2023 HOUSE HUMAN SERVICES

HB 1046

2023 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee
Pioneer Room, State Capitol

HB 1046
1/11/2023

Relating to direct and indirect costs, billing practices, and payments to human service zones, human service zones agreements and plans, creation of human service zones, human service zone directors, and indirect cost plan.

Chairman Weisz called the meeting to order at 10:01 AM.

Chairman Robin Weisz, Vice Chairman Matthew Ruby, Reps. Karen A. Anderson, Mike Beltz, Clayton Fegley, Kathy Frelich, Dawson Holle, Dwight Kiefert, Carrie McLeod, Todd Porter, Brandon Prichard, Karen M. Rohr, Jayme Davis, and Gretchen Dobervich. All present.

Discussion Topics:

- Zone designation adjustment
- Zoning situations
- Cost allocation plan
- Satisfaction by stakeholders
- Proposed amendments
- Provided local services
- Time frame between notice and deadlines

Kristen Hasbargen, Director of Zone Operations with the Department of Health and Human Services, introduced HB 1046 with supportive testimony. (#12859)

Kim Jacobson, the Agassiz Valley Human Service Director and President of the North Dakota Human Service Zone Director Association, offered testimony in support of bill and proposed amendment. (#12836)

Terry Traynor, Representative for the North Dakota Association of Counties, offered testimony in support of bill and proposed amendments. (#12824)

Chairman Weisz adjourned the meeting at 10:28 AM.

Phillip Jacobs, Committee Clerk By: Leah Kuball

2023 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee
Pioneer Room, State Capitol

HB 1046
2/20/2023

Relating to direct and indirect costs, billing practices, and payments to human service zones, human service zones agreements and plans, creation of human service zones, human service zone directors, and indirect cost plan.

Chairman Weisz called the meeting to order at 11:05 AM.

Chairman Robin Weisz, Vice Chairman Matthew Ruby, Reps. Karen A. Anderson, Mike Beltz, Clayton Fegley, Kathy Frelich, Dawson Holle, Dwight Kiefert, Carrie McLeod, Todd Porter, Brandon Prichard, Karen M. Rohr, Jayme Davis, and Gretchen Dobervich. All present.

Discussion Topics:

- Committee work
- Amendments (23.8045.01001)

Chairman Weisz called for a discussion on HB 1046 and the proposed amendment (#12824).

Representative Anderson moved to adopt amendment (23.8045.01001) (# 12824).

Seconded by Representative McLeod.

Voice vote: Motion carries

Representative Rohr moved a DO PASS as amended on HB 1046.

Seconded by Representative Anderson.

Roll Call Vote:

Representatives	Vote
Representative Robin Weisz	Y
Representative Matthew Ruby	Y
Representative Karen A. Anderson	Y
Representative Mike Beltz	Y
Representative Jayme Davis	Y
Representative Gretchen Dobervich	Y
Representative Clayton Fegley	Y
Representative Kathy Frelich	Y
Representative Dawson Holle	Y
Representative Dwight Kiefert	Y
Representative Carrie McLeod	Y
Representative Todd Porter	Y
Representative Brandon Prichard	Y

Representative Karen M. Rohr	Y

Motion carries 14-0-0.

Bill carrier: Representative Anderson.

Chairman Weisz adjourned the meeting at 11:12 AM.

Phillip Jacobs, Committee Clerk By: Leah Kuball

Adopted by the House Human Services Committee

February 20, 2023

2-20-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1046

Page 3, line 29, after "terminated" insert "by the constituent counties or by the department pursuant to sections 50-01.1-02, 50-01.1-04, or 50-01.1-08"

Page 5, line 4, replace the first underscored comma with "or"

Page 5, line 4, replace ", or" with "pursuant to sections 50-01.1-02, 50-01.1-04, or 50-01.1-08,"

Page 5, line 5, after the first "department" insert an underscored comma

Page 8, line 2, after "zone" insert ", including a grievance process"

Page 11, line 18, replace "odd-numbered year" with "annual"

Page 11, line 27, remove "odd-numbered"

Page 11, line 28, replace "thirty" with "sixty"

Page 12, line 1, remove "odd-numbered"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1046: Human Services Committee (Rep. Weisz, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1046 was placed on the Sixth order on the calendar.

Page 3, line 29, after "terminated" insert "by the constituent counties or by the department pursuant to sections 50-01.1-02, 50-01.1-04, or 50-01.1-08"

Page 5, line 4, replace the first underscored comma with "or"

Page 5, line 4, replace ", or" with "pursuant to sections 50-01.1-02, 50-01.1-04, or 50-01.1-08,"

Page 5, line 5, after the first "department" insert an underscored comma

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Page 11, line 18, replace "odd-numbered year" with "annual"

Page 11, line 27, remove "odd-numbered"

Page 11, line 28, replace "thirty" with "sixty"

Page 12, line 1, remove "odd-numbered"

Renumber accordingly

2023 SENATE HUMAN SERVICES

HB 1046

2023 SENATE STANDING COMMITTEE MINUTES

Human Services Committee
Fort Lincoln Room, State Capitol

HB 1046
3/20/2023

Relating to direct and indirect costs, billing practices, and payments to human service zones, human service zones agreements and plans, creation of human service zones, human service zone directors, and indirect cost plan.

9:32 AM **Madam Chair Lee** called the hearing to order. **Senators Lee, Cleary, Clemens, K. Roers, Hogan, Weston** were present.

Discussion Topics:

- Operating costs
- Direct costs
- Improvement costs
- Human Service zone

9:33 AM **Kristen Hasbargen, Director of Zone Operations, Department of Health and Human Services,** testified in favor. #25887

9:50 AM **Kimberly Jacobson, Zone Director, Agassiz Valley Human Service Zon,e** testified in favor. #25764

9:55 AM **Linda Svihovec, Research Analyst, Association of Counties,** testified in favor verbally.

Additional Testimony:
Terry Traynor, Association of Counties, in favor #25758

10:02 AM **Madam Chair Lee** closed the hearing.

Patricia Lahr, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Human Services Committee
Fort Lincoln Room, State Capitol

HB 1046
3/20/2023

Relating to direct and indirect costs, billing practices, and payments to human service zones, human service zones agreements and plans, creation of human service zones, human service zone directors, and indirect cost plan.

4:17 PM **Madam Chair Lee** called the meeting to order. **Senators Lee, Cleary, Clemens, K. Roers, Hogan, Weston** are present.

Discussion Topics:

- Operating costs
- Human Service zone

Senator Lee calls for discussion

Senator Hogan moved **DO PASS.**

Senator K. Roers seconded the motion.

Roll call vote.

Senators	Vote
Senator Judy Lee	Y
Senator Sean Cleary	AB
Senator David A. Clemens	Y
Senator Kathy Hogan	Y
Senator Kristin Roers	Y
Senator Kent Weston	Y

The motion passed 5-0-1.

Senator Lee will carry HB 1046

4:18 P **Madam Chair Lee** closed the meeting.

Patricia Lahr, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1046, as engrossed: Human Services Committee (Sen. Lee, Chairman) recommends **DO PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1046 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

TESTIMONY

HB 1046

Testimony Prepared for the
House Human Services Committee
January 11, 2023. By Terry Traynor
North Dakota Association of Counties

NDACo
NORTH DAKOTA ASSOCIATION OF COUNTIES

RE: House Bill 1046

Thank you for the opportunity to communicate our Association's support for House Bill 1046, and to suggest what counties feel would be enhancements to the legislation. As you have heard, the redesign of the local delivery of human services has been positive, but challenging, as the legislature, the department, and the counties have worked to improve a complex system that has really been evolving since statehood.

Because of this complexity, there has been a need for the minor corrections and clarifications of HB1046, which counties support. However, we ask that you consider the attached amendments before passage.

The amendments proposed to pages 3, 5, and 8 of the bill address the authority of the Department to establish or modify a human service zone. The bill itself adds that this is permitted if a zone is "rescinded or terminated" but doesn't clearly state how that might happen. Our amendments are to clarify that such action could be taken by the constituent counties, or by the Department; but that the Department would be doing it only if a zone was found delinquent in its administration pursuant to section 50-01.1-08. While unlikely, it gives comfort to counties to know that arbitrary dissolution is not the intention, and that, with these amendments, the Department will also develop an internal grievance process for the review of such action.

The proposed amendments for pages 11 and 12 are to clarify that while the indirect cost information in odd-numbered years will be used for biennial budgeting, the county will continue (as they have since 1988) to provide this data annually. The bill, as introduced, strengthens the requirement for counties to provide this data, sets a deadline, and creates a notice requirement for the Department. The amendments also change this notice from 30 days prior to the deadline to 60 days.

Thank you for your consideration of these amendments.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1046

Page 3, line 29, after "terminated" insert "by the constituent counties or by the department pursuant to 50-01.1-02, 50-01.1-04, or 50-01.1-08"

Page 5, line 4, after "rescinded" insert "or"

Page 5, line 4, after "terminated" insert "pursuant to 50-01.1-02, 50-01.1-04, or 50-01.1-08"

Page 8, line 2, after "zone" insert ", including a grievance process"

Page 11, line 18, remove "odd-numbered"

Page 11, line 27, remove "odd-numbered"

Page 11, line 28, replace "thirty" with "sixty"

Page 12, line 1, remove "odd-numbered"

Renumber accordingly

Testimony Prepared for the
House Human Services Committee
January 11, 2023
By: Kim Jacobson, Agassiz Valley Human Service Zone Director

RE: House Bill 1046 – Human Service Zone Plans, Agreements, and Indirect Costs

Chair Weisz and members of the House Human Services Committee, my name is Kim Jacobson. I am the Agassiz Valley Human Service Zone Director, which includes the service area of Traill and Steele Counties. In addition, I serve as President of the North Dakota Human Service Zone Director Association. Please consider my testimony in support of HB 1046 upon amendment.

Three years ago, on January 2, 2020, human service zones were formed. It has been three fast-paced years transitioning to a new human service zone structure, undergoing multiple redesign efforts, transitioning to unified policies, operating finances with a standardized chart of account structure, and strengthening our collaboration with each other and the Department. I stand today proud of the work that has been done, services that have been improved, and opportunities for the future.

Our history of providing local human services to North Dakotans is rich in history. Counties were designated as responsible for "poor relief" with the first territorial assembly in 1862. This role was again formalized in 1889 in the first North Dakota Constitution. As local government, we take our role of providing responsive local services seriously. Therefore, we were very careful and diligent during the development of the 66th Legislative Assembly's SB 2124, which transitioned county social services to human service zones. The human service zone model is a hybrid of the best aspects of a local government delivery system along with

some of the best features of a state government delivery system. As with any major change, there are growing pains. However, many positive services and outcomes have been achieved since the inception of human service zones. We are certainly on the right track as we continue to strive for effective, efficient, and quality human services.

From the beginning, it was recognized that the transition to effective and efficient human service zone teams will take at eight to ten years. We have implemented improvements at remarkable pace. Human service zones launched just two months prior to the COVID19 pandemic. Our team-based approach is a strong example of government innovation. 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 strong responsive services for citizens. Over the past three years, we have learned a great deal. These lessons learned are the driving force behind HB 1046.

One of the lessons we have learned is that at times, more change is needed. Section 2 includes a process that would support a county to leave a human service zone and to join another or for a group of counties to select a different host county. When counties originally formed human service zones, it was difficult to forecast all the possible challenges and/or supports that would be needed to support a human service zone. We have learned that there more considerations that originally understood in order to support the administrative, accounting, human resources, and legal needs of a human service zone. HB 1046 provides the process for counties within a human service zone to reorganize, if needed. This would be a local decision, but one that would require planning and approval from the Department. Furthermore, HB 1046 also provides a process if the Department finds it necessary to establish or modify a human service zone due to noncompliance, fiscal, or other needs. I support these changes; however, I urge the committee to provide for an internal grievance procedure if the Department takes action to rescind, terminate, or modify a human service zone.

Another lesson learned over the past few years is related to indirect costs. Indirect costs, as originally defined, was extremely confusing and lacked common sense. This was an area identified by many to require revision. HB 1046 seeks to improve upon this definition. During interim, a diverse team met to study this topic. This workgroup included a delegation of County Auditors, County Commissioners, Human Service Zone Directors, NDACo, and the Department along with Abacus, the firm that completes countywide-cost allocation plans for North Dakota. Together, we strategized for ways to bring logic and understandability to indirect costs and to bring accountability for counties to report indirect cost related information.

I support the changes proposed in HB 1046 related to indirect costs. The changes will bring needed clarity in definition and intent. However, there are two items related to indirect costs that I request further amendment. County wide cost allocation plan information is an annual reporting requirement of counties. I request amendment to Section 8, page 11, line 27 to reflect this annual versus every other year requirement. In addition, it is recommended that a longer period of notice be provided to counties each year for this information. Section 8, page 11, line 28 would benefit from amendment by directing the Department to provide notice sixty days prior to the annual reporting deadline.

Thank you for consideration of my testimony and recommendations for further enhancement. I stand for questions from the committee.

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Testimony
House Bill No. 1046
House Human Services Committee
Representative Robin Weisz, Chairman

January 11, 2023

Chairman Weisz, members of the House Human Service Committee, I am Kristen Hasbargen, Director of Zone Operations with the Department of Health and Human Services. I appear before you to support House Bill 1046, which was introduced on behalf of the Department.

The Bill contains updates to North Dakota Century Code related to direct and indirect costs, billing practices, and payments to human service zones, human service zones agreements and plans, creation of human service zones, human service zone directors, and human service zone indirect cost plans.

Section 1. The proposed changes in Section 1 of this Bill amend the definitions of direct costs to add language regarding operating costs to include “approved by the department and” not identified by the Department as an indirect cost.

The proposed change to the definition of "indirect costs" adds reference to “remodeling, construction and improvement costs” and includes clarification that “Indirect costs may not include non-space and non-facility costs and expenses that are exclusively attributable to the human service zones”.

Section 2. The proposed changes to North Dakota Century Code 50-01.1-02-3 remove references to dates and actions that were only relevant to the initial establishment of human service zones, adds reference to “proposed effective date” as a required element of an

agreement, and adds "within six months of receiving the plan" as the timeframe for approval by the Department.

Page 3 lines 28-31 adds language intended to create a process to address changes in zone designations and affiliations by stating that "If counties do not submit an agreement or plan or if the agreement or plan is rescinded or terminated, the department shall create the human service zone." The Department anticipates that this clause could be used to address situations where a county wants to or is asked to exit a zone group, where a change in host county is desired, or in situations where zone operations and overall delivery of human services will be compromised without action.

Section 3. The proposed changes to Section 50-01.1-03 of North Dakota Century Code addresses factors the Department shall consider in creation of zones. Subsection 1 adds "human" to "social and economic assistance services" and adds "Budget impact" as subdivision m of subsection 1.

Subsection 2 adds language consistent with the proposed amendment in Section 2 of this Bill by adding "rescinded" and "terminated" to "modified", as potential actions the Department can take after a human service zone is initially approved, and references that processes for doing so be established in accordance with the language outlined in Section 2 of this Bill.

Section 4. The proposed changes in this section amend North Dakota Century Code Section 50-01.1-04.

Subsection 1 references the language proposed in Section 2 of this Bill when describing the "definite term" of plans that have been approved.

Subsection 2 adds language intended to clarify processes for billing and reimbursement of expenses incurred by human service zones in the delivery of services and clarifies that "indirect cost payments received by the human service zone are not required to be deposited in the special human service zone human services fund".

Section 5. The proposed changes in this section amend North Dakota Century Code Section 50-01.1-06 by removing "and located within the human service zone, unless serving more than one human service zone" to clarify that there is no requirement for human service zone director to live within the boundaries of the human service zone.

Section 6. The proposed changes in this section amend North Dakota Century Code Section 50-01.1-08 by adding "rescind" to subdivision c of subsection 4.

Section 7. The changes proposed in this section offer the same amendments to the definitions of "direct cost" and "indirect cost" as was outlined in Section 1 of this Bill. Section 1 amends North Dakota Century Code 50-01.1-01 and Section 7 amends North Dakota Century Code 50-35-01.

Section 8. The proposed changes in this section amend North Dakota Century Code 50-35-04 regarding calculation of human service zone payments.

Subsection 4 removes reference to the dates associated with the 2021-23 legislative biennium and replaces "may not be less than the prorated amount paid to counties for this purpose in state fiscal year 2018" with "must be within legislative appropriation and based on the odd-numbered year" indirect cost plan. This change is intended to better align the calculation of indirect cost payments with the state biennial budget. The proposed change also notes that this modification starts

"August 1, 2023, for the counties to budget for the 2024 fiscal year" and clarifies that the "2023 cost allocation plan will be based on the requested information received from the counties".

Subsection 7 is added to 50-35-04 to clarify that "counties shall provide the requested information for the cost allocation plan by September fifteenth of each odd year" to support the calculation process outlined in subsection 4 that indicates the "cost allocation plan will be based on information received from the counties". The changes proposed in this subsection also outline that the Department will provide notice of non-receipt of information to the county and establishes that "counties may not participate in the cost allocation plan and shall be responsible for one hundred percent of all indirect costs" if they fail to submit the requested information within the timeframes established.

Subsection 8 adds language that permits the Department to "reimburse all indirect costs associated with a statewide pilot project, service, or program performed by a human service zone". As collaboration between human service zones continues to increase, the ability to appropriately reimburse human service zones for services delivered is becoming increasingly important.

Section 9. The proposed changes in this section amend North Dakota Century Code 50-35-05 by adding "excluding indirect costs payments" to clarify that indirect costs are not paid from human service zone human services fund.

This concludes by testimony. I would be happy to try to answer any questions the Committee may have.

Testimony Prepared for the
Senate Human Services Committee
March 20, 2023. By Terry Traynor
North Dakota Association of Counties

RE: Engrossed House Bill 1046

Thank you for the opportunity to communicate our Association's support for Engrossed House Bill 1046, and state our agreement with what counties feel were enhancements to the legislation in the House. As you have heard, the redesign of the local delivery of human services has been positive, but challenging; as the legislature, the department, and the counties have worked to improve a complex system that has really been evolving since statehood.

Because of this complexity, there has been a need for the minor corrections and clarifications of HB1046. As it comes to you, county officials urge a Do Pass recommendation.

Testimony Prepared for the
Senate Human Services Committee
March 20, 2023
By: Kim Jacobson, Agassiz Valley Human Service Zone Director

RE: House Bill 1046 – Human Service Zone Plans, Agreements, and Indirect Costs

Chair Lee and members of the Senate Human Services Committee, my name is Kim Jacobson. I am the Agassiz Valley Human Service Zone Director, which includes the service area of Traill and Steele Counties. In addition, I serve as President of the North Dakota Human Service Zone Director Association. Please consider my testimony in support of HB 1046.

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pains. However, many positive services and outcomes have been achieved since the inception of human service zones. We are certainly on the right track as we continue to strive for effective, efficient, and quality human services.

From the beginning, it was recognized that the transition to effective and efficient human service zone teams will take at least eight to ten years. We have implemented improvements at remarkable pace. Human service zones launched just two months prior to the COVID19 pandemic. Our team-based approach is a strong example of government innovation. 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 strong responsive services for citizens. Over the past three years, we have learned a great deal. These lessons learned are the driving force behind HB 1046.

One of the lessons we have learned is that at times, more change is needed. Section 2 includes a process that would support a county to leave a human service zone and to join another or for a group of counties to select a different host county. When counties originally formed human service zones, it was difficult to forecast all the possible challenges and/or supports that would be needed to support a human service zone. We have learned that there more considerations that originally understood to support the administrative, accounting, human resources, and legal needs of a human service zone. HB 1046 provides the process for counties within a human service zone to reorganize, if needed. This would be a local decision, but one that would require planning and approval from the Department. Furthermore, HB 1046 also provides a process if the Department finds it necessary to establish or modify a human service zone due to noncompliance, fiscal, or other needs. I support these changes; however, I urge the committee to provide for an internal grievance procedure if the Department takes action to rescind, terminate, or modify a human service zone.

Another lesson learned over the past few years is related to indirect costs. Indirect costs, as originally defined, was extremely confusing and lacked common sense. This was an area identified by many to require revision. HB 1046 seeks to improve upon this definition. During interim, a diverse team met to study this topic. This workgroup included a delegation of County Auditors, County Commissioners, Human Service Zone Directors, NDACo, and the Department along with Abacus, the firm that completes countywide-cost allocation plans for North Dakota. Together, we strategized for ways to bring logic and understandability to indirect costs and to support yet bring accountability for counties to report indirect cost related information. The changes brought forth with HB 1046 will bring needed improvements, clarity, and intent.

Thank you for consideration of my testimony and recommendations for further enhancement. I stand for questions from the committee.

NORTH Dakota | Health & Human Services
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Testimony
Engrossed House Bill No. 1046
Senate Human Services Committee
Senator Judy Lee, Chair
March 20, 2023

Chair Lee, members of the Senate Human Service Committee, I am Kristen Hasbargen, Director of Zone Operations with the Department of Health and Human Services (Department). I appear before you to support of Engrossed House Bill 1046, which was introduced on behalf of the Department.

The bill contains updates to North Dakota Century Code related to direct and indirect costs, billing practices, and payments to human service zones, human service zones agreements and plans, creation of human service zones, human service zone directors, and human service zone indirect cost plans.

Section 1. The proposed changes in Section 1 of this bill amend the definitions of direct costs to add language regarding operating costs to include "approved by the department and" not identified by the department as an indirect cost.

The proposed change to the definition of "indirect costs" adds reference to "remodeling, construction, and improvement costs" and includes clarification that "Indirect costs may not include non-space and non-facility costs and expenses that are exclusively attributable to the human service zones".

Section 2. The proposed changes to North Dakota Century Code 50-01.1-02-3 remove references to dates and actions that were only

relevant to the initial establishment of human service zones, adds reference to "proposed effective date" as a required element of an agreement, and adds "within six months of receiving the plan" as the timeframe for approval by the department.

Page 3 lines 28-31 adds language intended to create a process to address changes in zone designations and affiliations by stating that "If counties do not submit an agreement or plan or if the agreement or plan is rescinded or terminated by the constituent counties or by the department pursuant to sections 50-01.1-02, 50-01.1-04, or 50-01.1-08, the department shall create the human service zone." The department anticipates that this clause could be used to address situations where a county wants to or is asked to exit a zone group, where a change in host county is desired, or in situations where zone operations and overall delivery of human services will be compromised without action.

Section 3. The proposed changes to Section 50-01.1-03 of North Dakota Century Code and address factors the department shall consider in creation of zones. Subsection 1 adds "human" to "social, and economic assistance services" and adds "Budget impact" as subdivision m of subsection 1.

Subsection 2 adds language consistent with the proposed amendment in Section 2 of this Bill by adding "rescinded", "terminated", and "pursuant to sections 50-01.1-02, 50-01.1-04, or 50-01.1-08" to "modified", as potential actions the department can take after a human service zone is initially approved, and references that processes for doing so be established in accordance with the language outlined in Section 2 of this Bill.

Section 4. The proposed changes in this section amend North Dakota Century Code Section 50-01.1-04. Subsection 1 references the

language, in part, proposed in Section 2 of this Bill when describing the "definite term" of plans that have been approved. Subsection 2 adds language intended to clarify processes for billing and reimbursement of expenses incurred by human service zones in the delivery of services and clarifies that "indirect cost payments received by the human service zone are not required to be deposited in the special human service zone human services fund".

Section 5. The proposed changes in this section amend North Dakota Century Code Section 50-01.1-06 by removing "and located within the human service zone, unless serving more than one human service zone" to clarify that there is no requirement for human service zone director to live within the boundaries of the human service zone.

Section 6. The proposed changes in this section amend North Dakota Century Code Section 50-01.1-08 by adding "including a grievance process" when referencing progressive discipline with the zones and adds "rescind" to subdivision c of subsection 4.

Section 7. The changes proposed in this section offer the same amendments to the definitions of "direct cost" and "indirect cost" as was outlined in Section 1 of this Bill. Section 1 amends North Dakota Century Code 50-01.1-01 and Section 7 amends North Dakota Century Code 50-35-01.

Section 8. The proposed changes in this section amend North Dakota Century Code 50-35-04 regarding calculation of human service zone payments. Subsection 4 removes reference to the dates associated with the 2021-23 legislative biennium and replaces "may not be less than the prorated amount paid to counties for this purpose in state fiscal year 2018" with "must be within legislative appropriation and based on the annual" indirect cost plan. This change is intended to better align the

calculation of indirect cost payments with the state biennial budget. The proposed change also notes that this modification starts "August 1, 2023, for the counties to budget for the 2024 fiscal year" and clarifies that the "2023 cost allocation plan will be based on the requested information received from the counties".

Subsection 7 is added to 50-35-04 to clarify that "counties shall provide the requested information for the cost allocation plan by September fifteenth of each year" to support the calculation process outlined in subsection 4 that indicates the "cost allocation plan will be based on information received from the counties". The changes proposed in this subsection also outline that the department will provide notice of non-receipt of information to the county and establishes that "counties may not participate in the cost allocation plan and shall be responsible for one hundred percent of all indirect costs" if they fail to submit the requested information within the timeframes established.

Subsection 8 adds language that permits the department to "reimburse all indirect costs associated with a statewide pilot project, service, or program performed by a human service zone". As collaboration between human service zones continues to increase, the ability to appropriately reimburse human service zones for services delivered is becoming increasingly important.

Section 9. The proposed changes in this section amend North Dakota Century Code 50-35-05 by adding "excluding indirect costs payments" to clarify that indirect costs are not paid from human service zone human services fund.

This concludes by testimony. I would be happy to try to answer any questions the Committee may have.