

Testimony Prepared for the  
**House Appropriations – Human Resource Division**  
January 26, 2021  
By: Kim Jacobson, Agassiz Valley Human Service Zone Director

**RE: House Bill 1012 – DHS Budget related to Human Service Zones**

Chairman Nelson and committee members, my name is Kim Jacobson. I am the Agassiz Valley Human Service Zone Director, serving the service area of Traill and Steele Counties, a member of the North Dakota Social Service Director Association, and a member of the North Dakota Association of Counties Board of Directors. Please consider my testimony in support of HB 1012 and the amendment brought forth by the department.

The last two years have brought many changes for the local human service delivery system. At the end of the 66<sup>th</sup> Legislative Assembly, county social service agencies and the department together began a fast-paced path towards the formation of human service zones. The teamwork and collaboration leading up to the 66<sup>th</sup> assembly provided groundwork for system redesign, visioning, and goal setting. However, planning and doing are two very different things.

Today, I am pleased to report that we have together transitioned to 19 human service zones. We have accomplished many great things, including: developing, negotiating, and entering into human service zone agreements and operational plans; combining county-based workforces into human service zone teams; leading the transition to human service zone board structure; developing innovative service and management collaborations between zones; transitioning locally administered services allowing zones to still meet the unique needs of local communities; developing and launching unified human service zone personnel policy which supports merit system/federal/state law compliance while providing opportunity for locally unique policy when appropriate; transitioning the legal custody of all foster children to the human service zone director; and restructuring to a consistent fiscal coding, management and budgeting system. As alluded to last week during the department's testimony, we have created many elements of a well-designed and even frosted cake.

It is recognized that the transition to effective and efficient state/human service zone team will take at least eight years. While we have accomplished a lot of initial and visual steps, it is important to note that we are just **one year** into the human service zone and state team system during a time we have also been dealing with COVID19. Our team-based approach is a strong example of government innovation. However, the operational side of service delivery is very complex. Building a responsive state/zone team system is uncharted territory. Working as one with shared decision-making and accountability while demonstrating local responsiveness is hard work that requires time, attention, and nurture. This is critical to continued success and for responsive services for citizens. However, as you know, adequate funding is key to providing service.

Last session's SB 2124 was a comprehensive and sizable bill. I am very grateful for the support of the legislative body from both an appropriations and policy perspective and the investment in local human service delivery. I also express appreciation for the support of the vision - *a state and local team* - working together in a hybrid model of structure. This allows for unique local need to be met, voices to be heard, and a nimble, local response as we work together to provide system effectiveness, efficiency, and quality.

With any system's change it takes time. It was anticipated that there would be need for technical changes, intent clarifications, and parameters for next steps. Therefore, as expected through this year's legislative budgeting process we have learned many lessons. We have learned that there are some financial issues that need to be addressed so that human service zones can continue to effectively serve the entire state. It is important to address the budgetary issues now or the cake that we have worked so hard to prepare will be missing big pieces and there will not be enough to serve those in need across the state.

### **Our Lessons Learned:**

#### **Initial base funding shortfall:**

The approved appropriation for human service zones in 2019 biennium was ~\$10 M short of necessary levels to support local human services. Efforts to redesign programs, especially economic assistance programs, was delayed because of the COVID19 pandemic. The benchmark of 985 FTEs for human service zones was not an accurate projection to base funding for our current system and the phase of the redesign process. As prior biennium

approved budget levels are used to base the next budget, we face a critical and concerning trajectory.

HB 1012 compounds this budgeting concern as it was built off the 2019 biennial budget. We started in with a \$10M deficit. Luckily, when human service zones formed on January 1, 2020, most zones had a reserve fund balance. However, the department projects that 100% of the reserve funds statewide will be depleted by July 2022.

The department's amendment for \$9M in uncovered need and \$3.4M in 2/2 salary adjustments will not erase the impact of the \$10M shortfall in 2019 and the impact of this shortfall on 2021 budget base. The amendment also will not prevent full depletion of all human service zones reserve fund balances.

Human service zones provide critical safety net services to North Dakotans. In essence, no human service zone reserve fund balance means the safety net will no longer have a financial safety net. The department has reassured us that they are legally and morally committed to ensuring adequate funding of human service zone services. However, even with this reassurance, it is very concerning especially as we are so early in our new structural model and will soon have no reserve fund balances. Due to this trajectory, we are faced with uncertainty about how current and future needs will be met and how local access points and services will be preserved to meet the needs our vulnerable citizens.

Looking forward, it is important for the legislative body to understand that unless the budget is passed as requested with the addition of the department's amendment plus additional funds to offset the full depletion of human service zone reserve balance funds, the 2023 budget request will be significantly higher than the 2021 request. If not, critical services may be lost. Simply said, there will not be enough cake to go around. Plus, the 2023 cake will need to be much larger and/or prepared as a multi-layer cake.

### **Salaries, Benefits, and Equity:**

For 2021, 89% of the approved Agassiz Valley Human Service Zone budget is salary and benefits. For many years, social service employee salaries have been subject to the state classified merit system and salary ranges. The only real changes now are the legislative body determines our annual salary adjustment and the department authorizes any new or vacant position fills and agrees upon salary set points. Salary adjustments for most human service zone team members equaled 0% in 2020 and up to 2.5% in 2021.

We learned through the introduction of HB 1012, that there was not a mechanism to include human service zone team members with the state employee salary requests in the OMB budget. One of the reasons for this omission was a lack of clarity on how human service zone team member salary adjustments should be requested within the state budgetary request system. The amendment introduced by the department, aims to correct this omission. I urge you to adopt this amendment. Also, I encourage legislative intent to address the process for requesting and bringing forward human service zone team member legislatively authorized salary increases to prevent future inadvertent omissions.

Another lesson learned is the scope and impact of health insurance package disparity within the human service zone system. For example, a family health insurance policy for Agassiz Valley Human Service Zone team members costs employees over \$1000 per month out-of-pocket. Meanwhile, our neighboring zones and state agency, who we compete with for hiring and retention, have much more robust benefit packages. As we move forward, we realize that both salary and benefits need to be looked at in a comprehensive manner to provide a level of equity but also to prevent service deserts. Adequate base funding is necessary for the system to work as one. Budgetary flexibility is also key so that funds, upon availability can be redirected to meet identified need.

During this legislative assembly, *SB 2086* – a policy bill – seeks to address policy points and clarify legislative intent regarding a variety of items including equity, indirect costs, roles and responsibilities, county “*skin in the game*”, and other items. There is a current workgroup, in which I am a member, that is working on amendments to provide critical policy clarifications. This is also an important piece of the cake.

Today, I respectfully ask you to ensure adequate funding for local human service zone services and to support our workforce in the provision of those services. Adequate funding is critical in meeting the needs of our citizens and to support the property tax relief efforts gains through our systems change. Also, funding is key to support the ongoing redesign efforts as we work together to achieve additional system improvements. With adequate funding and solid policy, our cake will be large enough and designed well to serve those in need.

Thank you for this opportunity to provide testimony regarding HB 1012. Questions from the committee are welcomed.