

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) May 5, 2004

TEAMSTAFF, INC.
(Exact name of Registrant as specified in charter)

New Jersey
(State or other jurisdic-
tion of incorporation)

0-18492
(Commission
File Number)

22-1899798
(IRS Employer
Identification No.)

300 Atrium Drive, Somerset, N.J.
(Address of principal executive offices)

08873
(Zip Code)

Registrant's telephone number, including area code (732) 748-1700

(Former name or former address, if changed since last report.)

Item 7: Financial Statements and Exhibits.

(c) Exhibits

The following exhibit is filed herewith:

Exhibit No. Description

99.1 Press release issued by TeamStaff, Inc. dated May 5, 2004.

Item 12: Results of Operations and Financial Condition.

On May 5, 2004, TeamStaff, Inc. (the "Registrant") issued a press release announcing results for the fiscal quarter ended March 31, 2004. A copy of the press release is attached as Exhibit 99.1. The information in this report shall not be deemed to be "filed" for purposes of Section 18 of, or otherwise regarded as filed under, the Securities Exchange Act of 1934, as amended. Unless expressly incorporated into a filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, made after the date hereof, the information contained herein shall not be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 5, 2004

TEAMSTAFF, INC.
(Registrant)

By /s/ Edmund C. Kenealy
Edmund C. Kenealy
Vice President, General Counsel and
Secretary

[TEAMSTAFF LOGO]

CONTACT INFORMATION:

TEAMSTAFF, INC. 300 Atrium Drive Somerset, NJ 08873 (732) 748-1700 T. KENT SMITH, PRESIDENT & CEO	CCG INVESTOR RELATIONS 19900 MacArthur Blvd. #110 Irvine, CA 92612 (949) 851-1109 CHRISTI MOTTOLA MANAGING PARTNER CMOTTOLA@AOL.COM
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TEAMSTAFF ANNOUNCES SECOND QUARTER 2004 FINANCIAL RESULTS
AND PROVIDES PROGRESS REPORT ON POST-RESTRUCTURING GROWTH PLANS

- o Medical staffing sales force doubles in size, expanding sales coverage in the Southeast, Southwest, and Mid-Atlantic regions
- o Senior Vice President of Sales hired for TeamStaff Rx

Somerset, NJ - May 5, 2004- TeamStaff, Inc. (NASDAQ: TSTF), one of the nation's leading providers of healthcare staffing and specialty payroll services, today announced that it has filed its Form 10-Q for the fiscal quarter ended March 31, 2004. Additionally, TeamStaff announced financial results for the quarter ended March 31, 2004. As a result of TeamStaff's sale of its Professional Employer Organization (PEO) segment, all results reported in this release have been reclassified to show PEO and certain related corporate expenses as discontinued operations.

TeamStaff's revenues from continuing operations for the three months ended March 31, 2004 were \$8.8 million compared to \$16.4 million in the comparable quarter of last year. The decrease is primarily due to lower revenues in the medical staffing division. Commenting on the decline in medical staffing revenues, TeamStaff's President and CEO, T. Kent Smith stated, "The healthcare staffing industry in general is still recovering from the declines of the past year and experiencing a slower bounce-back than anticipated. At the same time, according to preliminary data from the Bureau of Labor Statistics, healthcare industry hiring was up for the eighth month in a row in March, albeit by only 0.2%. We are anticipating a shift by hospitals from hiring predominantly permanent employees to more flexible staffing alternatives to meet their patient care requirements. We are encouraged by having seen a marked increase in our medical staffing billable hours in the last week of the quarter compared to the first week of the quarter, which we believe is due, in part, to coming off of a seasonal decline in temporary staffing orders and our increased sales efforts."

Mr. Smith went on to state, "TeamStaff is taking initiatives to improve its performance in advance of a full recovery in this market segment and we continue to make solid progress in our restructuring efforts, which should pave the way to our targeted return to profitability in the fourth fiscal quarter of 2004. Significantly, we doubled the size of our medical staffing sales force this quarter, giving us expanded coverage in the Southeast, Southwest, and Mid-Atlantic regions. Additionally, we have hired a Senior Vice President of Sales, Barry McDonald, who brings 21 years of industry experience to TeamStaff Rx. Barry has held senior executive

3

positions at Olsten, US Nursing and On Assignment. This was the last piece in building our senior team for TeamStaff Rx. We remain encouraged that signs of an improving economy and our focus on increasing the size of our sales force will continue to support the recent increase in demand for our services."

Operating expenses decreased \$1.4 million or 32% in the second quarter of fiscal 2004 as compared to fiscal 2003. The decrease was driven by lower severance and retirement benefits for the former CEO and CFO, approximating a year-over-year decrease of \$0.9 million, as well as a lower employee headcount. Loss from continuing operations was \$0.7 million or (\$0.04) per share, compared to a loss of \$0.8 million or (\$0.05) per share in the same quarter of last year. Net loss, including discontinued operations, was \$1.0 million, or (\$0.06) per share compared to a net loss of \$26.0 million or (\$1.65) per share in the second quarter of last year. The net loss was affected by \$0.3 million or (\$0.02) per share loss and \$25.2 million or (\$1.60) per share loss from discontinued operations in the second quarter of fiscal 2004 and 2003, respectively.

TeamStaff's revenues from continuing operations for the six months ended March 31, 2004 were \$18.5 million compared to \$34.8 million in the same period of last year. The decrease is attributable to lower revenues in the medical staffing division as noted above. Operating expenses for the six months ended March 31, 2004 decreased \$1.4 million or 19% compared to the comparable period last year. The decrease, as stated above, was primarily attributable to lower severance and retirement benefits due the former CEO and CFO, approximating \$0.9 million, as well as the previously mentioned reduction in employee headcount. Loss from continuing operations was \$1.2 million or (\$0.08) per share compared to \$0.5 million or (\$0.03) per share in the comparable six months of last year. Net loss, including discontinued operations, was \$2.8 million or (\$0.18) per share compared to a net loss of \$25.9 million or (\$1.64) per share in the first half of last year. The net loss includes \$1.6 million or (\$0.10) per share loss in the first six months of fiscal 2004 and \$25.4 million or (\$1.61) per share loss from discontinued operations in the first six months of fiscal 2003.

Mr. Smith commented, "We recognize that restructuring and repositioning the TeamStaff organization has taken and will continue to take time and effort. The recently announced release of \$2.25 million of escrow funds related to the sale of the PEO division and the \$1.7 million reduction in workers' compensation letter of credit requirements represented two important steps in our repositioning strategy. Additionally, as we restructure TeamStaff's operations,

We continue to examine and implement ways to reduce overhead expenses in our post-PEO operating environment. As of March 31, 2004, for example, information technology and other infrastructure support personnel totaled 19 employees. This compares to a total of 40 such employees just six months ago. We have also undertaken a complete review of our significant vendor relationships as we attempt to reduce overhead expense and increase profit margin. While we recognize that we have a good deal more work ahead of us, we have again this quarter hit the internal profit and loss targets that we set for transforming TeamStaff and returning it to profitability."

ABOUT TEAMSTAFF, INC.

Headquartered in Somerset, New Jersey, TeamStaff serves clients and their employees throughout the United States as a full-service provider of payroll and medical staffing solutions.

TeamStaff Rx provides medical allied health professionals and nurses to doctors' offices and medical facilities throughout the United States on a temporary or permanent basis and offers programs and services designed to assist medical facilities in managing their temporary staffing costs. DSI Payroll Services, TeamStaff's payroll processing division, provides customized payroll management and tax filing services to select industries, such as construction and general contracting.

For more information, visit the TeamStaff web site at www.teamstaff.com.

This press release contains "forward-looking statements" as defined by the Federal Securities Laws. TeamStaff's actual results could differ materially from those described in such forward-looking statements as a result of certain risk factors, including but not limited to: (i) regulatory and tax developments; (ii) changes in direct costs and operating expenses; (iii) the estimated costs and effectiveness of capital projects and investments in technology infrastructure; (iv) ability to effectively implement its business strategies and operating efficiency initiatives, including, but not limited to, its business strategy for TeamStaff Rx; (v) the effectiveness of sales and marketing efforts, including TeamStaff's marketing arrangements with other companies; (vi) changes in the competitive environment in the temporary staffing and payroll processing industry; (vii) the favorable or unfavorable development of workers' compensation claims covered under TeamStaff's workers' compensation

4

programs; and (viii) other one-time events and other important factors disclosed previously and from time to time in TeamStaff's filings with the U.S. Securities and Exchange Commission. These factors are described in further detail in TeamStaff's filings with the U.S. Securities and Exchange Commission.

FINANCIAL TABLE FOLLOWS

5

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	MARCH 31, 2004 (UNAUDITED)	MARCH 31, 2003 (UNAUDITED)	MARCH 31, 2004 (UNAUDITED)	MARCH 31, 2003 (UNAUDITED)
REVENUES	\$ 8,798	\$ 16,378	\$ 18,537	\$ 34,835
DIRECT EXPENSES	6,875	13,215	14,384	28,149
Gross profit	1,923	3,163	4,153	6,686
OPERATING EXPENSES	2,884	4,266	5,960	7,343
DEPRECIATION AND AMORTIZATION	115	77	187	151
Loss from operations	(1,076)	(1,180)	(1,994)	(808)
OTHER INCOME (EXPENSE)				
Interest income	7	22	12	46
Interest expense	(31)	(104)	(58)	(170)
Other Income	48	110	119	281
	24	28	73	157
Loss before tax	(1,052)	(1,152)	(1,921)	(651)
INCOME TAX BENEFIT	401	388	731	186
Loss from continuing operations	(651)	(764)	(1,190)	(465)
LOSS FROM DISCONTINUED OPERATIONS:				
Loss from operations, net of tax benefit of \$204, \$2,710, \$529 and \$2,910 for the quarters and six months ended March 31, 2004 and 2003 respectively	(329)	(25,193)	(858)	(25,407)
Loss from disposal, net of tax benefit of \$2, \$0, \$485 and \$0 for the quarters and six months ended March 31, 2004 and 2003, respectively	(4)	-	(783)	-
	(333)	(25,193)	(1,641)	(25,407)
Net loss	\$ (984)	\$ (25,957)	\$ (2,831)	\$ (25,872)
LOSS PER SHARE - BASIC & DILUTED				
Loss from continuing operations	\$ (0.04)	\$ (0.05)	\$ (0.08)	\$ (0.03)

Loss from discontinued operations	(0.02)	(1.60)	(0.10)	(1.61)
Net loss	<u>\$ (0.06)</u>	<u>\$ (1.65)</u>	<u>\$ (0.18)</u>	<u>\$ (1.64)</u>
BASIC AVERAGE SHARES OUTSTANDING	<u>15,714</u>	<u>15,756</u>	<u>15,714</u>	<u>15,773</u>
DILUTED AVERAGE SHARES OUTSTANDING	<u>15,714</u>	<u>15,756</u>	<u>15,714</u>	<u>15,773</u>

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS)

	MARCH 31, 2004 ----- (UNAUDITED)	SEPTEMBER 30, 2003 -----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,438	\$ 4,329
Restricted cash	1,929	1,264
Accounts receivable, net of allowance for doubtful accounts of \$225 and \$142 at March 31, 2004 and September 30, 2003, respectively	3,184	4,926
Prepaid workers' compensation	5,046	3,645
Other current assets	3,459	1,447
Total current assets	<u>17,056</u>	<u>15,611</u>
EQUIPMENT AND IMPROVEMENTS		
Furniture and equipment	2,795	2,628
Computer equipment	368	1,073
Computer software	1,120	1,060
Leasehold improvements	224	146
	<u>4,507</u>	<u>4,907</u>
Accumulated depreciation and amortization	(3,368)	(3,689)
Equipment and Improvemnets, net	<u>1,139</u>	<u>1,218</u>
DEFERRED TAX ASSET	17,143	14,875
TRADENAME	4,199	4,199
GOODWILL	1,710	1,710
OTHER ASSETS	298	555
ASSETS HELD FOR SALE	<u>1,091</u>	<u>22,449</u>
TOTAL ASSETS	<u>\$ 42,636</u>	<u>\$ 60,617</u>

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS)

	MARCH 31, 2004 ----- (UNAUDITED)	SEPTEMBER 30, 2003 -----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 78	\$ 61
Accounts payable	649	669
Accrued payroll	2,252	2,856
Deferred tax liability	1,052	538
Accrued expenses and other current liabilities	2,400	3,181
Total current liabilities	<u>6,431</u>	<u>7,305</u>
LONG-TERM DEBT, net of current portion	98	94
ACCRUED PENSION LIABILITY	1,348	1,724
LIABILITIES HELD FOR SALE	2,472	16,384
Total liabilities	<u>10,349</u>	<u>25,507</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, \$.10 par value; authorized 5,000 shares; 0 issued and outstanding	-	-

Common Stock, \$.001 par value; authorized 40,000 shares;
issued 15,721 and 16,267 at March 31, 2004 and September 30, 2003
respectively; outstanding 15,714 and 15,714 at March 31, 2004 and
September 30, 2003, respectively

Additional paid-in capital	16	16
Retained (deficit) earnings	62,963	65,256
Accumulated comprehensive losses	(30,403)	(27,572)
Treasury Stock, 7 and 553 shares at cost at March 31, 2004 and September 30, 2003, respectively	(265)	(273)
	(24)	(2,317)
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Total shareholders' equity	32,287	35,110
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 42,636	\$ 60,617
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