

More Administrative Flexibility Needed for States

Over the past several decades, federal program requirements and directives imposed by federal agencies have hindered state, local and tribal government efforts to modernize service channels, integrate program delivery and achieving better outcomes at lower cost. Specifically, the influence of federal directives, inflexible programmatic guidelines and lack of coordination of federal IT directives has had a significant impact on the strategies, operations and services of state CIOs. The foremost barriers to state innovation and implementation of an enterprise approach lies in the inconsistent interpretation and application of federal programmatic rules in [2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments](#) (OMB Circular A-87) for IT investments by the states.

Currently, the general guidelines attached to federal programmatic funding for services administered by the states do not promote enterprise IT consolidation, shared solutions, infrastructure optimization, virtualization or the integrated channels of services sought by citizens. A top priority initiative of state CIOs today is budget and operational cost control. CIOs are implementing several enterprise strategies such as consolidation, cloud computing, virtualization and shared services environment for delivering and supporting IT services to their state agencies. Consolidation of IT infrastructure and services represents a significant opportunity for cost savings, energy efficiency and improved service levels. While progress is being made, the rules concerning the use of federal IT funds is a continuing challenge to further progress in this area and an impediment to reducing costs and more effective use of federal funds. Because of the siloed funding approach, there is no incentive for states to seek enterprise solutions. State CIOs need flexibility to prevent the creation of new “stove piped” systems, or systems with rigid boundaries that only allow for the transmission of information along strict vertical agency lines rather than a horizontal exchange of information across state organizational lines.

With the federal government overhauling federal information technology processes, procurement, directives and procedures, it is imperative that a process to harmonize federal programmatic rules, directives and mandates for IT investments by the states be undertaken. The federal government has begun to reform their IT programs, which will influence the states. States were early adopters of these reforms and have undertaken many of these efforts.

Although federal guidelines may be used as the rationale, specific technology requirements are interpreted and applied in an inconsistent manner by federal agencies and imposed on the states. This prohibits states from leveraging existing technology investments and implementing cost-saving enterprise services. States end up with costly stovepipe programs and mismatched technology solutions due to the lack of federal coordination. A prime example is the array of programs funded by the U.S. Department of Health and Human Services and administered by the states. Each state uses hundreds of millions in federal and state matching funds to build and support its own complex and expensive eligibility and benefits management system to support Medicaid and other publicly funded financial assistance programs. If coordinated, this could be a standards-based national development effort – delivered at the state level through a “federated” model, saving billions and resulting in more consistent service delivery outcomes.

A second illustration of the lack of coordination relates to information security directives and audits of federal programs administered by the states. State IT environments must comply with multiple sets of information security requirements and compliance audits which are inconsistent and at times conflicting. There exists a failure to apply the FISMA risk management framework in a consistent manner, or to even use it for the protection of agency information. Clearer understanding of information security requirements is needed. States could lower costs by having a better ability to share security controls across multiple environments.

Recommendation: The [February 28, 2011 Presidential Memorandum on Administrative Flexibility](#) instructed agencies to work closely with State, local, and tribal governments to identify administrative, regulatory, and legislative barriers in federally funded programs that currently prevent States, localities, and tribes, from efficiently using tax dollars to achieve the best results for their constituents. NASCIO recommends that the Office of Management and Budget (OMB) and Congress implement the Intergovernmental Working Group on Administrative Flexibility recommendations contains in the September 2011 report titled Implementing the Presidential Memorandum on Administrative Flexibility for State, Localities, and Tribes.

NASCIO also encourages Congress to continue funding for OMB's Partnership Fund for Program Integrity Innovation. This program fund allows Federal, state, local, and tribal agencies to pilot innovative ideas for reducing improper payments, improving administrative efficiency, improving service delivery and protecting and improving program access for eligible beneficiaries. The pilots can evaluate and test whether state, local and tribal governments need more flexibility and relief from regulatory programmatic rules to improve outcomes with federal state administered programs.

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