

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 920
 Finance

(Senator McFadden, *et al.*)

Maryland Youth Entrepreneur Connection Program

This bill establishes a Maryland Youth Entrepreneur Connection Program in the Division of Workforce Development of the Department of Labor, Licensing, and Regulation (DLLR) to provide jobs with entrepreneurial employers for youth ages 16 through 18 who are from low-income families, have a disability or special need, or otherwise encounter barriers in the labor market.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: General fund expenditures by DLLR increase by \$300,000 annually beginning in FY 2010 to implement and administer the program. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2011.**

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	300,000	300,000	300,000	300,000	300,000
Net Effect	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)

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

Local Effect: Local workforce investment boards' revenues and expenditures increase to provide program services.

Small Business Effect: Potential meaningful for employers that choose to participate in the program.

Analysis

Bill Summary: The director must make grants to local workforce investment areas according to a formula established under the federal Workforce Investment Act and evaluate the performance of these local areas in fulfilling the goals of the program. Local areas are required to develop meaningful and well-supervised work experiences with entrepreneurial employers, provide job training and career-exposure activities, and monitor work sites. These local areas must submit a plan detailing their program and submit an annual report.

Local program costs are authorized to include wages paid to participants, supervision expenses, materials and supplies, reasonable transportation expenses, training expenses, and administrative support. No more than 10% of total local program costs may be used for administrative support services.

Beginning in fiscal 2011, the Governor is required to include at least \$300,000 in the annual operating budget to implement the program.

Current Law: The Maryland Summer Youth Connection Program, established by Chapter 322 of 2005, is a similar program in the Division of Workforce Development that provides summer jobs for youth ages 14 through 21 who are from low-income families, have a disability or special need, or otherwise encounter barriers in the labor market.

The director must make grants to local workforce investment areas according to a formula established under the federal Workforce Investment Act and evaluate the performance of these local areas in fulfilling the goals of the program.

Local areas are required to develop work experiences with public and private nonprofit community-based sites, as well as a limited percentage of private for-profit sites, provide job training and career-exposure activities, and monitor work sites. These local areas must submit a plan detailing their program and submit an end-of-summer report.

Local program costs are authorized to include wages paid to participants, supervision expenses, materials and supplies, reasonable transportation expenses, training expenses, and administrative support. No more than 10% of total local program costs may be used for administrative support services.

Participants may not be paid less than the federal minimum wage for each hour worked.

Background: DLLR's Division of Workforce Development administers several programs that promote employment through labor exchange and training services. The

division provides services to job seekers with funds from the federal Workforce Investment Act and the Wagner-Peyser Act, commonly known as the Job Service Program. Both programs support matching of job seekers with employers in search of workers. The Workforce Investment Act also provides training to increase participants' earning potential and provides assistance to individuals with barriers to employment.

The Workforce Investment Act provides for core services and intensive services, primarily through local workforce investment boards. There are 12 boards across the State, each located in a workforce investment area with a population of 200,000 or more. Core services provided by local workforce investment boards include job search and placement assistance, skills assessments, labor market information, and job retention services. Adults qualify for these programs without regard to income; however, priority is given to public assistance recipients and other low-income clients. Intensive services are reserved for individuals who require additional assistance to find or keep a job, and may include comprehensive assessments, individual employment plans, counseling, and case management.

The local boards typically contract with nonprofit agencies or quasi-governmental entities to provide the core and intensive services required under the Workforce Investment Act. In some cases, however, lead local agencies for service delivery are units of local government.

State Fiscal Effect: The bill requires the Governor to annually appropriate \$300,000 for the program beginning in the fiscal 2011 operating budget. This amount is generally consistent with the amount budgeted for the Maryland Summer Youth Connection Program, for which \$250,000 is included in the Governor's proposed fiscal 2010 budget.

DLLR estimates that the Division of Workforce Development's administration costs are no more than 5% of total program costs, with an estimated \$285,000 distributed to local workforce areas.

Although the mandated appropriation is not required until fiscal 2011, the bill takes effect June 1, 2009. It is assumed, therefore, that the program is implemented beginning in fiscal 2010, resulting in general fund expenditures of \$300,000 each year.

Local Fiscal Effect: The bill distributes funds to local workforce investment boards, based on a formula specified in federal law.

Exhibit 1 displays the estimated funding allocation to local workforce investment boards based on previous allocations for similar programs. It assumes that 5% of program funding is retained by the State for proper administration.

Exhibit 1
Estimated Funding Allocation to Local Workforce Investment Boards

<u>Local Board</u>	<u>Allocation</u>
Anne Arundel	\$6,840
Baltimore City	98,610
Baltimore	43,890
Frederick	3,990
Lower Shore	17,385
Mid-Maryland	3,135
Montgomery	11,115
Prince George's	57,285
Southern Maryland	3,420
Susquehanna	11,970
Upper Shore	6,840
Western Maryland	20,520
Total	\$285,000

Additional Information

Prior Introductions: Similar cross filed bills, SB 821 and HB 1553, were introduced in 2008. SB 821 was given a hearing in the Senate Finance Committee, but no further action was taken. HB 1553 received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Baltimore, Carroll, Cecil, Harford, and Montgomery counties; Department of Budget and Management; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2009
mlm/mcr

Analysis by: Michael T. Vorgetts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510