

Department of Legislative Services  
 Maryland General Assembly  
 2019 Session

FISCAL AND POLICY NOTE  
 First Reader

Senate Bill 229 (Senator McCray, *et al.*)  
 Budget and Taxation

**Baltimore City - Summer Youth Employment - Funding and Incentives**

This bill requires the Governor to include funding in the State budget for fiscal 2021 through 2023, \$3.0 million for the Department of Labor, Licensing, and Regulation (DLLR) and \$3.0 million for the Department of Human Services (DHS), all distributed to the local Maryland Summer Youth Connection program in Baltimore City. Baltimore City must appropriate an amount equal to 75% of these funds for its local program. In addition, for fiscal 2021 through 2023, the Maryland Transit Administration (MTA) must provide free student bus passes for at least 10,000 youths participating in the local program in Baltimore City. **The bill takes effect July 1, 2019, and terminates June 30, 2023.**

**Fiscal Summary**

**State Effect:** No effect in FY 2020. From FY 2021 through 2023, Transportation Trust Fund (TTF) revenues decrease by as much as \$1.0 million annually, and TTF expenditures increase by \$2,500 annually as a result of providing free bus passes. General fund expenditures increase by \$6.0 million annually in FY 2021 through 2023, as discussed below. **This bill establishes a mandated appropriation for FY 2021 through 2023.**

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	\$0	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	\$0
GF Expenditure	\$0	\$6,000,000	\$6,000,000	\$6,000,000	\$0
SF Expenditure	\$0	\$2,500	\$2,500	\$2,500	\$0
Net Effect	\$0	(\$7,002,500)	(\$7,002,500)	(\$7,002,500)	\$0

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

**Local Effect:** No effect in FY 2020. Baltimore City revenues increase by \$6.0 million annually in FY 2021 through 2023. Current discretionary expenditures by Baltimore City to operate its local program become mandatory under the bill in FY 2021 through 2023. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Potential meaningful.

## Analysis

**Current Law:** Established by Chapter 322 of 2005, the Maryland Summer Youth Connection Program in DLLR's Division of Workforce Development and Adult Learning 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 Innovation and Opportunity Act (WIOA) and evaluate the performance of these local areas in fulfilling the goals of the program. Local areas must 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.

Chapter 785 of 2017 requires MTA to provide ridership on transit vehicles to any eligible student in Baltimore City Public Schools from fiscal 2019 through 2021. MTA may not collect fees or reimbursement for these services, and the services must be provided between 5 a.m. and 8 p.m. for school-related or educational extracurricular activities.

**Background:** For fiscal 2019, DLLR allocated \$1.13 million of general funds for Baltimore City YouthWorks and \$960,000 of general funds for Maryland Summer Youth Connection statewide activities, of which \$207,456 was allocated to Baltimore City. This funding is provided to supplement WIOA federal funds that DLLR oversees and provides to local workforce entities.

The Baltimore City YouthWorks program provides a five-week summer work experience to Baltimore City residents, ages 14 to 21. Participants develop workplace skills while working 25 hours a week earning the State minimum wage of \$10.10 per hour. The program served 7,152 Baltimore City youth in fiscal 2017 and set a target of 8,000 youth for fiscal 2019. Baltimore City's 2019 fiscal budget appropriated \$7.0 million to YouthWorks, which includes \$2.2 million of Baltimore City general fund expenditures.

The minimum cost for YouthWorks to handle the youth's payroll is \$1,600 per intern that is working the standard YouthWorks hours of 25 hours a week for five weeks. YouthWorks generally covers the costs for nonprofits, government organizations, and for small

businesses with fewer than five employees, while larger private-sector businesses pay \$1,600 for each intern.

**State Revenues:** MTA advises that weekly transit passes are \$20 per week. Thus, providing weekly transit passes for five weeks to at least 10,000 youth reduces TTF revenues by at least \$1.0 million annually for fiscal 2021 through 2023. However, MTA currently provides Baltimore City discounted transit passes for YouthWorks interns even though MTA is not statutorily required to do so. Baltimore City advises that YouthWorks interns pay \$36 for their bus pass. MTA advises that the discount has varied over the years. To the extent that YouthWorks interns would have continued to receive discounted bus passes in future years absent the bill, TTF revenue loss is less than \$1.0 million.

**State Expenditures:** DHS did not provide requested information regarding the fiscal impact of this bill. Even so, for fiscal 2021 through 2023, general fund expenditures for DLLR and DHS each increase by \$3.0 million annually to meet the bill's mandated appropriation for Baltimore City YouthWorks. This estimate assumes that the mandated appropriation is *supplemental* to any current funding provided through DLLR and DHS. Additionally, MTA special fund expenditures increase by at least \$2,500 annually for fiscal 2021 through 2023 to procure weekly bus passes from MTA's vendor for at least 10,000 Baltimore City youth.

State agencies may benefit from receiving interns that are paid through YouthWorks.

**Local Fiscal Effect:** Baltimore City revenues for YouthWorks increase by \$6.0 million annually in fiscal 2021 through 2023 from DLLR and DHS each appropriating \$3.0 million annually to the program.

As noted above, Baltimore City has consistently provided funding for YouthWorks, and fiscal 2019 expenditures of \$7.0 million exceed the 75% matching requirement in the bill. Assuming that Baltimore City plans to continue providing funding for YouthWorks at levels sufficient to satisfy the match, either Baltimore City expenditures are not directly affected (if expenditures are maintained at current levels) or decrease because the bill's matching requirement requires annual payments of just \$4.5 million for fiscal 2021 through 2023. However, expenditures that are currently discretionary by the city become mandatory for fiscal 2021 through 2023.

Baltimore City provides YouthWorks interns discounted bus passes. Baltimore City advises that doing so is administratively complex because it is deducted from the interns' first paycheck and requires parental consent. Thus, having MTA provide free bus passes reduces the administrative and fiscal burden for Baltimore City of providing discounted bus passes.

**Small Business Effect:** Small businesses with fewer than five employees may benefit from receiving more YouthWorks interns for free. Providing additional funds to YouthWorks will support the wages of YouthWorks interns who tend to have a low savings rate. Thus, the bill could lead to additional consumer spending for small businesses in Baltimore City.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore City; Department of Budget and Management; Department of Labor, Licensing, and Regulation; Maryland Department of Transportation; Department of Legislative Services

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