

**MINNESOTA DEPARTMENT OF
MILITARY AFFAIRS**

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**National Guard Youth Challenge
Program Study**



January 2009

Table of Contents

I.	Executive Summary.....	2
II.	Youth Challenge Background.....	6
III.	Program Description.....	6
IV.	Post Residential Mentoring.....	8
V.	Recruitment of At Risk Youth.....	9
VI.	Educational and Vocational Training.....	11
VII.	Facility and Transportation Issues.....	13
VIII.	Program Funding and Costs.....	14
IX.	Program Application and Startup Procedures.....	17
X.	Cost Benefit Analysis and Program Financial Audits.....	18
XI.	Recommendations.....	20
XII.	References and Resources.....	22

I. Executive Summary

The National Guard Youth Challenge is an innovative program that operates in 27 states and one territory. The program annually serves approximately 9,000 sixteen to eighteen year-old youth who are at a high risk of school dropout, teen parenting, drug addition, youth unemployment, criminal involvement and incarceration.

The Youth Challenge program implements an intensive, military academy style residential program that promotes a return to high school, post secondary educational enrollment, a job, or military enlistment. This transition is supported by a year-long post residential mentoring relationship.

These cadets live, work, and are educated in a military style structure that offers opportunities to build camaraderie, to work as a team and to learn both leadership and "followership" skills.

While the Youth Challenge program is partially funded by the federal government, it leaves the individual States authority to innovate and adapt the program to local circumstances and to develop the program's educational goals and structure.

Challenge programs that become certified alternative high schools work closely with the appropriate State Department of Education to develop curriculum which allows credit recapture, high school diplomas, or a reentering of high school. Other Challenge programs provide education and core components that specialize on vocational job training and placement.

Youth Challenge programs are required to develop educational, vocational and community service programs that follow eight core components:

Academic Excellence
Job Skills
Life Coping Skills
Service to Community

Leadership/Followership
Responsible Citizenship
Health and Hygiene
Physical Fitness.

ChalleNGe Fast Facts

- Multi Phase Intervention Program
- Targets 16-18 Year Old at Risk High school Dropouts
- 5-1/2 Month Residential Military Based Discipline and Training
- Goal to Improve Education, Life Skills and Employment Potential
- 1 Year Post Residential Mentoring Period
- Partnership with 60% Federal and 40% State Match Funds

Statistics to Date

196,650 Applicants

93,791 Enrollees

73,984 Graduates

47,679 Academic
Credentials

5,318,021 Hours of Service
to Community

These core components become the backbone of the education, vocational training and community service delivered within each program.

The Youth Challenge Program is designed around a model that consists of three phases; in the first phase the applicant participates in a physically and mentally intensive two-week Pre-Challenge Residential Phase. This is a trial period in which each cadet proves his or her commitment to the program. Those who pass this phase enter the twenty-week Residential Phase and begin school, training and community service. The third phase is a twelve-month Post-Residential Mentoring Phase in which cadets are matched with pre-determined community mentors to continue positive behavioral skills.

In both Residential Phases, the cadets receive an education and 24-hour a day support by military style trained Cadre with support from counseling staff. Teachers are typically contracted from the local school district to provide the educational instruction and testing. Classroom discipline is strict with program Cadre providing supervision and enforcement of policy and classroom etiquette.

All programs follow similar procedures during recruitment of at-risk youth, including the enforcement of eligibility requirements and the use of a Pre-Challenge Phase to screen applicants. In many cases, recruitment goals are set for 300 applicants, of whom only 150 are invited to an orientation. From this orientation, about 125 youth will be selected to attend the Pre-Challenge Phase with a goal of entering and graduating 100 cadets. Applicants are also pre-screened for drug use and medical conditions prior to formal enrollment.

The Youth Challenge Program is voluntary on the part of the applicant but is not negotiable with regards to policy, discipline, or participation. Cadets enrolled in the program may choose to withdraw at any time or can be expelled for any violation of policy such as drug use, violence or lack of participation.

The State Adjutant General is responsible for the program under a cooperative agreement with the National Guard Bureau and provides the physical facility. The initial intent of the program was to use existing facilities on military installations but many programs have had greater success placing the program near the population served – typically in or near metropolitan areas.

A Youth Challenge facility requires separate dormitories for at least 100 men and women, dining facilities, classrooms, a drill floor, library services, computer labs, administration offices, and ancillary support service areas. Physical training infrastructure is required and generally consists of obstacle courses and rope climbing to build confidence skills. In addition, buses and vans are required to transport cadets during community service work or special functions.

The National Guard maintains and operates Camp Ripley near Little Falls and an Army Training Site in Arden Hills that have adequate land for a Youth Camp facility. However, existing structures are currently utilized for military purposes and are not available to accommodate a Challenge program at Camp Ripley and there are no structures at the Arden Hills Army Training Site. The National Guard also operates airbases in Duluth and Minneapolis but these bases lack adequate facilities to accommodate a Youth Challenge program. Construction of a new facility to accommodate a Youth Challenge program is an estimated \$5 million.

The Minneapolis Public School District has twelve closed schools in their inventory for possible redevelopment. These facilities would require extensive remodeling to provide dormitory space, shower facilities and other improvements to accommodate usage. The estimated sale value of these properties is between \$1.4 million and \$2.5 million. Another possible site is the former St. Croix Boys Camp in Pine County. This facility has been listed for sale by the Department of Administration with a minimum bid of \$1.1 million, but this site would require rehabilitation.

The National Guard Bureau provides up to 60 percent of program funding while the State is responsible for the remaining 40 percent match. This federal/state match funding is based on a formula of \$14,000 per anticipated graduated cadet. A typical Youth Challenge program has a graduation goal of two classes of 100 cadets per year. The federal government would reimburse the state 60% of the total costs or \$1.68 million. The State is required to match the remaining 40% or \$1.12 million per year and is responsible for any cost increase above the agreed to budget amount.

In addition, the State is required to pay for new construction or rehabilitation of existing structures to accommodate a Youth Challenge program and startup costs for staffing and recruitment expenses incurred six months before the first class start date. The National Guard Bureau estimates a sixteen month proposed startup schedule but most existing and startup program directors have stated that at a minimum, startup planning and recruitment takes two years or longer to be effective.

State matching funds to administer the Youth Challenge Programs may be obtained from a variety of sources including legislative appropriations, education funding sources and donations from businesses and community charities. Three states have recently suspended their Youth Challenge Programs due to lack of state match funding for administration of their programs.

Recommendation: The Department of Military Affairs does not recommend establishing a National Guard Youth Challenge program in Minnesota at this time based on the following findings:

- It is expected that the Department of Defense will incur budget reductions under the new Administration that may impact funding for the Federal match portions for the Youth Challenge program or at a minimum limit funding to existing programs;

- The State of Minnesota is expecting a serious budget shortfall for the biennium and funding for the State match portion for facility construction/rehabilitation, estimated startup costs and the required annual State match may be severely limited. Programs like the Youth Challenge require a stable and certain source of funding to assure success;
- The Minnesota Department of Education was selected as one of two states nationwide to receive a School Dropout Prevention grant from the U.S. Department of Education. One of the goals was to increase successful school completion for groups of students who are at greater risk (on average) of leaving school before getting a diploma. The Department of Military Affairs believes that the Department of Education is best equipped to develop dropout retention programs and educate our at risk youth; and
- The Department of Military Affairs is focused on the important issues of sustaining our role as a key component of national defense, responding to State disasters and emergencies and being a unique capability for the community. Standing up a Youth Challenge program in Minnesota at this time may detract from these missions.

II. National Guard Youth Challenge Background

In the early 1990's, Congress recognized the inherent community strengths of the National Guard as well as its ability to train, lead, and mentor young people in a caring yet disciplined environment. In 1993, the National Guard Bureau founded the Youth Challenge Program to give troubled youth the opportunity to turn their lives around. This voluntary, preventive program was designed to help young people improve their life skills, education levels and employment potential.

The National Guard Youth Challenge Program was authorized by Congress in the 1993 Defense Authorization Bill as a pilot program with the National Guard Bureau providing 75% of the program funds with the States providing a 25% match. The original agreements between the National Guard Bureau and the State Governors and Adjutants General allowed ten selected States to identify a targeted number of diverse at-risk youth and to provide a seventeen-month Youth Challenge Program.

By 1995, fifteen States were participating in the Youth Challenge Program with another twenty-three States on a waiting list for program approval. In 1998, Congress authorized the program at up to a 60% Federal and 40% State match funding formula. Continued authorization for the Youth Challenge Program is contained in the legislation for the Department of Defense and every year an appropriation includes line item funding for the program. Throughout the Youth Challenge Programs existence, the funding formula of \$14,000 per cadet has not changed and congress has not provided any additional funds for inflationary expenses.

In support of the Youth Challenge Program, the National Guard Youth Foundation was created as a non-profit organization to promote the program and activities. As of fiscal year 2007 there were 33 Challenge Programs in 27 states, the District of Columbia and in Puerto Rico. Since inception, nearly 74,000 cadets have graduated from the program with over 47,000 receiving academic credentials.

III. Youth Challenge Program Description

The Youth Challenge is a community based program that leads, trains, and mentors at-risk youth to become productive, employed, and law abiding citizens in America's future. The goal of the program is to determine whether life skills, education levels, and employment potential of youth who drop out of secondary school could be significantly improved through quasi-military assisted training.

Youth Challenge enrollment is completely voluntary and requires a strong commitment from both the student and parents. The experience of living and learning in a structured environment surrounded by people who care builds in these youth a sense of self-confidence and accomplishment. In 2007, ninety-five percent of the 7,000 targeted youth successfully completed the Residential Phase of the program.

Led by professionals who emphasize military style discipline, education and life skills, the Youth Challenge Program provides high school dropouts the chance to become productive and accomplished in their chosen field. Sixteen to eighteen year-old high school dropouts are eligible to apply for the 17-month program, which includes a five-month residential phase followed by a 12-month post residential mentoring phase. The goal is to challenge each participant academically, physically, psychologically, and emotionally so that they can function productively in the community.

Each Youth Challenge Program operates two residential classes per year, one of which begins in January and the other in July. The graduation goal is 100 students per class, or 200 per year, although several programs graduate more students or have multiple programs within their state. Louisiana for instance has three programs located around their state while California has two.

The program was designed around a model identified by The Center for Strategic & International Studies and consists of three phases: a two-week Pre-Challenge Residential Phase, a twenty-week Residential Phase, and a twelve-month Post-Residential Mentoring Phase.

Youth Challenge Program staff pre-screen applicants and select those most likely to complete the entire program. During the Pre-Challenge Phase, applicants are assessed for their ability and motivation to complete the remaining 20 weeks of the residential program. During these two weeks, the candidates are tested physically and emotionally against rigid standards. Applicants have an opportunity to adjust to the physical, mental, and social discipline of the program. The main focus is on teamwork, close order drill, code of conduct, leadership, followership practices, and physical fitness training. Candidates that demonstrate the motivation and ability during this pre-screening are formally accepted and enrolled in the Challenge Program in numbers that equal each program's graduation target plus a normal program attrition rate. Historically, at this point over 90% of these cadets will successfully complete the program.

The Pre-Challenge Phase is followed by a twenty-week residential academic classroom instruction period. In the Residential Phase, students receive military-based training and supervised work experience. The Youth Challenge Program uses eight core components in a quasi-military environment during the 22-week residential and one year post-residential mentoring phase of the program. Quasi-military is a term used to describe the program because it resembles military training. The structured environment includes many aspects related to military training such as paying attention to detail, respect, self-discipline and a chain of command.

Daily activities and service to the community build the cadet's job skills and self-concept. The academic program prepares cadets for the General Education Development (GED) exam or to obtain high school credits at the end of the Residential Phase. During this phase cadets also develop a Life Plan that outlines their 12-month Post-Residential development and provides guidance for their mentors during the transition.

The final Challenge Phase is a 12 month period when the student returns to the community to implement goals, objectives, placement and post residential activities developed while in the residential phase. All students must have a written post residential placement plan to be eligible to graduate. This plan is used to monitor placement activities and selected mentors use this plan during their interactions with graduates.

IV. Post Residential Mentoring

The Post-Residential Phase is structured for long-term follow-up with individual mentors aged 21 or over that are matched to each student. These potential mentors are screened and trained prior to being assigned to a student mid-way through the Residential Phase. Mentors help support the cadet during the remainder of the program and help them prepare to reenter community life.

The Challenge mentoring model is a "friendly match" in which the youth identifies an individual who will be a friend and support system during the 12-month post-residential phase and very often beyond. The mentor becomes a friend and advisor for the young person. In short, the mentor is there to help the cadet become a responsible, contributing member of society.

The mentor relationship begins in the 13th week of the Residential Phase. At that time there is a Mentor/Cadet matching ceremony. From week 13 until the end of the 20-week Residential Phase, the mentor and the cadet correspond by way of letter writing. During the final program phase, mentors are required to have four monthly contacts with the cadet with at least one of these meetings in person. Mentors and students discuss the student's future plans and spend off-site time together, often providing service to the community or exploring job and school opportunities.

The mission of a Mentor is to identify the goals that the graduate has set during the Residential Phase and then to successfully assist that graduate in integrating those goals into real achievements. The goal is to help young people gain the skills and confidence to be responsible for their future in academic and occupational endeavors. According to juvenile justice experts, mentoring is one of the most important aspects of juvenile crime prevention. The key to success is follow-up and accountability.

Many state programs require at least two mentors to be identified during the application phase. However, not all students are able to identify a friendly match; so many programs are often in need of additional mentors to meet the programs need.

V. Recruitment of Youth at Risk

The Youth Challenge Program is preventive rather than remedial, focusing on educating at-risk youth and becoming involved with them before crime becomes a lifestyle. The fundamental nature of the Youth Challenge Program is to recognize those youth with the greatest disposition towards correcting the harmful influences on their lives and avoiding or reversing those negative impacts.

The target population is generally students who are considered "at risk", of dropping out of high school, not attending school or are failing in school. Students must be able and willing to participate in all eight core areas to graduate. A student who enrolls must stay in the residential phase the entire five months and graduate to receive any education credits, high school diploma or GED. It is all or nothing.

To be eligible, an applicant must be a high school dropout or at risk of dropping out and be 16 to 18 years old. Applicants are required to have at least one eligible mentor for the post residential phase prior to enrollment. Applicants must be drug free at the time of entrance and may not be on probation or parole. An individual with a felony crime conviction is not eligible to enroll regardless of the situation.

The average age of the Challenge participant is 17 years and four months at the time of graduation from the Residential Phase. Although the program can accept participants between the ages of 16 and 18, more than three quarters of those who enter the Residential Phase are 17 to 18 years old.

Recruitment procedures are very strict for the Challenge Program. Potential applicants must complete an intensive application that includes information that program staff use to conduct background checks, determine medical and emotional conditions and document mandated eligibility criteria. Medical documentation including a current physical, eye examination, dentistry, health insurance coverage and an understanding of limited medical availability must be signed and included in the application.

Cadets will be challenged both mentally and physically during the program and applicants with medical or emotional conditions that limit physical activity or rely heavily on medical interventions will be disqualified during the application process. A nurse practitioner is locally contracted to provide an initial medical screening of all applications and will determine if the applicant could participate and finish the program. Applicants with mental or physical disabilities will be a disqualified during the application process.

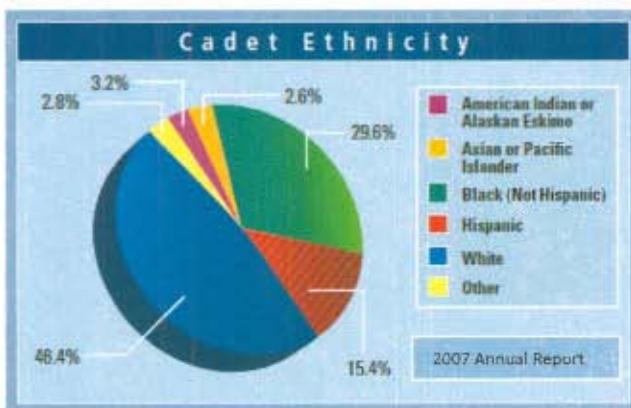
Potential cadets that are selected during the initial application process will be invited to a family orientation. This mandatory orientation details the strict policies and procedures that take place during the two-week Pre-Challenge screening process. During this two week Pre-Challenge Phase cadets must demonstrate they are capable and willing to complete the next residential phase and pass drug and alcohol screening. At any time

during the Pre-Challenge testing phase cadets can be expelled from the program for not meeting participation standards, lack of discipline or any violation of policy.

Since recruitment standards are strict and the program very intense, each program must recruit at least three times the number it plans to graduate. In many cases, program recruitment goals are set for well over 300 applicants of whom 150 are invited to the mandated orientation. From this orientation, each program will select about 125 youth to the Pre-Challenge Phase with a goal of entering and graduating 100 cadets from the residential phase.

The Youth Challenge Program is voluntary on the part of the applicant but it is all or nothing. Policy, discipline and participation is not negotiable. Cadets enrolled in the program may choose to withdraw at any time or can be expelled for any violation of policy such as drugs, violence or lack of participation.

According to program audits, Challenge participants represent a relatively balanced blend of ethnicities. These percentages are similar to those reported for high school dropouts. To date, there is no demonstrated probability for success in the Challenge program based on either ethnicity or gender. Nationally, the majority of cadets enrolled



in the program were Caucasian, African American and Hispanic. Asian, Native American and other groups accounted for less than 10% of the cadet population.

Females represent 20% of the population while males continue to make up the majority in the program. This is and has been the historical average for gender make-up across all Youth Challenge Programs and a

review of the individual state programs present a similar representation plus or minus two percent.

Nationally, the voluntary and involuntary terminations from the Youth Challenge programs are tracked during the Residential Phase. Twenty-two percent of the applicants that were accepted into the Challenge program in 2007 failed to complete the Residential Phase. The highest rate of terminations occurred during Weeks 3 through 5, shortly after the academic classes were introduced into the schedule.

Participants in the Youth Challenge program either identify for themselves or are identified by staff as an improper fit for the program and are terminated. Although the activities of those who leave the program are not formally monitored following their departure, anecdotally, many report they are returning to high school. The reasons that participants terminate from the Challenge program vary. Overall, half of those

terminated during the Residential Phase left due to unacceptable behavior, and nearly a third left either at the request of their parents, or because they chose to leave.

VI. Educational and Vocational Opportunities

A quasi-military environment is structured for the 22-week Residential Phase and consists of an intervention model of the eight core components designed to improve individual skills and enhance the holistic growth of the participants. The Post-Residential Phase is structured for long-term follow-up with mentors being assigned to each student during which time the cadet continues educational, military or work opportunities.

The Youth Challenge Program allows states room to innovate and adapt the program to local circumstances and allows flexibility in developing the programs educational goals and structure to meet the needs of the cadets. Each state is allowed to develop a program with varied educational, vocational and community service curriculum but is required to incorporate the eight core components and tasks, conditions, and standards. The cadet must demonstrate progress in each component and receive a testing score of at least 80 percent on each core component to be graduated from the program. These core components are as follows:

Leadership/Followership – in which cadets learn positive leadership and followership responsibilities and positive roles within social groups.

Responsible Citizenship – where youth understand the civic responsibilities and the role of a positive citizen within the community.

Academic Excellence – to increase grade levels in reading and mathematics, attain a GED or high school diploma and pursue higher education.

Job Skills – where cadets learn basic employment skills, resume writing, job interview techniques and career exploration.

Life Coping Skills – so youth learn personal financial management, teamwork skills, anger management, and drug and alcohol avoidance strategies.

Health and Hygiene – to increase and understand nutrition basics, substance abuse awareness and positive personal relationships.

Service to Community – so cadets can give back to the community by performing a minimum of 40 hours of service to the community.

Physical Fitness – focused on improving the youth's personal fitness through daily exercise activities and intramural sports.

State Challenge programs have developed models that become certified alternative high schools or focus on training for GED testing and job development skills. Challenge programs that become certified alternative high schools are closely matched with the appropriate State Department of Education to develop curriculum which allows credit recapture, high school diplomas, or a reenter of high school. Other Challenge programs provide education and core components that specialize on vocational job training and placement.

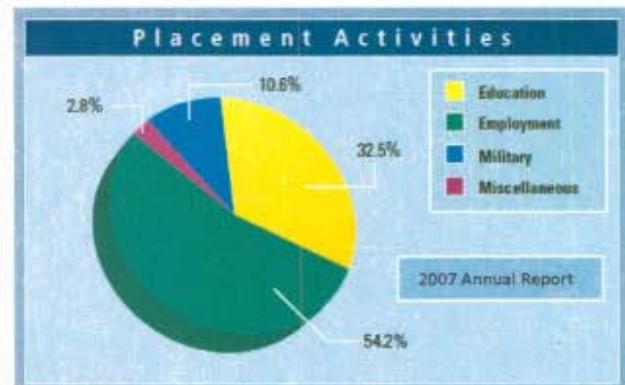
In many programs, local school districts are contracted to provide curriculum development, to provide teachers, and to administer the GED program or testing required for high school continued education credits and/or diploma. Educators in the program do not provide classroom discipline; this is done by Cadre staff working alongside teachers in a quasi-military approach. Cadre staff utilize a "Hands Off", tough love, caring, disciplined approach to instill values, train, and instruct each cadet.

Typically, cadets are in the classroom 4 days each week and completing work projects for the remainder of the week. These work assignments are designed to foster initiative, flexibility, creativity, and leadership. Important skills are reinforced so that they are understood and incorporated by the cadets as part of their work ethic in all tasks.

The critical work ethics portion of the program teaches cadets to accept work assignments which vary in scope and length. Vocational skills are taught to all cadets enrolled in the program and include training in food handling, maintenance and other job skills based on local community needs. In many programs, cadets assist with food preparation and are awarded a food handlers license at graduation. In addition, letters of recommendation from staff are given to cadets that have gained experience in work related activities. In many programs, cadets provide many of the maintenance and facility cleaning tasks to reduce operational costs and to learn life skills.

The challenge programs vary in the extent to which they include vocational instruction in the basic residential program. In Florida, exposure to various vocations is part of the core program. Participants choose vocational areas based on interests and then participate in a computer based occupational introduction where they are exposed to 20 different high demand occupations.

Service to community is a vital program goal and cadets are required to provide at least 40 hours of community service to graduate. All community service activities require teachable lesson plans and must provide value to the cadet and community. Community Services events include providing ceremonial color guards and drill teams at



local events, clearing brush for fire protection and construction of community parks. Cadets are provided with clear objectives and needs for each community service task to ensure an understanding of the importance of giving back to the community. Community service activities also allow program visibility in future recruitment opportunities.

Each Challenge Program is required to track and report placement activity at the end of the 12-month Post-Residential follow-up period to the National Guard Bureau. To further assess the long-term impact of the program, the National Guard Bureau has contracted with AOC Solutions, Inc. to conduct a retrospective longitudinal study of program graduates as well as students who did not complete the program starting in 2008.

VII. Youth Challenge Facilities and Transportation

Most Youth Challenge Programs utilize existing National Guard facilities for housing cadets enlisted in the program. The residential facilities, located on an active or closed National Guard base, a National Guard training center, or school campus, accommodate an average of 100 participants, with separate quarters for men and women.

A Youth Challenge facility requires separate dormitories for men and women, dining facilities, classrooms, a drill floor, library services, computer labs, administration offices, and ancillary support service areas. Physical training infrastructure is also required and generally consists of obstacle courses and rope climbing systems to build confidence skills and to provide 2 hours of physical training each day. Program's that are located on military installations usually share existing physical training systems that are constructed for military training.

In some states, the program facility is located as a standalone building when military structures are not available or too remote for the program to effectively recruit youth, staff or contract for support services such as food service and teachers. Location is also important for the well being of the cadet and the need for family support during family days and the occasional weekend leave.

Cadets are not allowed to use telephones, radios, television or other devices since it distracts from the program goals. The informal motto from program administration is "if we didn't provide you don't need it". Cadets instead write letters to family, friends and mentors and are encouraged to journal.

Current National Guard facilities with the necessary land for new construction to facilitate a Youth Challenge facility include Camp Ripley near Little Falls and the Army Training Center in Arden Hills. However, existing structures at Camp Ripley are currently in use for military purposes and the Arden Hills location does not have adequate existing structures. The National Guard airbases in Duluth and Minneapolis lack both land for new construction or structures to accommodate a Challenge program.

New construction for facilities and infrastructure or facility rehabilitation costs can be substantial and is directly paid by the State. Washington State is currently constructing a standalone facility for a cost of \$5 million including classrooms, dormitories and ancillary facilities. In Oregon, the state leases a Department of Defense building and rehabilitated the structure to accommodate their program with costs well over \$500,000.

The Minneapolis Public School District (MPSD) has twelve closed schools for sale and redevelopment possibility. These schools were recently closed and could provide a possible location for a Youth Challenge Program. These older schools would require extensive rehabilitation to provide dorm rooms and other residential accommodations required to house the students in a 24 hour 7 day a week setting. These schools have existing educational infrastructure including classrooms, auditorium space and kitchen facilities but lack the dormitory requirements.

The Minneapolis School district intends to sell the buildings with an anticipated selling price between \$1.4 million and \$2.5 million. These buildings would also require additional rehabilitation costs to provide adequate residential accommodations. However, the four year average operating costs for these schools are \$156,000 per year which is line with the cooperative agreement budget amount. A secondary benefit of purchasing an existing school would be the value of community service that could take place within these neighborhoods.

The Minnesota Department of Administration has property for sale that was formerly used as the Saint Croix Boys Camp in Pine County between the Twin Cities and Duluth. The minimum purchase price of the property is \$1.1 Million and includes an administration building, school, dormitory, dining facility and other support buildings that could be used for a Youth Challenge program. Limited rehabilitation would be required since the buildings have been unoccupied for a few years. This location is more remote but includes 81 acres along the St. Croix River.

Transportation must be arraigned for the cadets to provide community service functions in and around the communities and for recruitment activities. Typically, buses and vans are used to move cadets during this community service work or to special functions. The National Guard Bureau recommends the use of existing military vehicles but most state programs purchase or lease vehicles due to scheduling conflicts, specific program needs and to remain flexible.

VIII. Youth Challenge Funding and Costs

The National Guard Youth Challenge Program is the only national at-risk youth program that requires a Federal/State cost sharing arrangement. All other youth programs such as Head Start, YouthBuild USA, National Civilian Community Corps, and Job Corps are 100% federally funded. In addition, Congress has not provided additional funds for the programs inflationary expenses.

Prior to 1998, the federal government, through the Department of Defense, completely funded the Youth Challenge Program. In fiscal year 1998, Congress began requiring states to provide a minimum of 25 percent of the programs operating cost. The state cost share increased 5 percent each year until fiscal year 2001 when it reached the current funding requirement of 40 percent state matching funds.

Youth Challenge Programs are initially funded for an annual target enrollment of 200 cadets per year or 100 per class. If a state can support a larger enrollment it is not limited to 200 cadets a year and some states have multiple programs in various locations. Since program overhead and facility construction or rehabilitation costs can be substantial, smaller class sizes are discouraged.

Yearly, each program submits a budget to the National Guard Bureau that is based on the targeted number of graduates. Since the program's inception, the funding provided by the National Guard Bureau has been based on a cost per graduate of \$14,000. For example, if a state has a target of 100 students per class (200 per year) to graduate, the estimated program budget would be \$2.8 million. The federal contribution, or 60 percent of the total, would be \$1.68 million, while the state contribution would be \$1.12 million. Any additional costs incurred above the approved budgeted amount for that year must be paid by the State.

To receive federal funding, a State must certify that it has sufficient funds to provide its 40 percent match share. State match funds can be composed of cash, noncash supplies, services, or a combination of these sources. States are allowed to provide additional funding over and above the 40 percent share to the program from sources such as individual and corporate donations, additional moneys from the state general fund, or other state revenue sources.

In addition to the federal and state funds used to operate each program, the Department of Defense provides funds for National Guard Bureau management expenses such as program evaluations, contractor provided training, and travel for training and workshops. These National Guard Bureau program management costs are not subject to the federal/state matching cost share requirements.

Results from a General Accounting Office survey of all Challenge Programs detailed that in fiscal year 2004, states actually spent between \$9,300 and \$31,031 per graduate with the average cost at \$15,898. In addition, this survey indicated that, on average, states estimated that the program should be funded at approximately \$16,900 per targeted graduate to cover all of the requirements in the cooperative agreement. Most Challenge Program officials told the General Accounting Office that increasing the cost per student funding level for the program without increasing the matching federal cost share would negatively impact their programs due to lack of additional State match money.

The State program is responsible for construction or rehabilitation of existing structures necessary to accommodate a Youth Challenge Program. Federal funds for

improvements or modifications of facilities will be limited to general upkeep, maintenance and limited modernization changes to make facilities safe and habitable by the cadet members. The construction of new dormitories, dining facilities, office space, or classrooms is not authorized under the funding portion of the cooperative agreement with the National Guard Bureau. Funding and payment to the State for improvements and/or modifications to facilities must be approved and not exceed \$100,000 per building, per year, unless granted an exception to policy by the Assistant Secretary of Defense for Reserve Affairs.

State Youth Challenge programs are mainly located on military installations but in areas where military facilities are not available or too remote for efficient recruitment or operation, stand alone facilities are constructed or retrofitted. Construction and rehabilitation costs can be a large initial investment for the state. In 2008, the Washington State program spent \$5 million for a new stand alone facility including dormitory and classroom facilities. Many other surveyed states have retrofitted existing facilities with costs in excess of \$1 million.

The Federal government will reimburse the State for costs of staffing the program and include state benefits. Personnel costs to administer the program cannot exceed 80% of the total annual funding level in the cooperative agreement. State programs may select any combination of positions authorized by the staffing model at their level of organization (e.g. 100, 144, 175, 200, or 400 graduates per year) and funding will be based on this graduation level.

The Youth Challenge Program staff is paid through each State's finance system and they are considered State employees. Federal Challenge funds and minimum State matching funds may not be used to fund increased salary levels above those authorized in the staffing model. All salary payments to program staff above approved salary levels must be paid with State discretionary funds. Requests for exception to this policy must be fully justified and certified by the State Department of Labor or appropriate personnel office, and transmitted by The Adjutant General to the National Guard Bureau for review and possible approval.

The cooperative agreement allows matching reimbursement for supplies, services and equipment including computers, required for the operation and conduct of the program. Specific limits are placed on funds used for ancillary support of the program. Computer systems for example, are limited to the amount specified in the approved state plan and network costs cannot exceed \$100,000 per system unless the State pays for the entire increase.

At the Adjutant General's discretion, a cadet graduation allowance of up to \$2,200 may be paid during the Post-Residential Phase as a stipend. This graduation allowance may be used to facilitate cadet success and ensure reporting accountability in the Post-Residential Phase. Cadets must have successfully graduated from the Residential Phase of the program and be in a positive placement position to qualify for graduation

allowance payments. Many State programs do not provide these stipend payments due to tight financial constraints in administering their programs.

State matching funds to administer the Youth Challenge Programs are obtained from a variety of sources including legislative appropriations, education funding sources and donations from businesses and community charities. In Wisconsin, Alaska and Wyoming for instance, the Department of Public Instruction reduces the student equalization aid payment to each school district that has cadets enrolled in their programs. In Texas, the state program is matched by yearly legislative appropriations. Washington State uses education money and is currently working with the Microsoft Corporation to provide \$350,000 in donations for software and computer equipment through the States non-profit Youth Challenge Foundation.

Initial program startup costs are allowed up to six months prior to the first class start date. However, administrative and recruitment must be completed well before this six month timeframe. This is important to note since the State must pay for these additional startup costs. During site visits in Oregon and Washington State, program administrators recommend that at a minimum, a Director and Administrative Assistant be hired at 1-1/2 years out to setup and coordinate the program startup. At one year out a business manager, deputy director, commandant, and three academy coordinators should be staffed. All other staffing functions could be effectively staffed at the six month timeframe. This suggested startup staffing would obligate the State an estimated \$350,000 in additional startup costs.

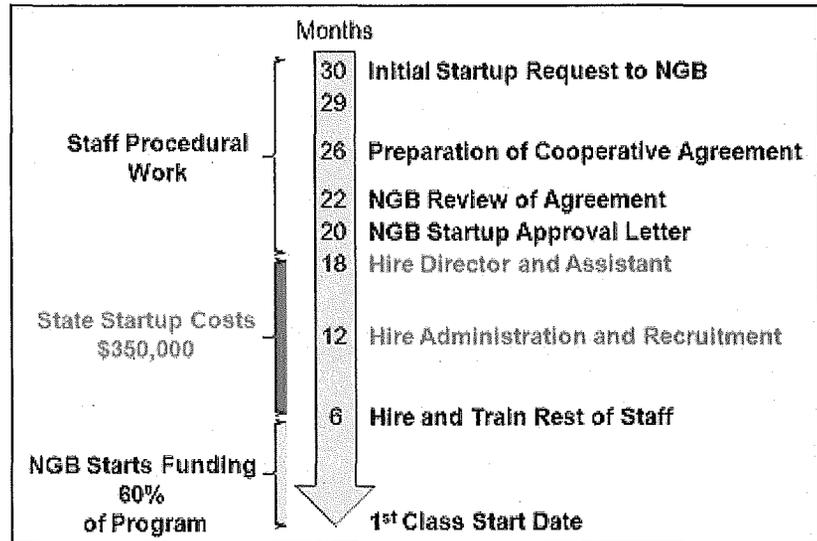
Surveys conducted with existing and startup program directors indicate that a long term and stable funding commitment by the State is required for an effective program to survive. Lack of state funding has recently caused three State programs to suspend their Youth Challenge Programs.

IX. Program Application and Startup Procedures

The National Guard Bureau requires the State Adjutant General to prepare and sign a formal cooperative agreement for funding a Youth Challenge program. This document will provide the framework, budget, staffing model and other requirements for reimbursement of program costs. The State must initiate a startup request, coordinate startup activities and complete the preparation of the cooperative agreement. Once the National Guard Bureau approves the agreement and issues the approval letter the State may proceed with securing a facility and initial hiring for administration and recruitment needs.

The National Guard Bureau estimates the startup process takes up to sixteen months. However, existing program directors indicate that new programs should plan on at least a two year startup process. It is important to note that Federal funding of the program starts at the point of six months prior to the first class start date. All costs incurred prior to that point are considered State startup costs. The Department of Military Affairs has estimated the initial startup costs at \$350,000 and includes the initial hiring of administration and recruitment to fill the first class requirements. In addition, the State would be required to purchase or lease a facility with 100% State funding.

During program feasibility research, the Department of Military Affairs has estimated a timeframe of thirty months to initiate the cooperative agreement, obtain approval, hire a staff and start the first class. This timeframe would be very dependent on securing a facility that could adequately accommodate a Youth Challenge program. It has been estimated that a timeframe of one year would be required to initiate and secure program approval to begin staff hiring. Military Affairs also estimates a period of eighteen months from program startup approval to staff, recruit and initiate the first class.



X. Cost Benefit Analysis and Program Financial Audits

The assessment of a public program's benefit to the community is an important part of evaluating the National Guard Youth Challenge Program. A typical Cost-Benefit Analysis is not feasible for the Youth Challenge Program, as comparable programs lack key Challenge program attributes while assigning monetary values brings an unacceptable subjectivity to the analysis process.

Without assigning monetary values, the following benefits are identified as accruing from the National Guard Youth Challenge Program:

- Higher Lifetime Earnings — The U.S. Bureau of the Census reported in 2005 that the average annual income for a high school dropout in 2004 was \$16,485, compared to the \$26,156 for a high school graduate. The Alliance for Excellent Education reported in their January 2007 *Issue Brief* that

although the impact of high school dropouts on the economy is less visible it is quite “staggering.”

- Lower Rate of Encounters with the Judicial System — In a 2006 report titled *The Silent Epidemic: Perspectives of High School Dropouts*, Civic Enterprises in association with Peter D. Hart Research Associates indicated that sixty-eight percent of America’s Federal prison inmates do not complete high school. In addition, high school dropouts are more than three times more likely to be arrested in their lifetime than youth who have obtained a GED or high school diploma.
- The eight core components of the Challenge Program provide the groundwork for responsible citizenship and social responsibility, which infer a lower incarceration rate for Challenge Graduates reaching adulthood than their non-high school graduate cohorts.

The General Accounting Office conducted a review of the National Guard Youth Challenge dated November 29, 2005. Specifically, the General Accounting Office reviewed (1) historical trends of the program; (2) the extent of analyses performed to determine program costs and the need to adjust the federal and state cost share; and (3) National Guard Bureau oversight of the program. In this report the General Accounting Office concluded the following:

- Since the Youth Challenge Program's inception, National Guard Bureau has reported positive performance outcomes in academic performance, community service activities, and post-residential placements. For example, in 2004, National Guard Bureau reported graduating 7,003 students, or 79 percent of those enrolled, with 70 percent of those graduates earning a high school equivalent diploma.
- Since 1993, National Guard Bureau has used a yearly cost of \$14,000 per student as the basis for determining the amount of funds required to cover program operating costs. However, due to cost variations between the States, program officials that were surveyed reported that they actually spent between \$9,300 and \$31,031 per graduate. To keep pace with inflation, National Guard Bureau has suggested increasing the per student cost to \$18,000.
- While Reserve Affairs and the National Guard Bureau have expressed concern about the current program funding level and have suggested increasing both the cost basis used to determine funding needs and the federal cost share, neither has performed analyses to support the need for such changes. In addition, Reserve Affairs has reported some states are having difficulty meeting their share and recommended the federal share be increased from 60 percent to 75 percent. However, neither Reserve Affairs nor National Guard Bureau has compiled or

analyzed data on actual program costs, States' financial situations, or the impact of adjusting the Federal and State cost-share.

- Without better cost and financial information, the Department of Defense cannot justify future funding requests or a change in the cost-share ratio. Although National Guard Bureau uses various oversight mechanisms, it lacks a complete oversight framework, making it difficult to measure program effectiveness and to adequately address audit and review findings.
- Also, some audits have not been performed as required. The Government Performance and Results Act suggests a complete oversight framework including goals and measures against which to objectively evaluate performance. While National Guard Bureau requires States to report certain performance outcomes, it does not require States to establish performance goals in these areas, and therefore does not have a firm basis for evaluating program outcomes and the Department of Defense's return on investment.

XI. Recommendations

The Department of Military Affairs does not recommend establishing a National Guard Youth Challenge program in Minnesota at this time based on the following findings:

- It is expected that the Department of Defense will incur budget reductions under the new Administration that may impact funding for the Federal match portions for the Youth Challenge program or at a minimum limit funding to existing programs;
- The State of Minnesota is expecting a serious budget shortfall for the biennium and funding for the State match portion for facility construction/rehabilitation, estimated startup costs and the required annual State match may be severely limited. Programs like the Youth Challenge require a stable and certain source of funding to assure success;
- The Minnesota Department of Education was selected as one of two states nationwide to receive a School Dropout Prevention grant from the U.S. Department of Education. One of the goals was to increase successful school completion for groups of students who are at greater risk (on average) of leaving school before getting a diploma. The Department of Military Affairs believes that the Department of Education is best equipped to develop dropout retention programs and educate our at risk youth; and
- The Department of Military Affairs is focused on the important issues of sustaining our role as a key component of national defense, responding to

State disasters and emergencies and being a unique capability for the community. Standing up a Youth Challenge program in Minnesota at this time may detract from these missions.

XII. References and Resources

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Survey of Existing and Startup Programs