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# MEMORANDUM

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**To:** Joint Legislative Committee on Information Management and Technology  
**From:** Sean McSpaden, Principal Legislative IT Analyst  
**Date:** April 13, 2017  
**Subject:** Oregon Employment Department: HB 5007 - POP #101 - Modernization Initiative  
LFO Analysis and Recommendations

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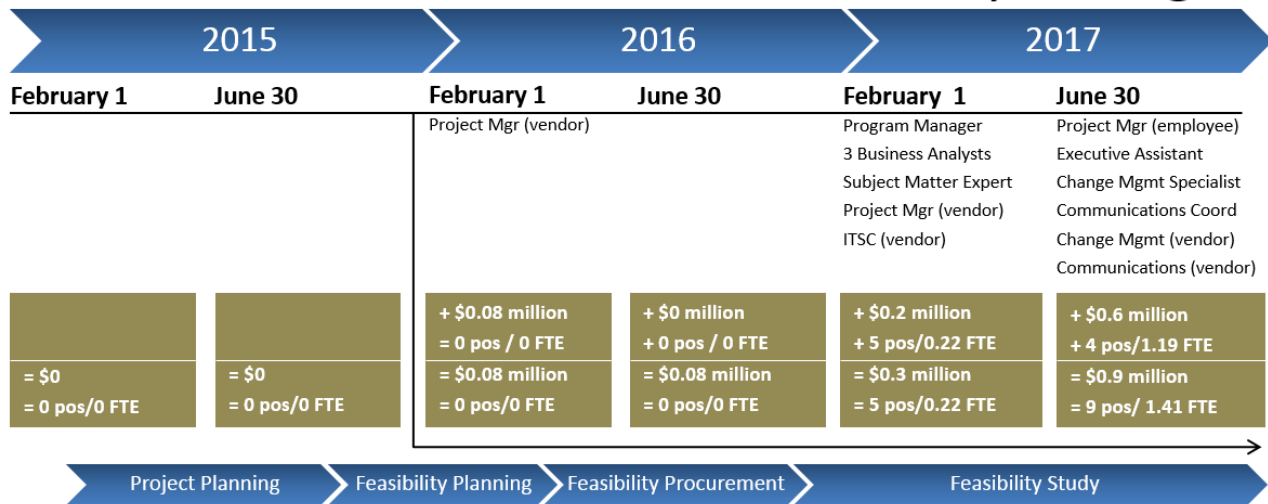
**Agency Request:** Within HB 5007 - Policy Option Package #101, the Oregon Employment Department (OED) has made a revised 2017-19 request for Other Funds expenditure limitation in the amount of approximately \$4.7 million to be supplemented by approximately \$700,000 from the agency's base budget (total planned expenditures for 2017-19: approximately \$5.4 million). These resources will be used primarily for contracted professional services costs and 18 positions (13.95 FTE- a mix of positions - backfill and project resources) to complete the initiation and planning phases of OED's Modernization Initiative. In alignment with the Joint State CIO/LFO stage gate review process, OED anticipates that expenditure limitation for the project would be scheduled in stages throughout the 2017-19 biennium with periodic status reports provided to the Legislature during the 2018 annual session, the 2017-19 interim, and the 2019 session. The package will be funded from remaining Unemployment Insurance Modernization funding (\$85.6 million in one-time funding was awarded in 2009 and is restricted to expenditures relating to UI and employment services administration). An estimated \$82.9 million will remain available for expenditures in 2017-19 and beyond. As the project is early in its initiation and planning phases, a specific cost estimate or estimated timeframe for completion cannot yet be determined.

## **A. LFO Analysis**

Currently, the Oregon Employment Department (OED) utilizes a number of disparate information systems that were developed and deployed using different technology platforms and/or computer programming languages in the early 1990s (essentially before the internet was widely deployed or used to conduct business in the public sector). These 20+ year old information systems were custom developed and have been extensively modified over time which has increased complexity and contributed to system outages and disruptions. Many of these core information systems lack integration with one another, are unstable, are at or near the end of their useful life and are increasingly difficult to support, maintain, operate and secure in support of OED program operations, business customers and the public. With continued use of these legacy systems, needed business process improvements cannot be effectively automated and new state or federal requirements are increasingly difficult and costly to implement. Modifications and maintenance of these systems are becoming more difficult as qualified technicians retire and replacement staff with legacy system programming skills become harder and harder to find. Known security vulnerabilities and increasing cyber security attacks put these aging systems at escalating risk over time.

To begin to address these issues, the 2015 Legislature approved OED’s policy package to use \$3.04 million in modernization funds for project-related expenditures during the 2015-17 biennium including initial planning for the Modernization Initiative and authorization to hire several key positions: a contracted project management position or firm; contracted modernization program manager or firm; and limited duration Unemployment Insurance (UI) Tax positions to backfill for UI Tax subject matter experts assigned to the initiative. The agency supplemented the policy package with roughly another \$1 million in base budget modernization funds (2015-17 total for policy package and base budget - \$4.03 million). For a variety of reasons, including leadership changes within the agency, work on the initial phase of the modernization initiative did not begin until February 2016 and did not begin to pick up pace until the last quarter of 2016. A summary diagram of progress made during the current biennium is provided below.

## Modernization Initiative 2015-17 Policy Package

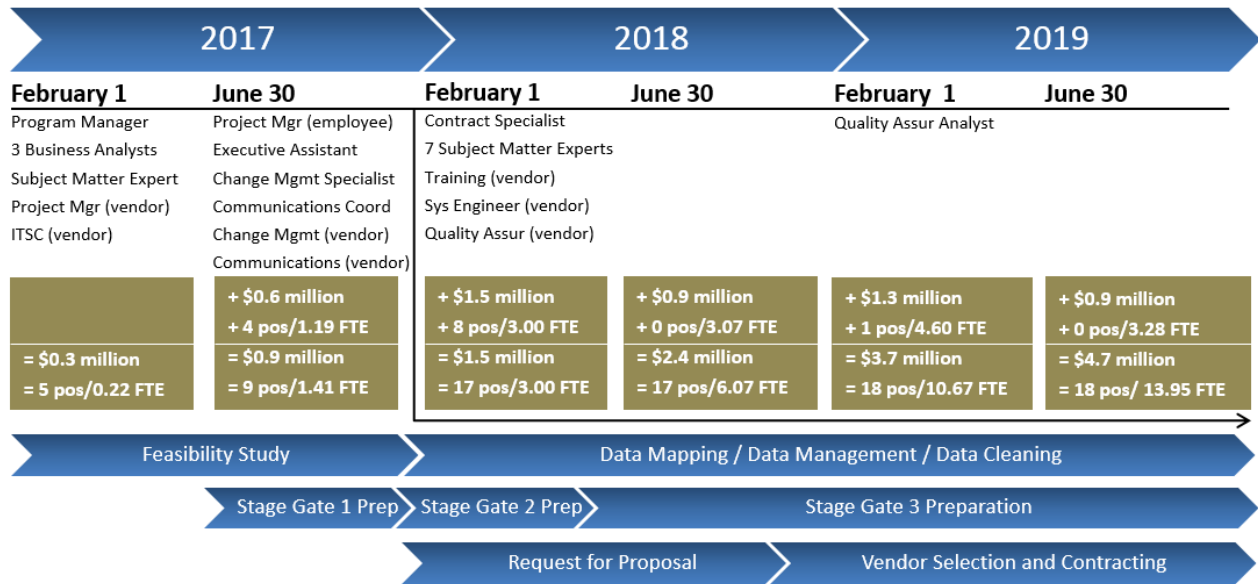


To effectively guide and oversee the modernization initiative, OED has established an executive level steering committee that meets monthly, or more often as required, and agency leadership meets periodically with the DAS Chief Financial Office (CFO), Office of the State Chief Information Officer (CIO) and the Legislative Fiscal Office (LFO) to discuss progress. To begin work on completion of foundational project management documents for the initiative, OED has obtained the services of a qualified project manager via contract. To better understand agency business processes, the information systems and data that support these processes, and the business requirements for new replacement solutions, OED has assigned staff and focused their activities on business systems analysis and process mapping. To complete the required feasibility study for the initiative, OED has contracted with the Information Technology Support Center (ITSC), a non-profit entity funded partially by the U.S. Department of Labor, which works in collaboration with the National Association of State Workforce Agencies to assist states with unemployment insurance core business system projects. ITSC’s final report is projected to be completed by December 2017. In addition, OED has reached out to several Oregon state agencies (e.g. Department of Revenue, ODOT DMV, Department of Justice, etc.) and other state employment agencies across the country to glean lessons learned and to estimate resource requirements for major IT projects of a size and scope similar to the expected size and scope of OED’s planned modernization initiative.

If approved, POP #101 deliverables will include: a detailed business case, feasibility study, risk assessment, and project management plans; procurement statements of work, and vendor selection

and contracting; data analysis, management and cleansing; and, independent quality assurance review and oversight as required by the Joint State CIO/LFO stage gate review process. A phased, incremental approach involving each of OED’s divisions will help OED better ensure that chosen technology solutions meet program needs, and that new and modern information system deployments can be planned, designed, managed and implemented in an orderly manner. A summary diagram of planned activities and resource requirements during the 2017-19 biennium is provided below.

## Modernization Initiative 2017-19 Policy Package



The resource request OED has made within POP #101 is reasonable based on historical resource requirements of major IT projects in Oregon and in other states, and given the scope and scale of OED program and technology operating environments. These resources are necessary for OED to conduct proper diligence and effectively progress through the Joint State CIO/LFO Stage Gate Review process so an informed determination can be made by the Legislature about whether, when, and the extent to which additional resources are necessary to move forward with this modernization initiative.

### **B. LFO Recommendations**

The Legislative Fiscal Office (LFO) recommends incremental, conditional approval of Policy Option Package #101 assuming the spending authority and personnel resources are made available to OED within HB 5007. Specifically LFO recommends that OED:

- Continue to work closely with and regularly report project status to the Office of the State Chief Information Officer (OSCIO) and LFO throughout the project’s lifecycle.
- Follow the Joint State CIO/LFO Stage Gate Review Process
- Continue to contract for or hire qualified project manager(s) with experience in planning and managing projects of this type, scope and magnitude.
- Develop and update Business Case and foundational project management documents as required
- Work with OSCIO to obtain independent quality management services. The contractor shall:
  - Conduct an initial risk assessment

- Perform quality control reviews on the Business Case, and foundational project management documents as appropriate.
  - Perform ongoing, independent quality management services as directed by OSCIO
  - Submit Business Case, project management documents, initial risk assessment and quality control reviews to OSCIO and LFO for Stage Gate Review
  - Report back to Legislature on project status during the 2018 Annual Legislative Session and/or to interim Legislative committees as required
  - Request Legislative approval to proceed with the project prior to initiating project execution activities (i.e. prior to contract signature/execution).
  - Utilize OSCIO's Enterprise Project and Portfolio Management system for all project review, approval, and project status and QA reporting activities throughout the life of the OED Modernization Initiative.
- Motion on the LFO recommendations

**C. Final IT Subcommittee Action**

Transmit the Joint Legislative Committee on Information Management and Technology recommendations to the Transportation and Economic Development Subcommittee of the Joint Committee on Ways and Means.