

Introduced by

Representatives Boschee, Mitskog, Nelson, O'Brien, M. Ruby, Weisz

Senators Burckhard, Cleary, Dever, Hogan, Lee, Mathern

1 A BILL for an Act to create and enact a new section to chapter 50-06 of the North Dakota
2 Century Code, relating to a pay for success fund; to provide for a report; to provide for a
3 continuing appropriation; to provide for a transfer; and to provide for a legislative management
4 study; and to provide an effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1.** A new section to chapter 50-06 of the North Dakota Century Code is created
7 and enacted as follows:

8 **Pay for success fund - Continuing appropriation - Report to legislative management.**

- 9 1. There is created in the state treasury the pay for success fund. The fund consists of all
10 transfers to the fund and fund earnings. Moneys in the fund are appropriated to the
11 department of health and human services on a continuing basis for defraying the
12 expenses associated with a pay for success program developed by the department.
13 The department shall develop the program with outcomes focused on improving
14 educational, social, or emotional achievement of at-risk children, improving the health
15 of children, and increasing participation in the workforce by individuals who qualify for
16 government assistance.
- 17 2. The pay for success program may include a performance-based grant, contract, or
18 other agreement for initiatives to improve outcomes that result in increased public
19 value and social benefits, including improved outcomes, cost-savings, increased
20 public revenue, and/or minimal administrative requirements.
- 21 3. The pay for success program must include the following:
- 22 ~~a. A feasibility study to determine the effectiveness of a proposed initiative;~~
- 23 ~~b. A requirement that payments are made to the recipient of a grant, contract, or~~
24 ~~agreement only when agreed-upon outcomes are achieved;~~

- 1 e.a. A provision that a bonus payment may be provided to the recipient of the grant,
2 contract, or agreement to expand capacity for a proposed initiative;
- 3 d.b. A provision that a bonus payment may be provided to the recipient of the grant,
4 contract, or agreement only after a twenty-percent cost reduction has been
5 achieved;
- 6 e.c. A provision that a bonus payment may not exceed half of the cost reduction;
- 7 f.d. A ~~third-party~~ formal evaluation to determine whether the program has met its
8 proposed outcomes; and
- 9 g.e. An annual report to the legislative management on the progress of the program.

10 4. The requirements of chapter 54-44.4 do not apply to the selection of a grant recipient,
11 the grant award, or payments made under this section.

12 5. All moneys designated for the fund from whatever source derived must be deposited
13 by the state treasurer in the pay for success fund. The state treasurer shall invest
14 moneys in the fund in interest-bearing accounts as is designated by the department of
15 health and human services and the interest earned must be retained in the fund. The
16 state treasurer shall apply the prudent investor rule in investing the moneys in the
17 fund. The executive director of the department of health and human services or the
18 director's designee shall administer the fund.

19 **SECTION 2. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND -**

20 **PAY FOR SUCCESS FUND.** During the biennium beginning July 1, 2023, and ending June 30,
21 2025, the office of management and budget shall transfer the sum of \$2,500,000 from the
22 strategic investment and improvements fund to the pay for success fund. On July 1, 2027, the
23 director of the office of management and budget shall transfer the unobligated balance in the
24 pay for success fund to the strategic investment and improvements fund.

25 **SECTION 3. LEGISLATIVE MANAGEMENT STUDY - PAY FOR SUCCESS FUNDING**

26 **MODEL.** During the 2023-24 interim, the legislative management shall consider studying the
27 pay for success funding model as a tool to identify ways for state and local government to
28 provide outcomes-based services. The study must review the ways the pay for success model
29 may be implemented at the state and local level, examine pay for success programs of other
30 states, and include input from the executive director of the department of health and human
31 services and the state treasurer.

1 | **SECTION 4. EFFECTIVE DATE.** ~~This~~[Section 1 of this](#) Act is effective January 1, 2024.