



North Dakota Legislative Council

Prepared for the Human Services Committee
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STUDY OF DEPARTMENT OF HUMAN SERVICES AND HUMAN SERVICE ZONE EMPLOYEE COMPENSATION - BACKGROUND MEMORANDUM

Section 25 of Senate Bill No. [2086](#) (2021) provides for a study of Department of Human Services (DHS) and human service zone employee compensation. The study is to review:

- Total state and human service zone employee compensation, including wages and salaries, annual leave, pay grades, classification, disaster or emergency services volunteers' leave, employee assistance program benefits, family and medical leave, funeral leave, holidays, hours of work, administrative leave, jury and witness leave, leave without pay, the merit system, military leave, overtime compensation, retirement benefits, health insurance benefits, severance pay, sick leave, benefits for temporary employees, and time off to vote;
- Health insurance benefits, including the availability of health savings accounts, self-insurance, healthy lifestyle incentives, and the appropriateness of the human service zones' current health insurance benefits;
- Compensation equity between DHS, other state agencies, human service zones, and the market; within human service zones; within DHS; and between human service zones; and
- The feasibility and desirability of implementing compensation equity.

PREVIOUS STUDIES AND REPORTS

The Legislative Management assigned the 2019-20 interim Human Services Committee the duty to receive updates regarding the county social and human services project. Representatives from the North Dakota Association of Counties reported one major issue affecting human service zones is the employee benefit packages offered by various counties. Benefit packages vary by county and zone employee benefits are administered by the host county. This may affect an employee's benefit coverage level as well as how much counties pay for employee benefits.

HUMAN SERVICE ZONES Senate Bill No. 2124 (2019)

In Senate Bill No. 2124 (2019), the Legislative Assembly approved a new social and human service delivery system. Key components of the system include:

- Up to 19 multicounty zones may be established for the delivery of human services. Counties with a population over 60,000 may be a single county zone.
- A human service zone board, comprised of county commissioners and other local officials, govern each zone.
- The board may not exceed 15 members appointed by county commissioners with at least one commissioner from each county serving on the board. This provision was amended by Senate Bill No. 2086 (2021) to provide that only one commissioner from each county may serve on the board in multi-county zones and two commissioners must serve on the board in single county zones.
- Each human service zone board must hire a human service zone director to serve as presiding officer of the board and to oversee the operations of the human service zone.
- Funding formula payments for direct costs will be provided to each zone which are based on fiscal year 2018 data.
- Up to 33 full-time equivalent (FTE) employees may be transferred from counties to DHS if one or more human service zones transfer duties to the department. Funding formula payments may be withheld from a zone for any duties transferred to the department.
- Up to 107 FTE employees may be transferred from counties to DHS for specific positions that provide services to the zones.

Development of Zones

The counties collaborated to create 19 human service zones effective January 1, 2020. Zone directors were hired by March 31, 2020, and zones developed operations plans by June 1, 2020. A map of the human service zones, including host counties identified by a star, is attached as an [appendix](#).

Transfer of FTE Positions to State Employment

Senate Bill No. 2124 (2019) authorized the transfer of 140 FTE positions from county employment to state employment. In addition, the 2021 Legislative Assembly authorized 3 additional FTE positions to provide for a total of 143 FTE state employee positions for the county social and human services project during the 2021-23 biennium. The positions relate to home- and community-based services case management (67), early childhood services (27), long-term care eligibility (16), foster care and adoption (16), child welfare quality control (10), and administration of zone activities (7).

Senate Bill No. 2086 (2021) provides for DHS, in conjunction with North Dakota Association of Counties and human service zone directors, to develop a process for allowing a human service zone to opt for state employment. The process must identify under what conditions and factors a transition to state employment may or may not be desirable for a human service zone and the department; outline the governance process for choosing to opt in to state employment, including a description of the role of the human service zone board, county commissions, and the department; and include a template and potential timeline for any zone choosing to make the transition to state employment. The Legislative Assembly must authorize any transfer of positions from human service zones to state employment.

Budget and Employee Compensation Adjustments

The county social and human services project provides for state funding to be distributed to human service zones for the delivery of human services programs previously paid through county property tax levies. The schedule below provides a comparison of funding for the county social and human services project for the 2021-23 biennium compared to the 2019-21 biennium.

	2019-21 Biennium	2021-23 Biennium	Increase (Decrease)
General fund		\$1,240,391	\$1,240,391
Other funds	\$173,700,000	188,676,995	14,976,995
Total	\$173,700,000	\$189,917,386	\$16,217,386
FTE positions	140.00	143.00	3.00

For the 2019-21 biennium, funding of \$2.9 million was appropriated to provide zone employees with salary increases consistent with state employees. Additionally, \$2.9 million was provided for zone employee equity adjustments. For the 2021-23 biennium, funding of \$3.8 million was appropriated to provide zone employees with salary increases consistent with state employees.

HUMAN RESOURCE MANAGEMENT SERVICES

The Central Personnel System Act was passed in 1975. The Act created the Central Personnel Division of the Office of Management and Budget and the State Personnel Board which are provided for in North Dakota Century Code Chapter 54-44.3. The purpose of the Central Personnel Division is to establish a unified personnel administration system for classified employees of the state. The purpose of the State Personnel Board is to oversee the development and administration of the classification system. The Central Personnel Division was changed to Human Resource Management Services (HRMS) in August 2003 pursuant to Senate Bill No. 2092 (2003).

The Human Resource Management Services division of the Office of Management and Budget has authority to adopt policies, rules, and procedures regarding:

- Classification and compensation plans.
- Salary administration.
- Personnel administration actions.
- Compliance with state or federal law or rule pertaining to merit personnel systems.

Class Evaluation System

The classification system was developed in 1982 by HRMS. The factors used to determine the job classes include knowledge and skills required, complexity, responsibilities, and working condition hazards. Pursuant to

Section 54-44.3-20, certain positions are exempt from the classification system, including elected officials and employees of boards and commissions, the legislative and judicial branches, institutions of higher education, the Mill and Elevator Association, and the Bank of North Dakota.

Prior to the 2009-11 biennium, the pay grades for the job classification were based on labor market information from Job Service North Dakota and periodic surveys using a 10-state market sample. The 10-state survey included Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Oklahoma, South Dakota, and Wyoming. The midpoint for each pay grade was set using 95 percent of the market-level pay. During the 2009-11 biennium, the salary ranges for the pay grades were recalculated annually to ensure the midpoint was within 5 percent of the market level. Beginning with the 2011-13 biennium, the pay grades were based on a midpoint equal to 100 percent of the market level reflecting local and regional jobs from private and public employers in all industry types. Based on recommendations from the 2009-10 interim Government Services Committee and House Bill No. 1031 (2011), HRMS restructured the classification system replacing a numeric grading system based on 20 grades (1 through 20) with an alpha grading system based on 22 grades (A through V).

Effective July 1, 2020, HRMS changed the job classification system for classified state employees. Prior to the change, the job classification system established a standard salary range for classified employees with similar job titles in multiple state agencies. For example, during fiscal year 2020, an employee with a grade D position had an allowable monthly salary range of \$2,085 to \$3,474 while an employee with a grade E position had an allowable monthly salary range of \$2,277 to \$3,794. The current job classification system replaced the 22 letter grades with 10 number grades. For example, employees with a letter grade of D and E were combined into a new grade 102 with an allowable monthly salary range of \$2,318 to \$4,172. The reduction of salary grades from 22 to 10 is intended to provide agencies additional salary flexibility for high-performing state employees without needing to reclassify the employee's salary grade and position. The current job classification system combined more than 850 job titles into 100 standardized job titles within 16 job families, such as administrative and office services, education services, human services, and trade services.

STATE EMPLOYEE BENEFITS

State employees receive the following benefits:

- Paid family health insurance premium or contributions to a health savings account if participating in an optional high-deductible health plan. The state contributes \$88.34 each month for an individual health plan and \$213.76 per month for a family plan to a health savings account for an employee enrolled in the high-deductible plan.
- Life insurance - \$1,300 coverage.
- Deferred compensation.
- Flexcomp plan.
- Retirement plan.
- Annual leave.
- Sick leave.
- Family and medical leave.
- 10 paid holidays per year.
- Leave sharing.
- Funeral leave.
- Military leave.
- Voluntary group insurance plans, including vision, dental, and long-term care paid for by the employee.

STUDY PLAN

The following is a proposed study plan for the committee's consideration in its study of the compensation of DHS and human service zone employees.

1. Receive and review information regarding the classified state employee compensation system, including pay grades and classification system and the history of development and changes to the system.

2. Receive and review information regarding differences in compensation levels and employee benefits among human service zones.
3. Receive and review information regarding the compensation levels of DHS employees and human service zone employees.
4. Receive testimony from other interested persons regarding the committee's study of the compensation of DHS employees and employees of human service zones.
5. Develop recommendations and any bill drafts necessary to implement the recommendations.
6. Prepare a final report for submission to the Legislative Management.

ATTACH:1