

**Legislative
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**Joint Committee on
Ways and Means**

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To: Human Services Subcommittee

From: Laurie Byerly, Legislative Fiscal Office

Date: June 26, 2017

Subject: SB 5526 – Department of Human Services - Central Services, Shared Services, State Assessments and Enterprise-wide Costs Work Session Recommendations

Department of Human Services – Central Services, Shared Services, State Assessments and Enterprise-wide Costs

	2013-15 Actual	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 LFO Recommended
General Fund	203,424,197	224,250,237	245,896,770	261,640,873
Other Funds	132,944,676	167,989,005	165,743,266	165,208,531
Federal Funds	154,425,660	188,943,528	218,923,456	213,190,489
Total Funds	\$490,794,533	\$581,182,770	\$630,563,492	\$640,039,893
Positions	741	755	752	816
FTE	717.98	735.37	735.37	796.56

Attached are the recommendations for the Legislative Fiscal Office (LFO) for the Department of Human Services - Central Services, Shared Services, State Assessments and Enterprise-wide Costs. The LFO recommended total funds budget is 10.1% higher than the 2015-17 legislatively approved budget. However, without the transfer of \$26 million total funds and 81 positions from PDS, the increase would be about 6%.

Aside from the PDS transfer, which primarily affects Central Services, the recommendations include the following:

- An increase of \$3.7 million General Fund (\$5.8 total funds) to address higher costs related to Enterprise Technology Services received from the Department of Administrative Services. This is reduced from the amount DHS requested.
- An increase of \$1.2 million General Fund to cover anticipated billings from the Secretary of State for performance audits. Federal rule changes no longer allow federal dollars to be used for this purpose; financial audits are still covered.

- Fourteen vacant positions (14.00 FTE) are eliminated between Central and Shared Services, which saves \$0.8 million General Fund (\$2.3 million total funds).
- Not included in this recommendation is Policy Package 201, which covers the next phase of development and implementation of the Integration Eligibility project (now called Integrated Eligibility and Medicaid Eligibility or IE & ME). The requested budget for the project has a bonding component; project funding will be addressed in an omnibus bill if bonding is approved.

As presented by DHS to the Human Services Subcommittee on June 6, 2017, both the project scope and cost has increased since the package was approved in the Governor’s budget. The current request for 2017-19 is for \$219.6 million total funds and 175 positions, with 129 of these being limited duration. About 75% of the 2017-19 cost is expected to be covered by federal dollars; the agency’s request is that \$45 million of the state’s share be covered by proceeds from the sale of Article XI-Q bonds. In addition, about \$12 million General Fund is needed for project costs and debt service; these dollars are not part of SB 5526 but have been included in the overall budget plan for DHS.

The project was reviewed by the Joint Legislative Committee on Information Management and Technology, which recommended incremental and conditional approval of the package; detailed recommendations are attached to this memo.

Adjustments to Current Service Level

See attached “SB 5526 Work Session” spreadsheet.

Note: Statewide adjustments are not included in these recommendations. Any needed adjustments will be made in an omnibus bill at the end of session.

LFO recommends the Subcommittee approve a 2017-19 DHS Central Services, Shared Services, State Assessments and Enterprise-wide Costs preliminary budget of:

\$	261,640,873	General Fund
\$	165,208,531	Other Funds
\$	213,190,489	Federal Funds
	816	Positions
	796.56	FTE

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to SB 5526. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation to SB 5526, with modifications. (VOTE)

Performance Measures

All agency performance measures will be presented for approval as part of the final action on the DHS budget.

Recommended Changes

The Central Services, Shared Services, State Assessments and Enterprise-wide Costs Budget is part of SB 5526, which is the budget bill for the entire Department of Human Services. The recommended amendments to SB 5526 will be presented after work sessions are completed on all parts of the budget.

DEPARTMENT OF HUMAN SERVICES: CENTRAL · SHARED · STATE ASSESMENTS AND ENTERPRISE-WIDE COSTS
SB 5526 WORK SESSION

	GEN FUND	LOTTERY	OTHER	FEDERAL	NL OTHER	NL FEDERAL	TOTAL FUNDS	POS	FTE	Comments
2015-17 Legislatively Approved Budget (As of June 2017)	224,250,237	-	167,989,005	188,943,528	-	-	581,182,770	755	735.37	
2017-19 Current Service Level	245,896,770	-	165,743,266	218,923,456	-	-	630,563,492	752	735.42	
2017-19 Governor's Budget	246,871,270	-	170,754,575	214,620,874	-	-	632,246,719	774	735.73	
2017-19 LFO RECOMMENDED BUDGET	261,640,873	-	165,208,531	213,190,489	-	-	640,039,893	816	796.56	

2017-19 LFO RECOMMENDED BUDGET ADJUSTMENTS DETAIL

1	2017-19 Current Service Level Estimate	245,896,770	-	165,743,266	218,923,456	-	-	630,563,492	752	735.42	
2											
3	Recommendations for Existing Packages										
4	Pkg 095: December 2016 Rebalance										
5	Position transfers; waived CM limitation	(16,710)	-	1,841,742	(128,159)	-	-	1,696,873	(1)	(1.00)	MUSIC + moves to Central and APD
6	Pkg 102: Centralize Abuse Management (CAM) System										
7	Funding for Shared Services position	157,072	-	157,072	-	-	-	314,144	1	0.75	CAM training position in OAAPI
8	Other LFO Recommended Adjustments										
9	Pkg 801: LFO Analyst Adjustments										
10	Mass Transit Recentralization	2,397,147	-	15,584	-	-	-	2,412,731	-	-	Return to SAEC; manage centrally
11	Mass Transit, UI, Telecomm Reprojection	(978,393)	-	(466,674)	(233,182)	-	-	(1,678,249)	-	-	Enterprise-wide costs
12	Facilities Reprojection	-	-	1,135,000	(10,501,747)	-	-	(9,366,747)	-	-	Enterprise-wide costs
13	Enterprise Technology Services projection	3,714,137	-	14,138	2,029,259	-	-	5,757,534	-	-	Reduced \$1.5 million from ask
14	SOS Performance Audits and CGSC projection	2,380,651	-	(36,702)	(2,343,949)	-	-	-	-	-	FF not allowed for performance audits
15	Adjustment for Shared Services position changes	184,899	-	-	31,299	-	-	216,198	-	-	Pos from ITBS to Shared HR
16	Vacancy Savings @ 3% of Personal Services	(1,579,291)	-	(1,781,648)	(1,454,558)	-	-	(4,815,497)	-	-	2% higher than Gov's level
17	Reduce Services & Supplies by 3%	(1,447,989)	-	(208,983)	(1,347,188)	-	-	(3,004,160)	-	-	15% reduction list
18	Deny GF backfill for capped federal grants	(3,189,403)	-	-	-	-	-	(3,189,403)	-	-	Central Services; manage to revenue
19	Reduce Oregon Enterprise Data Analytics capacity	(265,275)	-	(540,236)	(203,173)	-	-	(1,008,684)	-	(2.61)	Phase out 3 positions; leaves 9 btwn DHS/OHA
20	Position transfers; various	(499,429)	-	222,058	(481,726)	-	-	(759,097)	(2)	(2.00)	MUSIC + moves to Central and APD
21	ISPO Move to DAS	(347,732)	-	(10,703)	(266,327)	-	-	(624,762)	-	-	Positions in OHA - OIS

DEPARTMENT OF HUMAN SERVICES: CENTRAL · SHARED · STATE ASSESMENTS AND ENTERPRISE-WIDE COSTS
SB 5526 WORK SESSION

	GEN FUND	LOTTERY	OTHER	FEDERAL	NL OTHER	NL FEDERAL	TOTAL FUNDS	POS	FTE	Comments
22	PDS Dissolution:									
23	7,915,733	-	44,675	2,721,544	-	-	10,681,952	15	15.00	Maintain core unit in Central Services
24	4,002,838	-	173,695	3,204,130	-	-	7,380,663	26	26.00	Maintain function in Central Services
25	4,132,466	-	53,393	3,543,066	-	-	7,728,925	39	39.00	Maintain function in Central Services
26	(816,618)	-	(1,147,146)	(302,256)	-	-	(2,266,020)	(14)	(14.00)	2 DO, 1 OBI, 1 OTIS, 1 OPI, 5 bud/fin, 3 HR, 1 IRMS
27										
28	15,744,103	-	(534,735)	(5,732,967)	-	-	9,476,401	64	61.14	
29										
30	261,640,873	-	165,208,531	213,190,489	-	-	640,039,893	816	796.56	
31										
32	37,390,636	-	(2,780,474)	24,246,961	-	-	58,857,123	61	61.19	
33	16.67%		-1.66%	12.83%			10.13%	8.08%	8.32%	
34	15,744,103	-	(534,735)	(5,732,967)	-	-	9,476,401	64	61.14	
35	6.40%		-0.32%	-2.62%			1.50%	8.51%	8.31%	
36	14,769,603	-	(5,546,044)	(1,430,385)	-	-	7,793,174	42	60.83	
37	5.98%		-3.25%	-0.67%			1.23%	5.43%	8.27%	

MEMORANDUM

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To: Human Services Subcommittee
Joint Committee on Ways and Means

From: Joint Legislative Committee on Information Management and Technology (JLCIMT)

Date: May 25, 2017

Subject: Department of Human Services: SB 5526 - POP #201 & Oregon Health Authority - HB 5026 - ONE Integrated Eligibility & Medicaid Eligibility (ONE IE & ME) Project - JLCIMT Recommendations

The Joint Legislative Committee on Information Management and Technology (JLCIMT) recommends incremental, conditional approval of Policy Option Package #201, assuming the spending authority and personnel resources are made available to the Department of Human Services (DHS) within SB 5526, and the Oregon Health Authority (OHA) within HB 5026. JLCIMT further recommends that the entire expenditure limitation be unscheduled by the Department of Administrative Services (DAS), and the Department of Human Services be required to request the Office of the State Chief Information Officer (OSCIO), Chief Financial Office (CFO), and Legislative Fiscal Office (LFO) approval, that a portion, or all of the remaining unscheduled expenditure limitation, be rescheduled for the agency to use to initiate and complete the remaining ONE IE & ME Project execution activities. Specifically, the JLCIMT recommends that the Department of Human Services and the Oregon Health Authority:

Report Progress to JLCIMT by September 2017

1. Obtain Centers for Medicare and Medicaid Services (CMS) and Food and Nutrition Services (FNS) funding and go-forward plan approvals.
2. Update the ONE IE & ME Project “Major Project Variance and Off-Ramp Plan.”
3. Complete the updating of all Stage Gate #3 foundational project management documents identified by DHS and OSCIO that were affected by the recent changes in scope for the ONE IE & ME Project.
4. Work with OSCIO to direct the quality assurance vendor to assist in the independent re-validation (preferably by an outside vendor) of all project estimates to assure that those estimates provided to date by the ONE IE & ME Project state staff and the system integration vendor are valid. Provide evidence that the re-validated estimates are based upon a well-defined estimating methodology and associated estimating assumptions. Include in this re-validation a clear definition of the “level of effort” required for each activity estimated by the system integration vendor.
5. Develop a final revised baseline project scope, schedule, budget, and resource plan. Clearly define the scope of the legacy related work. Revise all project estimates accordingly. Provide an “integrated project schedule” across all major elements of the ONE IE & ME Project such that a critical path and resource plan can be developed.

6. Develop a resource management plan to help verify that resource constraints for the Office of Information Services (OIS) support staff (i.e. subject matter experts) have been minimized. Wherever possible, minimize the use of interruptible resources to support the ONE IE & ME Project.
7. Re-negotiate the system integrator contract to provide better protections for all parties, including spending caps, hold-backs, level of efforts for all activities, estimate re-validation, and accountability measures.
8. Provide an updated 5-year total cost of ownership (TCO) based on estimated long-term annual maintenance and operational costs for the new system.
9. Review the major risks identified by the ONE IE & ME Project management team and the quality assurance vendor, and develop an updated mitigation and risk-balancing plan (between the state and the system integrator).
10. Update the foundational assumptions/strategies/constraints document to verify that all key risks are documented and that each has a clearly defined mitigation strategy.
11. Work with OSCIO to direct the quality assurance vendor to re-validate the recent “fit-gap” process to verify that the most recent scope and requirements are being used. This effort should include an “end-to-end” conceptual business model for the new system. This model should be traceable to system requirements. The quality assurance vendor should lead an end-to-end design review to verify that the most current system design is consistently using the most current project scope and requirements.

Report to JLCIMT by the 2018 Legislative Session

12. Provide a comprehensive project status update with a current baseline scope, schedule, budget (including revised “total cost of ownership”), and a risk management plan.
13. Provide OSCIO and LFO with a detailed list of goals, deliverables, and key milestones for the balance of the ONE IE & ME Project. Include a timeline with estimated dates for achieving each goal, deliverable, and milestone.
14. Provide an architectural assessment for Stage Gate 3 documents (typically required by OIS on all major IT projects). This assessment would include a conceptual data model as well as an architectural model. These models should include both the ONE IE & ME System and the legacy components that will make up the final system. All products should be provided to OSCIO and LFO.
15. Develop a business process re-engineering plan and an organizational change management plan.
16. Develop a ONE IE & ME System “code merge plan” and document related strategies.
17. Develop a DHS/OHA independent test plan that goes beyond the testing that will be done by the systems integrator.

Quality Assurance Related

18. Work with OSCIO to update the quality assurance oversight plan to include the addition of quality assurance and control services for the legacy component of the ONE IE & ME Project.
19. Work with OSCIO to direct the quality assurance vendor to conduct a quality control (QC) review of all revised key project management deliverables that may have been modified as a result of the recent scope changes to the ONE IE & ME Project (including, but not limited to, the business case, project charter, project requirements, governance plan, project contracts and statements of work (SOW’s), and baseline scope, schedule, budget, and resource plans).
20. Provide both OSCIO and LFO with copies of all QA vendor deliverables.

21. Continue to utilize independent quality management services. The contractor should:
 - Directly report to OSCIO which will be responsible for final review, approval, and authorization for payment of all quality assurance and quality control review deliverables.
 - Conduct ongoing risk and performance assessments, and respond to OSCIO, LFO, and DAS feedback.
 - Perform quality control reviews on the key ONE IE & ME Project execution phase deliverables.
 - Perform ongoing, independent quality management services as directed by OSCIO.

General

22. Continue to follow the Joint State CIO/LFO Stage Gate Review Process.
23. Continue to utilize a qualified project manager with experience in planning and managing programs and projects of this type, scope, magnitude, and complexity.
24. Regularly report project status to the OSCIO and LFO throughout the project's remaining lifecycle.
25. Utilize the Office of the State CIO's Enterprise Project and Portfolio Management (PPM) System for all project review, approval, and project status and QA reporting activities throughout the life of the ONE IE & ME Project.
26. Complete a formal "project close out" report upon completion of all ONE IE & ME Project phases.