

**Sixty-eighth Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 3, 2023**

HOUSE BILL NO. 1480
(Representatives Boschee, Mitskog, Nelson, O'Brien, M. Ruby, Weisz)
(Senators Burckhard, Cleary, Dever, Hogan, Lee, Mathern)

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

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

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

1. There is created in the state treasury the pay for success fund. The fund consists of all transfers to the fund and fund earnings. Moneys in the fund are appropriated to the department of health and human services on a continuing basis for defraying the expenses associated with a pay for success program developed by the department. The department shall develop the program with outcomes focused on improving educational, social, or emotional achievement of at-risk children, improving the health of children, and increasing participation in the workforce by individuals who qualify for government assistance.
2. The pay for success program may include a performance-based grant, contract, or other agreement for initiatives to improve outcomes that result in increased public value and social benefits, including improved outcomes, cost-savings, increased public revenue, or minimal administrative requirements.
3. The pay for success program must include the following:
 - a. A provision that a bonus payment may be provided to the recipient of the grant, contract, or agreement to expand capacity for a proposed initiative;
 - b. A provision that a bonus payment may be provided to the recipient of the grant, contract, or agreement only after a twenty-percent cost reduction has been achieved;
 - c. A provision that a bonus payment may not exceed half of the cost reduction;
 - d. A formal evaluation to determine whether the program has met its proposed outcomes; and
 - e. An annual report to the legislative management on the progress of the program.
4. The requirements of chapter 54-44.4 do not apply to the selection of a grant recipient, the grant award, or payments made under this section.
5. All moneys designated for the fund from whatever source derived must be deposited by the state treasurer in the pay for success fund. The state treasurer shall invest moneys in the fund in interest-bearing accounts as is designated by the department of health and human services and the interest earned must be retained in the fund. The state treasurer shall apply the prudent investor rule in investing the moneys in the fund. The executive director of the department of health and human services or the director's designee shall administer the fund.

SECTION 2. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - PAY FOR SUCCESS FUND. During the biennium beginning July 1, 2023, and ending June 30, 2025, the office of management and budget shall transfer the sum of \$2,500,000 from the strategic investment and improvements fund to the pay for success fund. On July 1, 2027, the director of the office of management and budget shall transfer the unobligated balance in the pay for success fund to the strategic investment and improvements fund.

SECTION 3. LEGISLATIVE MANAGEMENT STUDY - PAY FOR SUCCESS FUNDING MODEL. During the 2023-24 interim, the legislative management shall consider studying the pay for success funding model as a tool to identify ways for state and local government to provide outcomes-based services. The study must review the ways the pay for success model may be implemented at the state and local level, examine pay for success programs of other states, and include input from the executive director of the department of health and human services and the state treasurer.

SECTION 4. EFFECTIVE DATE. Section 1 of this Act is effective January 1, 2024.

Dennis E. Johnson
Speaker of the House

Tammy Miller
President of the Senate

Bull J. Reeb
Chief Clerk of the House

Sharon Morgan
Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Sixty-eighth Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1480.

House Vote: Yeas 91 Nays 2 Absent 1

Senate Vote: Yeas 29 Nays 18 Absent 0

Bull J. Reeb
Chief Clerk of the House

Received by the Governor at 4:05 PM. on April 27, 2023.

Approved at 3:38 PM. on April 29, 2023.

[Signature]
Governor

Filed in this office this 1 day of May, 2023,

at 11:28 o'clock A M.

Michael Howe
Secretary of State