

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 606 - 5

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

Prepared by: Haylee Morse-Miller

Reviewed by: Michelle Deister, Tom MacDonald, Steve Robbins, John Terpening, John Borden, Gregory Jolivette, Julie Neburka, Paul Siebert, Kim To

Date: April 1, 2023

Measure Description:

Specifies procurement reimbursement rate threshold for payments made to nonprofit organizations by certain state agencies.

Government Unit(s) Affected:

Employment Department, Office of the Governor, Housing and Community Services Department, Department of Administrative Services, Oregon Youth Authority, Department of Education, Oregon Health Authority, Department of Human Services, Department of Justice, Task Force/Committee/Workgroup, Department of Emergency Management, Legislative Assembly, Higher Education Coordinating Commission, Department of Early Learning and Care

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Analysis:

SB 606 - 5 requires that if certain state agencies provide money to a nonprofit organization to pay expenses that the nonprofit organization incurs in providing services on the granting agency's behalf, the granting agency must pay the nonprofit organization at the highest of either the rate specified in any federally negotiated indirect cost rate agreement the nonprofit organization has with a federal agency; a 10 percent de minimis rate for the nonprofit organization's indirect costs; or the rate the nonprofit organization negotiated with the granting agency. The measure also prohibits payment as reimbursement unless agreed upon by the granting agency and nonprofit, or if this is a requirement for receipt of federal funding.

The measure creates the 15-member Task Force on Modernizing Grant Funding and Contracting which is to examine how the state's granting and public procurement practices limit the wages of employees of nonprofit organizations and make recommendations to the Department of Administrative Services (DAS). The task force is to submit a report to an interim committee of the Legislative Assembly related to grantmaking and public procurement no later than September 15, 2024. Members of the task force who are not members of the Legislative Assembly are not entitled to compensation or reimbursement for expenses and serve as volunteers on the task force. The bill directs DAS to provide staff support for the task force, and the task force sunsets on December 31, 2024. The measure takes effect on the 91st day after the Legislative Assembly adjourns sine die.

While there is no or a minimal fiscal impact for most agencies under this measure, there is an indeterminate but potentially large fiscal impact for agencies with many contracts with nonprofits. For example, the Housing and Community Services Department administers more than 80 grants with nonprofit organizations, and under this measure, would need to separately contract and negotiate potentially different administrative rates with each.

The Oregon Youth Authority notes that paying providers upfront for services instead of on a reimbursement basis would require a complete overhaul of procurement processes, with ramifications for their IT platforms. Both agencies would require additional staff, and potentially General Fund resources, for implementation of this measure, though the total amount required is indeterminate at this time.

Department of Administrative Services

Known costs of this measure are related to DAS staffing of the task force, which would require one limited-duration, full time Operations and Policy Analyst 4 position (0.63 FTE in the 2023-25 biennium) to staff the task force. The total cost of this position is \$181,355 Other Funds, which includes \$169,671 for personal services and \$11,684 for services and supplies. Other Funds are derived from an assessment on state agencies, with some of these revenues sourced from the General Fund. Based on the recommendations of the task force, DAS may need to return to the legislative Emergency Board or a future legislative session with a request for additional position authority and expenditure limitation.

Legislative Assembly

The bill is expected to have a minimal impact on the Legislative Assembly. Two members of the task force will be legislative members who are entitled to per diem and travel reimbursement. Meetings are set by the chairperson and it is unknown how often the task force would meet. However, assuming that the task force meets eight times during the approximate 12-month period until its report is due September 15, 2024, the estimated per diem and travel reimbursement costs will total \$4,500. This amount includes the Federal Insurance Contribution Act (FICA) tax, assumes the per diem remains at \$157 per day, and estimates an average mileage of 171 miles at the current rate of \$0.655 per mile. This estimate could change based on the number of meetings held. The task force would not incur additional costs to the Legislative Assembly budget if the meetings are held at the Capitol building during the Legislative Session, or Task Force or Legislative Days.

Although the 2023-25 Legislative Assembly budget contains funds allocated for interim committees and task forces, if the work required by this task force, or if the cumulative enactment of other legislation with interim committees and task forces exceeds expenditure levels beyond those assumed in the 2023-25 budget, additional General Fund resources may be required.