

**Department of Legislative Services
Maryland General Assembly
2005 Session**

**FISCAL AND POLICY NOTE
Revised**

Senate Bill 586
Finance

(Senator McFadden)

Economic Matters

Maryland Summer Youth Connection Program

This bill establishes a Maryland Summer Youth Connection Program under the Division of Employment and Training in the Department of Labor, Licensing, and Regulation (DLLR) that provides summer jobs for youths aged 14 to 21.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: General fund expenditure increase of \$150,000 in FY 2007 and each year thereafter. The Budget Reconciliation and Financing Act of 2005 authorizes up to \$150,000 in Cigarette Restitution Funds (CRF) for this program in FY 2006. Out-year expenditures are assumed to be from general funds. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	150,000	150,000	150,000	150,000
SF Expenditure	-	0	0	0	0
Net Effect	\$0	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)

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

Local Effect: None.

Small Business Effect: Potential minimal. 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.

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 requires the Director of Employment and Training to make grants to fiscal agents for local areas in accordance with the formula established under WIA 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 DLLR detailing the local area's 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, materials and supplies related to the work provided, reasonable transportation costs, and administrative costs of up to 10% of the grant.

Current Law: The Office of Employment and Training in DLLR administers federal grants to provide youth job placement through 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 for youth, appropriate paid and unpaid work experiences, including internships and job shadowing, leadership development, and other related services.

Background: The office's fiscal 2006 federal funds budget allowance for its youth program is \$8.4 million, almost a \$2.3 million decline from fiscal 2005. Of those funds, 15% is reserved for statewide activities, which must include incentive grants and technical assistance, and 85% is distributed to the 12 local workforce investment areas.

The federal formula is weighted toward areas with high unemployment, and approximately half of the WIA funds are allocated to Baltimore City.

For each area, a local board develops job-training programs and determines which community organizations and businesses will receive funding for program operations. 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.

The 108th Congress (2003), passed different versions of WIA reauthorization legislation that would have affected federal policies and funding for youth programs, but they were not able to reconcile the differences. The 109th Congress continues to work on the WIA reauthorization. Both the House and Senate have introduced bills very similar to the 108th Congress. Under current law, eligible youth must be 14 to 21 years old, low-income, and have one or more specified barriers, such as basic skills deficiency or failure to finish high school. The House version increases the minimum eligibility age to 16 to 24 years, gives priority to school dropouts, and specifies that out-of-school youth must meet certain criteria (*e.g.*, foster care youth or youth attending an alternative school). The Senate did not provide priority to school dropouts and allows in-school youth aged 14 to 21 to be eligible. Out-of-school youth must be 16 to 21 years old and meet certain criteria.

Additionally, the President recently introduced his fiscal 2006 budget and corresponding Job Training Reform Proposal. Under his proposal, governors would be given the flexibility to receive a consolidated grant, comprising federal WIA Adult, WIA Dislocated Worker, WIA Youth, and Wagner-Peyser program funds. This option would allow states to design a streamlined workforce system that reduces administrative overhead and trains more workers.

State Expenditures: The Budget Reconciliation and Financing Act of 2005 authorizes for fiscal 2006 only up to \$150,000 in CRF for the Maryland Summer Youth Connection Program contingent on funding of other higher level priorities. As CRF funding is only available for fiscal 2006 and with no other funding source identified for continuation of the program, it is assumed that similar out-year expenditures for the program will be funded by the general fund. However, to the extent that a viable program cannot be established for this amount general fund expenditures could increase beyond the \$150,000. For example, DLLR estimates that it would cost at least \$250,000 based on a somewhat similar program that provided private-sector summer employment and training opportunities for at-risk youth, particularly in the computer technology industry. The Maryland Summer Youth Forward Program received \$250,000 in fiscal 2005 to assist teens with employment, which did not have to meet the criteria for jobs as proposed by the bill.

The fiscal 2006 Governor's allowance eliminates all general funds for the program. The Department of Legislative Services (DLS) observes that the program envisioned by the bill targets a wider range of teens and young adults than Summer Youth Forward and also calls for services such as job shadowing and field trips and, therefore, would require more funding so that each area can fully implement the program.

DLS also advises that, while federal aid provides a significant source of funding for summer youth programs, it is not guaranteed to be available for the program specified under the bill. Furthermore, if Congress changes the eligibility for federal funds for youth programs by increasing the minimum age or adding requirements for in-school and out-of-school youth, programs provided under this bill may not be eligible for federal aid.

Additional Information

Prior Introductions: SB 794 of 2004, an identical bill, received an unfavorable report from the Senate Finance Committee. Identical bills were introduced as SB 662 and HB 1118 in 2003 and received an unfavorable report from the Finance Committee and Economic Matters Committee, respectively. A substantially similar bill (as amended) was introduced as SB 756 in 2002 and was passed by the Senate. The House Economic Matters Committee heard SB 756 but took no further action.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Governor's Workforce Investment Board; Department of Legislative Services

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