Uncovering the Full Cost of Los Angeles Youth Workforce Development Programs

An analysis of unfunded expenses from the providers' experience

Prepared for the Los Angeles Opportunity Youth Collaborative

By Nonprofit Finance Fund

February 2025

About Nonprofit Finance Fund

Nonprofit Finance Fund® (NFF®) is a nonprofit lender, consultant, and advocate. For more than 40 years, we've worked to strengthen nonprofit organizations and improve the way money flows to social good. We believe that alongside others we must build a more equitable and just social sector, and are committed to helping community-centered organizations led by and serving people of color access the money and resources they need to realize their communities' aspirations.

About the Los Angeles Opportunity Youth Collaborative

The Los Angeles Opportunity Youth Collaborative (OYC) is a network of organizations dedicated to creating more holistic and coordinated support for opportunity youth. By fostering partnerships with over 100 public agencies, service providers, educational institutions, and employers, OYC strengthens connections that help youth access education, employment, and broader opportunities. OYC operates through a long-term, sustainable collective impact approach, focusing on five key areas: Amplifying Youth Voice, Building Capacity, Making Connections, Promoting Awareness, and Transforming Systems.

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Executive Summary

Across the United States, workforce development efforts play a critical role in sustaining local economies in our changing world. Workforce development organizations connect people with the resources, knowledge, skills, and support they need to obtain employment and connect businesses with experienced workers. However, the community-based organizations leading workforce development programs are often unable to pay wages competitive enough to attract and retain experienced talent due to lack of sufficient funding. A national conversation is underway regarding the urgent need for solutions to this systemic problem.

The City and County of Los Angeles have long understood that the participation of youth in our local workforce is essential to the economic success of our communities, and that many youth need specialized support to attain and retain meaningful employment, especially youth from communities that have been disproportionately disinvested in for generations. Through federal, state, and local funding mechanisms, the City and County have invested in community-based workforce development programming designed to meet the unique needs of this population. However, the providers of this programming have found that the design of these existing funding structures has resulted in high levels of administrative burden that take time away from service delivery and do not adequately cover the full cost of providing these services – ultimately impacting the youth that are served.

The Los Angeles Opportunity Youth Collaborative (OYC) – convened by the Alliance for Children's Rights and UNITE LA – partnered with Nonprofit Finance Fund (NFF), with support from philanthropic funders, to assess these concerns and make recommendations for future improvements. Five youth workforce development programs participated in an in-depth analysis of their full cost needs to identify how much additional funding would be required to enable these organizations to offer their existing programming with sustainable staffing levels and working conditions that meet best practice standards. In addition to this financial analysis, providers also shared their insights and ideas for how existing funding and compliance practices could be improved in the future.

NFF's analysis of the cohort's unmet financial needs found that these organizations would need an average increase in funding of 26%, with a median increase of $1.1 million per organization, in order to operate their current level of programming under more sustainable conditions. The practical challenges these organizations faced included:

- Low compensation impedes their efforts to attract and retain experienced staff, leading to high turnover, long vacancies, constrained staff capacity, and burnout – an issue that has been compounded by the rising cost of living.
- Funding restrictions prevent them from investing in the appropriate maintenance of their facilities and infrastructure.
- Limited flexibility with how funds can be applied to meet the needs of participating youth leads to missed opportunities to achieve intended program outcomes.
- Reimbursement-based structures of funding place significant strains on working capital, which are compounded when payment processing delays occur.
- Demanding and redundant compliance requirements require high levels of staff time to manage – often at the expense of service delivery.

- Providers have ideas for how to improve outcomes, but lack an outlet to share this feedback with City and County systems leaders.

To address these needs, this report outlines short- and long-term recommendations for public workforce systems leaders in the LA region:

Short term:

- Collaboratively advocate for dedicated permanent state funding that would enable funding increases.
- Provide up-front payments and simplify reporting requirements.
- Give providers more time before implementing program changes.

Long-term:

- Center outcomes over outputs, and embrace flexibility when organizations propose changes that would have positive impact.
- Co-design new programs with service providers who have direct experience in service delivery.
- Streamline and reduce redundancies of compliance and reporting between systems.

Many of the constraints noted in this report have roots in the design of federal funding programs that are outside of the control of local government. However, the solutions described in this report would enable Los Angeles to lead the way to a more effective and equitable youth workforce development landscape. Sustainable wages, flexible funding, and simpler reporting requirements would all contribute significantly to improving the effectiveness of these programs by enabling organizations to attract and retain talent, direct resources where they are most needed, and spend more time delivering the services that LA youth need. Adopting these changes could have significant impact on the success of programs to connect youth to sustainable and high-quality jobs. LA can be a model for other communities across the country as it addresses these issues collaboratively and uses an approach that centers young people.

Foreword from the Los Angeles Opportunity Youth Collaborative

We extend our gratitude to our public partners for a decade of unwavering commitment to youth outcomes. Your dedication to fostering a strong workforce system and partnering with us to improve the system has been instrumental in creating meaningful movement towards change.

For many years, the City and County of Los Angeles have recognized the importance of youth participation in the local workforce and it is now that the challenges facing our youth are more pressing than ever. With over 143,000 youth disconnected from school or work in LA County, this trend underscores the urgent need to reconnect youth and provide economic opportunities to thrive. These findings will guide us in refining approaches, providing guidance to investing in providers that ensure we continue to equip our young people and support them in securing a brighter future. We remain committed to working with you to implement these recommendations and ensure that our youth are provided with the opportunities they deserve.

Thank you for your steadfast partnership and your enduring dedication to improving outcomes for our youth. Together, we look forward to continued partnership to strengthen our community and build towards young people's economic success and holistic stability.

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Report Background

Los Angeles City and County have invested in subsidized employment for youth for over twenty years. Youth have benefited from a range of programs that have been specifically designed to support their successful career readiness. These programs are delivered by both community-based organizations, City and County departments, and other workforce boards in the region that are committed to meeting youth where they are, and delivering the services that will help them to attain their first job and develop the critical skills they need for long-term employment.

As is the case in many communities across the country, the funding available through the City and County of Los Angeles for workforce development programming is not keeping up with rising costs or community needs. While existing funding streams are intended to be the core resource for these services, providers have continued to uplift that current funding does not cover the full cost of what it takes to serve youth, and often comes with burdensome compliance requirements that are duplicative and inefficient.

In summer of 2023, the Los Angeles Opportunity Youth Collaborative (OYC) and Nonprofit Finance Fund (NFF) began a partnership to uncover the full costs and barriers for organizations delivering youth workforce development programs. This deeper financial analysis of what youth workforce development providers need aims to help inform systems-focused leaders and funders, so that strategic plans, budgets, and processes can better meet those needs.

Additional support for this work came from the James Irvine Foundation, who also believes that the analysis and the recommendations of the report will be meaningful contributions to the field. Through its Better Careers initiative, The James Irvine Foundation focuses on supporting readiness for, and access to, quality jobs, particularly for Californians whose talent and labor have been undervalued. In the nonprofit sector, low wages and high workloads have created racial and gender barriers to economic opportunity, and this analysis not only provides insights on how to better fund these youth workforce development programs, but also gives strong insights into what it takes to offer quality jobs in the nonprofit sector. Support from the Irvine Foundation has also allowed this project to bring more visibility to this narrative change through a media campaign that provides videos documenting the experiences of the workers delivering these programs.

Since 2013, OYC has engaged public workforce and child welfare agencies in LA County to create collaborative, systemic solutions to improve foster youth connections to early work experiences and pathways to sustainable careers.

Through years of convening the OYC Foster Youth at Work campaign, the OYC identified numerous obstacles that community-based workforce development agencies face in effectively serving young people with greater barriers to employment – such as youth involved with the foster care system, justice system, or experiencing homelessness – including challenges with hiring and retaining staff.

Critical stakeholders from the LA County Department of Economic Opportunity (DEO), LA City Economic and Workforce Development Department (EWDD), and the LA City Mayor's Office shared that they are also very invested in supporting the providers' success in achieving their intended outcomes: to provide youth with the resources, opportunities, and support they need to gain meaningful work experience and attain employment. They expressed that they would value the findings from such an analysis to inform upcoming strategic planning and system redesign opportunities.

The initiative kicked off in the fall of 2023 and included a full cost analysis and data gathering on challenges and opportunities of LA youth workforce development funding streams for five organizations that receive City and County funding. More details about the cohort and the approach are included in sections below.

Recent Context on the LA Youth Workforce Development Landscape

The LA OYC has led efforts to drive change so that organizations contracting with the County and the City of LA are able to support the career success of youth in the LA region. There are several local funding streams that support this work and systems-level planning efforts underway. It is the hope that the findings of this report can be integrated into the different planning opportunities to enhance the system and support long-term outcomes for youth.

Opportunity youth are defined as young people between the ages of 16 to 24 years old who are disconnected from school and work.

Key LA Youth Workforce Funding Streams

The LA County and LA City Workforce Development Boards oversee various workforce programs funded through both federal and local sources. The State receives federal WIOA (Workforce Innovation and Opportunity Act) Youth and Adult funding, which then gets allocated to local workforce development boards (WDBs) to provide services for eligible youth and adults. Additionally, the Youth@Work program, funded through the LA County Department of Economic Opportunity (DEO), offers paid work experience and job training for youth aged 14-24, while Hire LA's Youth, run by the City's Economic & Workforce Development Department City's (EWDD), provides similar opportunities preparing young adults for the 21st Century workforce. Both Youth@Work and Hire LA's Youth programs are supported by local general funds, with funding decisions revisited annually. Given the potential cuts to federal WIOA Youth funding in the FY25 budget, these local funding streams have become increasingly vital to sustaining youth workforce programs.

Both LA County and LA City may receive other funding streams from federal, state, and local sources depending on specific circumstances. These additional resources help support workforce development initiatives beyond core programs. For instance, funding opportunities like the High Road Training Partnership (HRTP), California for All, and the American Rescue Plan Act (ARPA) have provided significant investments in workforce training and job placement services. These diverse funding sources enable the County and City to expand their workforce programs and respond to emerging needs, ensuring broader access to job training and employment opportunities for residents.

Research Questions and Analysis Approach

From fall of 2023 through summer of 2024, NFF analyzed the full cost needs of youth workforce development programs with a specific focus on unfunded people costs. The goal of this analysis was to understand how the City, County, and philanthropy can better support organizations delivering these critical services and have even greater impact in Los Angeles.

A cohort of five providers participated in a series of discussions over a 6-month period with NFF staff to discuss their financial situations, full cost needs, and ideas for improving effectiveness in the youth workforce development funding landscape. In addition to discussions with finance, operations, and program staff, NFF reviewed financial reports including program contracts and performance reports, program and enterprise budgets, balance sheets, and personnel budgets, and worked with participants to identify gaps between their current funding levels and their full cost needs.

Questions this project aimed to answer include:

- What does success look like for youth workforce development programs in the Los Angeles area?
- How does that definition of success align with existing funding program guidelines?
- What barriers do organizations face in achieving success with their programming?
- Do existing funding structures cover the full costs of operating these programs? If not, what are the full cost needs of these programs, and what strategies are organizations using to address their financial sustainability needs?
- Are there opportunities to improve the operating conditions for these programs? What changes would improve their efficiency or effectiveness?
- How can government funders and nonprofits work together to improve outcomes in the future?

NFF's Full Cost Framework

NFF's full cost framework articulates the complete array of financial needs nonprofit organizations have, including needs that are not yet met. This framework was developed by NFF in partnership with Philanthropy California in recognition of the disconnect between what organizations make do with, and what it takes to sustainably operate over the long term. Examples of common full cost needs include adequate working capital to keep cash flow positive while awaiting reimbursement payments from government contracts; reserves to act as a safety net in case of emergencies or maintain facilities; and expenses that the organization needs but has gone without due to lack of available funding. Over the past decade, the full cost framework has enabled funders and nonprofit leaders to explore, calculate, and communicate about these needs.

When organizations are not able to cover their full costs, they develop strategies to adapt to the constraints they are operating within. These strategies often include low pay, inadequate benefits, and long hours for staff; making due with inadequate supplies; deferring maintenance on property and equipment; and using outdated and inefficient technology. These sacrafices often go unseen by funders, but are felt acutely by nonprofit staff, and have negative impacts on organizational health and program outcomes.

Notably, most participating organizations offer youth workforce development as one program within a larger organizational structure. These structures vary in form and scale, including programs that serve as exclusive contractors for local government agencies, programs housed within the university structure, and programs operated by larger nonprofit organizations that operate multiple program service lines.

Anecdotally, across each of these operating models, providers noted that these programs tap into their broader organizational infrastructure (e.g., accounting, human resources, IT, etc.), even though their contracts do not allocate enough funding towards the cost of operating this infrastructure. As is the case with most government contracts, providers have had to subsidize these programs with their own internal resources. Taking on these contracts is essentially a money-losing proposition, as it costs them more to provide the service than they receive in direct funding. While some public partners recognize this and build matching funds into their program requirements, there is still an opportunity for better supporting the providers on their portion of the funding or reducing the costs associated with managing the contract, such as making reporting more efficient. While it is common for government to not cover full costs, this does not mean that funding full costs should be overlooked in public systems. NFF recognizes that organizations led by and serving people of color are systemically underfunded, which means they are especially at a structural disadvantage when it comes to achieving sustainability if they are continually expected to accept contracts that don't cover full costs. Those unfunded costs are borne by the workers via personal sacrifice and the community at large via opportunity cost.

That said, this analysis focused exclusively on the needs of the youth workforce development programs and did not include an assessment of the needs of their parent organizations/agencies. For this reason, the full cost analysis is limited to budget and balance sheet items that programs were fully responsible for managing, such as total operating expenses and, in some cases, fixed asset maintenance.

To promote candor and transparency in this process, quantitative and qualitative data provided by participants was anonymized and aggregated by NFF. In alignment with NFF's value of compensating nonprofit capacity, cohort members also received a participation stipend and access to no-cost financial technical assistance to compensate for the time it took to participate in the data sharing and analysis. Preliminary findings were shared back with the cohort and representatives of several additional youth workforce development organizations to confirm accuracy and solicit feedback, which was then incorporated into the final version of this report.

Unfunded expenses, especially related to staffing and working capital constraints, are barriers to even greater impact with youth

In a complex funding environment, and during a time marked by significant changes in community needs, youth workforce development programs are delivering much-needed services across the City of Los Angeles and greater Los Angeles County and yet still face significant challenges in sustainably doing their work. Service providers possess a genuine passion for their work, along with a wealth of data and practical experience on improving programs to meet the needs of the youth they serve. Organizations utilize their community relationships and partnerships to meet participants' needs effectively in lieu of providing all services directly. They collaborate closely on client outcomes, have established strong reputations with clients and within the community, and diligently work towards career success for the youth they serve.

Despite their ability to diligently be responsive, organizations are operating in inequitable and unsustainable conditions due to unfunded expenses. Unfunded expenses are expenses that are not currently directly incurred, but, if covered, would allow the organization to work at its current level in a way that is reasonable and fair. In total, this full cost analysis of the youth workforce development programs found that **the median level of organizations' unfunded expenses was $1,110,700 (approximately $1,637 per youth served)** that need to be covered for them to have their full costs covered.

Full cost takes into consideration the needs of the entire nonprofit organization, and is commonly calculated as the total of current expenses, unfunded expenses, working capital, reserves, debt principal repayment, fixed asset additions and change capital. Through the process of engaging in this full cost analysis, providers highlighted that youth workforce development programs' unfunded expenses are the greatest barriers to achieving the best possible program outcomes. Addressing their full cost needs ensures that all aspects of the programs are adequately supported, ultimately leading to more effective and sustainable outcomes for the youth they serve.

Unfunded expenses are expenses that are not currently directly incurred, but, if covered, would allow the organization to work at its current level in a way that is reasonable and fair.

With limited funding, youth workforce development organizations are resorting to a variety of strategies to subsidize the unfunded costs of carrying out their contracts. While each participating organization experienced its own unique challenges, examples that were shared in discussions with NFF include:

- In an effort to reduce expenses and meet budgetary constraints, organizations implemented cost-cutting measures, often resulting in lower salaries that are not competitive with market rates and do not meet the threshold for livable wages for most staff.

- Case managers are, at times, carrying caseloads far beyond best practices that are understood to produce optimal outcomes for participating youth.
- Organizations that struggle to hire experienced candidates for vacant positions resort to under-filling positions with inexperienced applicants who require a much higher level of onboarding and on-the-job training.
- In some cases, workers pay for organizational and youth needs out of pocket.
- Without access to adequate resources for facilities upkeep, organizations resort to deferring maintenance, leading programs to operate in suboptimal physical conditions.

While these strategies allow organizations to continue operating programs that support youth needs, providers believe that increasing budget amounts (for current level of work and cases, not to do more) and flexibility will enable them to better meet needs of youth and operate more equitably for their staff. As seen in the graphs and table below, **the aggregated unfunded expenses for the cohort was 26% of their current actual expenses**. The sections below share more information about the nature of the unfunded expenses that these programs are experiencing.

Figure 1: LA Youth Workforce Development Cohort Analysis - Unfunded Expenses

Five workforce development organizations were included in the analysis.

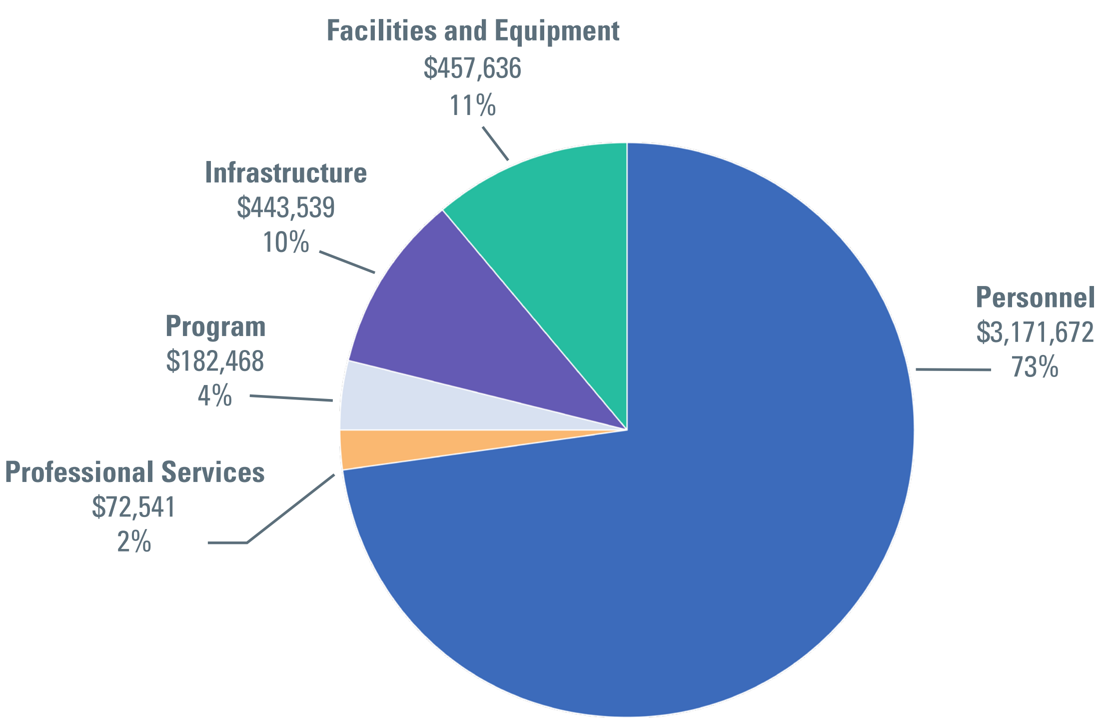

Figure 2: Yearly Current Expenses vs. Unfunded Expenses Per Youth On Average

Five workforce development organizations were included in the analysis.

Table 1: LA Youth Workforce Development Programs Full Cost Cohort Analysis Summary (per year)

Five workforce development organizations were included in the analysis.

Description	Amount
Total current expenses	$16,759,572
Total unfunded expenses	$4,327,857
Total full cost (current expenses + unfunded expenses)	$21,087,429
Unfunded expenses as % of current expenses	26%
Median unfunded expenses per organization	$1,110,700
Average total youth served per organization	529
Average unfunded expenses per youth served	$1,637
Total average full costs (current and unfunded expenses) per youth served	$7,976

Staff salaries impact retention, recruitment, and program quality.

Staff costs are the greatest expense and the primary means by which workforce development organizations can make an impact on the youth they serve. However, workforce development providers struggle with providing the job quality for their own teams that they hope the youth they serve could one day have. While each cohort member's compensation packages and policies varied, some pain points cited by participating organizations included lack of retirement benefits, inadequate insurance coverage, lack of paid family leave, and inadequate paid time off policies for sick and vacation time. These gaps in benefits, coupled with low pay, make it difficult to keep staff motivated to stay and grow in their positions and in the sector. Insufficient funding for staffing, which results in lower pay for positions, makes retention challenging as employees often leave for better-paying opportunities. This was also a key finding of the 2021 assessment commissioned by L.A. City EWDD of its Hire LA's Youth program.[1]

Nonprofit staff members who are initially drawn to work for lower-paying organizations often do so as a starting point in their career, but given the unsustainability of their wages, they often do not stay in their positions long. Once they acquire extensive training and hands-on experience, many staff leave for similar roles at higher paying employers, or roles in different departments within the organization. Realistically, the only way for youth workforce development staff to get a raise within their organization is to move to a higher-paid position in another department. Despite these challenges, some organizations manage to retain their staff. While there is some movement due to advancements, many do not leave the nonprofit sector entirely.

Without funding to invest in staff, organizations struggle to fill vacant positions and even lose their experienced workers to higher-paying jobs with local government, where compensation is higher. For example, there are disparities between the amount the government agencies (County and City) pay internal youth workforce development program employees versus the employees of contracted nonprofits, an issue that has been acknowledged by some LA County departments. Similar to youth workforce development case managers, LA County GAIN workers help participants obtain the education, training, resources, and support needed to find employment and achieve self-sufficiency and financial independence. They work closely with participants to develop personalized employment plans, provide job placement services, and connect them with resources like childcare and transportation. The salary range for an LA County funded GAIN Worker position is $49,884-$74,928, similar to City employed youth workforce development positions. Their nonprofit counterpart case managers in this analysis were paid a range of $47,397-$79,701 with only two case manager positions out of 24 in the analysis making over $70,000 in salaries; 15 out of the 24 (63%) nonprofit case managers make below $60,000. Though the County is able to pay up to $74,928 for their positions, 94% of the case managers in the analysis do not make this much. While this study did not analyze all current County salaries, findings exemplify pay inequities between the compensation of comparable jobs depending on whether someone works directly for a government agency or for a contracted provider.

Additionally, funding agreements with the City and the County were stagnant for a period of time, which did not allow organizations to increase salaries to keep up with the cost of living in LA. Funding agreements that do not provide yearly cost of living increases create functional pay decreases

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1 Level Fields Consulting, "Hire LA System Review and Revamp Interim Report," October 2021, https://drive.google.com/file/d/10UX7iumpB-jEFr9B_7iL-T8VB2mqAMMy/view

over time, an effect that is especially exacerbated by rising housing costs and recent inflation. Furthermore, organizations are now competing with other industries, such as the fast-food industry, which are increasing their minimum wages and offer an arguably less emotionally stressful and demanding work environments. Anecdotally, cohort members reported that these changes in the labor landscape have led to reduced interest in their open positions: one agency shared they used to attract about 100 applicants for roles like youth counselors, but now report that they are lucky to get around 30 applicants.

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The turnover in staff and difficulty in hiring new staff has an impact on participant caseloads. With each person that leaves, the remaining case managers must take on that person's workload for as long as the position remains vacant. The longer vacancies last, the longer case managers are carrying additional caseloads. This constrains their ability to meet the needs of individuals they are assigned to work with, further contributing to burnout and staff departures. This creates a feedback loop that is difficult to disrupt.

On average, case managers salaries met the lowest living wage standard for one adult, but fell $22,000 below the standard to afford one bedroom housing in LA.

The full cost analysis found that increased funding is needed to keep pace with the actual costs of living in Los Angeles. NFF began with analyzing the current median salaries of key youth workforce program positions. To understand how salaries support individuals to meet their needs to live in Los Angeles, NFF reviewed several salary standards for comparison and used the MIT Living Wage Standard, the United States Department of Housing and Urban Development (HUD) standard for being non-rent burdened, and the Current & Potential Future AJCC-LA System report and evaluation of the AJCC WorkSource system recommended standard for this report.

Table 2: Salary Standards Comparison

Five workforce development organizations were included in the analysis.

Current Salary, Standard or Recommended Standard	Yearly Salary	Hourly Salary	Difference from current cohort case manager average salary
Cohort case manager average salary (current)	$58,302	$28.03	--
Cohort case manager target salary	$67,799	$32.60	+$9,497
MIT Living Wage Standard (1 adult in LA County)	$57,346	$27.57	-$956
MIT Living Wage Standard (1 adult + 1 child in LA County)	$101,396	$48.75	+$43,094
HUD 1-bed Non-Rent Burdened Standard	$80,240	$38.58	+$21,938
EWDD WSC Redesign frontline staff standard recommendation	$72,800	$35.00	+$14,498
LA County Economic Development Policy Committee AJCC Modernization min. salary for entry-level	$45,531	$21.89	-$12,770

As shown in Table 2 above, NFF found that case managers in the cohort made $58,302 on average. The average salary for case managers is just above the MIT living wage standard for a single adult in the Los Angeles metropolitan area, of $57,346.[2] For workers who are supporting family members, current salary ranges for most positions do not meet the MIT living wage standard. The standard for a household with one adult and one child is $101,396; for one adult supporting two children, it rises to $130,256. However, the methodology used to calculate living wage rates is limited to what it takes to cover basic living expenses (i.e., food, housing, transportation, medical care, childcare, and taxes). Critically, the Living Wage calculation does not include savings, debt repayment, entertainment, leisure activities or large emergency expenses, and therefore does not cover an individual's full cost needs. While these cost estimates are updated regularly, in some instances they are more than one year out of date (current estimates use cost data from 2022 and 2023, and salary benchmarks are likely to be higher with new data). In the recent inflationary economic environment, these gaps can limit the relevancy of this calculation when compared to current costs of living. When asked about target **salaries for their staff that would allow the organizations to better retain and attract quality staff, the average for a case manager was $67,799 or $32.60/hour, which would be a 16% increase from current salaries**.

Another method for calculating sustainable wages is to identify what compensation is needed in order for workers to be considered non-rent-burdened. Given the housing affordability crisis in Los Angeles, it is important to understand how compensation enables individuals to cover current housing costs. Households are considered rent-burdened if more than 30% of gross income is spent on rent. This calculation does not take into consideration family size, debt obligations, medical emergencies, other living expenses, housing quality and regional cost of living differences. Based on data published by HUD[3], which is updated annually based on market trends, in order to pay fair market rent on a one-bedroom apartment in Los Angeles County without becoming rent-burdened, the gross compensation needed is $80,240 or $38.58/hour. This is above the current average pay for most position types in the cohort.

To support the LA City Workforce Development System's five-year strategic plan, EWDD commissioned California State University of Northridge (CSUN) to conduct an evaluation[4] of the current LA City Worksource Center (WSC) system. CSUN's evaluation identified several ways to redesign and improve the WSC system, including higher wages, less demanding workloads, and more career development pathways. EWDD incorporated these recommendations into their Worksource Center System Redesign white paper draft[5]. The white paper recommended that frontline staff be paid $35 an hour, highlighting the need for competitive wages to improve staff retention and program outcomes. The white paper also recommended that case managers earning $50,000 annually need to be budgeted for $72,800 plus fringe benefits to ensure a livable wage, which also closely aligns with the $67,799 identified salary target for case managers in NFF's full cost analysis.

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2 MIT, "Living Wage Calculator for Los Angeles County, CA," February 14, 2024, https://livingwage.mit.edu/counties/06037

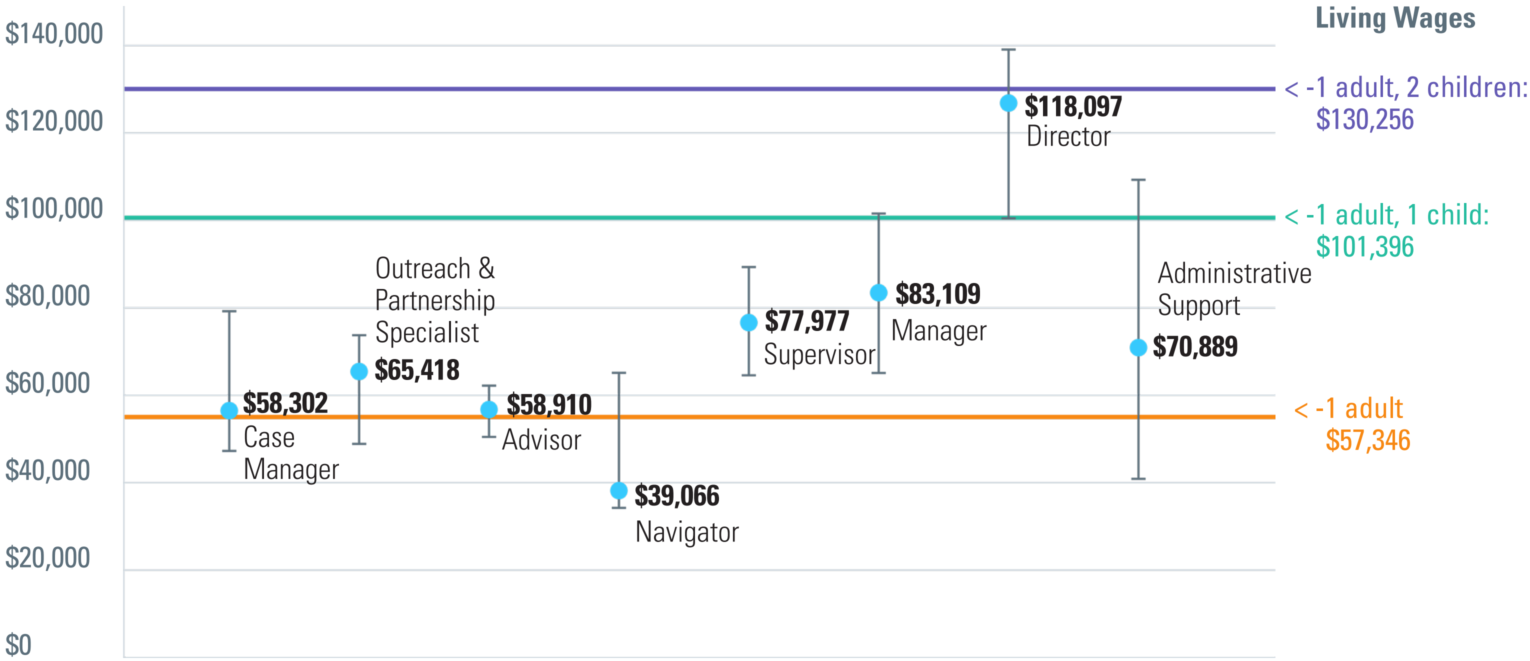
3 U.S. Department of Housing and Urban Development (HUD), "FY 2024 Fair Market Rent Documentation System," https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2024_code/2024summary.odn

4 California State University, Northridge, "City of Los Angeles Worksource System Evaluation Draft Report", September 2024.

5 Economic and Workforce Development Department, "Worksource Center Redesign White Paper Draft," September 2024.

Figure 3: Current Salary Ranges versus Living Wage

Figure 3 calculates the baseline wage needed to support basic needs, such as food, housing, transportation, medical care, childcare, and taxes; does not include savings, debt repayment, leisure activities, or large emergency expenses.

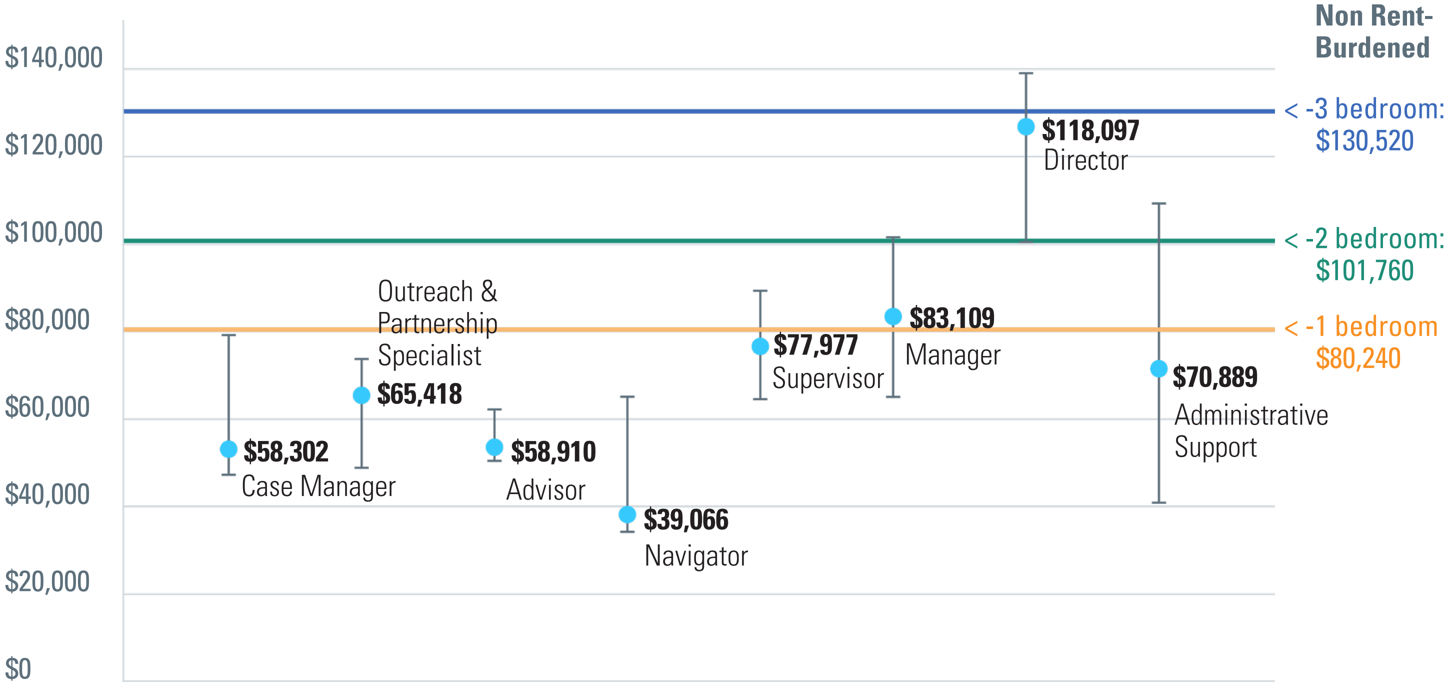


While average salaries for frontline workers including case managers are generally above the living wage standard for one adult in Los Angeles County, the high turnover and long vacancies reported by providers suggest that current rates are not sufficiently competitive.

By contrast, comparing current salaries against the non-rent-burdened standard, few positions meet the threshold to be able to afford fair market rent for a one-bedroom apartment in Los Angeles County (as seen in Figure 4 below).

Figure 4: Current Salary Ranges versus Non Rent-Burdened

Rent Burden Standard is calculated with no more than 30% of your income covering housing costs. Debt obligations, medical emergencies, other living expenses, housing quality and regional cost-of-living differences are not taken into consideration.



Insufficient funding available to meet basic needs and provide incentives impacts participation and outcomes.

Youth workforce programs must address increasingly more complex issues faced by opportunity youth - who encounter more barriers to employment than the general population – such as homelessness, justice system involvement, and foster care. Serving youth with more complex barriers within the same funding parameters is challenging, as expanding program models to serve different populations changes the costs of delivering services.

For programming to succeed, participants' basic needs must be met, including housing, clothing, childcare, transportation, and mental health. Front-line staff see the quickly shifting needs of youth and do not want to miss the window of opportunity while a youth is in front of them to respond with the support they need. Organizations rely on the City to provide any necessary approvals and processing of forms so that they can serve youth responsively and meet their immediate needs, such as providing a voucher for a homeless participant. The City should operate with the same urgency in approving and processing requests to prevent delays that impact clients. Clients are unable to focus on the youth workforce development programming if their basic needs are not being met responsively.

Currently, there is a prescriptive "supportive services" budget line item in the funding provided through County- and City-funded programs, but cohort participants reported that the parameters of the contract do not allow enough flexibility for all organizations to effectively utilize the funding line item. For example, one organization shared they can cover the costs of temporary shelter for a youth who is experiencing homelessness, but they cannot support with rent subsidy for those who are housing insecure. Both of these costs are addressing housing security and ideally the grant policy should provide enough flexibility so that both could be reimbursed through the contract. In addition, high caseloads prevent case managers from dedicating the time necessary to address additional needs and fully utilize the supportive services funding.

In addition to supportive services, incentivizing youth to attend and stay involved in workforce development programs is crucial for promoting consistent engagement and positive outcomes with the opportunity youth population. However, the current funding structures often do not allow for such expenses to help incentivize enrollment and participation (e.g., food, gift cards, participation stipends, etc.). Without the ability to offer flexible incentives or to get reimbursed for the cost of providing food, many programs struggle to maintain participation, particularly among youth facing significant barriers like homelessness, justice system involvement, and foster care. Allowing funding for these incentives would enhance the effectiveness of the programs, ensuring that more youth can access and stay engaged with the critical services they need to succeed. Other LA county agencies, such as the Department of Mental Health (DMH) through their MHSA funding, have successfully utilized flexible funding to allow concrete supports, presenting an opportunity to learn from these established strategies. By adopting similar approaches like flexible funding mechanisms that support incentive-based engagement, the system for youth workforce development programs could be improved.

Higher operational burdens due to a lack in funding for administrative infrastructure.

Youth workforce development programs face significant operational challenges due to restrictive administrative caps that result in inadequate funding for their programs. Like for-profit businesses, nonprofit organizations must have the infrastructure and strong operations to deliver their programs successfully in the communities they serve. They need compliance, IT, data systems, HR, legal, executive, finance and other "infrastructure" supports to run their organizations, and they need to raise enough revenue to cover these expenses. While these activities don't directly deliver programs to community members, they are necessary for programs to be delivered.

While the delineation between indirect and direct costs is arguably arbitrary[6], federal funding guidelines place explicit limits on how awards can be allocated toward organizational infrastructure and overhead expenses. The new OMB Guidance[7] to increase the de minimis indirect cost rate from 10% to 15% could be meaningful for nonprofit organizations receiving federal funding, such as those in this cohort. Organizations receive limited indirect cost coverage when accepting funding from intermediary agencies that pass-through dollars as those agencies also need to cover their administrative expenses. That said, many members of this cohort reported feeling pressure to accept lower indirect rates from government funders in the past and question the impact of the de minimis rate increase on their own financial situations given this history.

Highlight of Incentives that Work

One program utilizes a structured Performance Menu of incentives to motivate youth enrolled in a program with federal funding to reach key milestones, helping them progress toward their employment and educational goals. These incentives are awarded as participants complete tasks that prepare them for the workforce, build essential skills, and encourage continued engagement in their development. Examples include:

- Developing questions for employers ($15).
- Learning to tie a tie ($15).
- Job shadowing for 20 hours in a desired field ($50).
- Increasing math or reading skills by one grade level ($25).
- Completing job-readiness courses such as an introductory computer class ($100).

Organizations face constraints with specific line items for reimbursement, limiting the type of staffing allowable in the budget for "support" and "operational" positions. Only staff directly working with participants can be charged to the program. This issue highlights the need for adjusting indirect cost rates, as this analysis found that providers currently have a 4-6% cap on indirect costs from federal pass-through dollars, which is insufficient. Increasing this cap to 15-20% would better cover necessary administrative positions, including finance, data, IT and support staff. Some organizations need to allocate staff salaries to other funding sources to avoid exceeding administrative caps in youth workforce development programs. This practice underlines the broader issue of inadequate administrative funding. The rigid administrative caps imposed by the City and County, while sometimes driven by federal requirements, further restrict the ability of programs to allocate necessary resources effectively and require organizations to subsidize these costs. While

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6 Nonprofit Finance Fund, "Why Funding Overheard is Not the Real Issue," https://nff.org/commentary/why-funding-overhead-not-real-issue-case-cover-full-costs

7 National Council of Nonprofits, "OMB Uniform Guidance Final Rule," April 4, 2024, https://www.councilofnonprofits.org/files/media/documents/2024/ncn-analysis-omb-uniform-guidance-final-rule-2024.pdf

larger organizations may have other sources to subsidize these costs from, it is a barrier for smaller organizations that do not have other flexible sources to draw from.

The administrative burden of managing multiple funding streams, each with distinct terms, conditions, and reporting requirements, adds to this challenge. This analysis found that programs often have between 7 and 24 funding streams with different compliance requirements, ranging from under $20,000 to over $1 million, yet they are still unable to cover full costs. Different workforce funding programs, such as Hire LA's Youth, Youth@Work, California for All and WIOA, have varying requirements and impacts on service delivery. Providers must navigate these differences to effectively maximize available resources. The more that organizations braid funding sources together to maximize the amount of money coming in to support youth workforce development, the more administrative burden they end up taking on, generally at their own expense. The more contracts they agree to, the more subsidizing they are doing, and the more thinly stretched they become.

> Currently, the more funding sources organizations are braiding together in an attempt to maximize the amount of money coming in to support youth workforce development, the more administrative burden they end up taking on, generally at their own expense.

Increased compliance and reporting requirements take time away from client-facing services.

Staff report that there has been an increased demand in administrative reports and audits over the last several years, by 200-300% in some cases, placing additional strain on staff and reducing the time available for direct client service. Case managers and other frontline staff spend a significant portion of their time on data collection and reporting, sometimes up to 40-50%, detracting from their primary role of serving clients, especially with short notice projects that are requested by funders. One of the reasons that reporting takes up so much time is because the staff must input the same client data in multiple systems due to their multiple funding streams. This issue was also highlighted in the 2021 Hire LA System Review and Revamp Report [8]. Organizations understand the need to track outcomes that matter, not just outputs, but their current funding does not prioritize the capacity it takes or fund them enough to have systems that track more holistic outcomes. Tracking more holistic outcomes of impact requires systems that can coordinate with other systems to track data. It also requires enough staff to follow up with clients both when they are currently participating in a program and post-completion to measure important longer-term outcomes like job retention, advancement, and future salaries.

Furthermore, special projects requested by the City and County (e.g., data reports, short-term programmatic service offerings, etc.) require implementation without funding the additional staff time it requires, forcing organizations to reallocate program staff from other areas to work on the special project, which negatively impacts outcomes in those programs. For case managers, increased funding often translates to more services to be delivered without corresponding increases in pay or time for administration. More funding doesn't necessarily lead to greater financial stability, making it difficult to motivate

> Organizations understand the need to track outcomes that matter, not just outputs, but their current funding does not prioritize the capacity it takes or fund them enough to have systems that track more holistic outcomes.

8 Level Fields Consulting, "Hire LA System Review and Revamp Interim Report," October 2021, https://drive.google.com/file/d/10UX7iumpB-jEFr9B_7iL-T8VB2mqAMMy/view

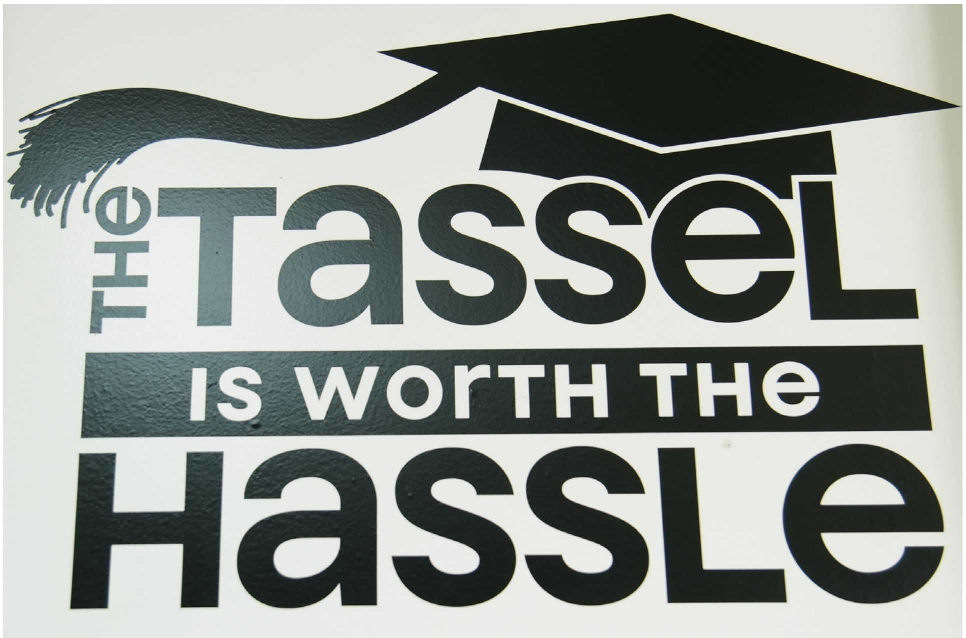
staff to take on special projects when there is no additional compensation. Supervisors must juggle multiple tasks to keep everything running smoothly under these conditions.

Another critical issue is the lack of administrative cost funding. The administrative costs have not increased to match the growing demands for additional work, such as quarterly audits and extensive reporting requirements. Overhead spending allowances do not currently meet the full cost of compliance management and thus programs are subsidizing these costs.

Disinvestment in facilities and systems accumulates over time.

It is often overlooked that service providers carry out their programs and services with youth in facilities owned or leased and operated by the service provider. They need investments in their facilities to meet the demands of their programs and comply with contract requirements. As the cost of maintaining facilities in Los Angeles has increased over time, organizations struggle to accommodate increased facility costs, and oftentimes delay maintenance and repairs until they are urgently needed. Commercial rent is extremely high in some of the communities served by youth workforce agencies, so even if an organization moved, the costs would likely remain the same or be only slightly lower.

Compliance with facility requirements is another significant issue. For instance, organizations are supposed to have specific facilities like computer rooms and private offices to ensure client confidentiality. Some organizations are unable to meet this due to the lack of facility square footage. Instead, organizations must creatively make the current facility square footage work to accommodate program needs. For example, staff often work in cubicles without the necessary private offices. Some organizations discussed the need for facility maintenance to address safety concerns, such as repairing floors and leaking ceilings.



Organizations also find it challenging to make timely purchases of technology systems, building maintenance/repair services, and other infrastructure necessary when relying on other City or County departments to approve invoices. Consequently, some have resorted to raising funds independently to manage these costs directly.

When reflecting on their unfunded expenses related to facilities, 11% of the total unfunded expenses were for facilities and equipment. Examples of full cost needs include rent, utilities, maintenance, insurance, security, equipment rent/lease, etc. These are costs that would allow organizations to have facilities that meet their current needs - not to do more programming. Without significant investments and more flexible support from the City and County, organizations will continue to face difficulties in maintaining facility compliance and providing the necessary infrastructure to support their programs effectively.

Organizations have increased working capital needs to manage delays in reimbursements.

While the primary full cost challenges focus on unfunded expenses, organizations also need working capital to maintain daily operations and financial sustainability as they await reimbursement payments. Working capital is the funds an organization uses to manage its day-to-day cashflow operations. For youth workforce development programs, having sufficient working capital is critical, especially since they need to start incurring expenses like hiring staff and meeting participant numbers before receiving any payments from their government contracts.

Expectations such as being required to expend funds before being paid, submit detailed invoices and reports, engage in intensive dialogue with their funder regarding minor details, and wait unreasonable lengths of time in order to get repaid for the work conducted, all require organizations to invest more heavily in administrative expenses and working capital than would otherwise be the case.

Cohort members reported that the significant strains caused by reimbursement delays are closely tied to overly burdensome reporting requirements. Both of these factors contribute to major operational constraints on nonprofit organizations when it comes to equitably carrying out their programming. Being required to expend funds before being paid, submit detailed invoices and reports, engage in intensive dialogue with their funder regarding minor details, and wait unreasonable lengths of time in order to get repaid for the work conducted, all requires an organization to invest more heavily in administrative expenses and working capital than would otherwise be the case. However, funding for these needs is not readily available, resulting in tight cash flow and unfunded administrative expenses.

Typically, youth workforce development program payments funded by the City of Los Angeles are paid months after an invoice is submitted, creating a financial strain. Pre-COVID, organizations reported usually receiving payments within about 30 days after submitting an invoice. However, post-COVID, these delays have significantly increased to 3-6 months, with 12-18 month delays for some organizations. These delays are often the result of staffing shortages and cumbersome public-sector hiring processes that impact the City's own ability to process contracts and payments in a timely manner. Organizations believe that government agencies tend to pay some large nonprofits last, operating under the assumption that these organizations do not urgently need the cash. This extended delay in funding complicates the financial stability and operational capacity of these programs, despite being part of a larger organization, underscoring the necessity for adequate working capital to bridge the gap. City and County leaders must assess how their own practices hinder the efficiency of nonprofit organizations, affecting their ability to achieve program outcomes and serve the community effectively.

This analysis and report did not focus on calculating the amount of working capital that the organizations need given that all of them were programs within larger agencies. Agencies who report getting paid up to 6 months after their invoice will need access to enough working capital to keep paying their bills for 6 months in order to maintain operations. For larger organizations, this delay is sometimes manageable, as they may be able to absorb the financial strain due to their broader financial resources. In contrast, smaller budget, community centered organizations face significant barriers and lack of access to these types of government contracts, as their organizations cannot withstand these types of delays – yet these are the organizations that can be very impactful with their work. Lack of adequate working capital can jeopardize their ability to stay in business and continue providing services.

NFF's "2023 Resetting Los Angeles to Meet Urgent Community Needs Report"[9] also emphasized the challenges and burden that reimbursement delays had for nonprofit service providers. Drawing from NFF's 2022 State of the Sector Survey, the report found that 22% of overall LA respondents and 29% of BIPOC-led organizations had less than 2 months of cash on hand – which is a very constrained cash position to manage reimbursement contracts. Requirements for working capital can create a barrier to the County and City partnering with smaller budget or BIPOC led organizations-ultimately limiting the diversity of service providers.

9 Nonprofit Finance Fund, "2023 Resetting LA to Meet Urgent Community Needs," April 2023, https://nff.org/2022-survey-closer-look-la-area-nonprofits

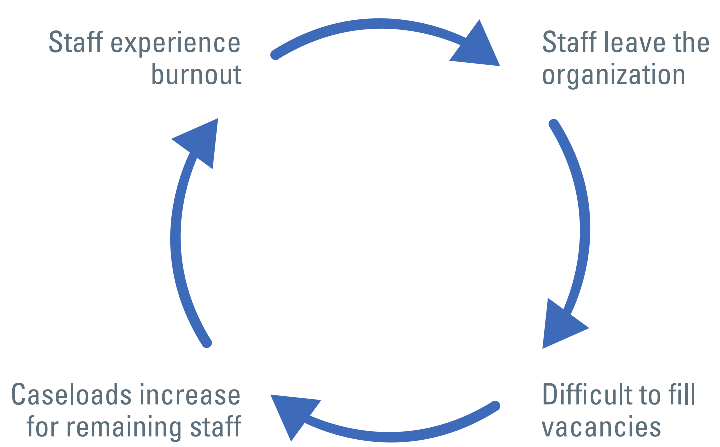
Additional Key Findings on Operational Barriers to Greater Impact with Youth

Through qualitative interviews and the Full Cost Analysis, the following additional key findings shed light on the complexities and challenges faced by organizations managing youth workforce development programs, including the impact of workload on outcomes and the opportunity to have their learnings and experience influence program design.

Caseloads fluctuate and can get to a point that providers can't properly meet individual needs.

Caseloads can fluctuate significantly, reaching levels that prevent case managers from being able to address the full needs of participants, especially for those with more complex barriers like experiencing homelessness. Case managers must prioritize the required outputs of the contracts and may not have the capacity to focus on additional participant needs. When managing high caseloads during certain times of the year, staff feel as though they do not have enough time to focus on the holistic care and wellbeing of participants and must instead prioritize program outputs. Moreover, depending on seasonality, case managers can have a caseload of up to 70 participants. Providers cited that a caseload of 25 is typically a manageable workload, although programs serving individuals with higher needs may need even lower ratios.

Organizations face a vicious cycle as high caseloads are a driver of staff burnout and high turnover, which leads to more elevated caseloads for remaining staff. When organizations experience turnover and extended vacancies, the workload does not decrease accordingly given the contracts they are required to fulfill. Increased caseloads for remaining staff compound strain and burnout, as well as loss of institutional memory, harm to organizations' ability to maintain relationships with the youth and communities they serve, and additional administrative expense associated with the rehiring and training process. According to one notable study on managing caseloads, "When very large caseloads cause case managers to severely restrict the time spent with customers, it becomes difficult if not impossible to deliver services that meet the highest standards of quality."[10]



10 Laird and Holtcomb, "Effective Case Management: Key Elements and Practices from the Field," https://mathematica.org/~/media/publications/PDFs/labor/case_management_brief.pdf

Providers have ideas about programmatic changes that would improve outcomes, but they don't have a channel to share feedback with the County and City systems leaders.

Currently, DEO, EWDD and the LA City Mayor's office are in the process of strategic planning and system redesign opportunities. They are very invested in supporting the providers to be successful and have worked towards improved outcomes for youth employment and career success. In order to have plans that will work well for communities, there was intention to include feedback from providers on the City's five-year Workforce Development Strategic Plan, Hire LA redesign, Youth Development Strategic Plan, and the County's AJCC Modernization plan.

While these opportunities to provide feedback are appreciated, ongoing efforts would lead to more frequent cycles of continuous improvement, creating better programming for young people. Currently, the misalignment between funding, program design, and the needs of the participants are significant challenges for organizations. Youth workforce development providers should be included as co-designers of the program and their budget.

When considering what success looks like and the impact they are making, service providers would like to focus on their programmatic outcomes (e.g., participants successfully gaining meaningful work experience) versus outputs (e.g., program enrollment). Government funders should center outcomes over outputs in program design and reporting. This would align the evaluation process with the goals of the programming rather than the minutiae of day-to-day program execution. Providers often feel that contracts are often insufficient and inflexible, with rigid timelines and specific allocation requirements that do not align with the experience and needs of organizations that are delivering the programs. Organizations understand their community's needs and have valuable input for how the design of programs can improve to meet the needs of participants.

Recommendations

Engaging youth, especially opportunity youth, in meaningful job experience and career readiness activities is a key strategy to drive economic mobility and prevent systems involvement. The findings of this analysis demonstrate that there are opportunities to strengthen the partnership between government agencies and contracted workforce development services providers for even greater impact.

Drawing on the findings above, NFF has developed the following recommendations for local government funders of youth workforce development programs. Recommendations are divided into those that could be implemented in the near-term and those that may require a longer timeframe to implement.

IMMEDIATE ACTIONS

1. Collaboratively advocate for dedicated state funding that would allow for increases in per-participant budgets and higher indirect rate coverage.

For over 15 years, LA County and City have dedicated general fund resources to subsidize work experience opportunities for young people, recognizing the critical role these programs play in developing early job skills and creating pathways to long term career success. However, these local dollars are still insufficient to meet the critical need for skills training for LA County's rising workforce which comprises 1.2 million young people ages 16-24.

Local government agencies could work in partnership with providers to advocate to state and federal leaders for significant investments in youth job programs that have been overlooked for over a decade. Additional public funding should specifically go toward supporting the following recommendations that will enable providers to do their current work well and equitably (not to do more).

- **Align with U.S. Office of Management and Budget's guidance and raise the rate for indirect costs to a minimum of 15% of direct costs, honoring subrecipients' federally negotiated indirect cost rates where applicable.**

  Given the recent update to the U.S. Office of Management and Budget's (OMB) Guidance for Grants and Agreements[11], several changes took effect October 1, 2024. Local government funders should pay particular attention to the updated guidance regarding passthrough funds, including honoring the de minimis indirect cost rate standard of 15% of direct costs or the applicable negotiated indirect cost rate agreement (NICRA) when calculating indirect cost amounts for subrecipients. Of particular importance is OMB's emphasis on ensuring that this minimum be applied to pass-through funds, and their intent to enforce the requirement that pass-through agencies cannot compel subrecipients to accept a lower indirect rate. OMB states, "This change would allow for a more reasonable and realistic recovery of indirect costs, particularly for new or inexperienced organizations that may not have the capacity to undergo a formal rate negotiation, but still deserve to be fully compensated for their overhead costs." That said, it is critical to keep in mind that the full cost needs of youth workforce development service providers in the Los Angeles area include both direct and indirect costs that are well beyond the difference

11 National Council of Nonprofits, "OMB Uniform Guidance Final Rule," April 4, 2024, https://www.councilofnonprofits.org/files/media/documents/2024/ncn-analysis-omb-uniform-guidance-final-rule-2024.pdf

that will be achieved by these new guidelines alone. Additionally, being able to charge a minimum 15% indirect cost rate would be most meaningful if the total award increases accordingly, so that the increase in indirect costs does not eat into organizations' direct cost needs.

Alternatively, to support the coverage of the administrative functions needed to deliver programs, City and County departments could also allow administrative positions such as accountants to be charged as a direct staff expense given that a portion of their work is directly in service of the contract and the contract could not be carried out without this staff time.

Providers understand that local government agencies need to cover the costs of administrating pass-through funds to community organizations, but reducing the allowable indirect rate for nonprofit grantees to less than 15% creates undue burden on the providers to meet administrative infrastructure needs. While pass-through funding agencies should not rely on the indirect rate increase alone to solve for the financial challenges described in this report, updated federal guidelines provide the opportunity to move the needle.

- **Increase the provider portion of per participant funding so that providers can raise wages and benefits for staff to be on par with equivalent City and County staff doing the same jobs, as well as hire and retain necessary positions for program success.**

Youth workforce development programming is made possible by the labor of nonprofit workers, and compensating these workers with competitive wages and benefits that rise with the cost of living would enable organizations to attract and retain experienced workers and operate more effectively. The City and the County could provide budgets that allow nonprofits to provide comparable salaries to comparable jobs, which may require a more detailed comparison study of jobs.

> The cost of turnover is a major and often hidden expense borne by employers, with every replacement costing an organization in the range of one-half to two times the position's annual salary.

Organizations shared that given the current gap between compensation provided by their programs, as set forth in their contracts with the City and County, and the compensation offered at City and County agencies, youth workforce programs are unable to effectively compete with their funders for experienced talent. For example, our cohort analysis found that:

- Participating organizations' case managers are paid on average $58,302. For comparison, LA County GAIN workers (case managers for workforce) can be paid in the range of $49,884-$74,928. The average salary was not available at the time of this report, but we would encourage the County to provide this information to understand if nonprofit staff doing similar jobs are being paid comparably.
- The average current pay for outreach and partnership specialists is $65,418. For comparison, the midpoint of the compensation band for community outreach organizers with LAUSD is $104,617.

Labor economics research finds that the cost of turnover is a major and often hidden expense borne by employers, with every replacement costing an organization in the range of one-half to two times the position's annual salary.[12] These costs include advertising for positions, the staff time required to engage in the hiring and training process, and the reduced productivity that comes with gaps in

12 McFeely, Shane and Ben Wigert, Gallup, "This Fixable Problem Costs U.S. Businesses $1 Trillion," March 13, 2019, https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx

capacity during vacancies and onboarding. Adjusting contract budgets to allow for market-rate wages and benefits, and annual increases that track with cost of living, would go a long way in improving effectiveness for youth workforce development programming in the Los Angeles area.

In addition to supporting current positions with more equitable and sustainable salaries, more funding will allow organizations to add staff positions that will improve outcomes, such as a job development and placement specialist. Some organizations have enough funding for this position, but for others it's an aspiration. Job development and placement specialist positions help build strong relationships with employers that are prepared to take on a youth in the program.

2. Provide up-front payments and flexible budget modifications. In addition, simplify reporting requirements by eliminating those that do not contribute to effective monitoring of the grant.

As shared in the analysis, youth workforce development providers operate with cost reimbursement contracts that put inequitable cashflow management pressure on providers, as they must front the expenses of delivering services until invoices are fully approved and they get reimbursed. Like the recommendation above regarding indirect rates, up-front payments and simplified reporting requirements are also part of the updated guidance being rolled out this fall by OMB to address the challenges faced by nonprofits using federal funds to support their communities. The OMB guidance provides that "once financial and written procedures are met, the recipient or subrecipient of federal grants must be paid in advance. Meanwhile, reimbursable grants are preferred only when those requirements cannot be met. The guidance offers key flexibility as governments can be encouraged to make advance payments to nonprofits, rather than assuming that reimbursable grants are their only option or default.[13]" The guidance also provides that "Federal agencies are instructed to eliminate reports that are not necessary to effectively monitor the grant. By encouraging agencies to only measure things that matter, nonprofits are able to redirect their efforts

Re-envisioning the Budget: Investing in What is Needed

Cohort organizations shared necessary staff roles for implementing County and City programs successfully – helping youth gain employment experience that will support their long-term successes. There is opportunity to re-envision how to support success and invest in the staff it takes. Organizations shared the importance of the roles listed below, but they don't always have the funding to fully staff these positions:

- Case Manager working with no more than 25 youth at a time
- Job Development and Placement Specialist that builds relationships with employers as well as working with youth to place them in appropriate positions
- Navigator that helps the youth with getting through applications and other requirements for job success
- Compliance and Reporting Specialist that understands the systems and can complete necessary funder compliance tasks
- Administrative support, supervisors, and executive leadership
- Fund Manager/Finance Lead to manage budget and allocations

13 Social Current, "Oct. 7 Federal Update: Guidance to Facilitate Grant Applications Among Nonprofits," October 4, 2024. https://www.social-current.org/2024/10/oct-7-federal-update-guidance-to-facilitate-grant-applications-among-nonprofits/#:~:text=For%20the%20first%20time%2C%20nonprofits,must%20be%20paid%20in%20advance

from burdensome, needlessly complex reporting requirements toward serving their communities." By adopting these updated guidelines, pass-through agencies, such as LA City and County, have the opportunity to significantly reduce the administrative and financial burdens that providers currently bear in taking on youth workforce development contracts.

Notably, LA County Board of Supervisors recently adopted a motion in June 2024 that directed the County to advance payments to Los Angeles Homeless Services Authority (LAHSA) so that LAHSA could advance payments to their grantees given the burden that payment delays have caused on the homeless services sector.[14] The State of California also passed legislation (AB590) authorizing state agencies to advance 25% of a grant in recognition of the burden that reimbursement contracts have on nonprofit service providers.[15] Upon signing the legislation, Governor Newsom shared that he is "committed to expanding equitable access to state grants and contracts, and the utilization of advance payment is a strategy that may support various nonprofits working with disadvantaged, low-income, and under-resourced communities."

In addition to up-front payments, the City and County should provide a clear and easy pathway for budget modifications to be made within the contract year. In order to provide more flexibility within the constraints of restricted program budgets, organizations commonly receive grants with a specific program budget with an allowable percentage to shift across line items. Then there is a designated process for requesting approval for any changes to the project budget with exceptions to line-item overages, and a reporting process to document overall compliance with the terms of the funding agreement. The County and City should look to providing this model in a way that also includes quick turnarounds in approval to offer a balance between flexibility and accountability. In such situations, dollars are spent as agreed upon, but organizations can make shifts up to a certain amount without waiting for approvals and also a clear pathway for communicating about and requesting changes as needed.

All cohort members recognize the importance of the appropriate stewardship of public dollars. However, as noted above, organizations reported that their program staff spend up to 50% of their time on managing reporting requirements, at the expense of program delivery. Participants noted that any efforts to reduce reporting burden would have an immediate positive impact on their teams' capacity to deliver services. By enabling them to spend more time with clients, this change would ultimately support better outcomes.

3. Give providers more time to adjust before implementing changes.

Cohort members noted that they are often notified about new funding opportunities or changes to processes with limited lead time. When special project opportunities arise that require fast action to move forward, it is important that funders recognize the power dynamic that exists between nonprofit organizations and their funders. In these situations, organizations often feel pressure to say yes to their funders – even when the ask is not feasible – because they fear that saying no may harm

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14 LA County Chief Executive Office, "Report Back on Alternative Payment Models for Homeless Service Providers," June, 18, 2024, https://file.lacounty.gov/SDSInter/bos/supdocs/192650.pdf

15 Office of the Governor, https://www.gov.ca.gov/wp-content/uploads/2023/10/AB-590-SIGN-MSG-1.pdf

their ability to secure future funding. The same dynamic exists when it comes to changes to reporting requirements, administrative processes, and other aspects of carrying out their programming. Last-minute changes can create significant negative impacts on staff, who are already capacity-constrained, and further contribute to burnout.

The more lead time organizations have to prepare for program changes, the more effective they will be in implementing them.

LONGER-TERM ACTIONS

1. Center outcomes over outputs, and embrace flexibility when organizations propose changes that would have positive impact.

Cohort members raised the need for more flexibility in how funds are spent so that they can better support positive outcomes. Wherever possible within federal and/or state funding guidelines, efforts to allow more flexibility within program design would enable organizations to operate more effectively. Examples cited by cohort members included the need for flexibility on the dates youth can enter and exit programming, allowing for participant incentive payments when possible, more flexibility for changes to program spending in response to changes on the ground, and increasing budgets to allocate more expenses toward staffing when being asked to deliver more services, rather than delivering more services within the originally allotted budget.

This analysis found that organizations would welcome an opportunity to re-envision how workforce development contracts and funding are carried out in Los Angeles, which could serve as a model for workforce development systems across the country that face similar challenges. Some potential ways to center outcomes over outputs include:

- **Alternative payment methods**: Identify an alternative payment mechanism that allows providers to be compensated for both the services rendered as well as the outcomes achieved with youth. Organizations understand what it takes to serve youth and are in a position to identify those costs holistically for their programs. If organizations could budget for the amount that they need to support youth toward specific outcomes, then they would have much more flexibility and data-informed budgets that meet those needs. This would also allow the organizations to critically consider how much it costs to serve youth that have higher barriers (e.g., out of school, justice involved, experiencing homelessness, etc.). Other LA programs, such as homeless services and mental health services, provide differential funding based on the acuity of individuals served in recognition of the additional services and supports it takes to help them navigate and address their needs. Identifying an alternative model for funding the complex services of workforce development for opportunity youth will help to incorporate learnings from providers and support more flexibility with how funding can support outcomes.
- **Mid-year budget revision**: County and City departments should consider a mid-year budget revision process (that includes a quick approval process) to provide service providers and pass-through agencies with the opportunity to adapt spending plans in response to changes and learnings they are experiencing so they can fully spend down their budgets. For example, if an organization has found by mid-year that they are struggling to hire for a vacant case manager position at the initially budgeted wage, and have had lower-than-budgeted spending on supportive services due to limited case manager capacity, being able to reallocate funds from

supportive services to staffing would enable them to move forward with a more realistic plan for the remainder of the year.

- **Increase flexibility with supportive services costs**: The City and County should consider broader categories of what is considered supportive services, within what is allowable by funding guidelines, and use data from providers to inform these broader categories. As stated earlier, there is an example of how a provider was not able to use supportive services to reimburse for rental deposit, but it would be allowable to use the funds for temporary housing. Providers have years of experience and data about what services are needed for programs to be successful and using that to determine guidelines will help to bridge the gap between what is allowable and what is needed.
- **Identify opportunities to track longer term outcomes**: While it may not be possible with government funding, opportunities to partner with philanthropy to provide sustainable resources that enable organizations to consistently track longer term outcomes for the youth they serve can support both the internal improvements to programs as well as identify the key areas for funding that are working. When contracts only rely on counts of services rendered, there is not an opportunity to understand how the service enabled the youth to enter into successful careers and support their families.

2. Co-design with service providers who have experience working with youth and delivering services, and consider varying needs across distinct populations when developing funding programs.

Youth workforce development service providers, and the youth who participate in their programs, hold critical expertise regarding the effectiveness of existing program models. They see firsthand the effects that spending caps, changes to eligibility criteria, and other funder-driven requirements have on the outcomes of their programming. However, their perspectives, insights, and ideas are often not incorporated into the design of new funding programs, resulting in a missed opportunity to improve program efficacy.

For example, clients facing multiple barriers to employment typically require multiple modes of support in order to successfully participate in youth workforce development programs. Effective support for high-needs populations requires a greater commitment of staff time and resources. As a result, jobs programs meant for one population cannot always be expanded to serve more populations at the same per-participant rate.

Structuring programs meant for high-needs populations, such as youth experiencing or at risk of homelessness, justice-involved, or foster youth, with a lower case-manager-to-client ratio would enable organizations to more effectively meet these needs and generate improved programmatic outcomes. Additionally, populations that experience a higher level of economic precarity, have less robust social support networks, or face other heightened barriers relevant to their ability to retain employment once secured may need longer-term support.

Involving service providers in decision-making on program and funding design would enable those with direct experience serving these populations to raise these dynamics during the program design process.

3. Take leadership on streamlining, reducing redundancies, and simplifying reporting and compliance processes for program providers.

One of the major findings in the 2021 Hire LA System Review and Revamp Report[16] was the burdensome administrative requirements of the program. Re-designing reporting processes with a more user-centered system and approach is an investment that will pay off for all providers and create efficiencies by reducing the amount of staff time spent on reporting. The one-time cost of designing and implementing a new system where County data systems can talk directly to City data systems will be paid off each year that staff is able to spend more time with youth and less on reporting. A consolidated system will also be an opportunity to partner with other social services agencies to have a fuller understanding of the services that youth are eligible for or receiving.

Los Angeles Youth Workforce Development Leaders Can Work Collaboratively to Ensure the Economic Mobility of LA Youth.

At present, youth workforce development programs are operating under constraints that are making their programming increasingly challenging and unsustainable. Service providers are passionate about carrying out their organizations' missions, are committed to achieving successful outcomes for their youth participants, and are faced with the reality that their impacts could be greater if their working conditions were to improve. By funding the full cost of what it takes to deliver these critical programs, Los Angeles government funders can strengthen the effectiveness that these organizations can achieve. Sustainable wages, flexible funding, and simpler reporting requirements would all contribute significantly to improving the effectiveness of these programs by enabling organizations to attract and retain talent, direct resources where they are most needed, and spend more time delivering the services that LA youth need.

NFF, OYC and youth workforce development providers look forward to working collaboratively with local, state, and federal partners to be innovative leaders in this sector and ensure our youth in LA can thrive.

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Acknowledgments

This report was commissioned by the Alliance for Children's Rights and UNITE-LA on behalf of the Los Angeles Opportunity Youth Collaborative with generous funding from the Conrad N. Hilton Foundation, Carl & Roberta Deutsch Foundation, Aspen Forum for Community Solutions at the Aspen Institute, Pritzker Foster Care Initiative, and The James Irvine Foundation.

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Special thanks to the following UNITE-LA and Opportunity Youth Collaborative staff for their valuable thought partnership, edits and contributions:

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We appreciate and acknowledge the five workforce development providers that spent time participating in this analysis and their dedication to serving youth in LA.

Photos in the report were taken by NFF of LA-based youth development workforce providers.

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