (Estimated)	Percent Change FY 1992–95	Percent Change FY 1995–98
Expenditures (in thousands)*	\$389,028	\$424,860	\$444,664	+9.2	+4.7
Number of Children Served	49,439	46,751	52,013	-5.4	+11.3

* Expenditures include federal, state, and other funds used by DYFS.

fare. In July 1997, legislation was passed to provide \$18 million to hire at least 175 new staff, including caseworkers and support staff; provide general staff and supervisory training; obtain additional legal resources to reduce the time necessary to make children legally free for adoption; and expand the Substance Abuse Diagnosis and Treatment pilot program currently operating in four district offices statewide.⁶¹ The program would place a Certified Alcohol and Drug Counselor as well as home visitors in every county in the state. The counselors would accompany caseworkers on all investigations of cases involving substance abuse to help assess the risk of harm to the child.

Emergency Services and Housing

Housing affordability is a top concern for low- and moderate-income families in New Jersey. Housing costs skyrocketed during the 1980s, with current costs nearly twice the national average.⁶² Excessive rent burdens contribute to precarious housing situations for a significant number of New Jersey families, with almost 40 percent of the state's 930,000 renter households paying more than 30 percent of their income to keep a roof overhead.⁶³ The majority of these households are in the northern region of the state, which is also home to large concentrations of the state's oldest housing stock.

The relative lack of affordable housing increases pressure on local public housing authorities to provide assistance. High demand, especially in urban areas, results in extensive wait lists and low annual turnover.⁶⁴ Of the families in public housing in urban areas, many receive income assistance, and a significant portion are multigeneration welfare families or other long-term participants.⁶⁵ This means public housing is home to large concentrations of potentially hard-to-serve individuals who will face work requirements under Work First NJ.

The housing affordability gap also contributes to the homeless and Emergency Assistance population. A 1993 study of New Jersey's homeless pop-



ulation conducted by DHS estimated the state's homeless population in May and June of 1993 at 5,961 individuals.⁶⁶ This survey found the population in New Jersey's homeless shelters to be "relatively young, predominantly minority, significantly unemployed, and not well educated."⁶⁷

Type of Services Provided

DHS, through the Division of Family Development, administers the Emergency Assistance Program, which provides Title IV-A Emergency Assistance to clients who are homeless or at imminent risk of homelessness due to circumstances beyond their control. The most common use of Emergency Assistance dollars is to pay for temporary rental assistance, motel and shelter placements, back rent, back utilities, security deposits, furnishings, clothing, food, and transitional housing.⁶⁸

The Division of Mental Health Services purchases community mental health services through contracts with not-for-profit provider corporations. Services provided by these contractors include specialized case management for homeless persons and families.

The Department of Community Affairs provides programs and services in many divergent areas, including affordable housing, fire safety, child care, local police services, local government management, and domestic violence. It operates Transitional and Self-Sufficiency housing programs with a continuum of care approach. The Department of Community Affairs also supervises the Homelessness Prevention Program, which provides temporary financial assistance to tenants and homeowners in a financial crisis that puts them in danger of eviction or foreclosure. Prevention services include the provision of security deposits in some cases.

The bulk of housing assistance is provided through federal housing assistance programs (public housing, publicly assisted housing, and tenant-based assistance [Section 8]) operated at the local level by public housing authorities. These programs do not require state or local matching funds. Other federal housing and community development dollars (including HOME and the Community Development Block Grant) are used within Governor Whitman's urban strategy and state housing policy, the Housing and Economic Assistance Strategy (H-EASY 2000). The top three priorities include (1) strategic planning for neighborhoods, (2) increased home ownership, and (3) more affordable rental units.⁶⁹

Innovations and Challenges

The previous sections demonstrate through numerous examples that changes and innovations in administrative practices and service delivery structures were occurring in New Jersey before federal welfare reform. In this final section, we step back from particular programs and practices to present a larger picture of government reorganizations and innovations already under way in New Jersey and the challenges the state faces as it tries to address the needs of low-income children and families. We cover changes in governmental organization, the relationship between state and local governments, privatization, and the implications of federal welfare reform.

Organization and Innovations

In line with the Whitman administration's quest for smaller, more efficient government, several efforts have been made to streamline program administration. Most notable are the efforts to consolidate the administration of the General Assistance program, child care voucher programs, and the child support program.

General Assistance

At the time of the Urban Institute visits, General Assistance was administered by New Jersey's 566 municipalities. Local administration of General Assistance has been one of the most disputed welfare issues of the past 65 years. As part of her welfare reform initiative, Governor Whitman attempted to

resolve the debate and recommended the consolidation of General Assistance programs at the county level. This is not the first time the state has sought such consolidation. As early as 1936, the state considered such a change, only to see it defeated in the Assembly by one vote.⁷⁰ The state makes a number of arguments for this change. The state believes that consolidation will increase program efficiency, expand services available to General Assistance recipients, make it easier for recipients to access other services, and save municipalities money. Consolidation would eliminate the present duplicative bureaucracies. At the time of our site visit, both municipalities and counties had welfare offices that functioned in a similar manner, with municipal welfare agencies issuing General Assistance benefits and county welfare agencies issuing AFDC, food stamps, and medical assistance benefits; thus, General Assistance recipients who qualified for food stamps or other support services had to go to two separate welfare agencies to access services. Consolidation would allow the county welfare agency to serve as a one-stop income support agency where General Assistance eligibles can apply for all income assistance benefits on one common application. The state projects that consolidation will save the municipalities \$25 million, which will provide property tax relief.

The General Assistance proposal was one of the more contentious points of Governor Whitman's welfare reform proposal. Not only did the municipalities see it as an affront to their power, but the counties claimed they were not consulted about taking on the additional responsibilities of General Assistance administration and already felt overwhelmed by the prospect of implementing Work First NJ. Also, the Republicans in the state legislature interpreted the proposed reorganization as yet another assault on home rule.

After much debate, Governor Whitman and the Republicans in the legislature compromised. Municipalities may opt out of the consolidation and continue to administer their own General Assistance program, but only if they continue to pay for 100 percent of the administrative costs. If the municipalities turn their programs over to the counties, the state will cover all administrative costs. This is a strong incentive for municipalities to surrender control of the program. As of March 1998, 296 municipalities had passed a resolution to continue to administer their own General Assistance programs, while 270 had moved to consolidate their General Assistance programs at the county level. Newark and Trenton voted to maintain municipality control of their General Assistance programs, while Jersey City decided to consolidate its program into the county's welfare agency. Less than half of the state General Assistance caseload was consolidated into county programs as a result of these decisions. The state expects, however, that in time more municipalities will revisit this issue and opt to move their General Assistance programs to the county.

Child Care

In 1996, New Jersey redesigned its subsidized child care system based on the expectation that Congress would pass a child care block grant. The final plan for the new system was completed at the end of the year, and implemen-

tation began in spring 1997. The system was redesigned “in order to deliver more effective and efficient subsidized child care services, and to enable low-income, working families, including Work First New Jersey participants, to gain increased access to subsidized child care.”⁷¹

The core of the state child care redesign was the creation of the Unified Child Care Delivery Service System. Previously, welfare-related child care voucher payments (AFDC/JOBS Child Care and Transitional Child Care) had been administered by county welfare agencies, while programs providing vouchers to low-income working families (the Child Care Development Block Grant (CCDBG) and the Title IV-A At-Risk Child Care program) were administered by nongovernmental agencies under contract to the state. Under the Unified System, the state would contract with one agency in each county to deliver a range of child care services, including the administration and payment of all child care voucher programs. The state issued a Request for Proposal in late 1996 to select the single child care agency in each county, and the selected agencies were announced in March 1997. On April 1, 1997, the Unified System was implemented and the selected agencies became the sole administrators of child care funds in the counties. In most cases, the agencies selected were the nongovernmental organizations that previously had contracts with the state to administer the CCDBG and At-Risk voucher programs. By contracting with one agency in each county to provide a myriad of child care services, the state reduced the total number of contracts for child care services from 34 to 21, saving an estimated \$6.5 million in administrative costs, which the state plans to reinvest in child care services for TANF recipients.⁷²

Responsibility for the administration of child care programs is being consolidated at the state level as well. Responsibility for administering the state child care contracts will be transferred within the Department of Human Services (DHS) from the Division of Youth and Family Services (DYFS) to the Division of Family Development. DYFS, however, will retain the role of licensing and registering providers, while the Division of Family Development will administer all child care funds. The transfer reflects both the changing missions of the two divisions and the Whitman administration’s hope that such a transfer will result in leaner government. DYFS is narrowing its focus from broad-based community involvement and service provision for low-income people to provision of child abuse prevention and protection services. Simultaneously, the Division of Family Development is expanding its focus to include income maintenance and social service functions with an emphasis on employment. This expanded role is seen as crucial to successful implementation of welfare reform.

Child Support

New Jersey is considering significantly reorganizing child support by turning over to DHS many of the responsibilities currently held by the Administrative Office of the Courts and the county welfare agencies. This represents not only a shift of power from one state agency to another but also a



transfer of responsibilities from the counties to the state. Governor Whitman first suggested the reorganization in March 1996 in her initial Work First NJ proposal. Child support legislation was drafted in early 1997 by the governor's office and DHS, and was proposed in December 1997 with bipartisan support. The child support legislation that was signed by Governor Whitman earlier this year did not include the proposed reorganization because deadlines to enact the federally mandated changes did not afford enough time to debate consolidation. Reorganization will be revisited in the near future. The child support consolidation plan would transfer the majority of the 1,500 county and judicial employees who work in child support to DHS effective January 1999. The department would be responsible for recommending the establishment and modification of all uncontested child support matters.⁷³ The role of the Administrative Office of the Courts would be limited to approving administrative recommendations and dealing with contested matters.

The proposed reorganization reflects not only the power struggle between the Administrative Office of the Courts and the Office of Child Support and Paternity and Governor Whitman's own goals for administrative reform but also the various conflicts over how best to comply with the administrative procedures emphasized in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)—to increase efficiency, save money, and streamline administration in the child support system. The primary motivation for the consolidation of child support responsibilities within DHS is to increase the use of administrative processes that the state believes will promote efficiency and expedite the establishment and enforcement of orders. In addition, the state hopes to qualify for federal child support incentive payments by shifting toward a stronger administrative approach. The consolidation also will streamline, and may increase efficiency in, a fragmented system that currently is located in five agencies across two branches and two levels of government. Also, by housing the program in an agency dedicated solely to child support, rather than in five agencies where child support may not be a priority, supporters of the legislation hope the program will increase collections that will help low-income families. The state initially saw the reorganization as an opportunity to explore privatization. As noted in the Work First NJ proposal, the state expressed some interest in privatizing child support activities, including enforcement, establishment, and processing and distribution of payments. Some state respondents said consolidation within DHS may necessitate some privatization, since the agency does not have sufficient funding or resources to administer the responsibilities it would assume from the Administrative Office of the Courts.⁷⁴ The possibility of privatization was quite controversial; thus, the introduced legislation called for a five-year moratorium on contracting out activities currently performed by state employees.

Relationship between State and Local Government

As noted throughout this report, Governor Whitman plays a dominant role in New Jersey policymaking. The major initiatives discussed here, in employ-

ment and training, child care, Work First NJ, General Assistance, and child support, came out of the governor's office. Although many people speculate that an outcome of federal welfare reform will be the devolution of responsibilities from the states to localities, the movement in New Jersey is toward more state involvement in local program administration. Examples include the three organizational changes described in the previous section—the transfer of General Assistance programs from the municipalities to the counties, the consolidation of child care program administration, and the proposed reorganization of the child support systems. In each case, the state has prescribed, or may prescribe in the case of child support, significant changes to local program operation in the form of centralization.

Government versus Privately Provided Services

Although New Jersey has not implemented any large-scale privatization efforts in its income support/social services programs, there was speculation among state and local respondents that the state could move in that direction. The Whitman administration has privatized the Department of Motor Vehicles, state-operated child care centers, and food and janitorial services in state correctional facilities. As a result of strong pressure by the unions not to privatize, a one-year moratorium on privatization of eligibility determination functions and benefits computation services was included in the Work First NJ legislation.

The nongovernmental sector of the child care delivery system has increased in recent years. DHS operated several child care centers directly until 1995, when those centers were turned over to the private sector under state contracts. In addition, as discussed above, the state recently contracted with one agency per county to administer its child care voucher programs. Although county governments were able to bid for those contracts, and many did, in most of the 21 counties the contracts were awarded to nongovernmental agencies. State respondents clarified that the choice of contractors was based on the quality of the proposals and not on the organization's governmental status.

Although privatization has been somewhat limited in child welfare, caseworkers expressed concern that more services would be provided by contractors in the future. When Urban Institute researchers visited the state, DHS was closing a residential psychiatric hospital and a residential program for the developmentally disabled. The funds used to operate those centers were to be used to support community-based programs. The concern among caseworkers was sparked by a proposal of the former director of DYFS to “use a private business operating like a managed care network to handle state child welfare cases.”⁷⁵ The proposal was met with negative reactions from the press and the child advocacy community and was not supported by the governor. The issue was dropped when the director was replaced, but among the caseworkers with whom we spoke, there was residual concern that the state might still move in that direction.



The Work First NJ 1115 welfare waiver proposal, which was never submitted to the federal government because the passage of PRWORA made the waiver unnecessary, makes several references to contracting child support services to the private sector. Specifically, the proposal states that under Work First NJ, the state would “seek to competitively contract with one vendor for the processing and distribution of all payments at one central location.” The proposal continues, “the state proposes to seek to competitively contract for establishment functions, enforcement functions or both through the use of private vendors,” citing the widespread acceptance of privatizing child support programs because of the “more cost effective service and flexibility.” At this time, none of these proposals has moved forward as the governor and legislature focus on the reorganization of child support described above.

Implications of the New Federal Welfare Reform Legislation

Work First NJ

As discussed earlier, Work First NJ was developed in response to Governor Whitman’s desire to refocus New Jersey’s JOBS program to emphasize immediate employment and the work-first orientation of the 1995 federal welfare reform legislation vetoed by President Clinton. When PRWORA was passed in 1996, Governor Whitman tailored portions of the Work First NJ proposal that differed from PRWORA to fit the parameters of the federal legislation. The legislation attracted broad bipartisan support, and there was little debate around substantial issues. Governor Whitman signed the bills that created Work First NJ in January and March 1997.

Although Work First NJ incorporates some Family Development Program (FDP) provisions, such as the family cap, it represents a major departure from the FDP, as shown in table 5. The ultimate goal of self-sufficiency for participants remains the same, but the process by which recipients will reach financial independence in Work First NJ is dramatically different from FDP. Rather than emphasizing education and training for recipients, Work First NJ is directed toward immediately placing recipients in jobs and integrating them into mainstream society. Work First NJ has three goals:

- *Replacing welfare with work.* Work First NJ requires recipients to participate in a work activity that will lead directly to employment for at least 35 hours each week once they are determined work ready; at the latest, by the 24th month of assistance. In addition, the program features increased earned income and asset disregards and transitional benefits to encourage recipients to get and keep a job.
- *Fostering individual responsibility.* Each recipient must sign an individual responsibility plan that outlines the work activity the participant is required to cooperate with and the related support services the state or county will provide, and may include goals regarding the participant’s children. Work First NJ includes the family cap provision and statewide expansion of the Electronic Benefit Transfer program.

Table 5 *A Comparison of the Family Development Program and Work First NJ*

Program	Family Development Program	Work First NJ
Administrative Structure	Separate AFDC, JOBS/FDP, General Assistance, and General Assistance Employment Program (GAEP) administered by various county and municipal welfare agencies.	AFDC, JOBS/FDP, General Assistance, and GAEP combined into one program administered by the county (if county opts to consolidate General Assistance to the county).
Benefit Distribution	AFDC benefit checks issued, except in three counties that had Electronic Benefit Transfer (EBT). Food stamps distributed through Authorization to Participate cards.	Work First NJ and food stamp benefits provided via EBT.
Time Limits	No time limits on assistance.	60-month time limit on cash assistance with two six-month extensions.
Teen Parents	May live independently. No special work/school-related requirements.	Required to live at home or in an adult-supervised setting. Teens required to regularly attend high school or general equivalency degree program.
Asset Limits	\$1,000 for assets and one vehicle not to exceed \$1,500.	\$2,000 for assets and one vehicle not to exceed \$9,500.
Earned Income Disregards	First \$30 of income disregarded for 12 months plus 1/3 of remaining income disregarded for first 4 months. \$90 in work expenses also disregarded.	100 percent of income disregarded for the first month and 50 percent thereafter.
Work Requirement	All nonexempt adults must participate in an education and training or work activity. Many more exemptions than Work First NJ.	All nonexempt adults must participate in a work activity for at least 35 hours per week when classified as job-ready or by the 24th month of benefit receipt.
Age of Child Exemptions from Work Requirement	Child less than two years old.	Child less than 12 weeks old.
Sanctions	Noncompliance results in removal of parent's needs from grant.	Noncompliance results in ineligibility of all family members after a certain time period.
Transitional Benefits	Transitional Medicaid for two years and Transitional Child Care for one year.	Transitional Medicaid and Transitional Child Care for two years.

- *Supporting efficient administration.* Work First NJ incorporates one of the Whitman administration's primary goals by consolidating and streamlining AFDC, JOBS, General Assistance, and Emergency Assistance into one program, with the same requirements for all public assistance recipients. In addition, Governor Whitman is encouraging substantial collaboration between state departments in order to develop supports that facilitate the goal of placing welfare recipients in jobs. The state is drafting results-oriented



performance measures that are designed to hold the counties and their contractors to stricter standards than in the past.

Work First NJ features tougher sanctions than FDP for recipients' failure to comply with program requirements. Upon the first instance of noncompliance, in single-parent cases the benefits of the parent are removed from the grant for a minimum of one month. If the parent fails to comply by the end of the first month, the parent's needs remain removed from the family's assistance grant for two more months. If the parent fails to comply with program requirements by the end of the two months, cash assistance for all members of the assistance unit is suspended and the case is closed, though the family remains eligible for Medicaid and food stamps. After a participant complies, each subsequent failure to participate involves tougher sanctions.

In addition to the above-mentioned provisions, Work First NJ includes all of the policies mandated by PRWORA, such as those related to teen parents, drug felons, and the 60-month time limit. Work First NJ features two six-month extensions of the time limit for certain populations, including families that would experience extreme hardship if benefits ceased and participants who have a full-time job but remain eligible for Work First NJ due to earned income disregards. In addition, Work First NJ softens the federal bars on certain drug felons. The state will grant benefits to individuals convicted of drug possession or use who have completed a rehabilitation program and tested drug-free for 60 days.

Assemblyman Bryant, who designed FDP, was disappointed in the state's decision to abandon its commitment to education and training. In response, the state is offering work and study programs that combine full-time education with 15 hours of work experience. For example, many recipients will team a traditional Community Work Experience Program component with adult basic education, English as a second language, or GED classes.

Implementation

Selected components of Work First NJ, such as the time limit, were implemented through emergency regulations signed on February 1 and April 2, 1997, in order to comply with TANF requirements. Work First NJ was fully implemented on July 1, 1997. Several DHS officials felt that the two early implementation dates placed unrealistic expectations on state and county staff. The technology infrastructure was not in place, workers had not been trained, and client flow with DOL had not yet been determined. Some DHS officials also felt it was unfair to begin recipients' five-year time clock without a sufficient infrastructure. Others feared that hasty implementation of Work First NJ would negatively affect the program's chances of success. Owing to the short implementation period and pressure from the governor's office to get the system up and running, the state held much more control of the implementation process than the counties at the time of the Urban Institute site visits in March and April 1997. The state expected that once the infrastructure was in place, job descriptions were revised, and workers were trained, counties would have more flexibility. In the meantime, counties were simply following state-issued rules and regulations.

Funding Issues

The 15 percent administrative costs cap mandated by PRWORA is one of the principal budget challenges facing New Jersey counties as they implement Work First NJ. DHS and County Welfare Agency officials are charged with reining in administrative costs to meet the 15 percent target. The department designed an administrative cost structure that gives high-cost counties a transitional period of two years to reach 15 percent, while holding low-cost counties' administrative costs constant. Although the plan was designed to minimize the shock felt by high-cost counties, many County Welfare Agencies fear they will be forced to slash their staff. Several respondents noted that the staff cuts in some counties and the lack of an increase in administrative funding in other counties will make implementation of Work First NJ even more challenging, as the responsibilities of existing case managers and income maintenance workers expand. In addition, county respondents argued that the low-cost counties, with administrative costs significantly below 15 percent, are being penalized, since the cap on their administrative costs is their previous spending level rather than 15 percent. The state argues that the infusion of TANF "windfall dollars" into the county budgets should ease the transition.

New Jersey will receive a TANF windfall because the TANF block grant allocations are based on 1993–94 caseload figures, and New Jersey's caseload has dropped significantly since then. The state is reinvesting its TANF windfall in social service programs such as child care, substance abuse treatment, transportation, and technology. Although the decision to dispense the windfall this way was supported by the advocacy community, several county respondents are concerned that there will not be enough money to serve the Work First NJ population to the degree they would like. They are concerned that the state is promulgating too many rules regarding the use of windfall dollars, rather than giving the counties the flexibility to tailor their programs to the needs of their communities.

New Jersey is maintaining 75 percent of its previous AFDC spending level, though this figure does not reflect a decrease in per capita expenditures on recipients because the caseload has dropped.⁷⁶

Child Support

Although New Jersey has enacted numerous enforcement and collection provisions over the past few years, PRWORA influenced the state to act in two key areas: new-hire reporting and the Uniform Interstate Family Support Act (UIFSA). In 1998, New Jersey passed child support legislation that will enact both. UIFSA will have a major impact in geographically small New Jersey, which abuts two major out-of-state metropolitan areas, New York City and Philadelphia, making it easier to enforce interstate child support cases. Twenty-five percent of New Jersey's cases are interstate, but only 5 percent of child support collections come from these cases.

New Jersey will continue the \$50 pass-through payment for families receiving cash assistance.



Implications for Immigrants

Federal welfare reform radically altered immigrant policy by restricting legal immigrants' access to federal assistance programs and giving states greater discretion in determining immigrants' eligibility for public benefits. For the first time, receipt of public benefits became dependent on citizenship status, not legal presence. Federal welfare reform also gave new immigrants—those immigrants arriving after the passage of PRWORA (i.e., after August 22, 1996)—less access to federal and state public benefits programs than current immigrants—those who were already in the United States on that date.

Although Governor Whitman had proposed changes to the state welfare program including many provisions eventually mandated by PRWORA, it was not until federal welfare reform passed that the issue of immigrants' eligibility for public benefits became part of the state's welfare reform debate. Therefore, to implement the mandated provisions, state policymakers had to initiate a discussion on immigrants' rights to public benefits and the state's responsibility to provide these services. With 967,000 foreign-born residents in the state as of 1990—the fifth-largest foreign-born population of any state—the federal restrictions represented a large cut in federal funds for state residents.⁷⁷ Respondents consistently noted the immigrant provisions as a major challenge in implementing federal welfare reform. The impact will be felt more severely in urban areas, where the majority of New Jersey's immigrants live. Nearly one-third of New Jersey's immigrants live in two counties: Hudson County, which contains Jersey City (17 percent of the immigrants); and Essex County, which incorporates Newark (12 percent).⁷⁸ In 1990, immigrants constituted nearly one-third of the population of Hudson County.

In January 1997, Governor Whitman joined other Republican governors from states with large immigrant populations in calling on Congress to reinstate welfare benefits to legal immigrants.⁷⁹ Whitman was the primary actor in shaping New Jersey's responses to the immigrant provisions. She attempted to replace as many benefits as possible to immigrants, but these efforts were constrained by the political necessity to limit the amount of state funds spent on services for immigrants and by the belief that the provision of those services is the responsibility of the federal government. In addition, Whitman did not want to be more generous in the provision of services to immigrants than neighboring states and therefore risk becoming a welfare magnet. New Jersey's decisions on providing services to immigrants reflect a desire to serve the most vulnerable of the current immigrant population while simultaneously requiring this population to enter the naturalization process to receive benefits—a strategy designed to shift the costs of providing services to immigrants back to the federal government as quickly as possible.

TANF and Medicaid. PRWORA gave states the option to provide TANF and Medicaid to current immigrants—those residing in the United States on August 22, 1996. New Jersey, like most states, has opted to provide TANF and Medicaid benefits to these immigrants. New immigrants are barred by PRWORA from TANF and Medicaid for their first five years in the country. New Jersey has not opted to use state funds to provide TANF or Medicaid during this five-year federal bar.

These new immigrants will become eligible for TANF only after five years. After the five-year bar, however, New Jersey will impose sponsor deeming on new immigrants until citizenship, under which the income of an immigrant's sponsor is deemed available to the immigrant, making most ineligible for benefits.⁸⁰

Supplemental Security Income and General Assistance. Originally, PRWORA would have ended the eligibility of most legal immigrants for SSI. As a result, New Jersey had estimated that 23,019 legal immigrants would lose SSI benefits. The federal Balanced Budget Act of 1997 restored SSI to these immigrants and other current immigrants who become disabled in the future; however, most new immigrants remain ineligible for SSI. Prior to the federal restorations, the state intended to provide General Assistance to immigrants who would have lost SSI. The costs associated with this proposal, however, led to restrictions on immigrants' eligibility for General Assistance. Immigrants had previously been eligible for General Assistance on the same terms as citizens. After welfare reform, new immigrants became ineligible, and all current immigrants are required to complete an application for naturalization within 60 days of applying for General Assistance. These immigrants are limited to six months of assistance unless they have not resided long enough in the United States to be eligible for citizenship (usually three or five years). By contrast, citizens are eligible for General Assistance for five years. Although the anticipated costs of replacing lost SSI benefits through General Assistance were high, as a result of the federal restorations very few immigrants eligible for General Assistance will lose SSI and therefore need such assistance.

Food Stamps. The 1996 federal welfare reform legislation barred most legal immigrants from the Food Stamp program. In June 1998, Congress restored federal food stamp eligibility for certain legal immigrants, including children; elderly immigrants who were at least 65 years old on August 22, 1996; and disabled immigrants. All of these groups must have been lawfully present in the United States on August 22, 1996.⁸¹ In the interim, before the passage of federal food stamp restorations, Congress authorized states to purchase federal food stamps to distribute to legal immigrants no longer eligible for the federal Food Stamp program.⁸²

In response to the original federal restriction, Governor Whitman issued an executive order creating a state food program to provide federal food stamps for immigrants who are disabled, elderly (age 65 or older), or children. Only current immigrants are eligible for benefits under the New Jersey Food Stamp program. After the passage of the federal restorations, which will cover most immigrants currently receiving state-funded food stamps, the state expanded the program to include immigrant parents of children receiving food stamps. Benefits are provided at the same level as federal food stamps.

The goals of the New Jersey Food Stamp program are to provide food assistance to the most needy legal noncitizens and to ensure that they pursue citizenship.⁸³ As in the General Assistance program, immigrants receiving state food assistance must file a completed application for naturalization within 60 days of



applying for state food assistance or within 60 days of the date they become eligible for citizenship. An estimated 16,464 legal immigrants in New Jersey, representing 7 percent of food stamp recipients, lost food stamps because of the original federal bar. Fifty-eight percent of immigrants losing food stamps reside in three counties: Hudson (30.8 percent of immigrants), Essex (15.3 percent), and Passaic (11.9 percent).⁸⁴ The estimated cost of the state food program for FY 1998 is \$15 million, and it was projected to serve 10,000 households. At the time of the Urban Institute's visit, there were no plans to develop a separate food program, owing to the costs associated with creating a new program and the state's emphasis on replacing benefits for the SSI population. Federal authorization of state food stamp purchase, coupled with federal SSI restorations, freed up state funds previously allocated to the General Assistance program to mitigate the loss of SSI to immigrants and led to the creation of a state food program.

Naturalization. In line with its goal to reduce the fiscal burden of the immigrant provisions on state programs, New Jersey created a statewide citizenship project. By helping SSI and food stamp recipients naturalize, the state hoped to shift some of the costs of replacing these benefits to immigrants back to the federal government, because naturalized immigrants would again be eligible for the SSI and food stamp programs. The governor allocated \$4 million in state funds—to be matched by nonprofit organizations (either directly or through in-kind services)—to assist immigrants in the naturalization process. The state contracted with 17 nonprofits to provide naturalization assistance. These providers, however, are only paid for services once a client has filed an application and passed the citizenship test. Therefore, to some extent, providers' payments are dependent on the Immigration and Naturalization Service's ability to process naturalization requests. In 1997 the Immigration and Naturalization Service had a backlog of 7 to 12 months in processing naturalization applications in New Jersey, which presented a major barrier to the state's ability to serve immigrants under the naturalization campaign.

Undocumented Immigrants. While undocumented immigrants were ineligible for many federal programs prior to PRWORA, states and localities could opt to cover them through their own programs. As a result of PRWORA, states must affirmatively pass a law (after August 22, 1996) making these immigrants eligible before the states can continue providing state or local benefits to them. New Jersey opted to continue providing prenatal care to these unqualified immigrants to reduce the costs of providing health care to their citizen children, who might be born with complications or low birth weight as a result of inadequate prenatal care.

Challenges/Capacity

Interdepartmental Collaboration: The Departments of Human Services and Labor

New Jersey realizes that a comprehensive program designed to promote welfare-to-work requires collaboration across executive departments, rather

than an individual effort by DHS. Thus, Governor Whitman issued an executive order requiring all departments to work together on Work First NJ, which requires not only cooperation but also the leveraging of federal dollars from the various agencies. In particular, collaboration between the departments of Human Services and Labor will play a principal role in determining Work First NJ's success. With the strong emphasis on labor attachment in Work First NJ, the Workforce system is an important element of welfare reform. Under Work First NJ, DHS serves as the entry point for welfare recipients to the DOL One-Stop labor force system. The system features a single point of local access (and administration of services) for career planning, social services, and workforce readiness activities. Work First NJ applicants and recipients are required to register for work with the New Jersey Employment Service immediately upon application or recertification for assistance. Once in the Workforce system, they are seen as job seekers, not welfare clients.

It is too early to determine if Work First NJ will be seamlessly integrated into the One-Stop Career Center system. Organizing structures such as the State Employment and Training Commission and Workforce Investment Boards are in place to foster cooperation and joint planning, but locally they are in early stages of development. Thus, at the time of our site visits, because of pressure to meet the participation rates and the lack of an established client flow structure with DOL, DHS officials were negotiating with employers for jobs for Work First NJ recipients, a responsibility that would normally belong to the Workforce Investment Boards. DHS hoped to turn over such responsibilities to the Workforce Investment Boards on January 1, 1998.

Are There Enough Jobs?

The ability of welfare recipients to break into the labor force is the wild card in the Work First NJ plan. Although the unemployment rate hovers around 5 percent statewide, it climbs to nearly 10 percent in urban areas such as Jersey City. In urban areas with high unemployment, there are also high concentrations of assistance recipients who would fall under the new job requirements of Work First NJ. With the depressed urban job market, welfare recipients may be pitted against other targeted groups such as dislocated workers and youth. Some advocates are concerned that the supply of job openings will not meet the demand, but state officials believe there is an abundance of entry-level jobs in which to place welfare recipients.

Transportation

Even if Work First NJ recipients are able to secure employment, they may face a more significant barrier to retaining their jobs—transportation. Several respondents noted that most of the types of jobs for which Work First NJ recipients would be eligible are not located where recipients live and that the inadequacy of New Jersey's public transportation options likely will hinder recipients' efforts to keep jobs. Governor Whitman recently announced a \$3.7 million



transportation initiative to help overcome this barrier. The funds will allow the state to offer Work First NJ participants one free month of mass-transit rides. The Get a Job, Get a Ride program is an extension of the Work Pass Program, another state program that provides bus and train fares to participants engaged in work. In addition, the state will use the money to explore innovative transportation solutions and fund demonstration projects.

Child Care

State legislation specifies that Work First NJ clients will not be required to participate in work-related activities if they do not have child care. Thus, there will be a tremendous effort to ensure that all participants needing child care have it, since the state will be required to meet federal work participation requirements. As in many states, however, policymakers in New Jersey do not want the child care needs of working-poor families to be overlooked. The advocacy community, as well as local respondents, expressed concern that with capped child care funding from the federal government, the push to serve Work First NJ clients will limit the child care subsidies available to the working poor. State respondents contend, however, that the state intends to maintain funding for non-welfare-related child care at a level to ensure that working-poor families will not be displaced by Work First NJ participants. Because of its concern for the working poor and those at risk of receiving TANF, New Jersey is maintaining a separate fund for an At-Risk Child Care program within the mandatory and matching funds of the Child Care Development Fund and is designating development fund discretionary dollars for families eligible for the former CCDBG program.⁸⁵ Governor Whitman also announced in October 1997 that additional money would be available beginning January 1, 1998, to serve an additional 1,000 children on the waiting lists for child care vouchers for working-poor families.

Several initiatives are under way to increase the capacity of the child care system. In April 1997, Governor Whitman announced Bright Beginnings, an \$8.5 million early childhood initiative to be implemented by the end of 1997. The initiative funds three components (out of six) designed to increase the capacity of the child care system in New Jersey. Funds are allocated to increase capacity in licensed centers and Head Start programs for infants and toddlers; expand the number of registered family day-care home providers by registering the approximately 2,000 prospective providers on the waiting list; and create a New Jersey Child Care Facility Fund to support the expansion of licensed child care centers in the state, both in the short term by increasing capacity of existing centers and in the long term by opening more centers. As of December 1997, the state had approved 7,000 new infant and toddler slots. In addition, as part of Work First NJ, the state is initiating a Community Work Experience Child Care Initiative, which will give participants the opportunity to work with a registered family day-care home provider for six months as an approved work activity. The goal is that after the six months, the Work First NJ participant would become a registered provider herself and care for the children of other Work First NJ participants. Work First NJ participants can also obtain work experience in a licensed child care center.

Conclusion

In anticipation of or reaction to federal welfare reform and the block-granting of various sources of federal funds, New Jersey has substantially changed the structure of many of its income support and social services programs. In 1997, Governor Whitman signed Work First New Jersey (Work First NJ) into law, changing the emphasis of the state's welfare-to-work program from education and training to immediate employment, instituting program requirements to foster personal responsibility, and striving for more efficient administration of New Jersey's income support programs.

In 1995, Governor Whitman signed an executive order outlining a plan originally designed in anticipation of the block-granting of federal employment and training funds. The plan created Workforce New Jersey, a unified, streamlined work readiness system that will prepare all job seekers, including welfare recipients, for work. Similarly, New Jersey's child care system was redesigned in response to the expectation that federal child care funds would be block-granted, which happened under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The Unified Child Care System consolidates administration of all child care funding streams in one agency per county. And finally, New Jersey's child support system will likely be consolidated into one division within the Department of Human Services. Although consolidation had been discussed before, PRWORA's emphasis on administrative efficiency pushed New Jersey to act.

These changes were not made solely in response to or in anticipation of federal policies, however. They are all components of Governor Whitman's overall strategy to make New Jersey's government smaller and more efficient. The Whitman administration has been characterized by large personal income tax cuts, reduced growth in state spending, and the downsizing of state govern-

ment. Through this strategy, the state has taken a prescriptive approach to program design and local program implementation, steering the localities in a direction that is compatible with the administration's priorities.

Despite the push for smaller government and lower state spending, New Jersey has maintained its commitment to providing for its low-income population. The state has several state and locally funded programs to provide services to families who are ineligible for federally funded benefit programs, and within the federal programs, the state has implemented generous eligibility rules and benefit levels. With regard to welfare reform, the state is strongly emphasizing personal responsibility and work, while devoting substantial resources to services, such as child care and transportation, designed to support work among welfare recipients and other low-income families. Families who reach the five-year federal time limit on Temporary Assistance for Needy Families benefits may be eligible to receive benefits through what was formerly the state's General Assistance program and is now part of Work First NJ, and/or to qualify for up to two six-month extensions to the time limit, during which time benefits would be paid for by the state. The impact of Work First NJ and other changes to New Jersey's income support and social service programs on the low-income population has yet to be determined, but given New Jersey's history of supplementing the federal safety net, it is unlikely that the needs of these families will be overlooked.

Notes

1. Thomas Espenshade, ed., *Keys to Successful Immigration: Implications of the New Jersey Experience*. Washington, DC: The Urban Institute Press, 1997. The number of foreign-born residents includes naturalized foreign-born residents.
2. *1990: The Foreign-Born Population by Race, Hispanic Origin, and Citizenship for the United States*, CPH-L-134. U.S. Bureau of the Census, Ethnic and Hispanic Branch, Population Division, 1993.
3. U.S. National Center for Health Statistics, cited in the *1996 Statistical Abstract of the United States*.
4. New Jersey Department of Labor, Labor Research and Analysis, Labor Market and Demographic Research, Bureau of Labor Force Statistics.
5. U.S. Bureau of the Census, *Statistical Abstract of the United States: 1994–1996* (114th–116th editions), Washington, DC.
6. U.S. Bureau of the Census, *Statistical Abstract of the United States: 1994–1996* (114th–116th editions).
7. Current Population Survey (CPS): three-year average (March 1994–March 1996, where 1994 is the center year), edited using the Urban Institute’s TRIM2 microsimulation model.
8. U.S. Bureau of the Census, USA Counties 1996 CD-Rom.
9. Harold A. Hovey, *CQ’s State Fact Finder 1996: Rankings Across America*.
10. New Jersey Office of Management and Budget, *Budget in Brief, Fiscal Year 1998*, January 29, 1997.
11. These figures are exclusive of federal funds.
12. James Dao, “Turning to the Property Tax,” *The New York Times*, January 13, 1997, p. B-4.
13. Jennifer Preston, “Poll Findings Hint at Trouble for Whitman over Insurance,” *The New York Times*, September 17, 1997, p. A-1. The margin of error for this poll is plus or minus 3 percentage points.
14. Office of the Governor, news release, May 29, 1997.
15. Office of the Governor, news release, May 29, 1997.
16. New Jersey Office of Management and Budget, *Budget in Brief, Fiscal Year 1998*.
17. New Jersey Office of Management and Budget, *Budget in Brief, Fiscal Year 1997*, January 29, 1996.
18. New Jersey Office of Management and Budget, *Budget in Brief, Fiscal Year 1998*; New Jersey Office of Management and Budget, *Budget in Brief, Fiscal Year 1999*, February 10, 1998.
19. New Jersey Office of Management and Budget, *Budget in Brief, Fiscal Year 1998*.
20. U.S. Department of Health and Human Services, Administration for Children and Families (DHHS, ACF) data.
21. Committee on Ways and Means, U.S. House of Representatives, *1996 Green Book*. Washington, DC: U.S. Government Printing Office, 1996.
22. State of New Jersey Budget: FY 1997-98, p. D-194.
23. As of summer 1996, 33 states had statewide General Assistance programs, but only 16 states served employable individuals without children. As of 1996, the individual cash benefits for unemployable and employable recipients in New Jersey were 32 and 22 percent, respectively, of the federal poverty level. Among the states that provide General Assistance benefits as cash, the average benefit as a percentage of poverty was 40 percent. (Cori Uccello,

- Heather McCallum, and Jerome Gallagher, "State General Assistance Programs: 1996." Washington, DC: The Urban Institute, October 1996.)
24. State of New Jersey Budget: FY 1996-97, p. D-187.
 25. *1996 Green Book*, pp. 447–448.
 26. "Work First NJ: A Working Approach to Welfare; New Jersey's 1115 Welfare Reform Proposal," March 1996, p. 6.
 27. Data from DHHS, ACF Web Site, <http://www.acf.dhhs.gov/news/case-fam.htm>.
 28. Caseload data from "Current Program Statistics," State of New Jersey, Department of Human Services, Division of Family Development, January 1997.
 29. New Jersey State Employment and Training Commission, *A Unified State Plan for New Jersey's Workforce Readiness System*, August 1996, p. 10.
 30. <http://www.wnjpin.state.nj.us/OneStopCareerCenter/SETC/setc.htm>.
 31. New Jersey State Employment and Training Commission, *A Unified State Plan for New Jersey's Workforce Readiness System*, p. 4.
 32. New Jersey State Employment and Training Commission, *A Unified State Plan for New Jersey's Workforce Readiness System*, p. 14.
 33. New Jersey State Employment and Training Commission, *A Unified State Plan for New Jersey's Workforce Readiness System*, p. 12.
 34. The CCDBG and At-Risk programs comprised the New Jersey Cares for Kids program.
 35. New Jersey Department of Human Services, *Early Care and Education Quick Facts as of July 1, 1997*.
 36. Figures provided by the New Jersey Department of Human Services.
 37. New Jersey Department of Human Services, *Early Care and Education Quick Facts as of July 1, 1997*.
 38. As discussed later, Governor Whitman announced in April 1997 an initiative to increase the capacity of licensed centers and Head Start programs for infants and toddlers.
 39. New Jersey Department of Human Services, *Early Care and Education in New Jersey: Fact Sheet*.
 40. New Jersey Department of Human Services, *Early Care and Education in New Jersey: Fact Sheet*.
 41. New Jersey Department of Education, *GoodStarts Fact Sheet 1996–1997*.
 42. New Jersey Department of Education, *GoodStarts Fact Sheet 1996–1997*.
 43. School districts were already required to have part-day kindergarten programs.
 44. "Current Program Statistics," New Jersey Department of Human Services, Division of Family Development, January 1997, table 10.
 45. *1996 Green Book*, pp. 599, 601.
 46. Information in this section is taken in large part from R. Bovbjerg, A. Evans, J. Holahan, and F. Ullman. *Health Policy for Low-Income People in New Jersey*. Washington, DC: The Urban Institute Press, 1998.
 47. The district court decision overturning rate setting and the pool was *United Wire, Metal & Machine, Health and Welfare Fund v. Morristown Memorial Hosp.* 793 F. Supp. 524, 542 (D.N.J. 1992). That decision was reversed on appeal 995 F.2d 1179 (3d Cir. 1993), cert. denied, 510 U.S. 944 (1993), but despite winning this appeal, New Jersey did not reenact the previous charity care financing mechanism.
 48. "Statelines—New Jersey: State Launches Health Insurance Subsidy Program," in *American Health Line* (on-line edition), Washington, DC: National Journal, April 20, 1995.

49. The New Jersey Capitol Forums on Health and Medical Care, Background for the Capitol Forum, "Look Who's Looking at New Jersey. Why? What? How?" June 11, 1997. Subsequent correspondence with DHS reveals that enrollment has continued to decrease. As of January 1998, 12,247 individuals were enrolled in the Health Access program.
50. "New Jersey: Gov. Whitman's Kid Care Plan Would Expand Medicaid, Launch Private Program," *BNA's Health Care Policy Report* 5, No. 38, September 29, 1997, pp. 1494–95; Lindy Washburn, "100,000 Kids to Get Health Coverage," *The Bergen Record* (on-line edition), September 24, 1997.
51. New Jersey Department of Human Services press release, September 11, 1997.
52. *Child Abuse and Neglect: A Professional's Guide to Identification, Reporting, Investigation, and Treatment*, Governor's Task Force on Child Abuse and Neglect, December 1996, p. 38.
53. National Center on Child Abuse and Neglect Reports, 1990–1995.
54. *Children at Risk 1993 and 1994*, Division of Youth and Family Services, New Jersey Department of Human Services, July 1995.
55. *Budget Watch Project, Budget Brief*, Association for Children of New Jersey, 1997.
56. Association for Children of New Jersey. *In Their Own Words: An Inside View of New Jersey's Child Protection System*, 1997.
57. From *Budget Watch Project, Budget Brief*, Association for Children of New Jersey, 1997. FY 1998 expenditures include an additional \$13.3 million in child welfare services that are still provided but were transferred out of DYFS to other state agencies. Caseload estimates for FY 1998 are caseloads reported by DYFS in December 1996.
58. *Budget Watch Project, Budget Brief*, Association for Children of New Jersey.
59. Reimbursements to DYFS from parents for out-of-home placements account for the remainder of costs.
60. *1996 Green Book*, tables 12-10 and 12-11.
61. This money came as a result of legislation passed in June allowing the governor to use over \$600 million in investment gains on the state pension system to balance the budget. The FY 1998 expenditures discussed earlier do not include these new funds.
62. The 1995 State of New Jersey Consolidated Plan reports that between 1980 and 1989, the median sale price of a house increased by 164 percent from \$61,400 to \$162,300 (p. 2).
63. 1995 New Jersey Consolidated Plan Executive Summary (<http://www.hud.gov/cpes/statenj.html>), p. 2.
64. For example, in Jersey City, the Public Housing Authority wait list estimates for both Section 8 and conventional public housing are as high as 10,000 persons on each, with what little annual turnover occurs resulting almost exclusively from death of elderly participants and terminations from lease violations. The Section 8 wait list has been closed since November 1995, with an estimated wait time of 10 years. (For Section 8 the annual turnover rate is less than 200 certificates and vouchers.)
65. In Jersey City, 65 percent of the residents in family developments receive some kind of public assistance, with 30 percent on AFDC/TANF, 25 percent on social security, and 10 percent on disability from Supplemental Security Income (SSI). Almost 200 of these families have second-generation members (e.g., a mother, daughter, and daughter's child) living in the same household.
66. This figure includes both sheltered and unsheltered, individuals in families, number of unaccompanied youth, and number of individual adults. (New Jersey Department of Human Services, "Preliminary Report: Homeless Population Survey," Fall 1993.)
67. New Jersey Department of Human Services, "A Demographic Profile of New Jersey's Homeless Population," August 1994, p. 6.



68. The Work First New Jersey Manual (Subchapter 6, 10:90-6.1) states that “Emergency Assistance shall be made available through the Work First NJ program as a supportive service to meet the emergent needs of Work First NJ recipients so that recipients shall not be prevented from complying with the work requirement due to disruptions caused by homelessness and related emergencies.” Types of available assistance are similar to those listed above and focus on payment for emergency shelter and emergency temporary housing, and allowances for permanent living arrangements.
69. 1995 New Jersey Consolidated Plan Executive Summary (<http://www.hud.gov/cpes/statenj.html>), p. 6.
70. James Leiby, *Charity and Corrections in New Jersey*, 1967, p. 281.
71. State of New Jersey, Department of Human Services, *The Final Redesign of New Jersey’s Subsidized Child Care System*, December 1996.
72. State of New Jersey, Department of Human Services, Office of Public Information, press release, March 17, 1997.
73. These responsibilities include locating noncustodial parents, providing for paternity acknowledgment, and conducting voluntary consent conferences.
74. “Work First NJ: A ‘Working’ Approach to Welfare, New Jersey’s 1115 Welfare Reform Proposal,” New Jersey Department of Human Services, William Waldman, Commissioner, March 1996, p. 17.
75. Brett Pulley, “New Jersey Considers Privatizing Its Child Welfare,” *The New York Times*, March 2, 1996, p. A-21.
76. “Fact Sheet,” Administration for Children and Families, U.S. Department of Health and Human Services, February 6, 1998.
77. Thomas Espenshade, ed., *Keys to Successful Immigration*.
78. Thomas Espenshade, ed., *Keys to Successful Immigration*. This figure includes naturalized foreign-born residents.
79. Governor Whitman, however, joined the Republican Governors Association in voting to oppose reopening the welfare debate at the federal level.
80. Prior to welfare reform, deeming lasted for three years for AFDC and was not applied to Medicaid.
81. Public Law 105-185. These restorations will be implemented on November 1, 1998.
82. The Supplemental Appropriations Act of 1997.
83. New Jersey Public Law 10:87-13.
84. Family Development Program. FAMIS administrative data, May 31, 1997.
85. The Child Care Development Fund constitutes all of the Title IV-A child care programs, including At-Risk. Since At-Risk is no longer a separate funding stream, states do not have to maintain that specific program.

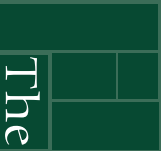
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