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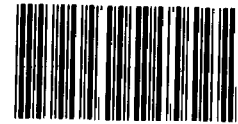
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HUMAN RESOURCES  
DIVISION

April 26, 1984

B-214955

The Honorable William H. Gray III  
House of Representatives



124024

The Honorable James R. Jones  
House of Representatives

Subject: Department of Labor's Methodology for Dispersing  
Fiscal Year 1983 Summer Youth Employment Program  
Discretionary Funds (GAO/HRD-84-59)

In your August 2, 1983, letter and later discussions with your offices, you asked us to review the Department of Labor's methodology for dispersing fiscal year 1983 Summer Youth Employment Program (SYEP) discretionary funds authorized under title IV-C of the former Comprehensive Employment and Training Act (CETA).<sup>1</sup> You were concerned that the discretionary funds (1) may not have been awarded in accordance with the intent of the Congress and (2) were awarded without the benefit of sufficient and accurate youth unemployment data. You were also interested in knowing why Philadelphia did not receive any discretionary funds, whereas a consortium in Western Pennsylvania did, even though it was unable to use all of its formula SYEP grant.

To address your concerns, we reviewed the legislative history of SYEP to determine the congressional intent for dispersing the discretionary funds. We also reviewed the federal implementing regulations for guidance on how these funds should be awarded. Further, we obtained information on, and documentation in support of, the basis used for dispersing the fiscal year 1983 SYEP discretionary funds. In addition, we contacted the Bureau of Labor Statistics (BLS), the National Commission for Employment Policy, and the Philadelphia CETA prime sponsor to inquire about the type and availability of youth unemployment statistics.

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<sup>1</sup>CETA was replaced by the Job Training Partnership Act, which became operational on October 1, 1983.

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At the start of our work, Labor had no information supporting the methodology and rationale used for awarding the discretionary funds. We therefore requested Labor officials to reconstruct the information to explain how the funds were awarded. As a result, our efforts had to be curtailed until Labor reconstructed the information. In addition, because Labor had no written criteria for distributing the SYEP discretionary funds and the rationale for the decisions was not documented, we had to rely on Labor officials' recollection of how the funds were distributed.

In summary, we found that:

- The legislative history of SYEP is silent with respect to how the discretionary program funds should be disbursed. The Secretary of Labor therefore had wide latitude in distributing the \$24.7 million in fiscal year 1983 discretionary funds. According to Labor, three factors were considered in allocating the funds--unemployment rates, population, and geographic spread.
- Local level youth unemployment statistics were not available for the age group served by the program. Thus, Labor used calendar year 1982 average unemployment rates as the basis for distributing the funds.
- The Philadelphia prime sponsor was not awarded any discretionary funds because it did not meet the minimum unemployment rate criterion established by Labor.
- Labor did not maintain information on prime sponsors' unspent fiscal year 1982 formula program funds because the new Job Training Partnership Act allowed sponsors to carry these funds into fiscal year 1983.

The following sections provide some program information and describe in more detail how Labor distributed the discretionary funds.

#### BACKGROUND

SYEP, authorized by title IV-C of CETA, as amended (Public Law 95-524), provided part-time employment in public and private nonprofit agencies during the summer months to economically disadvantaged youth 14 through 21 years of age. Its purpose was to provide eligible youth with useful work and sufficient basic education and institutional or on-the-job training to assist them in developing their maximum occupational potential and in obtaining employment not subsidized under CETA.

At the federal level, SYEP was administered by the Department of Labor's Employment and Training Administration (ETA). Program funds were allocated to prime sponsors, generally state and local governments, and to Native American entities on a formula basis set forth in the act, except that up to 5 percent of the appropriated amount, including allocations to Native American entities, could be reserved for use at the Secretary's discretion.

In fiscal year 1983, about \$824.4 million was made available for SYEP to serve an estimated 813,000 youth. About \$783.3 million was allocated by formula to prime sponsors, \$14.5 million by formula to Native American entities, \$24.7 million to prime sponsors on a discretionary basis, and the remaining \$1.8 million was used by ETA for program management improvement and monitoring efforts. Enclosure I shows the breakdown of the SYEP allocations for fiscal years 1982 and 1983.

CRITERIA LABOR CONSIDERED IN  
AWARDING DISCRETIONARY FUNDS

The Assistant Secretary for Employment and Training decided that the fiscal year 1983 discretionary funds would be used to fund a limited number of projects in order to achieve maximum impact. High unemployment was the principal criterion used in awarding the funds, with emphasis placed on funding prime sponsors with urban or rural population density. Balance-of-state prime sponsors<sup>2</sup> were excluded because of their wide geographic span and sparse population. Geographic spread was also emphasized to ensure that a number of states in various parts of the country received funds.

Considering these criteria, the Assistant Secretary awarded the \$24.7 million in discretionary funds to 32 prime sponsors in 17 states, Puerto Rico, and the District of Columbia. All but two of the prime sponsors' jurisdictions had unemployment rates at or above the national average for 1982, and all but two had populations in excess of 200,000.

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<sup>2</sup>Such sponsors serve all areas within a state which are not within the jurisdiction of local prime sponsors. The state acts as the prime sponsor.

High unemployment was principal  
criterion used in awarding the funds

Labor had no written criteria or guidance for distributing the SYEP discretionary funds. The Administrator of ETA's Office of Comprehensive Employment and Training told us that the Assistant Secretary decided that the funds would be awarded to prime sponsors with high unemployment rates--above the national average. The national average unemployment rate for calendar year 1982 was 9.8 percent.

Labor distributed the funds based on 1982 average unemployment rates for persons in the civilian labor force age 16 and over. According to a BLS official, BLS provided ETA with average monthly unemployment rates by county and standard metropolitan area, and ETA then adjusted the data to coincide with each prime sponsor's jurisdiction.

The unemployment rates of the 32 prime sponsors that received discretionary funds ranged from 9.6 to 20.4 percent, with the median being 14.5 percent. Two prime sponsors had an unemployment rate of 9.6 percent--New York City and Memphis/Shelby-Consortium--which was below the national average of 9.8 percent. Although we inquired, Labor officials provided no explanation for these exceptions. Enclosure II lists the discretionary recipients and their unemployment rates.

The 1982 average unemployment rates for the Pennsylvania prime sponsors, in which you expressed concern, are shown in enclosure III. These rates ranged from 9.0 to 17.3 percent. Although it had the highest unemployment rate in the state, Beaver County did not receive any discretionary funds. The two prime sponsors that received discretionary funds--Southern Alleghenies and Tri-County Consortium--had unemployment rates of 16.0 percent and 14.8 percent, respectively. Philadelphia City/County had the lowest unemployment rate and did not receive any discretionary funds.

The Manager, Youth Division, of the Philadelphia CETA prime sponsor told us that Philadelphia has a significant unemployment problem in pure numbers, even though its average unemployment rate of 9.0 percent for 1982 was less than the national average. This statement appears to be true. As shown in enclosure IV, the average number of persons unemployed in Philadelphia in 1982 was much greater than that of the two prime sponsors that received discretionary funds.

We noted that the formula CETA mandated for allocating SYEP nondiscretionary funds to prime sponsors was as follows:

- 50 percent based on each prime sponsor's proportion of funds allocated the previous year,
- 37-1/2 percent based on the ratio of the annual average number of unemployed persons in the sponsor's area to the national total, and
- 12-1/2 percent based on the ratio of the number of adults in low-income families in the sponsor's area to the national total.

Although this formula contains elements that measure an area's economic needs, the elements, like those Labor used for awarding the discretionary funds, are not necessarily representative of the eligible 14- through 21-year-old youth population served by the program.

To determine the availability of youth unemployment statistics, we contacted BLS, the National Commission for Employment Policy, and the Philadelphia CETA prime sponsor. We learned that data that would more fully consider the needs of the target population served by SYEP, such as youth unemployment rates and number of disadvantaged youth, are not readily or consistently available at local levels. BLS publishes national youth unemployment data by state and standard metropolitan area for persons 16 through 19 years of age; however, no local level unemployment statistics are maintained for the age group served by SYEP--ages 14 through 21.

Population given  
some consideration

The Assistant Secretary also decided, according to the Administrator of the Office of Comprehensive Employment and Training, that the discretionary funds should be awarded to prime sponsors having high density populations of at least 200,000. Thirty of the 32 awards were made to sponsors meeting this criterion. The two exceptions--Jackson/Josephine Consortium, Oregon, and Cumberland County, New Jersey--had populations of 191,276 and 132,866, respectively. However, both of these sponsors had unemployment rates above 14 percent. Although we asked, Labor officials did not provide an explanation for these exceptions. The populations of the discretionary fund recipients are shown in enclosure II. The Pennsylvania prime sponsors having a population over 200,000 are shown in enclosure III. A

comparison of the population, unemployment, and funding data for Philadelphia with that of the two Pennsylvania recipients of discretionary funds is shown in enclosure IV.

Geographic spread  
was also emphasized

According to the Administrator, geographic spread was also emphasized in the dispersal of the discretionary funds to ensure that a number of states in various parts of the country received funds. Labor awarded discretionary funds to 32 prime sponsors in 17 states, Puerto Rico, and the District of Columbia. Of the 17 states, 8 had one prime sponsor that received funds, 5 had two sponsors, and 4 had three sponsors. However, no prime sponsors in Labor's regions I, VII, or VIII received discretionary funds. Enclosure V shows the states and number of prime sponsors in each that received discretionary funds and the amount in fiscal years 1982 and 1983 by Labor region.

No apparent criteria  
for amount of awards

The amount of the discretionary awards ranged from \$200,000 to \$1 million. Of the 32 awards made to prime sponsors, 17 were for \$1 million, 2 were for \$750,000, 1 was for \$536,151, 11 were for \$500,000, and 1 was for \$200,000. Labor officials could not provide us with the rationale for how the specific amount of discretionary funds awarded to each prime sponsor was decided on, other than the general considerations of population and unemployment rates. We noted that the prime sponsors that received \$1 million, with one exception, Buffalo City, New York, had a population of over 500,000. We noted no correlation, however, between the prime sponsors' unemployment rates and the amounts of their awards. The amount of discretionary funds each prime sponsor received is shown in enclosure II.


Unspent CETA funds  
used in transition

Information was not readily available to allow us to determine the extent to which prime sponsors were unable to spend their SYEP formula allocations. Before fiscal year 1983, Labor collected information from prime sponsors on the amount of their allocations they estimated would not be spent by the end of the fiscal year. Funds remaining unspent, in excess of the amount allowed for administrative and planning purposes, were added to the following year's funding for reallocation. Labor collected this information for fiscal year 1982. However, when the Job

Training Partnership Act (JTPA) was passed in October 1982, it permitted CETA prime sponsors and other recipients of financial assistance to spend CETA authorized funds through September 30, 1983, to provide for an orderly transition from CETA to JTPA. When Labor learned that the unspent funds from fiscal year 1982 would not be reallocated, it disposed of the data. Therefore, Labor did not have these data when we requested them. Under JTPA, there are no SYEP discretionary funds. All SYEP funds will be allocated on a formula basis.

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Labor officials reviewed a copy of the draft report and expressed no disagreements with the information presented. As agreed with your offices, we are sending copies of this report to the Secretary of Labor and other interested parties. Copies will also be made available to others upon request.



Richard L. Fogel  
Director

Enclosures - 5

BREAKDOWN OF SYEP ALLOCATIONS FORFISCAL YEARS 1982 AND 1983

	<u>Fiscal year 1982</u>	<u>Fiscal year 1983</u>
Formula allocations	\$729,381,964 <sup>a</sup>	\$783,321,550
Native American allocations	12,749,546	14,509,199
Discretionary awards	7,500,000	24,736,151
Management improvement and monitoring efforts	1,510,000	1,810,000
Other nationally funded discretionary projects and activities	<u>6,150,721<sup>b</sup></u>	<u>-</u>
Total	<u><u>\$757,292,231</u></u>	<u><u>\$824,376,900</u></u>

<sup>a</sup>Includes \$32,743,231 carried over from fiscal year 1981.

<sup>b</sup>Other discretionary projects consist of an Ohio State National Longitudinal Survey of Labor Market Experience and two other projects designed to prepare high school seniors for the transition into the work world--Jobs for Delaware Graduates and Jobs for Arizona Graduates.



INFORMATION ON PRIME SPONSORS RECEIVING FY 1983 SYEP

DISCRETIONARY FUNDS BY UNEMPLOYMENT RATE

Prime sponsor	CY 1982 average un- employment rate	1980 population	Average number unemployed (CY 1982)	FY 1983 funds	
				Formula	Discre- tionary
1. Trumbull County (OH)	20.4	241,863	22,358	\$ 898,004	\$ 500,000
2. Detroit City (MI)	20.3	1,203,399	102,205	7,878,206	1,000,000
3. Flint/Genessee Consortium (MI)	20.3	591,627	52,007	2,439,428	1,000,000
4. North East Minnesota Office of Job Training (MN)	19.1	250,470	21,108	803,5	500,000
5. Buffalo City (NY)	16.9	357,870	24,865	2,192,680	1,000,000
6. Rockford Consortium (IL)	16.5	279,514	22,457	789,160	500,000
7. Region II Consortium (MI)	16.5	283,514	20,805	1,097,990	500,000
8. Cumberland County (NJ)	16.4	132,866	9,620	572,665	200,000
9. San Juan Municipio (PR)	16.1	434,849	21,908	2,221,543	500,000
10. Southern Alleghenies (PA)	16.0	503,006	33,080	2,213,576	1,000,000
11. Cleveland City (OH)	15.7	573,822	39,808	5,159,375	1,000,000
12. Hidalgo County Consortium (TX)	15.4	300,724	17,835	1,349,697	500,000
13. Newark City (NJ)	15.4	330,038	21,600	4,512,298	750,000
14. Jersey City (NJ)	15.3	223,742	12,365	1,087,001	750,000
15. Tri-County Consortium (PA)	14.8	317,961	20,521	1,050,685	500,000
16. Jackson/Josephine Consortium (OR)	14.7	191,276	12,787	828,382	500,000
17. Western Maryland Consortium (MD)	14.3	220,132	14,396	800,212	500,000
18. Eastern Kentucky CEP (KT)	14.2	520,711	26,805	2,164,027	1,000,000
19. West Virginia Statewide Consortium (WV)	13.9	1,949,644	107,000	7,128,036	1,000,000
20. Birmingham Consortium (AL)	13.8	672,650	42,282	2,604,273	1,000,000
21. Fresno City/County Consortium (CA)	13.8	515,013	40,190	2,528,311	1,000,000
22. Calcasieu/Jefferson Consortium (LA)	13.5	208,552	12,901	733,110	500,000
23. Lake County (IN)	12.6	277,298	16,207	782,429	500,000
24. Inland Manpower Consortium (CA)	12.2	1,559,083	77,426	4,583,257	1,000,000
25. Toledo Consortium (OH)	11.8	579,113	31,656	2,259,076	1,000,000
26. Louisville/Jefferson Consortium (KY)	11.7	685,000	38,228	2,271,774	1,000,000
27. District of Columbia (DC)	10.6	638,663	33,000	8,254,017	536,151
28. Los Angeles City (CA)	10.4	2,968,293	159,589	11,338,745	1,000,000
29. Indianapolis City (IN)	10.2	765,233	40,359	2,913,332	1,000,000
30. Baltimore Metropolitan Consortium (MD)	9.8	1,518,408	73,253	6,151,974	1,000,000
31. New York City (NY)	9.6	7,078,220	293,000	32,438,956	1,000,000
32. Memphis/Shelby Consortium (TN)	9.6	777,113	34,825	2,565,046	1,000,000
Total				\$124,610,832	\$24,736,151

ENCLOSURE II

ENCLOSURE II

UNEMPLOYMENT RATES AND POPULATIONS OF  
PENNSYLVANIA PRIME SPONSORS<sup>a</sup>

<u>Prime sponsor</u>	CY 1982 average unemployment <u>rate</u>	1980 <u>Population</u>
1. Beaver County	17.3	204,441
2. Southern Alleghenies <sup>b</sup>	16.0	503,006
3. Tri-County Consortium <sup>b</sup>	14.8	317,961
4. Mercer County Consortium	14.3	377,495
5. Westmoreland County	13.8	392,294
6. Washington County	13.0	217,074
7. Balance of Pennsylvania	12.1	845,666
8. Luzerne County	11.9	343,079
9. Balance of Allegheny County	11.4	1,026,147
<u>10.</u> Lehigh Valley Consortium	11.2	569,479
11. York County	10.9	312,963
12. Pittsburgh City	10.2	423,938
13. Berks County	10.0	312,559
14. Bucks County	9.8	479,211
15. Philadelphia City/County	9.0	1,688,400

<sup>a</sup>Only prime sponsors having a population over 200,000 are listed.

<sup>b</sup>Received fiscal year 1983 SYEP discretionary funds.

COMPARISON OF POPULATION, UNEMPLOYMENT, AND  
FUNDING DATA FOR PHILADELPHIA WITH THAT OF THE  
TWO PENNSYLVANIA PRIME SPONSORS THAT RECEIVED  
FISCAL YEAR 1983 SYEP DISCRETIONARY FUNDS

	<u>Southern Alleghenies</u>	<u>Tri-County Consortium</u>	<u>Phila- delphia City/ County</u>
Average unemployment rate for CY 1982	16.0%	14.8%	9.0%
1980 population	503,006	317,961	1,688,400
CY 1982 civilian work force	207,102	138,937	797,639
Average number unemployed in CY 1982	33,080	20,521	72,175
Formula allocation	\$2,213,576	\$1,050,685	\$7,341,912
Discretionary award	\$1,000,000	\$500,000	-

STATES AND NUMBER OF PRIME SPONSORS IN EACH THAT RECEIVEDSYEP DISCRETIONARY FUNDS IN FISCAL YEARS 1982 AND 1983BY LABOR REGION

<u>Region</u>	<u>Fiscal year 1982</u>			<u>Fiscal year 1983</u>		
	<u>State(s)</u>	<u>No. of prime sponsors</u>	<u>Amount</u> (millions)	<u>State(s)</u>	<u>No. of prime sponsors</u>	<u>Amount</u> (millions)
I	-	-	\$ -	-	-	\$ -
	Region I total	-	-	-	-	-
II	New Jersey	1	0.3	New Jersey	3	1.7
	New York	<u>1</u>	<u>1.0</u>	New York	2	2.0
				Puerto Rico	<u>1</u>	<u>0.5</u>
	Region II total	<u>2</u>	<u>1.3</u>		<u>6</u>	<u>4.2</u>
III	District of Columbia	1	0.3	District of Columbia	1	0.536
	Pennsylvania	<u>1</u>	<u>0.3</u>	Maryland	2	1.5
				Pennsylvania	2	1.5
				West Virginia	<u>1</u>	<u>1.0</u>
	Region III total	<u>2</u>	<u>0.6</u>		<u>6</u>	<u>4.536</u>
IV	Alabama	<u>2</u>	<u>0.6</u>	Alabama	1	1.0
				Kentucky	2	2.0
				Tennessee	<u>1</u>	<u>1.0</u>
	Region IV total	<u>6</u>	<u>0.6</u>		<u>4</u>	<u>4.0</u>
V	Illinois	1	0.7	Illinois	1	0.5
	Indiana	1	0.3	Indiana	2	1.5
	Michigan	4	1.55	Michigan	3	2.5
	Ohio	<u>4</u>	<u>1.2</u>	Minnesota	1	0.5
				Ohio	<u>3</u>	<u>2.5</u>
	Region V total	<u>10</u>	<u>3.75</u>		<u>10</u>	<u>7.5</u>
VI	Texas	<u>1</u>	<u>0.275</u>	Louisiana	1	0.5
				Texas	<u>1</u>	<u>0.5</u>
	Region VI total	<u>1</u>	<u>0.275</u>		<u>2</u>	<u>1.0</u>

<u>Region</u>	<u>Fiscal year 1982</u>			<u>Fiscal year 1983</u>		
	<u>State(s)</u>	<u>No. of prime sponsors</u>	<u>Amount</u> (millions)	<u>State(s)</u>	<u>No. of prime sponsors</u>	<u>Amount</u> (millions)
VII	Missouri	<u>1</u>	<u>\$0.275</u>	-	-	\$ -
	Region VII total	<u>1</u>	<u>0.275</u>	-	-	-
VIII	-	-	-	-	-	-
	Region VIII total	-	-	-	-	-
IX	California	<u>2</u>	<u>0.7</u>	California	<u>3</u>	<u>3.0</u>
	Region IX total	<u>2</u>	<u>0.7</u>		<u>3</u>	<u>3.0</u>
X		-	-	Oregon	<u>1</u>	<u>0.5</u>
	Region X total	-	-		<u>1</u>	<u>0.5</u>
	Total--all regions	<u>20</u>	<u>\$ 7.5</u>		<u>32</u>	<u>\$24.736</u>