
MEMORANDUM

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To: Joint Legislative Committee on Information Management and Technology

From: Sean McSpaden, Principal Legislative IT Analyst
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Date: February 14, 2024

Subject: Higher Education Coordinating Commission (HECC) Modernization Project
HB 5025 (Chapter 454, Oregon Laws 2023) - Budget Note Report
LFO Analysis and Recommendations

Agency Request: The purpose of the Higher Education Coordinating Commission (HECC) Modernization Project, initiated in 2021 and now called the Lifelong Educational Advancement Resource Network or LEARN, is to replace multiple legacy information systems, including: FAMIS (Financial Aid Management Information System), ETPL (Eligible Training Provider List System), and PCSVets (Private Career Schools and Office of Degree Authorization). Currently, the total costs for the project through December 31, 2025, are estimated at \$20,105,000. To date, the 2021 Legislature approved \$5 million in Article XI-Q Bonds for the FAMIS project, and the 2023 Legislature approved an additional \$5 million in Article XI-Q Bonds for the second phase of the Modernization Project.

In addition to bond funding authorization, the budget bill for the HECC - HB 5025 (Chapter 454, Oregon Laws 2023) - included a budget note directing the Commission to report to the Joint Legislative Committee on Information Management and Technology (JLCIMT) on the status of the HECC Modernization Project (LEARN) during the 2024 Legislative Session. The report to the JLCIMT was to include updated status information on:

- Project governance, management, and staffing
- Project scope, schedule, and budget
- Current or planned procurements/contracts
- Legacy system and data conversion planning and activities
- Risks and challenges
- Completion of State CIO Stage Gate Endorsement requirements
- Independent quality management service contractor findings and recommendations
- Any other information that would inform the JLCIMT or other Legislative Committees about the status of this Modernization project

The HECC has submitted and requests JLCIMT acknowledgement of receipt of the required budget note report.

A. LFO Analysis

In 2013, the legislature consolidated state-level leadership and coordination for post-secondary education, which had been previously spread across several agency, boards, and commissions to establish the HECC. Each organization brought with it a variety of information systems to support and run its respective operations. A number of these essential information systems were built decades ago. Some have experienced ongoing and escalating technical, operational, and information security issues that have been repeatedly called out in internal assessments and external audit findings. Some of these information systems have experienced catastrophic failures and others are currently being run on spreadsheets that require time consuming, manual work by HECC staff and partners.

The HECC Modernization Project team is initially working to replace three core legacy systems:

- 1. ETPL (Eligible Training Provider List System)** ETPL is the core system leveraged and managed by the Office of Workforce Investments (OWI) to provide a comprehensive list of training providers and programs that are available to participants eligible for Workforce Innovation and Opportunity Act (WIOA) funding.
- 2. FAMIS (Financial Aid Management Information System)** FAMIS is the core system leveraged and managed by the Office of Student Access and Completion (OSAC) to administer student financial aid for higher education and all associated fiscal processes for grants and scholarships.
- 3. PCSVets (Private Career Schools and Office of Degree Authorization)**
PCSVets is the core system leveraged and managed by the Office of Academic Policy and Authorization (APA) to administer Private Career School (PCS) licensure, teacher registration, and private college degree program authorization.

After these legacy systems are replaced, a new initiative (project or phase) is tentatively planned to incorporate additional legacy systems into the new solution. However, the estimated scope, schedule and budget of this follow on initiative has not yet been determined and funding has not yet been secured.

To begin to address these issues, the 2021 Legislature via SB 5505 approved \$5,105,000 Article XI-Q bonds to finance \$5,000,000 of the estimated project costs and \$105,000 for costs of issuing the bonds for the purpose of replacing FAMIS. Subsequently, during the 2023 Session, the Legislature via HB 5005 approved an additional \$5,095,000 Article XI-Q bonds to finance \$5,000,000 of project costs and \$95,000 for costs of issuing the bonds for Phase II which includes the replacement and integration of two additional legacy information systems (ETPL and PCSVets) into the new FAMIS system. In addition, via HB 5025 - Policy Option Package 401 (2023), the Legislature appropriated \$278,819 General Fund, provided \$4,250,000 Other Funds expenditure limitation, and authorized the establishment of three positions (2.88 FTE) to continue the project in the 2023-25 Biennium.

To date, the HECC Modernization Project team has, among other activities, initiated or completed the following:

- Recruited and hired a project director, project manager, and project team.
- Established strategic and tactical steering committees, who are now overseeing and directing the project work.
- Contracted with NTT Data, an independent Quality Management Service provider.
- Contracted with Slalom, a System Integrator with experience on projects of similar size, scope and complexity.
- Hired and onboarded an Organizational Change Management (OCM) Team.

- Completed an initial OCM Change Readiness Assessment.
- Entered into a contract with Microsoft Project Quality Advisory (PQA) Services to provide expertise on the selected platform (Dynamics).
- Begun planning for data conversion and migration.
- Mapped current and future business processes and established project success metrics.
- Written initial drafts of the communications, testing, and operations and maintenance plans.
- Received State CIO endorsements for Stage Gate 1, 2, and 3 and are now ready to proceed with the implementation phase of the project. Note: the Stage Gate 3 endorsement requires the HECC Modernization Project to meet certain conditions as it progresses over time.

Independent Quality Management Services: The HECC Modernization project is being overseen by NTT Data, the independent quality management services (IQMS) contractor for the project. The most recent report was finalized on January 23, 2024 (period covering - October 1 – November 15, 2023).

Exhibit 1: Project Assessment Scorecard (October 1 - November 15, 2023)

#	Category	Rear View	Forward (Current) View	Explanation
1	Overall Project Health	High	High	The Project's Overall Health remains High as Stage Gate 3 (SG3) Endorsement has not been received, HECC ESC have yet to determine which Option will be used to move the Project forward, and the contract with Slalom is not yet executed as of the end of this November 15, 2023, reporting period.
1a	Total Cost (Budget)	High	High	The lack of contingency funds and the unknown impact that an uncertain schedule will have on the Project's total cost keeps the rating High .
1b	Schedule	High	High	The planned start of the Slalom contract is 8.5 months delayed without a defined or targeted start date. Until the schedule is defined and impacts to planned implementation dates and Product Owner/SME LOE are known, the schedule scorecard is expected to remain at High .
1c	Scope	Medium	Medium	The scope of the Project has been defined. However, it remains unclear what scope Slalom will be able to implement within the contract cost cap of \$8M and the compressed timeline. Final scope decisions will be made after Slalom completes the Mobilization Phase.
1d	Resources	Medium	Medium	While the Project is fully staffed, iQMS is concerned about the Project Director's LD position being extended past November 2023 as well as Product Owners/SME being able to support what is expected to be a very compressed timeline.
1e	Deliverables (Work Products) Quality	Low	Low	State work products remain of high quality.

2	Overall Delivery Risk	High	High	Overall Delivery Risk remains High until the SG3 Endorsement is received, the Slalom contract is executed, a supportable schedule is developed, and evidence that Product Owners/SMEs can support the schedule is provided.
2a	Technology	Low	Low	HECC has determined that Microsoft Dynamics 365, a standard Microsoft platform that is used in other State agencies, will be the platform used for this modernization effort. Slalom will develop the systems using this platform.
2b	Financial & Business Case	Medium	Medium	The business cases developed in 2019 for FAMIS, 2020 for ETPL and 2021 for PCSVets to support the Project were initially done system by system with a focus on replacing each system independently. The staffing and cost information were provided for replacing the systems independently and did not consider a combined system and did not consider process reengineering. In May 2022, a Business Case Addendum was created for the purpose of combining the systems into a modernized system and approved by EIS. The addendum included measurable business benefits of a modernization system. However, it did not include staffing or cost information to support the development and operations and maintenance of a combined modernized system.
2c	Business Transition	Medium	Low	Business Transition has been reduced from Medium to Low for the following reasons: <ul style="list-style-type: none"> • State OCM staff have been trained and certified by Prosci. • State and contracted staff continue to work collaboratively and have developed a detailed OCM Organized Task List to track activities.
2d	Funding	Medium	Medium	Funding remains a Medium risk. The legislature approved funding for the 23-25 biennium and the Agency has identified where/how funds will be obtained to support Project activities. However, until the Mobilization and DDI schedules are known, the real impact to the budget remains unknown.
3	Operations & Maintenance (O&M) Risk	N/A	N/A	To be assessed in later reports.
3a	Long-Term Supportability	N/A	N/A	To be assessed in later reports.
3b	Long-Term Maintainability	N/A	N/A	To be assessed in later reports.

Legend:

Risk Rating	
Low/Green	This project appears to have no / minimal risk in this area.
Medium/Yellow	This project appears to have some / moderate risk in this area.
High/Red	This project appears to have a great deal of risk in this area.

Notably, Stage Gate 3 Endorsement was received from DAS Enterprise Information Services (EIS) on November 16, 2023. After the receipt of Stage Gate 3 Endorsement (indicating project readiness proceed from planning to implementation with conditions), the IQMS contractor conducted a supplemental “2023 Annual Assessment” of the project’s health and risk status (dated December 19, 2023). Within the report, the IQMS Contractor’s assessment of a subset of key project risks from the 1st quarter of 2023 to the 4th quarter of 2023 show significant reduction of risk in the following areas:

Table 1: 2023 Quarter 4 vs Quarter 1 Quality Assessment Recap

Assessment Area	4th Quarter 2023	1st Quarter 2023
Project Management	Low	High
Contract Conflict of Interest	Low	High
Organizational Change Management (OCM)	Low	High
Budget Insecurity	Medium	High
Project Schedule	Medium	High
Resource Availability	Medium	High
Data Management	High	High

Commission and project team leadership have committed to working closely with the IQMS contractor and DAS EIS in addressing the remaining “High” and “Medium” areas of risk related to data management, resource availability, budget, and schedule, respectively.

Department of Administrative Services - Enterprise Information Services (State CIO Oversight)

The HECC Modernization program is subject to oversight via the Joint State CIO/LFO Stage Gate Review Process. To that end, the HECC modernization project progressed through the State CIO’s Stage Gate 1 and Stage Gate 2 endorsement gates. However, due to a variety of ongoing project risks and uncertainty about project status during the 2023 Legislative session, DAS EIS made a decision, with LFO’s concurrence, to withhold Stage Gate 3 endorsement and placed the project “on hold” from May 23 until October 24, 2023. This decision was made following multiple meetings with LFO, the IQMS contractor (NTT Data), HECC leadership, and the HECC Modernization Project team. During the “hold” period, HECC and EIS worked together to address risks related to governance, organizational change management, contract scope and responsibilities, budget transparency, staff resource availability, and other critical aspects of project management.

The project “hold” was lifted on October 24, 2023, and the HECC Modernization Project received Stage Gate 3 endorsement from EIS on November 16, 2023.

The HECC submitted the required budget note report to the JLCIMT on January 16, 2024. The report contains all required elements called out in the budget note attached to the HECC Budget Bill (HB 5025 - 2023).

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B. LFO Recommendations

The Legislative Fiscal Office (LFO) recommends that the JLCIMT acknowledge receipt of the budget note report and direct HECC to:

- Continue to work closely with and regularly report project status to DAS Enterprise Information Services (EIS) and LFO throughout the project's lifecycle.
- Continue to follow the Joint State CIO/LFO Stage Gate Review Process and work with EIS to satisfy any outstanding conditions within the Stage Gate 3 endorsement memo dated November 16, 2023.
- Continue to contract for or hire qualified project manager(s) with experience in planning and managing projects of this type, scope and magnitude.
- Continue contracting for Independent Quality Management Services as directed by EIS.
- Submit updated project management plans and a baselined scope, schedule and budget for the project for EIS and LFO review.
- Develop a comprehensive risk mitigation strategy addressing potential challenges, especially those arising from the compressed timeline and potential budget shortfalls outlined within the HECC's Modernization Project budget note report. Establish contingency plans to address unforeseen circumstances and maintain project resilience.
- Report back to the Legislature on project status during the 2024-25 legislative interim, prior to the start of the 2025 Legislative Session.
- Continue to utilize the EIS Enterprise Project and Portfolio Management system for all project review, approval, and project status and QA reporting activities throughout the life of the HECC Modernization Project.

- Motion on the LFO recommendations

C. Final JLCIMT Action

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