

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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ORIGINAL

Bill Number: HB1366 S2

Patron: Callsen

Bill Title: Local boards & departments; DSS to create corrective action plans & assumption of temporary control.

Bill Summary: As substituted by the Senate Finance and Appropriations Committee, authorizes the Commissioner of the Department of Social Services (DSS) to provide supportive assistance to any local department of social services (LDSS) upon request and authorizes the issuance of a corrective action plan (CAP) for any local board or LDSS that (i) fails to administer public assistance programs, social services programs, and/or child welfare programs in accordance with applicable laws and regulations or (ii) takes any action or fails to act in a manner that poses a substantial risk to the health, safety, or well-being of a child or adult. Under current law, the Commissioner only has the authority to issue CAPs to a local board or LDSS as it relates to the provision of foster care services. If a local board or LDSS fails to timely comply with a CAP, the bill authorizes the Commissioner to temporarily withhold state funds otherwise appropriated for the locality's use until compliance is observed. The substitute bill directs the provisions of the bill related to the issuance of CAPs to take effect on July 1, 2026 and requires the State Board of Social Services to promulgate associated regulations.

The bill also requires the Secretary of Health and Human Resources (OSHHR) to convene a Social Services Task Force consisting of relevant stakeholders (defined in the bill) to address changes needed with DSS and LDSS related to the eligibility and administration of state-administered benefit programs. DSS is required to contract with a third party to review the current funding sources for such benefits and associated methodology. OSHHR is required to report on Task Force recommendations and any plans for implementation by November 1, 2026.

Budget Amendment Necessary: No

Items Impacted: Item 328

Explanation: Although this legislation is expected to result in a fiscal impact for the Department of Social Services, general fund appropriation, nongeneral fund appropriation, and positions addressing the provisions of this bill were provided in the introduced budget.

Fiscal Summary: The substitute legislation will require additional positions and general and nongeneral fund expenditures on the part of the Department of Social Services (DSS). The impacts in the table below are offset by appropriation provided in the proposed budget that addresses the provisions of the bill (Item 328). See fiscal analysis for additional information.

The Senate provided additional funding to address study contract costs included in SB640 in its amendments to the introduced budget (Item 333 #2s). SB640 includes two studies and associated work groups, one of which is intended to review the child protective services screening and intake process and one of which is intended to more broadly review changes needed at DSS and LDSS through the convening of the Social

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Services Task Force. As substituted by the Senate Finance and Appropriations Committee, HB1366 only contains the study provisions related to the Social Services Task Force.

Based on the explanation of the Senate budget amendment, it is unclear whether the funding in the Senate budget amendment is intended only to be used for the study of the child protective services screening and intake process, or may also be used for the study associated with the Social Services Task Force. If the funding provided by the Senate is ineligible to be used for the Social Services Task Force study, an additional budget amendment may be necessary.

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DSS (765) Corrective Action Plans	-	\$656,842	\$2,696,234	\$2,696,234	\$2,696,234	\$2,696,234
DSS (765) Social Services Task Force	-	\$500,000	-	-	-	-
TOTAL	-	\$1,156,842	\$2,696,234	\$2,696,234	\$2,696,234	\$2,696,234

Nongeneral Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DSS (765) Corrective Action Plans	-	\$218,946	\$898,744	\$898,744	\$898,744	\$898,744
DSS (765) Social Services Task Force	-	\$500,000	-	-	-	-
TOTAL	-	\$718,946	\$898,744	\$898,744	\$898,744	\$898,744

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DSS (765) Corrective Action Plans	-	6.0	26.0	26.0	26.0	26.0
TOTAL	-	6.0	26.0	26.0	26.0	26.0

Fiscal Analysis: As substituted by the Senate Finance and Appropriations Committee, this bill authorizes the Commissioner of the Department of Social Services (DSS) to issue CAPs to local boards of social services and local departments of social services (LDSS) that fail to adequately administer public assistance, social services, and/or child welfare programs. While the Commissioner is currently able to issue CAPs for local boards or LDSS that fail to adequately administer foster care services, DSS anticipates that expanding state oversight of local boards or LDSS as it relates to the provision of public assistance, social services, and/or child welfare services

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will create new responsibilities for state program staff that cannot be absorbed as part of existing resources. DSS maintains that the creation of an internal state oversight division will be the most effective way to focus and coordinate the development and issuance of CAPs, as well as any related monitoring responsibilities and supportive assistance services.

DSS estimates that the new state oversight division will require a total of 26 new full-time (FTE) positions with the following responsibilities:

- 1 Assistant Director
- 5 Program Administrators
- 2 Supervisors
- 18 Program Analysts

The costs to fully staff this division are estimated at \$875,788 (\$656,842 general fund (GF)/\$218,946 nongeneral fund (NGF)) in FY 2027 and \$3,594,978 (\$2,696,234 GF/\$898,744 NGF) in FY 2028 and each year thereafter. The cost estimate assumes that the assistant director and program administrator positions (six total positions) would be hired in FY 2027 to establish agency protocols and workflows around state oversight mechanisms and associated interventions. The supervisor and program analyst positions (20 total positions) would be hired in FY 2028 to execute the established workflows, provide assistance to local boards and LDSS, and monitor ongoing compliance with CAPs. The costs for all positions are inclusive of salary, benefits, and non-personnel operating costs (supplies, equipment, and travel). The FY 2027 position costs also include one-time onboarding costs (estimated at \$5,163 per position for six FTEs) associated with the establishment of the new division.

Social Services Task Force

The substitute bill requires the Secretary of Health and Human Resources (OSHHR) to convene a Social Services Task Force (Task Force) to develop a comprehensive improvement plan that addresses changes needed at DSS and LDSS. The bill specifies that the work of the Task Force shall include a review of state-administered benefits and eligibility processes. DSS is also required to contract with a third party to review the current funding sources and methodology for state-administered benefits and associated administrative costs. OSHHR is required to report on recommendations of the Task Force and a plan for implementation no later than November 1, 2026. Based on prior agency study costs, DSS anticipates that the cost to contract with a vendor who can execute the study at the required scope will be at least \$1.0 million (\$500,000 GF/\$500,000 NGF).

It is expected that any potential impacts associated with convening work group meetings for the Social Services Task Force can be absorbed by DSS and/or the Secretary of Health and Human Resources.

Other: As substituted by the Senate Finance and Appropriations Committee, HB1366 is similar to portions of SB640.