LEGISLATIVE RESEARCH COMMISSION

EFFICIENCIES IN STATE GOVERNMENT COMMITTEE

NORTH CAROLINA GENERAL ASSEMBLY

REPORT TO THE 2012 SESSION of the 2011 GENERAL ASSEMBLY OF NORTH CAROLINA

APRIL, 2012

A LIMITED NUMBER OF COPIES OF THIS REPORT ARE AVAILABLE FOR DISTRIBUTION THROUGH THE LEGISLATIVE LIBRARY

ROOMS 2126, 2226
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27611
TELEPHONE: (919) 733-7778

OR

ROOM 500
LEGISLATIVE OFFICE BUILDING
RALEIGH, NORTH CAROLINA 27603-5925
TELEPHONE: (919) 733-9390

TABLE OF CONTENTS

This page intentionally left blank

TRANSMITTAL LETTER

May 16, 2012

[Back to Top]

TO THE MEMBERS OF THE 2012 REGULAR SESSION
OF THE 2011 GENERAL ASSEMBLY

The Legislative Research Commission herewith submits to you for your consideration its report and recommendations to the 2012 Regular Session of the 2011 General Assembly. The report was prepared by the Legislative Research Commission's Committee on Efficiencies in State Government, pursuant to G.S. 120-30.17(1).

Respectfully submitted,

Senator Philip E. Berger
President Pro Tempore of the Senate

Representative Thomas R. Tillis
Speaker of the House of Representatives

Co-Chairs
Legislative Research Commission

This page intentionally left blank

LEGISLATIVE RESEARCH COMMISSION MEMBERSHIP

[Back to Top]

2011 – 2012

President Pro Tempore of the Senate
Senator Philip E. Berger
Co-Chair

Senator Thomas M. Apodaca
Acting Co-Chair

Senator Peter S. Brunstetter
Senator Linda D. Garrou
Senator Martin L. Nesbitt, Jr.
Senator Richard Y. Stevens

Speaker of the House of Representatives
Representative Thomas R. Tillis
Co-Chair

Representative Timothy K. Moore
Acting Co-Chair

Representative John M. Blust
Representative Justin P. Burr
Representative Mike D. Hager
Representative Edith D. Warren

PREFACE

[Back to Top]

The Legislative Research Commission, established by Article 6B of Chapter 120 of the General Statutes, is the general purpose study group in the Legislative Branch of State Government. The Commission is co-chaired by the President Pro Tempore of the Senate and the Speaker of the House of Representatives and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigation into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

The Legislative Research Commission authorized the study of Efficiencies in State Government, under authority of G.S. 120-30.17(1). The Committee was chaired by Senator Ralph Hise and Representative Hugh Blackwell, Co-Chairs of the Committee. The full membership of the Committee is listed under Committee Membership. A committee notebook containing the committee minutes and all information presented to the committee will be filed in the Legislative Library by the end of the **2011-2012** biennium.

COMMITTEE PROCEEDINGS

[Back to Top]

The Legislative Research Commission's Committee on Efficiencies in State Government met four times after the 2011 Regular Session. The Committee's Charge can be found here. The following is a brief summary of the Committee's proceedings. Detailed minutes and information from each Committee meeting are available in the Legislative Library. Materials distributed at the meetings, including Power Point presentations, can be found on the Committee's website.

This Committee focused primarily on two areas within the scope of its charge – zero-based budgeting and data analytics – and ultimately recommended three pieces of legislation. A summary of the Committee's discussion on each of these topics, along with the legislative proposals, are discussed below followed by a summary of the Committee's discussion of other issues for which no legislative proposal was recommended.

ZERO-BASED BUDGETING

Zero-based budgeting is a comprehensive budgeting system designed in the private sector in the 1970s as a means of analyzing components of budgets, ranking and evaluating activities, and encouraging decisions about maintaining, reducing, or increasing funding for those activities, thereby preserving, reducing, or eliminating those activities. The idea is to start from a zero base and evaluate programs or activities as though they are being created from the outset. The Committee discussed zero-based budgeting at each of its three meetings prior to adopting the report at its final meeting.

At the first meeting held on November 10, 2011, the Committee heard three presentations related to the budgeting process and the use of zero-based budgeting, including one by Fiscal Research staff on the General Assembly's use of justification and continuation reviews and one by a Senior Fellow at the National Conference of State Legislatures about other states' experiences with zero-based budgeting. At the second meeting, held on December 8, 2011, the Committee heard from the Office of State Budget and Management about the Executive Branch's use of program budgeting. At the third meeting, held on February 16, 2012, the Committee took a closer look at House Bill 627, *Study Efficiency/Cost Savings in State Government*, which was introduced by Representative Blackwell and Representative Crawford during the 2011 Session and proposed a zero-based budgeting review process to study efficiency and cost savings in State government.

Justification and Continuation Reviews

At its November 10, 2011, meeting Richard Bostic with the Fiscal Research Division provided the Committee with an overview of the General Assembly's experience with justification and continuation reviews. Mr. Bostic told the Committee that, for many years, members have been dissatisfied with the incremental approach that exists in State budgeting. He described several efforts to study the issue, but reported that none of the bills or studies resulted in any final recommendations being presented to the Legislature.

However, in 2005, the Legislative Services Commission authorized staff to begin a pilot program to justify the existence of selected programs, to analyze the impact of eliminating those programs, and to examine the expenditures and level of service for the programs. This effort resulted in staff developing a justification review process and selecting six programs for evaluation under that process. The goals of the process included (1) describing the programs, (2) identifying the major policy issues to be addressed by the Legislature, (3) considering how to implement the programs more efficiently and at less cost, and (4) identifying performance measures for those programs. Mr. Bostic said months of staff time were spent reviewing the programs and ultimately producing justification review reports. After allowing a period for agency comments, he said the reports were published in spring 2007 and presented to the Appropriations Committees during the 2007 Session. He shared the findings and ultimate outcomes of the justification review reports, including those for the Principals' Executive Program, the North Carolina Welcome Centers, residential schools for the deaf and blind, the Office of Administrative Hearings, Alcohol & Law Enforcement, and secondary roads funding, and he categorized the overall effort as a somewhat successful attempt.

In the following year, leadership moved toward a continuation review process, in which agencies were responsible for performing the studies. Mr. Bostic explained that staff then critiqued the studies and provided their analysis to the Appropriations chairs. In the meantime, programs selected for review were funded at a nonrecurring status, with continuation of funding dependent upon the Legislature's consideration and decision regarding the continuation review reports. Mr. Bostic said that, similar to the justification review process, objectives of the continuation review were to identify program performance measures, to determine whether to continue, reduce, or eliminate funding, to outline the consequences of discontinuing the program, and to identify other issues for legislative attention. He told members that continuation reviews have taken place in 2007, 2008, 2009 and 2011 and that a formal mission statement is now included in every budget bill describing the General Assembly's intent to establish a process for periodic review of programs.

Mr. Bostic explained that 20 continuation reviews have been completed since 2007 with results varying from elimination to increased funding. Specifically, the results have been as follows: six programs were returned to prior year level funding; five programs had general fund support eliminated; four programs had part of their funding restricted; three programs received increased funding; and two studies resulted in no action. This year, seven new continuation reviews and four new justification reviews were authorized and due prior to the start of the 2012 Regular Session.

Executive Branch Use of Program Budgeting

At the Committee's second meeting, held December 8, 2011, State Budget Director, Andy Willis, and Deputy Director for Management at OSBM, Mr. Jonathan Womer, provided the Committee with an overview of the Executive Branch's current use of program budgeting. They indicated that the Executive Branch has been working on program and performance-based budgeting for the past four or five years, and it has undergone many challenges. Among the challenges is the fact that the budget system is based on a 25-year old legacy concept, that the budget has increased 150% during that time, and that it is infinitely more complex. They stated that among OSBM's goals is to identify the various programs across State agencies, to create a framework to connect those programs with results, and to reduce or eliminate inconsistency and redundancy across State agencies. They described how OSBM is setting up a standing program and measure review committee to receive data, to determine how agencies are using these measures, and to implement a review process before measures are changed, updated, or included to insure that the right measures are being collected over time.

Zero-Based Budgeting Process

At its November 10, 2011, meeting, Mr. John Turcotte, Director of the Program Evaluation Division, provided the Committee with an overview of the zero-based budgeting process. He explained that the first step is determining decision units, which would be the equivalent of programs or divisions within State agencies. Each decision unit would be given instructions to prepare decision packages outlining proposed service levels. Under this system, decision units would typically provide four decision packages: (1) a minimum level package, which can often be difficult to obtain from agencies without strong encouragement from legislators and staff, (2) a reduced level package, with the level of reduction to be defined by the General Assembly, (3) a current level package, and (4) an enhanced level package. Mr. Turcotte further clarified that agencies would be responsible for outlining the consequences of each funding level in terms of specific outputs and outcomes. As part of the process, agencies would be responsible for ranking the components of each decision package. Then, the General Assembly would have the opportunity to review the rankings and view the consequences of changing those rankings in terms of trade-offs in funding.

Mr. Turcotte affirmed that the process of building decision packages is time-consuming, but said high amounts of agency staff time is already being spent responding to spot information requests from both the legislative and executive branches. He said the zero-based budgeting process forces a certain level of discipline within agencies. Agencies charged with administering the project would have to provide evidence of a project's merit above other projects eligible for funding. He said that, while political choice would not be eliminated, the process for determining funding priorities would be more transparent. Mr. Turcotte noted that political influences often become a factor in implementing zero-based budgeting. For example, he said it is reasonable to expect that if the process is phased in, then agencies will lobby to participate in the last phase of review, with the belief that implementation could be abandoned before the last cycle is reached.

Other States' Experiences with Zero-Based Budgeting

Mr. Ronald Snell, Senior Fellow at the National Conference of State Legislatures, presented at the November 10, 2011, meeting on other states' experiences with zero-based budgeting. Mr. Snell said that, unlike performance budgeting, zero-based budgeting is fundamentally about reducing budgets. He further explained that states have had difficulty in adapting the highly-structured nature of the original system, but said the basic concept of zero-based budgeting has had a great deal of appeal to governors and legislators over the years. Mr. Snell described two variants of zero-based budgeting that have been used since the Reagan Administration. The simplified form used by the Reagan Administration was alternative or target budgeting, meaning that agencies are told to calculate budgets at some level below the previous year's funding level, at the same funding level as the previous year, and at some growth level, and to present policymakers with the consequences of those alternatives. Mr. Snell said this strategy can be a very useful today and continues in use.

The other form of zero-based budgeting is a periodic review of agency budgets on a longer cycle of four to ten years. He said a number of state governments have adopted this practice as a legislative or executive branch goal, including Florida in the early 2000s and Oklahoma more recently. Mr. Snell described the effort by the State of Florida in 2000, which included an eight-year joint legislative and executive branch review process, with reviews conducted in the legislative interim. He said the effort involved fiscal budget staff, the Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA), and the executive budget office, and they evaluated agencies on a very thorough basis. Mr. Snell concluded that these studies, while very useful, were also very expensive and time-consuming and said the program was discontinued after a few years. The Oklahoma Legislature commenced a four-year review process in 2003. He described the experiment as a primarily legislative branch process and outlined the Legislature's efforts to review the Oklahoma Department of Education, the second largest agency in the state. After a number of weeks of hearings, he said the effort was abandoned due to demands on time of legislators and legislative staff. However, Mr. Snell said zero-based budgeting is currently being effectively implemented as an executive branch budgeting activity in the relatively small states of Idaho and New Hampshire. He said the process has been driven in both instances by executive order. Mr. Snell pointed out that a significant factor in the success of both programs has been the Governors' direct involvement in the process.

Mr. Snell stated that the concept, as a cyclical process, is very similar to the sunset review process employed by many legislatures in the 1970s and 1980s as well as the justification reviews currently conducted by the General Assembly. Moreover, he said experience shows that zero-based budgeting has been very difficult to adapt to the legislative budgeting process. He reminded the group that the previously shared success stories had largely been conducted within the executive branch and said the state of Oklahoma's experiment provided evidence that zero-based budgeting is a complex process that makes enormous demands on the time of the people involved. Still, he said, there are other similar processes of bottom-up review, such as the review programs conducted in North Carolina, which approach the same results as zero-based budgeting.

The Committee recognized that, based on the information presented, changing a fundamental budget process is not an activity that takes one or two years, but rather is a long-term process that requires careful planning and a clear delineation of goals and objectives. Moreover, it may be better implemented on an incremental basis given the scope and resource-intensive nature of the process.

House Bill 627: Study Efficiency/Cost Savings in State Government

At both the December 8, 2011, and February 16, 2012, meetings, the Committee discussed House Bill 627, *Study Efficiency/Cost Savings in State Government*. The bill does not implement zero-based budgeting across State government immediately, but it establishes a 10-member commission to identify an agency or agencies to undergo an experimental zero-based budgeting review. As contemplated by the bill, the Joint Efficiency and Cost-Savings Study Commission would be an intensive working commission requiring a significant time commitment on the part of the members and staff. Membership would consist of five Senators appointed by the President Pro Tempore of the Senate and five Representatives appointed by the Speaker of the House of Representatives. The Directors of the Fiscal Research and Program Evaluation Divisions would serve as technical advisors to the Commission and members of the Fiscal Research Division would serve as commission staff. Under the bill, the Commission would select the agencies it wished to review and would require submission of information in a streamlined form determined by the Commission. Agencies would identify decision units for Commission approval and provide decision packages and quantitative impact estimates. The Commission would have the authority to reject any decision package that is not submitted according to the established guidelines. Finally, the Commission would issue instructions on how to rank the packages and would also require reporting measures.

Mr. Turcotte identified the membership of the Commission and the authority delegated to staff as key factors that would contribute to the success of the Commission. The members who are appointed need to have the time to commit to the work of the Commission because it will require a significant amount of deliberation as well as staff time. Also, the Commission staff has to be given authority to work with the Governor's office and the agency involved when selected for review. Mr. Turcotte pointed out that much of the work will be done at the staff level because the nature of the work is highly technical and very complex.

The bill contemplates an 18-month process to identify up to three agencies. After the initial pilot, the next step would likely be a two- or three- year effort requiring the passage of more comprehensive legislation that sets out a long-term schedule. Mr. Turcotte estimates that based on North Carolina's size, it may take ten to twelve years to fully implement this process across all State agencies. Critical to the success of this effort is cooperation and collaboration among the Legislature, the Executive Branch, and the various agencies.

At the final meeting on April 12, 2012, the Committee voted to recommend Legislative Proposal #1, which establishes the Joint Legislative Efficiency and Cost-Savings in State Government Study Commission (Appendix D). The legislation mirrors House Bill 627, which passed the House in 2011 but was not considered by the Senate. House Bill 627 is currently in the Senate State and Local Government Committee and would be eligible for consideration during the upcoming session.

TAXPAYER INVESTMENT ACCOUNTABILITY

At the February 16, 2012, meeting, the Committee discussed Senate Bill 463, *Accountability for Taxpayer Investment* Act, which was introduced by Senator Mansfield and cosponsored by Senator Hise and others during the 2011 Regular Session. Mr. Turcotte explained that the genesis for this bill was the fact that Senator Mansfield was surprised to learn that State agency websites do not provide clear definitions of services provided, outcomes achieved, and costs associated with their various programs. Generally speaking, there appears to be little information available to indicate performance levels. Additionally, Mr. Turcotte said Senator Mansfield was concerned about the effect that turnover in executive and legislative leadership has on the degree of emphasis placed on accountability and performance measurement. Consequently, Senate Bill 463 envisions the development of a system similar to the federal Governmental Accounting Standards Board, which sets accounting standards for all units of government in the United States and allows for comparison of data between units. Mr. Turcotte described this type of system as relatively stable and permanent despite any turnover in leadership.

The bill would establish a standards board to define programs supported by State agencies and to provide, for each program, information related to the condition the program is designed to address; program resources, activities and processes; connection between programs, services, and activities and desired results; and other performance measures. He said this system would ease citizen access to information as well as comparisons between agencies and programs.

Under the bill, the system would be phased in over time, with agencies ultimately required to file an annual certificate of compliance with the State Auditor. In addition, he described an enforcement mechanism allowing a citizen to file a civil suit alleging that a State agency has not complied with the requirements of the standards board. The purpose of the bill is to implement a permanent, ongoing mechanism that eliminates any ebbs and flows in accounting and accountability measures.

With regard to cost, since agencies are already incurring costs for websites, annual reports, and other public relations materials, the intent is for those materials to be retooled rather than creating a new statewide information technology system. He added that the board would be an ex-officio board that would receive no salaries, and the program would be staffed by the State Controller's office. The system could provide an opportunity to streamline the reporting that is already being done. Senate Bill 463 also complements a zero-based budgeting effort. In the absence of this act, the zero-based budgeting bill would force agencies to work harder to pull together needed information on a consistent level.

At its final meeting on April 12, 2012, the Committee recommended Legislative Proposal #2, *Accountability for Taxpayer Investment Act*, which mirrors Senate Bill 463 (Appendix D). Senate Bill 463 is currently in House Finance and would be eligible for consideration in the upcoming session.

DATA ANALYTICS

Data analytics or "business intelligence" involves the integrated use of computer technology, statistics, and operational research which can be used to improve efficiency and to measure performance across State government. Among the goals of its use are to align outcomes with program or service goals and to provide broad-based access to consistent information, thereby increasing transparency and accountability in government.

At its first meeting on November 10, 2011, the Committee heard informational presentations about data analytics by four different software vendors: IBM, Oracle, Oversight Systems, and SAS. The presenters shared case studies and elaborated on how software developed by their companies is used to detect fraud and waste. A consistent theme throughout the presentations was that states often have multiple systems of record, which can result in problems trying to bring the data together for use by policymakers.

Robert Dolan, Jr., IBM's Global Strategy Leader for Public Sector Business Analytics, delivered the first presentation. Mr. Dolan highlighted how state governments face increased expectations to deliver services more efficiently and effectively in light of current economic conditions. One of the major obstacles faced by governments is the fact that they tend to operate in silos, which prevents the flow of information. Mr. Dolan told the Committee that analytics can give government a holistic view of programs, budgets, and results, transforming existing data into a tool that can be used to make decisions about program investments and resource management and to reduce financial and operational risk. Mr. Dolan provided examples of government agencies in other states that are currently employing analytics applications, including Ohio's statewide consolidated business intelligence platform and the Texas Department of Education's student performance measurement system. Each of the examples, he said, reflected the decision by officials in those states to place value on a culture of analytics. The Committee expressed interest in knowing whether IBM could provide data related to return on investment in either dollars saved or outcomes achieved in its current government projects. The IBM representatives indicated that they could provide return on investment studies for several of the previously referenced projects.

The second presentation was by Mr. Randy Parrett and Mr. John Gearhart of Oracle. Mr. Parrett noted that Oracle's local clients include the NC Department of Public Instruction and the NC Department of Revenue. Mr. Gearhart cited as one benefit of analytics applications the integration of multiple systems of record rather than requiring agencies to transfer data back and forth. Mr. Gearhart identified one such product as Oracle's Relational Database Management System and detailed several examples of the product in use, including a project at the North Carolina Department of Public Instruction related to determining average teacher salary as well as a Virginia Department of Motor Vehicles project to evaluate delivery of citizen services and predict staffing requirements. Citing an example of a public safety program in New York City, Mr. Gearhart further expressed that use of analytics applications can result in increased accountability by making it easier to monitor agency performance as well as flexibility to rapidly respond to changing federal mandates. He suggested creating a small, focused analytical team, comprised of current staff that could prioritize solutions to implement and aggregate data from various sources at the Legislature. Finally, Mr. Gearhart recommended starting small and expanding the scope of applications to match the corresponding growth of expertise.

The third presenter was Mr. Christopher Rossie, Vice President of Public Sector and co-founder of Oversight Systems, which is based in Atlanta and is not currently doing business with the State of North Carolina, but leverages North Carolina technology in its product. Mr. Rossie noted that the majority of opportunities for implementing data analytics in State government involve either waste, fraud and abuse prevention, reconciliation of disbursements, or performance management. Mr. Rossie suggested the first area to focus is on improper payments, particularly vendor payments, grant receipts, or state entitlement payments. Further, Mr. Rossie discussed the capability of analytics applications to predict anomalies and unexpected occurrences. He referenced an example with vendor payments at the US Department of Defense and said analytics had helped the agency prevent over $2 billion in improper payments. Mr. Rossie then outlined some recommendations for implementing data analytics in North Carolina, including adopting a bipartisan vision and objectives, designating a project management office or "center of excellence" as the lead force in the effort, and taking small steps forward. Mr. Rossie also noted that agency buy-in is a key to success and emphasized the importance of overcoming the concern that data analytics is being implemented as a result of poor agency performance. Consequently, he recommended a separation between those charged with implementing the program and those concerned with the potential results of the program.

The fourth presenter on this topic was Eric Hunley, Principal Solutions Architect at SAS. Mr. Hunley said decision analytics often focuses on three areas of technology: holistic data sharing, intelligent program management, and predictive analytics and forecasting. He described holistic or enterprise data sharing as sharing data across and within agencies and consolidating that information to make it more meaningful. Mr. Hunley cited North Carolina's CJLEADS program and Louisiana's statewide fraud management program, both developed by SAS, as examples of consolidating data across agencies. He also discussed the NC Department of Health and Human Services and Division of Medical Assistance's budget and forecast project and dashboard applications as examples of intelligent program management. Finally, he mentioned how the Department of Transportation in North Carolina and other states are using this technology to evaluate and prioritize road maintenance decisions and to analyze and prevent officer complaints.

At its second meeting on December 8, 2011, the Committee heard a presentation by Karlynn O'Shaughnessy of the Fiscal Research Division. Her presentation provided a legislative history on the use of business intelligence and a description of current applications as well as projects under development. She explained that there is not a comprehensive, overarching program currently in place because initial data integration efforts were concentrated in smaller, specific projects, like CJLEADS. She indicated that there are two primary programs: CJLEADS and the Fraud Detection System. She also reported that there is a varying degree of interest among agencies in participating in a more comprehensive program, largely because many agencies already have processes in place to detect fraud and have limited resources.

Generally speaking, the Committee observed that analytics is an important tool for measuring outcomes, developing budgets, and considering policy changes. The Committee expressed a strong sentiment that State government must become more efficient and effective in the future and believes that analytics is the next step in that process. With that in mind, the Committee at its final meeting recommended the Legislative Proposal #3, *Smarter Government/Business Intelligence Initiative* (Appendix D).

OTHER TOPICS

NC Thinks Program

The NC Thinks Program, which began in 1975 as the "Employee Suggestion Program," is a statewide program where State employees make suggestions about improving State government. At its December 8, 2011, meeting, Carl Goodwin with the Office of State Personnel provided the Committee with an overview of the program.

Mr. Goodwin outlined the recommended process for submitting ideas to the Program. First, it is worthwhile to note that the program is limited to suggestions by State employees. Mr. Goodwin said the Governor's office has an efficiency group that takes recommendations from the general public and State contractors. A State employee that has a suggestion can discuss his or her idea with a supervisor, and then the employee may submit the suggestion to the Program. In 2008, the Program implemented an online system for receiving suggestions. Mr. Goodwin said the electronic system has greatly enhanced the employee's ability to make suggestions. The electronic system makes the Program aware of the suggestion at the time of submission to the agency. The Program forwards the suggestion to the agency's coordinator, and the coordinator makes a determination in conjunction with an agency evaluator. There is a trial period within the agency to implement the idea. The period lasts either three months or 12 months depending on the length of time needed to determine the cost savings. If the idea is valid, the agency coordinator will then refer the suggestion to the State Review Committee. The State Review Committee determines the statewide impact and recommends the Program make an award for the suggestion. The State Review Committee meets quarterly or more often if necessary. Once the suggestion has gone through all parts of the process and has been approved, then the Program notifies the agency and employee of the award.

State employees are not required to follow this recommended process and may submit a suggestion online without discussing the suggestion with a supervisor. Mr. Goodwin noted that employees who were not encouraged by the agencies to submit the suggestion often call his office. Mr. Goodwin said one reason agencies do not encourage employees to submit suggestions is that the agency fails to consider whether the suggestion would benefit other agencies.

An employee can receive up to 20% of the annual savings of the suggestion, up to \$20,000 per individual, and up to a maximum of \$100,000 for a team suggestion. If a valuable suggestion does not produce monetary savings, the employee can be awarded up to three days of leave or receive a certificate. Mr. Goodwin described typical suggestions, which include ideas related to safety, costs, productivity, efficiency, conditions of employment, services, and energy resources. Some suggestions are ineligible for consideration, such as those that have already been considered or are in use, complaints or grievances, salary or benefits changes, enforcement of existing rules, routine maintenance, ideas that are not measurable, or ideas related to job responsibility. The Program lacks the authority to require agencies to implement suggestions.

The savings from the suggestion is distributed 50% to the general fund, 20% to the employee, 15% to the implementing agency, 10% to NC Thinks Program, and 5% to the Education and Training Fund. Any suggestion submitted becomes the property of the State. The operating cost of the Program is approximately \$100,000 per year, and overall, the Program has saved roughly $13,000,000. Since 2006, the Program has not made any awards.

This presentation was informational, and the Committee did not make any legislative recommendations related to this topic.

Performance-Based Measures in Education Setting

At its February 16, 2012, meeting, Charles Perusse, Vice President for Finance, The University of North Carolina, explained ongoing activities related to performance and efficiencies in the UNC system, and Dr. Suzanne Ortega, Senior Vice President for Academic Affairs, also spoke in response to questions. Mr. Perusse discussed the President's Advisory Committee on Efficiency and Effectiveness (PACE) initiative and the UNC Finance Improvement and Transformation (FIT) program as examples of an increased emphasis on efficiency. Mr. Peruse also cited the search for efficiencies in UNC's 2012-13 Tuition Resolution and increased emphasis on student success as a performance measure. Mr. Perusse discussed the UNC system's renewed focus on student success. For 2008-2009, targets for retention and graduation were set for each individual institution based on historical performance, campus mission, and peer performance. The Board of Governors increased minimum admission requirements for the UNC system to enhance student success and graduation rates by having better caliber students entering the system. Mr. Perusse said UNC President Ross recently charged a group of campus leaders with developing strategies to promote student success, review resource management, and review academic policies. The group's recommendations were presented March 1 to the UNC Board of Governors and forwarded to the General Assembly for review during the short session. Mr. Perusse indicated that the group's proposals will be a consistent accountability system based on well-defined standards.

Unique Student Identifiers

At the February 16, 2012, meeting, Dr. Lou Fabrizio, Director of Data, Research and Federal Policy Division, NC Department of Public Instruction, discussed the Statewide Longitudinal Data Systems (SLDS) initiative to study outcomes for students in pre-kindergarten through college. Dr. Fabrizio said a number of agencies are involved with the initiative, including the NC Department of Public Instruction (NCDPI), UNC General Administration (UNCGA), the NC Community College System (NCCCS), NC Independent Colleges and Universities (NCICU), and the NC Department of Commerce (NCDOC). These agencies have been sharing data for several years and have established a P-20W Council. Further, Dr. Fabrizio noted wider efforts are being made to coordinate data sharing on a statewide bases including NC Department of Health and Human Services, citing the free and reduced lunch program as an example.

Dr. Fabrizio discussed the NCDPI's Common Education Data Analysis and Reporting System (CEDARS) and its capacity to create a Unique ID (UID) for students and staff. The UID currently offers a way to monitor students in kindergarten through grade 12. The retrieval and creation of UID's will be completed three times a year at the State level to align with the fall, spring, and summer semesters. Data will not be shared in real-time. Within NCDPI, when a student transfers from one LEA to another, data becomes available within about one day. Several years will be needed to achieve full data integration across sectors.

The UID is growing in usefulness as a tool to track students involved in additional systems such as UNCGA and NCCCS. The State, through the Governor's Early Childhood Advisory Council (ECAC), was awarded a $70 million Race to the Top Early Learning Challenge grant, including funds to connect the early childhood sector to the PK-12 data system using the UID system. NCCCS is working to add the UID to its data system. Students who enroll in a community college and attended a State public school prior to 2008 will not have a pre-assigned UID from PK-12. All students will have UID's assigned beginning with the 2008-2009 academic year. Dr. Fabrizio outlined the two types of programs conducted by the community college system: (1) degree-seeking and (2) continuing education/basic skills.

In the degree-seeking program, the UID system can retrieve the UID for students age 21 and younger, accounting for 33% of enrollment. For students age 22-23, retrieval of the UID might be possible. For students 24 and older, UID creation would be required. In the continuing education program, 13% of students are age 21 and younger and eligible for UID retrieval. Dr. Fabrizio discussed several challenges with the UID system at the NCCCS level including: students enrolled at two community colleges simultaneously; students who marry after leaving PK-12 and enter a community college with inconsistent last names; out-of-state students who never attended State public schools; and community colleges have a higher new student rate across semesters when compared to other sectors. NCICU has received funding to allow a centralized system for participation among the 36 private colleges and universities in the State. Dr. Fabrizio expected the participation by NCICU to enable more efficient data sharing with UNCGA. UNCGA is already implementing the UID system

In 2011, the State applied to the United States Department of Education for a $3.8 million SLDS grant to develop and link postsecondary and workforce data to the State's PK-12 data system. The potential SLDS grant would allow partner agencies to: (1) assign UID's to students and workforce participants; (2) share and analyze data across sectors; (3) train staff to assign UID's; and (4) improve policy-making and student support. Dr. Fabrizio said the partner agencies anticipated a successful grant award and the grant winners would be notified in May, 2012. If the SLDS grant is not received, the initiative would need appropriations to fund the next 2-3 years to ensure that these linkages and efficiencies are in place.

This presentation was informational, and the Committee did not make any legislative recommendations related to this topic.

FINDINGS AND RECOMMENDATIONS

[Back to Top]

The Legislative Research Commission's Committee on Efficiencies in State Government makes the following findings and recommendations to the 2012 Regular Session of the 2011 General Assembly:

ZERO-BASED BUDGETING

FINDINGS: The Committee finds the following:

1. Members of the General Assembly have reported dissatisfaction with the accepted current-level-plus-or-minus approach to state budgeting.
2. There is interest in Zero-Based Budgeting (ZBB) as a promising alternative, although there are reservations about time and expense needed by agencies and the General Assembly.
3. Because of this interest, ZBB should be attempted on an experimental basis to determine if it can be more efficiently performed, with results reported to the General Assembly.

RECOMMENDATION: Therefore, the Committee recommends **Legislative Proposal #1, *Establish Efficiency & Cost-Savings Commission***, which would establish a 10-member commission for the purpose of identifying an agency or agencies to undergo zero-based budgeting review.

TAXPAYER INVESTMENT ACCOUNTABILITY

FINDINGS: The Committee finds the following:

1. Without a permanent statutory requirement for agencies to measure and report program cost, efficiency, and effectiveness, attempts at state government budgeting, management, and accountability will be frustrated.
2. Taxpayers who question a program's existence, cost, or worth cannot consistently obtain valid answers.
3. Governors have attempted performance budgeting and reporting, but those attempts have been sporadic, temporary, and relatively ineffective.
4. State agencies and institutions spend millions on public relations, web sites, and information systems. However, unlike the State's uniform financial system and accounts, which must conform with federal standards to assure uniformity and enable comparisons among state agencies and institutions, there are no equivalent reporting standards governing program performance, return on investment, nor program necessity, cost, and organization.

RECOMMENDATION: Therefore, the Committee recommends **Legislative Proposal #2, *Accountability for Taxpayer Investment Act***, which would require State agencies and certain non-state entities to develop, implement, and maintain information systems that provide uniform, program-level accountability information regarding the programs operated by those agencies.

DATA ANALYTICS

FINDINGS: The Committee finds the following:

1. Current economic conditions are challenging governments to deliver services more efficiently and effectively at the same time that less revenue is being generated from the tax base.
2. Governments often operate in silos which can prevent the flow of information between different parts of the organization.
3. Enterprise-level business intelligence across State agencies is required to support the effective and efficient development of State agency business intelligence capability in a coordinated manner that will reduce unnecessary information silos and technological barriers.
4. The State's business intelligence initiative is not intended to replace transactional systems, but is intended to leverage the data from those systems for enterprise-level business intelligence.
5. The Office of State Controller is the appropriate entity to lead the enterprise-level business intelligence effort across State agencies.
6. A phased, coordinated effort is the best way to increase the State's business intelligence capabilities.
7. Full cooperation is required on the part of State agencies to allow for successful and cost effective business intelligence efforts.
8. Savings to the General Fund and Highway Fund will be accomplished as a result of advancing the State's business intelligence capabilities due to the cancellation of duplicative or unnecessary projects, software, and licensing, as well as any other savings from the enterprise level business intelligence initiative.
9. Accountability, transparency, and reporting to the General Assembly should be required at all significant stages of the business intelligence effort.

RECOMMENDATION: Therefore, the Committee recommends **Legislative Proposal #3, *Smarter Government/Business Intelligence Initiative***, which would (i) establish the Government Business Intelligence Competency Center, under the direction of the State Controller, as an integral component of an enterprise-level State business intelligence initiative and (ii) provide for a phased approach towards expanding the State's business intelligence capabilities in a manner that creates efficiencies while preserving privacy and transparency.

COMMITTEE MEMBERSHIP

[Back to Top]

2011-2012

President Pro Tempore of the Senate Appointments:

Senator Ralph Hise, Co-Chair

Senator Robert Atwater
Senator Andrew Brock
Senator Dan Soucek

Speaker of the House of Representatives Appointments:

Representative Hugh Blackwell, Co-Chair

Representative Marilyn Avila
Representative James Crawford
Representative Mike Hager

COMMITTEE CHARGE

[Back to Top]

Office of the Speaker
North Carolina House of Representatives
Raleigh, North Carolina 27601-1096

THOM TILLIS
SPEAKER

September 12, 2011

Representative Tim Moore
Chairman
Legislative Research Commission
North Carolina House of Representatives
16 W. Jones Street, Room 1326
Raleigh, NC 27601-1096

Dear Representative Moore:

As you prepare your agenda for the Legislative Research Commission (the "Commission"), pursuant to G.S. 120-30.17, I hereby authorize the Commission to appoint subcommittees to study the following matters during the interim. House appointees to each study committee are also identified. Please restrict each study committee to a maximum of four meetings unless additional meetings are pre-approved by my office.

Appendix B

Studies Approved in Conjunction with the Senate:

- **<u>Efficiencies in State Government</u>** – Study additional uses of analytics to increase efficiencies across all areas of State government, including performance management; waste, fraud, and abuse; outcome management; and outsourcing.

  Chair: Blackwell (Hise)
  Members: Crawford, Hager, Avila (Brock, Atwater, Soucek)

STATUTORY AUTHORITY

[Back to Top]

NORTH CAROLINA GENERAL STATUTES
ARTICLE 6B.

Legislative Research Commission.

§ 120-30.17. Powers and duties.

The Legislative Research Commission has the following powers and duties:

(1) Pursuant to the direction of the General Assembly or either house thereof, or of the chairmen, to make or cause to be made such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner.

(2) To report to the General Assembly the results of the studies made. The reports may be accompanied by the recommendations of the Commission and bills suggested to effectuate the recommendations.

(3), (4) Repealed by Session Laws 1969, c. 1184, s. 8.

(5), (6) Repealed by Session Laws 1981, c. 688, s. 2.

(7) To obtain information and data from all State officers, agents, agencies and departments, while in discharge of its duty, pursuant to the provisions of G.S. 120-19 as if it were a committee of the General Assembly.

(8) To call witnesses and compel testimony relevant to any matter properly before the Commission or any of its committees. The provisions of G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Commission and its committees as if each were a joint committee of the General Assembly. In addition to the other signatures required for the issuance of a subpoena under this subsection, the subpoena shall also be signed by the members of the Commission or of its committee who vote for the issuance of the subpoena.

(9) For studies authorized to be made by the Legislative Research Commission, to request another State agency, board, commission or committee to conduct the study if the Legislative Research Commission determines that the other body is a more appropriate vehicle with which to conduct the study. If the other body agrees, and no legislation specifically provides otherwise, that body shall conduct the study as if the original authorization had assigned the study to that body and shall report to the General Assembly at the same time other studies to be conducted by the Legislative Research Commission are to be reported. The other agency shall conduct the transferred study within the funds already assigned to it.

LEGISLATIVE PROPOSALS

[Back to Top]

Legislative Proposal #1:
Establish Efficiency & Cost-Savings Commission

Appendix D

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

U **D**

BILL DRAFT 2011-SVz-11 [v.3] (02/15)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
3/1/2012 3:58:57 PM

Short Title: Establish Efficiency & Cost-Savings Commn. (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE JOINT LEGISLATIVE EFFICIENCY AND COST-SAVINGS IN STATE GOVERNMENT STUDY COMMISSION AS RECOMMENDED BY THE LRC COMMITTEE ON EFFICIENCIES IN STATE GOVERNMENT.

The General Assembly of North Carolina enacts:

SECTION 1. There is established the Joint Legislative Efficiency and Cost-Savings in State Government Study Commission.

SECTION 2. The Commission shall be composed of 10 members appointed as follows:

(1) Five Senators appointed by the President Pro Tempore of the Senate.

(2) Five Representatives appointed by the Speaker of the House of Representatives.

Vacancies on the Commission shall be filled by the appointing authority. The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair. A quorum of the Commission shall be a majority of its members.

The Commission may meet at any time upon call of the chairs. The Commission may meet in the Legislative Building or the Legislative Office Building. The Commission may contract for professional, clerical, or consultant services as provided by G.S. 120-32.02.

The Commission, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4, including the power to request all officers, agents, agencies, and departments of the State to provide any information, data, or documents within their possession, ascertainable from their records, or otherwise available to them, and the power to subpoena witnesses and documents.

The Director of the Fiscal Research Division shall advise and provide staff support to assist the Commission in its work. The Director of the Program Evaluation Division shall advise the Commission. The Legislative Services Commission, through the Legislative Services Officer, shall assign other professional staff to assist the

Commission in its work. The House of Representatives' and Senate's Directors of Legislative Assistants shall assign clerical staff to the Commission, and the expenses relating to the clerical employees shall be borne by the Commission. Members of the Commission shall receive subsistence and travel expenses at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate.

SECTION 3. The Commission shall use a zero-based budgeting review process to study whether there are obsolete programs, cost-reduction opportunities in State government, and any cases where existing funds can be redirected to meet new and changing demands for public services. At its first meeting, the Commission shall determine which agency or agencies to review. The Commission may require any agency under review to submit written information in a form specified by the Commission by a specified time. The Commission may accept or reject any or part of any information submitted and require revision or resubmission. The Commission may require information as follows:

(1) Identification of decision units. – The agency shall identify decision units representing any group of services with a common set of objectives or comprising an agency program or administrative support unit.

(2) Impact of discontinuing each decision unit. – The agency shall provide a quantitative estimate of any adverse impacts that could reasonably be expected should the State discontinue a decision unit, together with a full description of the methods by which the adverse impact is estimated.

(3) Division of decision units into decision packages. – The agency shall divide each decision unit into the following four discrete decision packages:

a. Minimum. – A quantitative estimate of any adverse impacts that could reasonably be expected and an itemized account of expenditures that would be required to maintain the activity at the minimum level of service required by any statutory authorization and below which would effectively eliminate all services, together with a concise statement of the resulting quantity and quality of services. This service level shall be below the level described by sub-subdivision b. of this subdivision.

b. Reduced. – A quantitative estimate of any adverse impacts that could reasonably be expected and an itemized account of expenditures that would be required if funding were reduced by the percentage or amount specified by the Commission below the current level as defined by sub-subdivision c. of this subdivision and a concise statement of the resulting quantity and quality of services.

c. Current. – A quantitative description of benefits from and an itemized account of expenditures that would be required to maintain the activity at the current level of service, together with a full description of the methods by which the current level is determined and a concise statement of the resulting quantity and quality of services.

d. Enhanced. – A quantitative estimate of benefits that could reasonably be expected and an itemized account of expenditures that would be required to increase the current level of service, together with a full description of the methods by which the enhanced level is estimated and a concise statement of the resulting quantity and quality of services.

(4) Service delivery alternatives. – For each decision package, a description of alternative methods for delivering services which may include, but not be limited to, shedding one or more services and relying upon the free market for delivery, delegation to another level of government, using Requests for Information or competitive selection to outsource to private for-profit or nonprofit organizations, in whole or in part, including franchising, assisting or providing incubator arrangements for current State employees to form non-State organizations to compete for outsourcing opportunities, or through methods used by other states or nations.

(5) Ranking. – As instructed by the Commission, a ranking of all decision packages compared with each other without ties.

SECTION 4. The Commission shall make an interim report to the 2013 Regular Session of the 2013 General Assembly and shall make a final report to the 2014 Regular Session of the 2013 General Assembly. The reports may include any proposed legislation. The Commission shall terminate upon filing its final report or upon the convening of the 2014 Regular Session of the 2013 General Assembly, whichever is earlier.

SECTION 5. This act is effective when it becomes law.

Legislative Proposal #2:
Accountability for Taxpayer Investment Act

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

U **D**

BILL DRAFT 2011-SVz-12 [v.2] (02/15)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
2/29/2012 10:00:28 AM

Short Title: Accountability for Taxpayer Investment Act. (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REQUIRE STATE AGENCIES AND CERTAIN NON-STATE ENTITIES TO DEVELOP, IMPLEMENT, AND MAINTAIN INFORMATION SYSTEMS THAT PROVIDE UNIFORM, PROGRAM-LEVEL ACCOUNTABILITY INFORMATION REGARDING THE PROGRAMS OPERATED BY THOSE AGENCIES AS RECOMMENDED BY THE LRC COMMITTEE ON EFFICIENCIES IN STATE GOVERNMENT.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 143 of the General Statutes is amended by adding a new Article to read:

"Article 2E.

"Accountability for Taxpayer Investment Act.

"**§ 143-47.30. Definitions.**

(1) Board. – The Taxpayer Investment Accountability Board established by this Article.

(2) Non-State entity. – Any of the following that is not a State agency and that must be discretely presented as a component unit in the State Comprehensive Annual Financial Report by the Governmental Accounting Standards Board: an individual, a firm, a partnership, an association, a corporation, or any other organization or group acting as a unit. The term does not include a local government unit or any other non-State entity that is subject to the audit and other requirements of the Local Government Commission.

(3) Principal executive officer. – Executive head of a State agency or non-State entity.

(4) State agency. – Any department, institution, board, commission, committee, division, bureau, board, council, or other entity for which the State has oversight responsibility, including The University of North Carolina, the Community College System, and any mental or specialty hospital.

(5) Taxpayer. – Any person subject to taxation by the State or by a unit of local government.

"**§ 143-47.31. Purpose; scope.**

(a) The purpose of this Article is to require uniform, program-level accountability information in State government.

(b) This Article applies to any State agency in the executive branch of State government. This Article also applies to any non-State entity that receives State funds.

"**§ 143-47.32. Taxpayer Investment Accountability Board.**

(a) There is established the Taxpayer Investment Accountability Board (Board). The members of the Board shall be:

(1) The State Controller, or the Controller's designee, who shall serve ex officio.

(2) The Director of the Office of State Budget and Management, or the Director's designee, who shall serve ex officio.

(3) The State Auditor, or the Auditor's designee, who shall serve ex officio as a nonvoting member.

(4) The State Chief Information Officer, or the Officer's designee, who shall serve ex officio.

(5) The Director of the Program Evaluation Division of the General Assembly.

(6) The Director of the Fiscal Research Division of the General Assembly.

(b) The State Controller shall be the Chair of the Board.

(c) The Office of the State Controller shall provide staff and adequate meeting space to the Board and shall provide any other type of support required by the Board.

(d) The Board shall meet at least four times a year and may meet as often as necessary. A majority of the members of the Board constitutes a quorum for the transaction of business. The affirmative vote of a majority of the members present at a meeting of the Board is required for action to be taken by the Board.

(e) The Board shall design and establish a framework to provide to the citizens of North Carolina uniform, program-level accountability information in State government. The Board shall establish comprehensive standards, policies, and procedures, including recurring oversight procedures, as part of the framework to provide uniform, program-level accountability information in State government. The framework shall be designed to ensure that the information is accessible through the main State government Web site.

(f) The Board members shall receive no salary or other monetary compensation for serving on the Board.

(g) The Board shall publish an annual report by January 1 of each year setting out the standards, policies, and procedures to be used by agencies in establishing, implementing, and maintaining the information systems required by this Article. The Board shall provide a copy of the report to each State agency and each non-State entity subject to this Article and to the Program Evaluation and Fiscal Research Divisions of the General Assembly.

"**§ 143-47.33. Required State agency and non-State entity information.**

(a) Each State agency shall establish, implement, and maintain within that State agency a system that provides uniform, program-level accountability information that accurately conveys the mission, responsibilities, and activities of the State agency and any other information deemed necessary or appropriate by the Board. Each non-State entity, as a condition of receiving State funds, shall establish, implement, and maintain within that non-State entity a system that provides uniform, program-level accountability information that accurately conveys the mission, responsibilities, and activities of the non-State entity and any other information deemed necessary or appropriate by the Board. The system shall comply with the framework design and the standards, policies, and procedures established by the Taxpayer Accountability Board. The information shall be updated on a timely basis. Each information system shall further be readily and easily accessible to the citizens of North Carolina.

The principal executive officer of each State agency and the principal executive officer of each non-State entity is responsible for ensuring that the State agency or non-State entity, as appropriate, complies with the requirements of this Article.

(b) Each State agency and each non-State entity shall include the following information in its information system:

(1) For each program, a clear statement of what condition exists in North Carolina that the program is designed to address.

(2) For each program, a logic model that describes the sources of program resources, total resources invested, activities and processes, outputs, and outcomes.

(3) Evidence confirmed independently that changes in the conditions addressed are attributable to the programs, services, and activities.

(4) Performance measures for each program sufficient for a citizen to determine all of the following:

a. Outcome. – The verifiable quantitative effects or results attributable to the program compared to a performance standard.

b. Output. – The verifiable number of units of services or activities provided by the program.

c. Efficiency. – The verifiable total direct and indirect cost per output and per outcome.

d. Performance standards. – The metrics based upon best practices, generally recognized standards, or comparisons with relevant peer entities in other states or regions for gauging achievement of efficiency, output, and outcomes.

e. Benchmarks. – A broad societal indicator used for gauging ultimate outcomes of programs, such as U.S. Census data. Multiple programs among several agencies may be benchmarked to the same indicator.

(5) Organization charts and manager-to-employee ratios in a format specified by the Office of State Personnel. In addition to a comprehensive chart, each State agency and non-State entity shall have separate charts for each organizational division and in turn for each subordinate division or work unit in specific detail so that a citizen may determine the organizational location of every employee position.

(6) Revenues by source and expenditures by purchasing category aligned with each program individually.

(7) Effective July 1, 2014, a Web-based dashboard that reports all required performance information in a graphical gauging format. The format shall also be uniform and shall be sufficient to inform a citizen how the State is investing money consistent with understandable purposes.

(8) A listing of all employees. Each employee record shall contain the following fields: last name; first name; job title; State agency or non-State entity, as appropriate; organizational division; program; telephone number; e-mail address; office mailing address including 9-digit postal zip code; and building name and room number if not in the mailing address. The directory shall have a search feature to enable searching or listing by field. Each State agency and non-State entity subject to this Article shall also list its employees in the directory available through the main State government Web site.

"§ 143-47.34. Verification of compliance by State Auditor.

(a) Each agency or non-State entity which must comply with this Article shall file a certificate of compliance with the Article requirements, which shall be signed by the principal executive officer of each State agency and the principal executive officer of each non-State entity. The initial certificate shall be filed on or before June 30, 2014, and subsequent certificates filed annually by June 30.

(b) Internal auditors in State agencies required to have auditors pursuant to Article 79 of Chapter 143 of the General Statutes shall conduct annual audits for compliance with the requirements of this Article. The internal auditor shall submit an audit report annually to the State Auditor and the State Controller no later than April 1. The initial compliance audit shall be filed on or before April 1, 2014, and subsequent reports filed annually by April 1.

(c) The State Auditor may verify compliance with this Article by each State agency and each non-State entity on an annual basis. Upon the determination of the State Auditor that a State agency or non-State entity has failed to substantially comply with the provisions of this Article, the State Auditor shall report the noncompliance to the Board, the Governor, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division of the General Assembly.

"§ 143-47.35. Remedy for noncompliance.

(a) Any taxpayer may institute a suit in the superior court requesting the entry of a judgment that a State agency or a non-State entity, as appropriate, has failed to comply with this Article. Specific performance compelling the State agency or non-State entity to comply with this Article shall be the available remedy. The taxpayer need not allege or prove special damage different from that suffered by the public at large.

(b) Upon the presentation by the taxpayer plaintiff of a prima facie case that a State agency or non-State entity has failed to comply with this Article, the burden shall be on the State agency or non-State entity, as appropriate, to show that it is in compliance with this Article.

(c) No State agency or non-State entity shall be held in noncompliance with this Article if it establishes that it has made a good faith effort to comply with the provisions of this Article.

(d) In any action brought pursuant to this section in which a party successfully compels compliance, the court shall allow the plaintiff to recover plaintiff's reasonable attorneys' fees. Any attorneys' fees assessed against a State agency or non-State entity under this section shall be charged against the operating expenses of the State agency or non-State entity, as appropriate.

(e) If the court determines that an action brought pursuant to this section was filed in bad faith or was frivolous, the court shall assess reasonable attorneys' fees against the person instituting the action and award it to the State agency or non-State entity, as appropriate, as part of the costs.

"**§ 143-47.36. Availability of technical assistance.**

(a) The Office of State Personnel shall adopt rules setting the standards and format for the organization charts and manager-to-employee ratios required by G.S. 143-47.33. The Office of State Personnel also shall provide templates and technical assistance to State agencies and non-State entities as needed to assure the uniformity required by this Article.

(b) The Office of State Budget and Management and the Office of Information Technology shall also provide technical assistance and software to State agencies and non-State entities as needed to assure the uniformity required by this Article."

SECTION 2. G.S. 150B-1(c) is amended by adding a new subdivision to read:

"(9) The Taxpayer Investment Accountability Board established in G.S. 143-47.32."

SECTION 3. If a State agency or a non-State entity subject to this act is not in compliance with Article 2E of Chapter 143 of the General Statutes as enacted by Section 1 of this act, then the State agency or non-State entity shall revise its information system to comply with the act. Each State agency, whether implementing a new information system or revising an existing system to bring it into compliance with the provisions of this act, shall use the State agency's existing resources allocated for computers and computer maintenance to comply with the act.

SECTION 4. This section and G.S. 143-47.32, as enacted by Section 1 of this act, become effective July 1, 2012. The remainder of this act becomes effective July 1, 2013, except as otherwise provided.

Legislative Proposal #3: Smarter Government/Business Intelligence Initiative

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

U **D**

BILL DRAFT 2011-LRz-110C [v.3] (01/23)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
4/5/2012 1:12:07 PM

Short Title: Smarter Gov/Business Intelligence Initiative. (Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED
AN ACT TO ESTABLISH ENTERPRISE-WIDE BUSINESS INTELLIGENCE AS A KEY COMPONENT OF ALL STATE GOVERNMENTAL OPERATIONS IN ORDER TO MAXIMIZE DATA INTEGRATION AND ANALYTICS, THEREBY YIELDING MORE EFFICIENT GOVERNMENT AND ADVANCING INNOVATION IN NORTH CAROLINA, AS RECOMMENDED BY THE LEGISLATIVE RESEARCH COMMISSION STUDY COMMITTEE ON EFFICIENCIES IN STATE GOVERNMENT.
The General Assembly of North Carolina enacts:

SECTION 1. Purpose. – The purpose of this act is to implement an enterprise-level data integration and analytics initiative across State government. The initiative will support the effective and efficient development of State government's business intelligence capability in a coordinated manner and reduce unnecessary information silos and technological barriers. The initiative is not intended to replace transactional systems, but it is intended to leverage the data from those systems for enterprise analytics.

SECTION 2.(a) Coordination. – Coordination of the State government business intelligence initiative shall be led by:

(1) The State Controller, for the executive branch.
(2) The officer or agency designated by the Chief Justice of the North Carolina Supreme Court, for the judicial branch.
(3) The officer or agency designated by the Legislative Services Commission, for the legislative branch.

SECTION 2.(b) From among those set forth in subsection (a) of this section, the State Controller shall serve as the principal coordinating officer responsible for the State government business intelligence initiative authorized by this act. Nothing in this act prevents the Chief Justice or the Legislative Services

Commission from designating the State Controller to lead the business intelligence initiative for the judicial and legislative branches, respectively.

SECTION 3.(a) There is established in the Office of State Controller (OSC) the Government Business Intelligence Competency Center (GBICC) as an integral component of the State government business intelligence initiative. The work, purpose, and resources of the current data integration effort in the OSC shall be assumed by GBICC. The State Controller shall make any other organizational changes necessary to maximize the effectiveness and efficiency of GBICC.

SECTION 3.(b) The State Controller and GBICC shall coordinate data requirements and usage for business intelligence applications across State government. This coordination shall be accomplished in a manner that (i) limits impacts on participating agencies as those agencies provide data and business knowledge expertise and (ii) assists in defining business rules so data can be properly used.

SECTION 3.(c) The GBICC shall:

(1) Continue and coordinate ongoing enterprise data integration efforts.

(2) Identify any technologies supporting data analytics.

(3) Identify technologies currently used in North Carolina, including standard technologies for foundation components.

(4) Identify other technologies that could support the State's business intelligence effort, especially those with unique capabilities.

(5) Compare capabilities and costs across State government.

(6) Ensure implementation is properly supported across State government.

(7) Ensure that data integration and sharing is performed in a manner that preserves privacy, as appropriate.

SECTION 3.(d) Efficiencies and savings generated by the work of the GBICC are intended to offset any additional resources agencies may require to support the sharing of data.

SECTION 4.(a) Data Sharing Mandatory. – The State Controller shall be granted access to all information required to develop and support State government business intelligence applications established by this act. The head of each State agency, department, and institution; the head of every political subdivision of the State; the Board of Governors of The University of North Carolina; the Community Colleges System Office; and, the local boards of education shall:

(1) Cooperate fully in the sharing of all data required to develop and effectuate the State government business intelligence initiative.

(2) Provide the full details of the agency's information technology, operational, and security requirements, and information on all of the agency's information technology activities relevant to State government business intelligence effort.

(3) Forecast the agency's projected future business intelligence information technology needs and capabilities.

(4) Identify potential resources for deploying business intelligence in their respective agencies and as part of the enterprise-wide effort.

SECTION 4.(b) The State Controller shall report immediately any failure to provide requested information to the Joint Legislative Committee on Information Technology and to the Chairs of the House of Representatives Appropriations and Senate Base Budget/Appropriations Committees.

SECTION 5.(a) Sensitive Data/Security. -- Any data that is not classified as a public record under G.S. 132-1 shall not be deemed a public record when incorporated into the data resources comprising the State's business intelligence initiative. To maintain the confidentiality requirements attached to the information provided to the State Controller and GBICC by the various State and local agencies, each source agency providing data shall be the sole custodian of the data for the purpose of any request for inspection or copies thereof under Chapter 132 of the General Statutes. When applicable, the State Controller and GBICC shall only allow access to data from the source agencies in accordance with rules adopted by the respective source agencies.

SECTION 5.(b) G.S. 75-66(d) reads as rewritten:

"(d) Nothing in this section shall:

(1) Limit the requirements or obligations under any other section of this Article, including, but not limited to, G.S. 75-62 and G.S. 75-65.

(2) Apply to the collection, use, or release of personal information for a purpose permitted, authorized, or required by any federal, state, or local law, regulation, or ordinance.

<u>(3) Apply to data integration efforts to implement the State's business intelligence strategy as provided by law or under contract.</u>"

SECTION 6.(a) Public Records. -- Notwithstanding the provisions of Chapter 132 of the General Statutes, information compiled by the State Controller and the GBICC related to the business intelligence initiative authorized by this act may be released as a public record only if the State Controller, in that officer's sole discretion, finds that the release of information is in the best interest of the general public and not in violation of law or contract.

SECTION 6.(b) Information released to persons engaged in implementing the State's business intelligence strategy under this act that is used for purposes other than official State business is not a public record pursuant to Chapter 132 of the General Statutes.

SECTION 7.(a) Coordination Requirements/Phases. – The State government business intelligence initiative shall be phased for maximum benefit, as follows:

(1) Phase. I. -- In the first phase, the State Controller and GBICC shall:

a. Inventory existing data analytics projects, both completed and under development.

b. Develop a plan of action that does all of the following:

1. Defines the program requirements, objective, and end state of the business intelligence initiative.
2. Prioritizes stages of implementation in a detailed plan and benchmarked timeline.
3. Includes the effective coordination of all of the State's current data integration initiatives.
4. Utilizes a common approach that establishes standards for business intelligence initiative for all agencies and prevents the development of projects that do not meet the established standards.
5. Determines costs associated with the development effort and identifies potential sources of funding.
6. Includes a privacy framework for data integration consisting of adequate access controls and end user security requirements.

(2) The State Controller shall, working through GBICC, determine if:

a. Current, ongoing projects support the enterprise-level objectives.

b. Current applications are scalable, or are applicable for multiple agencies, or both.

(3) Phase II. -- In the next phase, the State Controller and GBICC shall:

a. Identify redundancies, and determine which projects should be discontinued.

b. Determine where gaps exist in current or potential capabilities.

(4) Phase III. -- By the final phase, the State Controller and GBICC shall:

a. Incorporate or consolidate existing projects, as appropriate.

b. Eliminate redundant projects, software, and licensing, and reprogram funding from redundant projects.

c. Have taken all steps necessary to achieve privacy preserving data integration.

SECTION 8.(a) Steering Committee. -- Section 6A.20.(b) of S.L. 2011-145, pertaining to the creation of the Data Integration Steering Committee, is repealed. The purposes, duties, and resources of the former entity shall be assumed by the Government Business Intelligence Steering Committee created by this section.

SECTION 8.(b) The Data Integration Steering Committee (Committee) is created in the Office of the State Controller. The purpose of the Committee is to provide for the centralization of the State's business intelligence and data integration in order to increase value while decreasing cost and to enhance service provision and efficiency in the best interests of North Carolina.

The State Controller shall chair the Committee. The Committee shall consist of the following voting members:

(1) Two members appointed by the Governor, including one person with information technology background and expertise and one person having a background in law enforcement.

(3) Two members appointed by the President Pro Tempore of the Senate, including one person with a background in government accounting and one having experience in government operations.

(5) Two members appointed by the Speaker of the House of Representatives, including one person with a background in information technology and one person with a background in business management.

The State Treasurer, the State Auditor, the Director of the Office of State Budget and Management, and the State Chief Information Officer, are appointed as non-voting, ex-officio members of the Committee, serving in an advisory capacity.

The appointing authority shall fill vacancies. Members of the Committee shall receive per diem, subsistence, and travel allowances at the applicable rate established in G.S. 120-3.1, G.S. 138-6, or G.S. 138-5. Public members of the Committee may not have a current or former business relationship with any vendor with which the State is doing business for its information technology related requirements.

SECTION 8.(c) The Committee shall do all of the following:

(1) Review the agencies' portfolio of data and information assets as well as the tools, services, processes, and strategies by which the State's data assets can be aligned to increase the State's business intelligence.

(2) Develop policies pertaining to the State's data inventory that will further business intelligence.

(3) Evaluate the cost versus benefit relationship across agency information technology business processes.

(4) Consider ways to increase transparency through data sharing strategies such as data services toward the end that data integration will be effective.

(5) Consider ways to protect the privacy and information of persons in the State affected by data integration.

(6) Assist in the selection of project leaders who will accomplish enterprise-wide data integration and business intelligence objectives.

SECTION 8.(d) By September 1, 2012, and quarterly thereafter, the State Controller shall make a detailed progress report to the Joint Legislative Committee on Information Technology regarding implementation of the State government business intelligence initiative.

SECTION 9.(a) Appropriations. -- There is appropriated from the General Fund to the Office of State Controller the sum of ______________________dollars ($) for the 2012-2013 fiscal year to fund the business intelligence initiative established by this act.

SECTION 9.(b) There is appropriated from the Highway Fund to the Office of State Controller the sum of ______________________dollars ($) for the 2012-2013 fiscal year to fund the business intelligence initiative established by this act.

SECTION 10. Effective Date. -- This act becomes effective July 1, 2012.