Executive Summary

Oregon Department of Administrative Services –
Enterprise Information Strategy and Policy Division

E-government Business Case
Executive Summary
The purpose of this business case project was to evaluate alternative service delivery, contracting, and funding models for Oregon’s statewide E-government program over the next two to six years. The business case gathered extensive agency input in order to compare alternatives the state might implement in order to maintain and improve online access to content and services. The current contract that has provided the Oregon Department of Administrative Services (DAS) E-government Program with technical, operational and hosting support will need to replaced or renewed if the current service level of the Program is to be maintained. This business case/decision document analyzes the opportunity to continue the status quo by renewing the current services contract expiring in February 2010 or to set a new direction for the future of the state’s E-government program. The business case recommendation will drive DAS EISPD’s short-range plan by identifying a viable alternative that the E-government program should pursue to provide effective value-added services for Oregon state agencies and align investments with agency and constituent needs in a manner that provides good value to the enterprise and the agencies and minimizes implementation and operational risks.

**Background**

The DAS E-government Program was established in response to the 2001 Governor's Executive Order 01-25. Under this authority, the Program hired management and staff, purchased hardware and software and contracted for implementation services. Operational aspects of the Program, including hosting, tools (content management, on-line payment processing, and others), technical management, application development, and help desk support for agency users were later outsourced to Electronic Data Systems (EDS). The Program has retained a state-staffed policy and standards component to coordinate branding, common look and feel and evaluate enterprise tool sets. The current EDS contract that supplies critical services to the Program will expire in February 2010 and the Program is now evaluating what services should be delivered over the next two to six years by the central E-government Program and how those services can best be delivered.

Oregon state government is highly decentralized and much of the investment in online service and information delivery mechanisms is funded and implemented through individual agencies as a component of their missions. The central E-government Program lacks clearly articulated and widely accepted goals, objectives and vision and, as a result, the current governance process has not been effective. In fact, there is not a shared understanding of the role that a central DAS E-government Program should play in meeting the increasing demand for digital services. The value that agencies find in the current Program and the efficacy of the FTE-based assessment varies widely. Large and medium size agencies with sophisticated IT operations generally attribute low value to the Program while paying sizeable assessments while some small agencies value the services they receive from the Program and pay modest assessments. A consideration in any attempt to restructure the E-government Program is the history of concern regarding past attempts by DAS to impose technical and business solutions on the agencies.

Constituent groups are increasingly turning toward expanded use of online services to interact with business and government. Oregon has a robust technology business sector and sustainability, green, and streamlining initiatives that have broad support. These factors present both the need and the opportunity for Oregon state government to more aggressively pursue a digital service future. Improving the value and focusing the DAS E-government
Program on the proper portfolio of products and services could relieve frustration over the current program and better position the state for the future.

Alternatives Evaluation

DAS EISPD and its stakeholders identified five alternatives (including the Status Quo) to be evaluated in this business case. Willamette identified and documented a sixth alternative that combined best practice elements in a shared-services model. These alternatives are described in detail in the business case.

The evaluation approach objectively compared the six alternatives in terms of the organizational value and non-financial benefits (Needs satisfaction); the centrally managed financial resources required and cost effectiveness (Cost); and the likelihood and impact of unplanned issues (Risk).

The Alternatives were evaluated based on criteria included in the Statement of Work and information gathered from program documentation, stakeholder interviews, an agency survey, and best practice research. Questions were developed in order to evaluate how well the alternatives address Needs, Cost and Risk from the perspective of various constituency groups including small agencies, large agencies, and employees; other government entities, individual citizens; and existing or potential businesses. The effectiveness of each alternative in addressing the question was rated from one (worst) to ten (best) and the scores tabulated and averaged. The following table displays the summary scoring results with the best score highlighted in each row:

<table>
<thead>
<tr>
<th></th>
<th>Alt 1 Status Quo</th>
<th>Alt 2 Multiple Providers</th>
<th>Alt 3 Benefit Based</th>
<th>Alt 4 Internal Support</th>
<th>Alt 5 Policy Stnds</th>
<th>Alt 6 Shared Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost Score</td>
<td>2.80</td>
<td>4.05</td>
<td>7.08</td>
<td>3.28</td>
<td>4.08</td>
<td>4.18</td>
</tr>
<tr>
<td>Interpretation</td>
<td>Most Costly</td>
<td>Average Cost</td>
<td>Least Costly</td>
<td>2nd Most Costly</td>
<td>Average Cost</td>
<td>Average Cost</td>
</tr>
<tr>
<td>Total Needs Score</td>
<td>3.11</td>
<td>3.05</td>
<td>4.43</td>
<td>3.11</td>
<td>2.58</td>
<td>4.43</td>
</tr>
<tr>
<td>Interpretation</td>
<td>Average</td>
<td>Best</td>
<td>Average</td>
<td>Worst</td>
<td>Best</td>
<td></td>
</tr>
<tr>
<td>Total Risk Score</td>
<td>4.56</td>
<td>4.53</td>
<td>5.95</td>
<td>3.6</td>
<td>5.73</td>
<td>5.65</td>
</tr>
<tr>
<td>Interpretation</td>
<td>Medium Risk</td>
<td>Medium Risk</td>
<td>Least Risky</td>
<td>Most Risky</td>
<td>Lower Risk</td>
<td>Lower Risk</td>
</tr>
<tr>
<td>Unweighted Average</td>
<td>3.49</td>
<td>3.88</td>
<td>5.82</td>
<td>3.33</td>
<td>4.13</td>
<td>4.75</td>
</tr>
<tr>
<td>Cost/Need/Risk Weighted Scores</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40 / 40 / 20</td>
<td>3.28</td>
<td>3.75</td>
<td>5.79</td>
<td>3.28</td>
<td>3.81</td>
<td>4.57</td>
</tr>
<tr>
<td>50 / 35 / 15</td>
<td>3.17</td>
<td>3.77</td>
<td>5.98</td>
<td>3.27</td>
<td>3.80</td>
<td>4.49</td>
</tr>
<tr>
<td>35 / 50 / 15</td>
<td>3.22</td>
<td>3.62</td>
<td>5.59</td>
<td>3.24</td>
<td>3.58</td>
<td>4.53</td>
</tr>
</tbody>
</table>

Based on this evaluation, Alternative 3 is predicted to be the least costly, meet the most needs and introduce the least risk and is the recommended alternative. This alternative is briefly described as follows:

**Alternative 3 - Benefit Based Contracted Service Provider** – In this alternative, the state would conduct a solicitation for a qualified provider of benefits-based or self-funded E-government solutions. Current enterprise-level applications such as the Oregon.gov portal, content management, e-commerce payment tool, help desk, online collaboration and application development would be transitioned to the new contract service provider.
Implementation of this alternative would not force any agency to abandon existing on-line solutions and agency decisions to utilize the contract service provider for application development and hosting would be based on the business needs and value proposition for each agency and each application. Agencies might choose to import and customize a similar on-line application from another state if available or they could develop their own application using DAS contract service provider resources, agency staff, or third-party contractors. This alternative would retain the current DAS E-gov Program’s responsibility for enterprise policy and standards development, particularly in the context of Oregon.gov branding, look and feel and usability requirements to present online services to citizens and business partners in a seamless framework. Online service solutions, regardless of how developed or delivered, would be linked through a common platform (Oregon.gov portal) provided through the DAS contract service provider.

This alternative would require an enhanced governance structure working with DAS to plan and determine the on-line service applications to be added over time though the contract service provider. The contract service provider would identify revenue opportunities to fund a base level of development, hosting and support services. The number of services added and supported through this model would be based on the base funding within the Program and the revenue generated through transactions fees received from the online service applications. Services above the base could be purchased either from the contract service provider or other sources based on agency budgets, priorities, and business requirements.

Many vendors are currently providing similar services for large government organizations or are capable of doing so and approximately half the states currently deliver their E-government programs using some version of this model. In many states, a significant portion of the self-funding revenue comes from the sale of motor vehicle and driver licensing information to insurance companies delivered in a form for which they are willing to pay a premium. Though more investigation is required to determine the extent to which this revenue stream could contribute to the operation of the Oregon Program, many other sources of self-funding have been identified and are being tapped in other states. This business model has been accepted by the business community and is noted for both its flexibility and for its ability to bring government services on line quickly. This business case does not attempt to define the specific revenue opportunities or base level of service that might be negotiated between the state and an interested vendor.

Recommendation

Oregon’s E-government Program has an opportunity to build on the successful aspects of the current program such as the look-and-feel standardization and the common statewide portal to establish a future that improves the quality and value of services to agencies, satisfies agency and end-user expectations, and keeps up with best practices. By developing and pursuing a value-added plan for the E-government program, DAS EISPD will help to position Oregon state agencies to increase the quality and quantity of online services available to constituents, while minimizing cost and ultimately saving the state money.

During our best practice research and interviews with stakeholders, several critical success factors emerged as the most significant objectives and constraints in the current Program. The following list illustrates how implementation of the recommended alternative addresses critical success factors.
**E-government Business Case**

1. Tie Program costs to value delivered to agencies and constituents so the program addresses highest priorities; continuously improves service quality, value and time-to-market; and allocates costs to parties most willing to pay for service improvements

   *The recommendation addresses the critical success factor by removing the fixed cost and FTE assessments of the current Program and funding it based on value that the business community (and individuals to a much lesser extent) places on the data and services that can be made available.*

2. Provide agencies with choices to develop on-line service applications though a selection of proven on-line government service application templates or by building applications using agency in-house resources and/or through agency contractors.

   *This recommendation addresses the ability to avoid a one size fits all solution and encourages innovation and choice. It provides on-line service alternatives for agencies with or without staffing resources to develop applications.*

3. Structure the program to easily adjust in size to match agency and constituent demands

   *The recommendation addresses the critical success factor by removing the fixed funding model of the FTE assessment and the fixed delivery model of the current support contract.*

4. Provide for investments in new technology and other improvements over time

   *The recommendation addresses the critical success factor by allowing some of the revenue collected to be applied toward application code maintenance and upgrades and investments in new technology. This is difficult in the current model due to the relatively fixed support costs and fixed (if not declining) Program revenue.*

5. Provide a common platform or portal through which citizens and business partners can access or link to agency on-line solutions.

   *The recommendation recognizes that key components of on-line services must be accessible to citizens through a robust portal that meets citizen and business partner needs. Without a common platform for citizens to access the services of state agencies, there will be growing frustration with an uncoordinated Oregon on-line presence.*

6. Leverage economies of scale such that common components and tools can be shared across as wide an audience as possible

   *The recommendation addresses the critical success factor by providing a financial incentive to the vendor to implement more online solutions and leverage code and solutions (e-Commerce/merchant card processing, for example) already developed for other customers.*

7. Employ alternative funding models that identify and capture additional revenue sources available for the operation of the program

   *The recommendation addresses the critical success factor by structuring the program to rely on the identification and capture of alternative funding sources. Other states have found this to be a win-win since the constituents being asked to pay (typically businesses) are more than willing to pay a reasonable fee for the opportunity to conduct the service online.*

8. Work well within Oregon government’s highly decentralized structure
E-government Business Case

The recommendation addresses the critical success factor by providing an efficient central development and hosting model available for agency use and paid for by a self funding mechanism but still allowing agencies to develop, maintain and host their own applications if they choose.

9. Provide the opportunity and flexibility to meet future needs.
   The current model is constrained and limits Oregon’s ability to provide online services and meet future needs. Our review of other states and best practices tells us that there is ever increasing expectations and demand for on-line government services. This recommendation better positions Oregon and its agencies to meet those future demands.

Implementation Challenges

The following list begins to document some of the most significant risks that the state will need to overcome to implement the recommended alternative:

1. The funding streams available in Oregon are not certain but based on more than 20 other states experiences are predictable. An RFP will ultimately determine the potential funding mix of the existing base level budget and newly generated review to support the transition. Over time, this model should decrease the funding of the program provided from the current assessment and increase the funding derived from transaction fees.

2. Tapping the most promising available funding streams may require some agencies to ask their customers to pay a transaction fee that they might not have previously required.

3. A key funding stream for many states comes from the sale of motor vehicle licensing information to insurance companies. Contract service providers in other states have been successful in adding value to this information and selling it to insurance companies generating a revenue stream that funds the operation of state portals and on-line service applications. The RFP will determine if there is sufficient potential to support this model. Similar to other states, these revenues may be necessary to fund this model.

4. The Program must have a governance model that is representative of agency and enterprise needs.

5. The state must develop a transition plan and RFP that establishes an effective contract model and provides a smooth transition for agencies.