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Since 2000, Funding Changes Cause Annual Uncertainty for Summer Jobs Program

SUMMARY

THE CITY'S SUMMER YOUTH EMPLOYMENT PROGRAM is set to start next week. The program, which puts thousands of teens to work each summer for the minimum wage at community organizations, hospitals, government agencies, and private firms, has had to scramble for funding each year since 2000 when the federal Workforce Investment Act took effect. The federal law restructured youth employment programs and ended dedicated federal funding for the summer jobs program. This change has led to a significant amount of uncertainty about how much money will be available for the program and how many youth will have jobs, and complicates the implementation of the program.

IBO has examined the program's enrollment and expenditure trends along with funding changes since summer 1999. Among our key findings:

- Although enrollment in the summer jobs program has fluctuated from year to year, it has trended down over time; in summer 2005 the program provided approximately 8,900 fewer summer jobs (17.6 percent less) than the roughly 50,500 jobs provided in summer 1999.
- While program spending has also fluctuated from year to year, in summer 2005 summer job expenditures were \$48.6 million, only slightly more (\$2.2 million) than in summer 1999. Over the same seven-year period, the average cost of a summer job slot rose by 27.2 percent to about \$1,170.
- The composition of the program's funding has also changed, with city and state funds making up a larger share of the program's budget in recent years. In summer 1999 federal funds made up 82.0 percent of the program's budget. By summer 2005 federal funds made up 11.5 percent, state funds made up 35.2 percent, city funds made up 53.1 percent and other funds made up less than 1.0 percent.

IBO has also estimated the effect the increase in the state minimum wage to \$6.75 this year and \$7.15 next year is having on budget and enrollment for the summer jobs program. To maintain the same number of job placements provided last summer, IBO estimates that the program needs a budget of \$55.5 million in summer 2006 (\$6.9 million more than was actually spent in 2005) and a total of \$59.3 million in summer 2007 (\$10.7 million more than in 2005). Conversely, if program funding remains at the summer 2005 level, 36,455 summer jobs could be provided in summer 2006—5,153 fewer jobs than last year. If funding remains at 2005 levels the following year as well, 34,119 summer jobs could be provided in 2007—7,489 jobs less than in 2005.

BACKGROUND

The Summer Youth Employment Program (SYEP), which begins next week, provides "New York City youth with summer employment and educational experiences that build on their individual strengths and incorporate youth development principles."¹ The current program provides youth ages 14 through 21, who are low-income and reside in communities where there are high rates of unemployment, summer work for 30 hours per week for a period of about seven weeks.

The city's Department of Youth and Community Development (DYCD) has contracts with community organizations that place the youth in jobs with summer camps, hospitals, community service programs, government agencies, and private firms. In addition to the job placements, the contractors also provide up to 21 hours of educational programming over the summer, which includes a program orientation, training in skills essential to workplace success and personal financial management, health education, and exploration of career and higher education opportunities. Program participants are paid the minimum wage for hours worked and the hours they attend the educational portion of the program and taxes are deducted from their wages.²

Last summer, more than 41,000 youth were enrolled in the summer jobs program (more than 69,000 applied). Fifty-five percent of the participants were female. Most of the youth in the program were minority: 48 percent African American, 28 percent Latino, 14 percent white, 6 percent Asian, and 4 percent American Indian or other.³ Forty-five percent of the youth enrolled in the program were age 16-17, 32 percent 14-15, and 23 percent 18-21. Nearly two-thirds of the summer jobs participants lived in Brooklyn or the Bronx.

Fifty-seven contractors placed these youth in jobs at nearly 4,200 worksites last summer. Roughly two-thirds of these worksites were nonprofit organizations, about 20 percent were government agencies, and 15 percent private firms.

For many years, a dedicated stream of federal dollars funded SYEP, often supplemented by some city dollars. Changes in federal law in 2000 eliminated this dedicated source of funding and have led each year to a significant amount of uncertainty about how much money will be available for the program and how many youth will have jobs, complicating the implementation of the program. IBO's examination of the city's Summer Youth Employment Program looks at

changes in funding sources and enrollment and spending trends since 1999, the last year of a dedicated funding stream, through last summer. We also consider the effect the state's rising minimum wage has on program costs.

ENROLLMENT AND EXPENDITURE TRENDS

Enrollment and expenditures for the city's Summer Youth Employment Program fluctuated sharply over the seven-year period examined in this paper. The number of summer jobs provided by the city reached peaks of around 50,500 in summer 1999 (corresponds to city fiscal year 2000) and 50,000 in summer 2001, but dipped to roughly 33,700 (the lowest level to date) in summer 2004. In summer 2005 there was an upturn in enrollment and the city provided 41,608 summer jobs. Compared to summer 1999, however, roughly 8,900 fewer SYEP jobs were provided in summer 2005.

SYEP expenditures have also varied over the period, peaking at \$51.3 million in summer 2001 and falling to a low of \$33.4 million in summer 2004. In summer 2005, program spending increased to \$48.6 million. This represents a slight increase of \$2.2 million compared to summer 1999. (Spending data for summer 2005 are still preliminary and subject to change because the fiscal year is still underway.)

The actual cost of SYEP jobs also rose and fell between summer 1999 and summer 2005. The actual cost per job slot grew from \$919 in summer 1999 and first peaked at \$1,029 in summer 2001, then peaked for a second time at \$1,142 in summer 2003, and finally grew to its highest level of \$1,169 in summer 2005. Part of the increase in the cost per SYEP job is due to the change in the state minimum wage, which grew from \$5.15 to \$6.00 per hour in 2005. (See discussion below on the effect of the New York State Minimum Wage Act on the program.)

While the demand for summer jobs has always exceeded the number of jobs provided by the city, in recent years the disparity has increased. In summer 2000 (the earliest year data are available), the number of SYEP applicants exceeded the number of summer jobs provided by 15,199. In summer 2005, the 69,328 applicants outnumbered job slots by 27,720.

FUNDING TRENDS

To examine the funding trends for the summer jobs program, IBO uses the program's final budget each year, not the actual program expenses. We do this because

New York City Summer Youth Employment Program Enrollment, Expenditures and Performance Indicators							
Summer/ City Fiscal Year	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006
Enrollment	50,499	39,610	49,848	36,598	38,842	33,739	41,608
<i>Change</i>		(10,889)	10,238	(13,250)	2,244	(5,103)	7,869
Expenditures (in millions)	\$46.4	\$38.4	\$51.3	\$34.1	\$44.4	\$33.4	\$48.6
<i>Change</i>		(\$8.0)	\$12.9	(\$17.2)	\$10.3	(\$11.0)	\$15.2
<i>Performance Indicators</i>							
Average Cost per job slot	\$919	\$969	\$1,029	\$932	\$1,142	\$990	\$1,169
Number of applications received from youth	N/A	54,809	66,556	57,407	58,185	70,000	69,328
SOURCES: IBO; Department of Youth and Community Development. NOTES: The figures for fiscal year 2006 are subject to change because the fiscal year is still underway. N/A data not available.							

percent—of the program's budget.

State Funds. On the other hand, after the initial infusion, the program's state funding declined over time. The state funds provided for SYEP are federal Temporary Assistance to Needy Families (TANF) block grant dollars. The majority of these funds go directly from the state

information on funding sources can only be derived from budget figures in the city's financial management system and budget documents. The city's reports on actual expenditures do not specify the sources of funding.

Between summer 1999 and 2005, the mix of funding for SYEP changed considerably. Prior to summer 2000, SYEP was a stand alone program with dedicated funding through the federal Job Training Partnership Act (JTPA). When the federal Workforce Investment Act (WIA) of 2000 replaced JTPA, it restructured youth employment programs and summer jobs became 1 of 10 required youth activities to be funded under the WIA block grant. Because the new federal workforce act tended to emphasize year-round youth programs, required that a number of different types of youth development programs be available, and mandated that 30 percent of WIA youth funds be spent on teens no longer in school, there simply was not enough money available from this source to fund the same kind of summer jobs programs as before.

In light of this change, the city and the state both agreed to commit resources so that a stand alone summer jobs program could continue to operate. To help localities make the transition, New York State provided the majority of SYEP funding in summer 2000 and 2001. Thereafter the state's contribution declined sharply to below about 35 percent.

City Funds. In summer 2001, when JTPA funds essentially dried up, the city provided \$10.0 million for SYEP. This represented 19.0 percent of the program's total budget for that year. In succeeding years, the city's contribution to the program's overall budget continued to grow. By summer 2005, city funds made up \$26.4 million—53.1

to DYCD while a smaller portion goes to DYCD via the city's Human Resources Administration (HRA). Over the years the city has been able to secure additional federal TANF block grant funds through HRA for summer job program participants whose families are either eligible for or are receiving public assistance.

In summer 2000, the state provided \$22.6 million in TANF funds to support SYEP; this represented 51.5 percent of the program's total budget for the year. By summer 2005, the state's contribution had fallen to \$17.5 million, 35.2 percent of the program's budget. But this downward trend in state funding should not have come as a surprise. Since summer 2000, the Governor had indicated in his annual state budget proposals that the availability of state surplus TANF dollars for the summer jobs program was only temporary.

Federal Funds. In the seven-year period covered by this paper, SYEP's budget has included three direct funding streams from the federal government at different points in time. In summer 1999, SYEP's budget included \$42.5 million in federal funds (82.0 percent of the entire program budget). By summer 2005, federal funds comprised a much smaller share of the program's budget, specifically \$5.7 million (11.5 percent of the entire program budget).

In summer 1999, the last year JTPA was fully in effect, SYEP's budget included \$42.5 million in JTPA funds. In summer 2000, the program's budget included \$1.5 million in JTPA funds and after that year the funding stream disappeared.

Summer 2000 was the first year that the summer jobs program included WIA funds. The city received \$18.6 million in WIA funds for youth programs (not including administrative costs) in the fiscal year that included summer 2000. But only a

New York City Summer Youth Employment Program Budget By Funding Source

Dollars in millions

Summer/City Fiscal Year	Total	City		STATE				FEDERAL				Other		
				All	%	TANF	HRA	All	%	JTPA	WIA			CSBG
1999/2000	\$51.8	\$7.5	14.5%	\$0.0	0.0%	\$0.0	\$0.0	\$42.5	82.0%	\$42.5	\$0.0	\$0.0	\$1.9	3.7%
2000/2001	\$44.1	\$7.5	17.0%	\$22.6	51.2%	\$22.6	\$0.0	\$12.5	28.3%	\$1.5	\$11.0	\$0.0	\$1.5	3.4%
2001/2002	\$52.5	\$10.0	19.0%	\$41.0	78.1%	\$32.0	\$9.0	\$0.0	0.0%	\$0.0	\$0.0	\$0.0	\$1.5	2.9%
2002/2003	\$40.5	\$15.9	39.3%	\$16.2	40.0%	\$15.2	\$1.0	\$7.3	18.0%	\$0.0	\$7.3	\$0.0	\$1.0	2.5%
2003/2004	\$45.4	\$16.4	36.1%	\$17.1	37.7%	\$15.0	\$2.1	\$11.1	24.4%	\$0.0	\$8.1	\$3.0	\$0.8	1.8%
2004/2005	\$34.5	\$17.2	49.9%	\$12.0	34.8%	\$9.0	\$3.0	\$4.9	14.2%	\$0.0	\$4.9	\$0.0	\$0.3	0.9%
2005/2006	\$49.7	\$26.4	53.1%	\$17.5	35.2%	\$14.5	\$3.0	\$5.7	11.5%	\$0.0	\$5.7	\$0.0	\$0.1	0.2%

SOURCES: IBO; Department of Youth and Community Development.

NOTE: The figures for fiscal year 2006 are subject to change because the fiscal year is still underway.

portion of the funds could be used for the summer jobs program. Thirty percent of the WIA funds had to be directed towards programs for out-of-school youth. Of the remaining funds, summer jobs was just 1 of the 10 programs that had to be funded, and the new law placed an emphasis on year-round services, not just summer jobs. Given these various needs and requirements, the amount of federal funding available for the summer 2000 jobs program was \$11.0 million. Federal funding had shrunk from comprising more than 80 percent of the program a year earlier to less than 30 percent. In summer 2005, SYEP's budget included \$5.7 million in WIA funds, 11.5 percent of the entire program budget.

Summer 2003 was the only year that SYEP's budget included federal Community Services Block Grant (CSBG) funds, which support anti-poverty and community development programs. According to DYCD, the agency had over-spent on SYEP's budget for summer 2003 because some youth worked nine weeks as opposed to the customary seven weeks and there was a switch in timekeeping documentation where some vendors accidentally paid participants the default number of work hours as opposed to the actual hours worked. To remedy the problem, DYCD redirected \$3.0 million in agency CSBG funds to help fill the gap in the program's budget.⁴

Other Funds. While city, state, and federal funds account for the bulk of SYEP's budget, smaller mostly private funding streams also help support the program. In summer 1999, other funds made up \$1.9 million or 3.7 percent of the program's total budget. By summer 2005, other funds fell to about \$100,000 or 0.2 percent of the program's total budget.

IMPACT OF MINIMUM WAGE INCREASE

New York's Minimum Wage Act took effect on December 6,

2004 and raised the state minimum wage from \$5.15 per hour (still the current federal rate) to \$6.00 per hour on January 1, 2005 and \$6.75 per hour on January 1, 2006. Barring any changes to the current state law, the state minimum wage will increase to \$7.15 per hour at the start of calendar year 2007.

While the increase in the state minimum wage benefits program participants, it also presents a budgetary challenge for the already struggling SYEP. Higher SYEP participant wages means that the cost per job slot goes up. As a result, program funding must increase simply to maintain the preexisting number of jobs and level of services supporting each job. With direct federal and state funding for SYEP declining in recent years, this means the burden of avoiding a reduction in the program's services is likely to fall largely on the city.

IBO compared the budgeted and actual cost per SYEP job to determine the impact of the increases in the state minimum wage for participant wages and the program's budget and enrollment. The budgeted cost per SYEP job slot includes participant wages and a contractor fee of up to \$300 per participant to cover administrative tasks (for example, to recruit and screen youth, assist youth with the application process, enter applicant information in the program database, and keep participant records including hours worked, educational sessions attended, and employer evaluations of participants.)⁵

Participant Wages. IBO estimates that in summer 2007, when the scheduled minimum wage increases will be fully phased in, a SYEP participant earning \$7.15 per hour could take home up to \$420 more in total gross wages (\$388 after taxes) over the summer, compared to 2004 when the rate was \$5.15 per hour. This represents a boost of 38.8 percent in a SYEP participant's wages, assuming perfect program

attendance of about 210 hours of work and instruction over the seven-week program period.

With the minimum wage rising by 16.5 percent in 2005, each youth could earn up to \$1,260 in total gross wages during summer 2005. Given that program attendance per SYEP participant is not reported by DYCD, IBO cannot isolate the impact of the increase in the state minimum wage in 2005 on participants' actual earnings. DYCD program staff testified at the City Council's recent hearings on the 2007 Executive Budget that some SYEP participants do not complete the seven-week program and that the department tries to make these "open" job slots available to other program applicants who are not chosen in the initial lottery. Conversely, some participants work more than the program hours allotted; for example, in summer 2005, approximately 16,000 SYEP participants worked an additional week.

Program Budget and Enrollment. Between 2004 and 2005, the actual cost per SYEP job, including wages paid to the youth, contractor fees, and city administrative expenditures, increased by 18.1 percent to \$1,169. IBO estimates that the actual cost per job will increase to \$1,334 in summer 2006 (a 14.1 percent increase from summer 2005) and to \$1,426 in summer 2007 (a 21.9 percent increase from summer 2005).

To maintain the same level of job placements provided last summer and the same number of hours worked, IBO estimates that the city would have to secure a total of \$55.5 million in summer 2006 (\$6.9 million more than in 2005), assuming the youth work their full allotment of hours and contractors meet their requirements for full payment. Similarly, a total of \$59.3 million would be needed in summer 2007 (\$10.7 million more than in 2005). Conversely, if SYEP funding remains at the summer 2005 level, 36,455 summer jobs could be provided in summer 2006—5,153 fewer jobs than last year. If SYEP funding remains at 2005 levels the following year as well, 34,119

summer jobs could be provided in 2007—7,489 jobs less than in 2005.

LOOKING AHEAD

As of the release of this paper, SYEP's budget and enrollment for summer 2006 is uncertain. Approximately \$24.4 million in city and federal funds were included in the Mayor's Executive Budget for 2007 for the summer jobs program. There is now some indication that an allocation of roughly \$18 million more in state TANF funds will be available for this summer's program, but DYCD could not confirm any state allocation as we completed this report. The City Council's response to the Mayor's Preliminary Budget called for an additional \$9.4 million in city funds for the program. Negotiations between the City Council and the Bloomberg Administration on next fiscal year's budget, which includes the 2006 summer jobs program, are currently underway.

The funding outlook for the Summer Youth Employment Program will likely continue to be uncertain next summer as well. The President's 2007 proposed budget included a reduction of 13 percent for Workforce Investment Act adult and youth programs, which if adopted would effect SYEP during summer 2007. The availability of state funds for next summer's program also remains unclear.

Written by Ana Ventura

END NOTES

¹Request for Proposal released by the Department of Youth and Community Development on January 5, 2004.

²Federal Insurance Contributions Act (FICA) taxes which are composed of Old Age, Survivors and Disability Insurance (OASDI) and Medicare are withheld from SYEP participant's wages.

³This information was obtained from DYCD's 2005 Annual Summary report for SYEP.

⁴While the program's budget for the year included \$3.0 million in federal CSBG funds, the agency actually spent \$3.4 million.

⁵For SYEP participants who are also part of the department's WIA In-School Youth Program, the contractor receives a lower fee of \$100 per youth since WIA program participants are automatically eligible for SYEP.

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