SB 736

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 736 (Senator McFadden, *et al.*)
Finance

Maryland Summer Youth Connection

This bill establishes a Maryland Summer Youth Connection program under the Department of Business and Economic Development (DBED) that provides summer jobs for teens aged 14 to 18.

Fiscal Summary

State Effect: General fund expenditures would increase by approximately $2 million in FY 2002, which includes the cost of grant disbursement and new personnel. Out-years reflect inflation and annualization.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	$0	$0	$0	$0	$0
GF Expenditure	2,006,700	2,691,800	2,722,300	2,753,400	2,785,100
Net Effect	($2,006,700)	($2,691,800)	($2,722,300)	($2,753,400)	($2,785,100)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill creates a summer youth program in local workforce investment areas established under the federal Workforce Investment Act of 1998 (WIA) that would primarily serve youth who: are 14 and 15 years old, low-income, have a disability or a special need, or otherwise encounter barriers in the labor market. It directs the Secretary to make grants to fiscal agents for local areas in accordance with the formula established under the Act and evaluate the performance of the local areas in carrying out the program. Participating youth must not be paid less than the federal minimum wage ($5.15/hour) for each hour worked.

The local areas must:

- develop meaningful and well-supervised work experiences in public and private nonprofit community-based sites and private, for-profit sites;
- provide activities to enhance job skills and career-exposure activities, such as field trips, job shadowing, and aptitude assessment;
- provide sufficient oversight of work sites to ensure a quality experience; and
- submit a plan to DBED detailing the local areas' plan for summer activities and an end of summer report.

The bill allows no more than 20% of the participants to work for private, for-profit businesses and requires that the employment expose participants to occupations for which there is a high demand in the labor market.

A local area's allowable program costs can include wages paid to participants, supervision and training, material and supplies related to the work provided, and reasonable transportation and administrative costs.

Current Law: No such program operates under DBED.

Background: The Office of Employment Training under the Department of Labor, Licensing, and Regulation (DLLR) administers federal grants to provide youth job placement through the federal WIA (Public Law 105-220). WIA provides federal funds from the U.S. Department of Labor to approved workforce investment areas, which are regions with 200,000 or more residents and a common labor pool. To receive federal funds, local programs must provide summer employment opportunities, appropriate paid and unpaid work experiences, including internships and job shadowing, leadership development, and other related services. The Office of Employment Training administered $14.9 million in federal WIA funds in 2000; of those funds, 15% was reserved for statewide activities and 85% was distributed to the local areas.

For each area, a local board develops job-training programs and determines which community organizations and businesses will receive funding for program operations. There are 12 such areas in Maryland that receive workforce investment grants. Additionally, nonprofit organizations such as the Maryland Conservation Corps and some local governments provide summer employment opportunities or placement assistance for teens from low-income families.

State Expenditures: A viable program would require at least $2.5 million annually for grants to local workforce investment areas. Accordingly, general fund expenditures would increase by approximately $2,006,688 in fiscal 2002, which accounts for the bill's October 1, 2001 effective date. This estimate reflects the cost of hiring one full-time grant administrator and one part-time fiscal monitor and includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$59,411
Grants	1,875,000
Contractual Services	56,250
Operating Expenses	16,027
Total FY 2002 State Expenditures	**$2,006,688**

Future year expenditures reflect: (1) full salaries with a 6.5% increase in fiscal 2003 and a 4.5% increase each year thereafter, with 3% employee turnover; (2) 1% annual increase in ongoing operating expenses; and (3) annual grants of $2.5 million.

The Department of Legislative Services advises that DLLR already provides a program similar to the one envisioned by the bill and that significant economies of scale could be realized if the summer youth connection program was consolidated with the current program. Under this scenario, new DBED personnel would not be needed and additional operating expenses could be reduced or eliminated.

Local Fiscal Effect: If the grant money was disbursed equally, each local workforce investment area would receive approximately $208,333 annually after fiscal 2002.

Small Business Effect: To the extent that the bill could provide additional workers to small nonprofit organizations or small businesses at little or no cost, the bill would benefit small business.

Additional Information

Prior Introductions: None.

Cross File: HB 949 (Delegate Love, *et al.*) – Economic Matters.

Information Source(s): Department of Business and Economic Development, Department of Legislative Services

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