

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5239H.011
 Bill No.: HB 2724
 Subject: Department of Social Services; Office of Administration; Contracts and Contractors
 Type: Original
 Date: March 11, 2024

Bill Summary: This proposal prohibits certain organizations that contract with the Department of Social Services and Department of Elementary and Secondary Education from taking more than a certain percentage in fees when distributing department funds.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Federal*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

* Oversight assumes the unknown negative fiscal impact to DSS Federal funds could exceed \$250,000 annually.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§660.830 - Certain organizations that contract with DSS

Officials from the **Department of Social Services (DSS)** state proposed new §660.830 establishes provisions prohibiting entities that contract with the department for the purpose of disbursing funds through partnerships to community programs that provide human services from collecting fees in excess of five percent, if the amount of funds received from the department is under one million dollars or three percent if the amount of funds received from the department is one million dollars or more.

The administrative funding for programs fully funded by General Revenue could be implemented as outlined in this legislation. However, programs utilizing federal awards must adhere to 2 CFR 200.414(f) which permits a non-federal entity receiving a federal award to claim a ten percent de minimis indirect cost rate. To comply with the federal regulations, the department would be required to allow an entity to claim up to ten percent for administrative costs. If the department were to restrict the administrative funding to three or five percent as outlined in this legislation, there is a risk of being noncompliant with federal regulations. It is unknown how this would affect DSS's federal funding. Therefore, the fiscal impact to FSD unknown.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DSS. Oversight assumes the unknown negative fiscal impact to DSS Federal funds could exceed \$250,000 annually.

Responses regarding the proposed legislation as a whole

Officials from the **Department of Elementary and Secondary Education** and the **Office of Administration** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
FEDERAL FUNDS			
<u>Costs – DSS (\$660.830) Noncompliance with federal regulations p. 3</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small business non-profit community programs could be impacted negatively by being unable to collect higher fees or to lose contracts due to DSS inability to comply with federal regulations.

FISCAL DESCRIPTION

This bill states any entity that contracts with the department for the purpose of disbursing funds through partnerships to community programs that provide human services shall not collect fees in excess of:

- (1) Five percent, if the amount of funds received from the department is under one million dollars; or
- (2) Three percent if the amount of funds received from the department is one million dollars or more. (§660.830)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 5239H.011

Bill No. HB 2724

Page 5 of 5

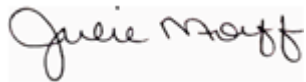
March 11, 2024

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

Department of Social Services

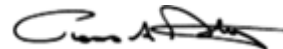
Office of Administration



Julie Morff

Director

March 11, 2024



Ross Strobe

Assistant Director

March 11, 2024