

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 2892**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Authorizes granting agency to prequalify nonprofit organization to receive block grants for purpose of providing goods and services in areas of critical need.

Government Unit(s) Affected:

Legislative Assembly, Department of Administrative Services, Statewide, Judicial Department, Legislative Fiscal Office

Summary of Fiscal Impact:

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

Analysis:

HB 2892 permits a state agency that receives an appropriation for the purpose of granting money to a nonprofit organization, to prequalify nonprofit organizations to receive block grants to provide goods or services under the granting agency's general oversight and supervision. A nonprofit may apply to the granting agency to request prequalification. The Department of Administrative Services (DAS) is to adopt model rules for prequalification, with requirements such as a history of receiving funds from the granting agency, overall responsibility as determined by the granting agency, and limits on administrative expenditures. Granting agencies must require a nonprofit awarded a block grant to report at least quarterly to the granting agency on the use and expenditures of block grant moneys; and the granting agency is to conduct an annual audit of the nonprofit organization's use of the grant moneys. Grant moneys may be set aside for use of a contract auditor.

The measure requires that before making an appropriation to a granting agency that can be allocated to a nonprofit organization as a block grant, the Legislative Assembly each biennium is to identify issues, needs and priorities that are critical for the health, safety or welfare of residents of this state. Grants are solely for these identified critical needs. Granting agencies are to report by September 15 of each year to the Joint Legislative Audit Committee on pre-qualifications, nonprofit organizations to which the granting agency awarded block grants, and the results of all audits the granting agency conducted of block grant recipients.

Applicants for prequalification may appeal a denial with the DAS director. Costs of a hearing may be allocated between the person appealing and the granting agency, or paid solely by either party, depending on the director's decision. The decision may be appealed in the Circuit Court for Marion County, and the court may require the granting agency to prequalify the person appealing and may award attorney fees and costs. The Department of Justice and the Judicial Department report minimal fiscal impacts.

The measure is operative January 1, 2024, and takes effect on the 91st day after the Legislature adjourns sine die.

It is not clear if block grants may only be awarded for issues, needs and priorities that the Legislative Assembly determines are critical for the health, safety or welfare of residents of this state; or if agencies could prequalify nonprofits and disburse existing budgeted resources as block grants, assuming that this is an allowable use of funds. If the Legislative Assembly must determine critical needs before block grants may be awarded to nonprofits under this measure, then block grant funding will not be disbursed until mid-2024 at the earliest, as

the Legislature will need to identify critical needs during the February 2024 legislative session. It is unclear if the Legislative body as a whole is to identify issues, needs and priorities; and it is also unclear what the process is to determine and prioritize needs.

While the total fiscal impact of this measure is indeterminate given the questions about which funds might qualify for block grant funding, agencies with substantial amounts of grants, such as the Department of Human Services, Department of Early Learning and Care, and Oregon Health Authority, could require additional staff to complete pre-qualification and reporting requirements. Agencies will likely face additional expenditures to audit non-profits as part of the pre-qualification or annual reporting process.

This measure warrants a subsequent referral to the Joint Committee on Ways and Means for further consideration of its impact on agency budgets and expenditures of grant funds.