

Spotlight

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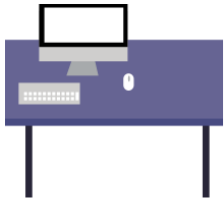


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TWO NEW DEPARTMENTS?

A closer look at the state's IT and veterans programs and the governor's proposal for a new department for each

Information Technology



\$1.5b spread over 25+ agencies



74% of IT projects over budget



10-20% potential cost savings from a new department

Veterans' Affairs



770,000 veterans living in NC



\$157.3m for state programs



23 programs across 10 departments or agencies

A New Department

Consolidate accountability and authority

Coordinate for budget savings

Protect citizens' data

A New Division

Consolidate under Department of Public Safety

Create a Division of Veterans Affairs

Reduce admin cost without adding departmental overhead

Track program outcomes

In Gov. McCrory's Recommended Budget for the 2015-17 biennium, he suggested the creation of two new cabinet-level departments, a Department of Military and Veterans Affairs and a Department of Information Technology. Before North Carolina decides to expand its cabinet and create new departments, a thorough evaluation and analysis of current operations needs to be performed for both veterans affairs and information technology. The purpose of this study, then, is to evaluate each proposal within the context of its unique benefits and challenges.

Whenever a government official suggests creating a new department or agency, one must weigh the cost of creating the department, including the addition of new bureaucracies, against the potential benefits. Some areas may need to be consolidated into a department to achieve budgetary savings or government efficiency, while others may benefit from minor organizational changes.

Information Technology

The first formal examination of information technology in North Carolina state government was in 1969, when Gov. Bob Scott signed an executive order that created a committee to look into the effective use of computers and related equipment in state agencies.¹ Since the early 1980s, four different agencies have maintained offices for information technology: the Department of Administration, the State Controller, the Department of Commerce, and the Office of the Governor. As the use of computer technology increased over the decades, North Carolina's patchwork response consisted of convening commissions, passing legislation, authorizing study committees, and issuing executive orders.

After much debate and concern over the growing use of technology, the Division of Information Technology and the position of State Chief Information Officer (CIO) were created² in 1999. This followed legislation that had been passed over the preceding decade calling for the state to focus on the management, accountability, and cost-effectiveness of IT. Today, state government has thousands of information technology systems, including multiple customized versions of the same systems in different locations, despite various attempts to consolidate IT over the last 15 years.

Every year the Office of the State Controller issues a report detailing expenditures on Information Technology

in the state.³ This is necessary because, unlike other areas of state government where similar functions are housed and budgeted within the same department or agency, IT operations are independent entities. The Office of Information Technology Services oversees the IT operations across state government, but each state agency budget must be evaluated to determine how much the state spends on IT.

The State CIO and the Office of Information Technology Services (ITS) are responsible for IT across North Carolina's state government, but the courts, UNC System, North Carolina Lottery Commission, and General Assembly are exempt. When capturing the total costs to the state for IT, these exempt areas are included.

Total IT expenditures in North Carolina for fiscal year 2013-14 were approximately \$1.5 billion⁴ spread across more than two-dozen agencies. Personnel make up approximately 39 percent of total IT related expenditures, but fewer than 25 percent of the state's IT professionals work for the Office of Technology Services.⁵ The next largest expenditures, as a share of the total, are applications services at 20 percent, telecommunications at 9 percent, and servers at 8 percent.

Efforts to consolidate or coordinate the state's information processing resources have been discussed since 1983 when the first Computer Commission was created.⁶ In 2013, Gov. McCrory issued an executive order to "fix and modernize IT governance in cabinet agencies by collaborating as one IT."⁷ In December of 2014, State Chief Information Officer Chris Estes recommended that the General Assembly restructure the state's IT resources by establishing a cabinet-level agency, the Department of Information Technology. A few months later, he included details of the proposed agency in the biennial state IT plan, which was submitted in conjunction with the governor's budget for the 2015-17 biennium. According to the proposed budget, the new Department of Information Technology would replace the Office of Information Technology Services and the Office of the State CIO.

Veterans

For the last 90 years, North Carolina has been providing support and assistance to veterans and their families.⁸ In response to World War I, the General

Assembly established the North Carolina Division of Veterans Affairs (NCDVA) as part of the Commission of Labor in 1925. After the Second World War, the NCDVA became a stand-alone agency to assist veterans and their families in securing benefits earned through military service. About twenty years later in 1967, the Department of Administration assumed all responsibility for the NCDVA. Today, North Carolina has the ninth largest veteran population in the country and is home to approximately 770,000 veterans residing in every county across the state.

Many of the programs that support veterans in North Carolina are federally established and financed, but lawmakers have created state-based programs over the years to complement the services offered by the federal government. In FY 2013, North Carolina received \$7.3 billion in veteran-related expenditures.⁹

While the federal government pays much of the cost for veterans services, there are also many programs that receive funding through the state or private sources in North Carolina.¹⁰ In 2014, the General Assembly's Program Evaluation Division published a report that inventoried state programs and services available to veterans and their families. This report is the only known published summary of state programs and efforts for veterans. In fiscal year 2013-14 there were 23 state sponsored or supported programs for veterans at a total cost of \$157.3 million.

Veterans programs fall into two major categories — veteran-only and veteran-targeted. There are eleven veteran-only programs, that is, programs where veterans and their families make up 100 percent of the participants. These programs spend around \$54 million and serve around 71,000 veterans. There are twelve veteran-targeted programs, with veteran status as one, but not the only, avenue for eligibility. These programs serve over 20,000 veterans and their families. As such, the \$103 million expenditure for veteran-targeted programs is not spent solely on the veterans within these programs. Moreover, these programs do not reside in one area of state government, but are found in 10 state entities: the departments of Administration, Commerce, Health and Human Services, Public Instruction, Public Safety, and State Treasurer; the NC Community College System; the NC Housing Finance Agency; the University of North Carolina system; and the Wildlife Resources Commission.

The inventory by the Program Evaluation Division gives us the most accurate picture of how much is spent on veterans and their families in North Carolina, but the total amount is still unknown. Veteran-targeted programs do not track expenditures specific to veterans, so the inventory had to include the amount spent for entire programs, which may include expenditures for civilians. Until these programs begin tracking veteran-specific data, the total amount spent on veterans remains unknown.

In 2011, the General Assembly passed a law aimed at improving the behavioral health of veterans and their families by directing state agencies to coordinate programs, services, research, and grant dollars.¹¹ An effort to bring together agencies serving all veterans was not made until 2014, when Governor McCrory created an interagency working group to increase collaboration and coordination among veterans programs across the state.¹²

As proposed by NC GEAR, the governor's 2015-17 biennial budget recommendations include the establishment of a new cabinet-level agency, the Department of Military and Veterans Affairs.¹³ But unlike other departments that house programs to serve a specific constituency, this new department would not house all the state's programs for veterans. It would pull together Veterans Affairs and the State Veterans Home Program from the Department of Administration, the Joint Land Use Study and Base Relocation and Closure (BRAC) programs from the Department of Commerce, and the Military Advisor and Assistant positions from the Governor's Office. The Department would essentially replace the Division of Veterans Affairs as the overseer of all veterans service activities.¹⁴ This would leave functions like pensions, education, and medical programs outside the new department.

Recommendations

There is no 'one size fits all' policy that applies to both of these areas. Since the early 1980s, there have been two recurring themes in discussions of information technology needs — consolidation of IT functions and spending IT funds wisely. Information technology demands immediate attention due to the state's extensive reliance on technology and the potential for security breaches. There have been many attempts to manage the state's IT through commissions and the creation of

a separate division, but comprehensive reform cannot be accomplished within the existing constraints. The creation of a Department of Information Technology would consolidate disparate operations and break down current bureaucratic barriers between agencies, while also creating opportunities for increased government efficiency and cost savings.

1. Restructure IT management in the state by creating a new Department of Information Technology. This new department will address the root cause of North Carolina's IT challenges by defining one source of accountability and authority to accelerate change, reduce costs, and more effectively manage IT resources. In addition, the new department will help to improve citizen satisfaction; increase efficiency; reduce complexity; and improve the state's ability to attract, retain, and reward IT talent by expanding training opportunities and paying closer to the market rate for high-demand skills.
2. Coordinate and centralize effort to save the state money. It has been estimated that states that move to a unified structure have saved 10 to 20 percent of their initial operating budget over five years. Currently, 74 percent of the state's IT projects come in over budget and behind schedule.¹⁵ A unified department will create aggregate buying power for contracts and identify shared solutions across agencies.
3. Protect private citizens' data, which is a fundamental state responsibility. The current IT system is spread across multiple agencies, and there is a potential security risk posed by old software. South Carolina experienced a data breach and has spent millions to fix and secure citizen data. With a new unified structure, North Carolina can avoid such a security breach.¹⁶
4. Avoid major shifts for state government employees or new work locations. Minimal reductions in staff levels may occur through attrition and as open positions are re-evaluated. All current cabinet agency IT professionals will work for the new department.

Veterans programs, on the other hand, have been housed within the Department of Administration for nearly half a century. There have been few systemic problems with the core functions or mission of the many programs

that serve North Carolina's veterans and their families. While the state could improve efficiency in some of its veterans programs, there is no compelling reason to create a new department.

1. Do not create a new department. Instead, create a Division of Military and Veterans Affairs within the Department of Public Safety. The National Guard cannot leave Public Safety, since its role in our state is law enforcement and emergency management, so this would allow Veterans Affairs and the National Guard to work more closely together.
2. Include the programs identified by the Governor in the new division: Veterans Affairs, the State Veterans Home Program, the Joint Land Use Study, and Base Relocation and Closure (BRAC). The Veterans Specialty Court Pilot Project should also be moved to the new division, because it is already located within Public Safety.
3. Establish a Joint Legislative Military and Veterans Affairs Oversight Committee in the General Assembly.¹⁷ Even with the creation of a new Division of Military and Veterans Affairs, some veterans programs will continue to be housed outside of the division due to the specific services they offer. Because cross-agency coordination is important, lawmakers should establish this committee to monitor the measured outcomes from programs and hold agencies accountable for their veterans programs and coordination with the new division. This committee can also explore the possibility of moving more of the state's veterans programs into the new division.
4. Establish a branch within the new division to track and improve services for veterans and their families. Of the 23 identified programs for veterans, few track outcomes. By implementing performance measures and tracking outcome data, the state can better determine the extent to which these programs improve the lives of veterans and their families and if any programs need to be reformed or can be consolidated for budgetary savings.

Endnotes

1. Executive Order No. 2 issued March 25, 1969 by Governor Bob Scott. This established the Governor's Committee on Data Processing and Information Systems. The Committee's responsibilities were to advise, counsel and guide the Department of Administration in carrying out its duties and responsibilities as the designated agency for the control and effective use of computers, related equipment and facilities, and personnel.
2. Office of the State Chief Information Officer, IT Policy and Governance, History of IT Governance in North Carolina, scio.nc.gov/library/pdf/History_of_IT_Governance_in_NC.pdf
3. General Statute § 147-33.87 requires an annual report, "Financial Reporting and Accountability for Information Technology Investments and Expenditures", of IT operations and project expenditures. It is coordinated by the Office of Information Technology Services with the Office of State Budget and Management and the Office of the State Controller.
4. North Carolina Information Technology Expenditures Report for the period ended June 30, 2014, published October 1, 2014, Table 1-4 Percentage of IT expenditures to Total expenditures, page 13, osc.nc.gov/financial/ITReport_06302014.pdf
5. Office of Information Technology Services, DIT Restructuring Bill Fact Sheet, March 12, 2015.
6. The Legislative Research Commission recommends the creation of a Computer Commission to approve proposals by the Department of Administration to consolidate or coordinate the state's information processing resources. Previously, Council of State was the approving authority. General Assembly creates a 13-member Computer Commission in the Department of Administration. (Study authorized by Resolution 61 of the 1981 session laws.)
7. Executive Order 30-Fix and modernize information technology governance in cabinet agencies by collaborating as one information technology, November 7, 2013, governor.state.nc.us/sites/default/files/orders-and-proclamations/20131108/McCroryEO30.pdf
8. State law defines a veteran as any person who may be entitled to any benefits or rights under the laws of the United States by reason of service in the Armed Forces of the United States. This definition includes individuals who served in the active military, naval, or air service and who were discharged or released therefrom under conditions other than dishonorable. Also, National Guard members and Reservists who meet eligibility requirements for length of service, service commitment, and duty status are eligible for certain federal veterans benefits.
9. 2014 North Carolina Division of Veterans Affairs Annual Report, NC4Vets, page 2, nc4vets.com
10. No local funding is dedicated to veteran-only programs.
11. S.L. 2011-185/Senate Bill 597, Behavioral Health Services for Military. The agencies included were the Department of Crime Control and Public Safety (now the Department of Public Safety), the Department of Health and Human Services, the North Carolina Area Health Education Centers, and the University of North Carolina.
12. Executive Order 49-Governor's working group on veterans, service member and their families, April 17, 2014, Military and veterans affairs, governor.state.nc.us/newsroom/executive-order/20140417/executive-order-49-governor%E2%80%99s-working-group-veterans-service
13. The Governor's Recommended Budget, Office of State Budget and Management, Office of the Governor, Raleigh, NC, March 2015, page 112, item 1, osbm.nc.gov/thebudget. NCGEAR, Report to the Joint Legislative Commission on Government Operations, March 5, 2015, page 27, ncgear.nc.gov/documents/NC%20GEAR%20Final%20Report.pdf
14. The purpose of the North Carolina Division of Veterans Affairs is to oversee all veterans service activities, to ensure full participation in all benefits programs by eligible clientele, to effectively administer the state program of scholarships for children of veterans as provided for in G.S. 165-4, and to operate three State Veterans Cemeteries. To accomplish these responsibilities, this Division administers a statewide network of offices to deal with requests for assistance related to the full range of veterans benefits.
15. Office of Information Technology Services, DIT Restructuring Bill Fact Sheet, March 12, 2015.
16. The Post and Courier, "Revenue Department hacking leaves millions of S.C. residents at risk for life", August 31, 2013, postandcourier.com/article/20130831/PC16/130839853
17. Currently, the only military focused committee is the House standing committee on Homeland Security, Military, and Veterans Affairs.

Information Technology by Agency and Expenditures			
Agency/Institution	FY 2013-14 IT Expenditures	Total Expenditures	IT expenditures to total agency expenditures
Community Colleges System Office	19,003,093	1,428,171,578	1.33%
Administration	14,085,401	255,847,651	5.51%
Agriculture & Consumer Services	7,626,373	210,409,033	3.62%
Commerce	31,460,588	1,199,749,320	2.62%
Cultural Resources	3,701,396	82,368,644	4.49%
Environment & Natural Resources	16,289,383	567,727,206	2.87%
Health and Human Services	259,051,286	18,312,313,829	1.41%
Insurance	3,082,792	101,261,220	3.04%
Justice	14,533,153	137,767,108	10.55%
Labor	1,663,054	30,487,926	5.45%
Public Instruction	71,984,908	9,913,124,147	0.73%
Public Safety	59,461,843	2,026,540,849	2.93%
Revenue	36,339,101	128,470,610	28.29%
Secretary of State	1,522,049	13,934,930	10.92%
State Treasurer	8,141,205	10,832,525,440	0.08%
Transportation	104,782,001	4,688,324,187	2.23%
NC Global TransPark Authority	39,954	8,780,682	0.46%
NC Housing Finance Authority	2,542,478	63,684,918	3.99%
NC State Ports Authority	1,895,614	53,591,862	3.54%
NC Wildlife Resources	3,332,696	74,416,281	4.48%
Office of Administrative Hearings	285,976	6,113,706	4.68%
Office of the Governor	3,010,925	291,388,749	1.03%
Office of the Lieutenant Governor	23,954	623,851	3.84%
Office of the State Auditor	1,216,879	14,760,902	8.24%
Office of the State Controller	30,163,181	41,422,794	72.82%
State Board of Elections	2,281,266	5,915,630	38.56%
Administrative Office of the Courts	48,633,725	614,235,127	7.92%
NC Education Lottery	6,387,745	1,342,069,787	0.48%
UNC System	540,826,349	12,412,193,674	4.36%
E911 Board	34,054	74,934,963	0.05%
Office of Information Technology Services	179,474,847	190,222,829	94.35%
Total	1,472,877,269	65,123,379,433	2.26%

Veterans' Programs and Expenditures for FY 2013-14					
Agency/ Institution	Program Name	FY 2013-14 Expenditures	Veterans Served	Funding by Source	Statewide
Veteran-only Programs (11)					
Administration	Veteran State Nursing Homes	\$33,262,000	726	Federal: 40% Private: 60%	Yes
Administration	Veteran Scholarship Program	\$9,742,652	693	State: 100%	Yes
Commerce	Jobs for Veterans State Grant	\$5,435,909	51,794	Federal: 100%	Yes
Administration	Veteran Service Officer Support	\$3,683,195	14,533	State: 100%	Yes
Administration	State Veterans Cemetery Program	\$854,863	1,053	State: 52% Other: 48%	Yes
Health and Human Services	Substance Abuse Services Initiative for NC National Guard	\$492,110	54	Federal: 91% State: 9%	Yes
NC Community College System	Veterans Upward Bound	\$215,668	129	Federal: 100%	No
Public Instruction	Troops to Teachers	\$136,048	1,043	Federal: 100%	Yes
Public Safety	Veterans Specialty Court Pilot Project	\$70,197	43	Federal: 100%	No
NC Community College System	Enhancement Services for Veterans	\$20,000	473	Private: 100%	No
Wildlife Resource Commission	Wounded Warrior Hunting and Fishing Programs	\$8,400	395	Federal: 75% State: 25%	No
Veteran-targeted Programs (12)					
Housing Finance Agency	NC Foreclosure Prevention Fund	\$87,956,217	81	Federal: 100%	Yes
State Treasurer	NC National Guard Pension Fund	\$7,480,761	14,679	State: 100%	Yes
NC Community College System	NC Back-to-Work	\$6,206,528	375	State: 100%	No
NC Community College System	Center for Military Families and Veterans	\$347,424	2,000	State: 16% Private: 36% Other: 48%	No
Health and Human Services	NC Operation Recovery-Jail Diversion & Trauma Recovery Program	\$267,920	28	Federal: 75% Local: 25%	No
Health and Human Services	DMHDDSAS Traumatic Brain Injury Program	\$225,223	N/A	State: 100%	Yes
Health and Human Services	Veteran Peer Support Program	\$203,047	321	Federal: 100%	Yes
Public Safety	NC National Guard Family Programs	\$194,476	656	State: 100%	Yes
UNC System	Veterans Business Outreach Center	\$183,400	459	Federal: 100%	Yes
Commerce	Apprenticeship and Training	\$123,035	773	Federal: 100%	Yes
NC Community College System	Military Affairs Center	\$106,683	724	State: 100%	No
UNC System	NC Central University School of Law Veterans Law Clinic	\$91,951	433	State: 100%	Yes