

1 **Purchasing from People with Disabilities Program**
2 **Central Nonprofit Agency Management Fee**
3 **Discussion Paper**

4 **Background**

5 The Texas Workforce Commission (TWC) administers the Purchasing from People with
6 Disabilities (PPD) program. Texas Human Resources Code §122.019 authorizes TWC to
7 contract with a Central Nonprofit Agency (CNA) to perform certain administrative functions,
8 including recruiting and assisting community rehabilitation programs in developing and
9 submitting applications for the selection of suitable products and services; facilitating the
10 distribution of orders among community rehabilitation programs, managing and coordinating the
11 day-to-day operation of the program including the general administration of contracts with
12 community rehabilitation programs; promoting increased supported employment opportunities
13 for persons with disabilities; recruiting and assisting qualified nonprofit organizations that are
14 managed by members of racial minorities, women, or persons with disabilities and that are in the
15 process of qualifying as community rehabilitation programs; marketing and marketing support
16 services, such as: providing assistance to community rehabilitation programs regarding
17 solicitation and negotiation of contracts, direct marketing of products and services to consumers,
18 research and development of products and services, public relations activities to promote the
19 program, customer relations, education and training, accounting services related to purchase
20 orders, invoices, and payments to community rehabilitation programs; and other duties
21 designated by TWC.

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23 Texas Human Resources Code §122.019(e) and (f) provide for the CNA to charge a management
24 fee for services provided to Community Rehabilitation Programs (CRP's) and that the fee must
25 be reviewed on an annual basis. A percentage of the fee is paid to TWC in the amount necessary
26 to reimburse the general revenue fund for direct and reasonable costs incurred by the
27 Comptroller and TWC in administering the Comptroller's and TWC's duties under this chapter,
28 including any costs associated with providing support to the advisory committee. §806.31(n)
29 requires TWC to consider public comment from CRP's participating in the PPD program as a
30 part of the annual review process.

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32 **Issue**

33 In State Fiscal Year (SFY) 2020, PPD staff, with the assistance of the Vocational Rehabilitation
34 contract monitoring department, reviewed the current management fee rate and its method of
35 calculation, as well as the process for seeking public comment and requesting Commission
36 approval. Based on that review, staff have clarified requirements and developed an improved
37 process by which the management fee rate and its method of calculation will be developed and
38 considered for approval by the Commission each year. Staff will implement the clarifications and
39 process improvements beginning in SFY 2021.

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41 In addition, staff consulted with TWC finance staff on the method of calculation to ensure its
42 accuracy. The method, in use for a number of years, is consistent with calculations used by other
43 federal grants to determine matching or administration costs as well as the Comptroller's smart
44 fee rates.

1 The annual process will be conducted in four phases. Staff will: 1) review the management fee
 2 rate and method of calculation proposed by the CNA for the fiscal year; 2) request Commission
 3 approval to seek public comment on the proposal; 3) post the proposed fee rate and method of
 4 calculation for public comment; and 4) request Commission direction on a final management fee
 5 rate and method of calculation.

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 7 For the SFY 2021 cycle, staff have completed the first phase of the process and propose a
 8 management fee rate as presented by the CNA of 6% of the sales price for products, 6% of the
 9 contract price for services and 5% of the contract price for temporary services. This rate is
 10 consistent with the rate applied in prior years. The method of calculation for the proposed
 11 management fee rate is: (CRP Cost/100% - Management fee rate) rounded two decimal points =
 12 Product or Service Selling Price). The method of calculation is also consistent with that applied
 13 in prior years.

14 **Decision Point**

15 Staff seeks direction on approval to solicit public comment on the proposed management fee rate
 16 as proposed by the CNA:

- 17 • 6% of the sales price for products;
- 18 • 6% of the contract price for services;
- 19 • 5% of the contract price for temporary services; and
- 20 • a calculation using the following method:
- 21 • (CRP Cost/(100% - Management fee) = Product or Service Selling Price). Examples of
 22 this calculation method using both dollars and percentages are directly below

CRP Cost Divided By (100% Minus Management Fee Rate) Rounded Two Decimal Places				
Description	Example #1a (6%)	Example #1b (6%)	Example #2a (5%)	Example #2b (5%)
CRP Cost	\$ 94,000.00	\$ 100,000.00	\$ 95,000.00	\$ 100,000.00
CNA Management Fee Amount	\$ 6,000.00	\$ 6,382.98	\$ 5,000.00	\$ 5,263.16
CRP Selling Price	\$ 100,000.00	\$106,382.98	\$ 100,000.00	\$ 105,263.16

CRP Cost as % of Selling Price	94.0%	94.0%	95.0%	95.0%
CNA Management Fee (Calculated as % of Selling Price)	6.0%	6.0%	5.0%	5.0%
Total	100.0%	100.0%	100.0%	100.0%

CNA Management Fee (Reflected as % of CRP Cost)	6.38298%	6.38298%	5.26316%	5.26316%
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- 4 If approved by the Commission, staff will solicit public comment on the proposed rate and
- 5 method of calculation from PPD CRPs, prior to seeking Commission guidance on final approval
- 6 of the rate and method of calculation for SFY 2021.