

Modernization Program Budget Management Plan

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TABLE OF CONTENTS

Document Maintenance	3
Program Overview	4
Document Purpose	4
Document Audience	4
Risks, Assumptions, and Constraints	4
Roles and Responsibilities.....	6
Budget and Funding Overview.....	10
Budget Development	11
Budget Tracking	13
Budget Monitoring and Reporting.....	16
Project Budget Estimating.....	17
Budget Communication	18
Budget Meetings.....	18
Approving Authorities.....	20
Appendix A – Modernization Executive Steering Committee Budget Report	21
Appendix B – Project Budget/Schedule Variance Report	22
Appendix D – UI Modernization Project +/- 10% Budget Estimate	24

TABLES AND FIGURES

Table 1 – Roles and Responsibilities	6
Table 2 – Unemployment Insurance Modernization Fund	10
Table 3 – Modernization Anticipated Budget.....	13
Table 4 – Modernization Charge Codes	15
Table 5 – Budget Variance Health Ratings.....	16

Document Maintenance

This document is maintained by the Modernization team, specifically the Modernization Budget Analyst, and will be reviewed annually to determine whether revisions are necessary. Periodic process reviews assess the effectiveness of program plans and processes. Any identified changes or improvements are incorporated in program processes and reflected within revisions to these program plans. All program plans are stored within the program's file share located here: <\\WPOEDFILL04\Modernization\00 Program Management\Program Plans>

Version	Date	Author	Change Description
V1.0	12/2018	Jennifer Hannan, Modernization Program Manager Staci Bloomer, Budget Analyst Julie Boston, Agency Budget Manager Mike Smith, Agency Chief Financial Officer	Initial version of the document
V2.0	07/2019	Julie Fetsch, Modernization Budget Analyst Jennifer Hannan, Modernization Program Manager	Added document relationship section, made adjustments throughout to address editorial changes and corrections to accurately reflect current process, and refreshed all appendices to reflect current templates.
V3.0	9/2021	Stephen Lund, Modernization Business Analyst William Chollman, Modernization Budget Analyst David Ford, Modernization Program Manager	Updated OSCIO to EIS, updated budget forecasts and requests for 21-23; updated reporting in appendices; Included PFMLI funding streams; updated Charge Codes; Included Estimate methodology; Included SG3 Project Budget. Reconciled change log; confirmed V3 changes completed and annotated log. Reviewed document and made minor edits.

Program Overview

The Employment Department's Modernization Program is a multi-year initiative focused on transforming the agency's business processes and core technology systems. Computer systems supporting receipt of unemployment insurance (UI) taxes, paid family and medical leave insurance (PFMLI) contributions, payment of UI benefits, and delivery of employment services will be replaced or established. Further, business processes will be transformed to take advantage of opportunities and benefits available through new system capabilities.

Document Purpose

This plan outlines the processes involved in estimating, budgeting, controlling, tracking, and monitoring expenses so the program and its projects can be completed within approved budgets. Specifically, these processes include funding, budget development, budget management, and reporting.

Document Audience

This document is intended for these primary audiences:

- **Program sponsors and steering committee members** – to understand the processes that will be followed, as well as the roles and responsibilities in planning and monitoring the program and projects budgets and expenses, and to ensure processes are appropriate and enforced.
- **Internal and external oversight entities** – to monitor whether appropriate processes are in place and continue to be followed.
- **Program and project team members and vendor staff** – to understand their roles and responsibilities, and processes that will be followed to ensure budgets are managed appropriately.
- **Agency employees and external stakeholders** – to reference for general awareness.

Risks, Assumptions, and Constraints

RISKS

Risks related to this budget plan and its associated processes and other project management process groups are described and managed through the program's risk and issue process. See the program's risk management plan for further details on the risk and issue process. See the Modernization Risk-Issue Registry for a current listing of governance related risks.

ASSUMPTIONS

- The agency will use Modernization Funds received from the U.S. Department of Labor (US DOL) in 2009 in combination with other agency revenues, as appropriate and available, for the purpose of UI and employment services modernization.
- General Funds have been approved by the Oregon Legislature, as a loan until PFMLI contributions are collected by the agency at sufficient levels and availability, for the purpose of only PFMLI modernization costs and PFMLI portions of program costs.

- Other Funds, specifically PFMLI contributions, have also been authorized by the Legislature for the purpose of supporting PFMLI modernization costs and the PFMLI support of program costs.
- The Oregon Legislature will approve spending authority based on the agency's demonstrated need and Stage Gate endorsement for the purpose of modernization.
- The Department of Administrative Services' Chief Financial Office (DAS CFO) will schedule expenditure limitation and approve policy and finance packages based on the agency's demonstrated need and Stage Gate endorsement to support modernization expenses.
- Enterprise Information Services (EIS) will use the Stage Gate (a model of oversight) and other processes to provide incremental reviews, approvals, and oversight to Modernization Program projects and plans (including this Budget Management plan) throughout the duration of the Modernization Program.
- In addition to funding the goods, services, and employees that directly carry out modernization, available funding will be used to provide the additional capacity necessary to support the work in shared service areas such as Administrative Business Services, Human Resources, and Information Technology.

CONSTRAINTS

- The agency has chosen to utilize Modernization Funds in the UI Trust Fund, a General Fund loan for costs related to PFMLI start up, and Other Funds available to the agency as the primary funding sources for the Modernization Program and its projects. If additional funding is needed, other sources of revenue must be identified, approved, and allocated.
- Federal and state regulations control how the agency's funds can be used.
- The agency must obtain authority from the Oregon Legislature, Stage Gate approvals from EIS, and scheduling of expenditure limitation and approval of policy and finance packages from DAS CFO and the Governor, before spending funds and incurring Modernization Program and project expenditures.
- If Stage 4 project budget baselines change by +/- 10%, EIS must be notified and supporting documentation may be required.

Roles and Responsibilities

Significant roles and responsibilities involved in the budget management process are described below.

Table 1 – Roles and Responsibilities

Role	Responsibilities
U.S. Department of Labor (US DOL)	Authority to approve funding and oversee Employment Department programs including funding that supports the Employment Department’s Modernization Program and its projects.
Department of Administrative Services’ Chief Financial Office (DAS CFO)	<p>Provides objective and accurate financial information to state leaders and the public for more efficient use of state resources.</p> <p>Reviews, evaluates, and has authority to approve program and project documentation to ensure funding is adequate, recommends approval for spending authority, and ensures policies are in alignment with the Governor’s priorities.</p> <p>Meets with members of the Modernization team and agency staff regularly regarding modernization information and reports.</p>
Legislative Fiscal Office (LFO)	<p>Provides research, analysis, and evaluation of state expenditures, financial affairs, program administration, and agency organization to the Oregon Legislature.</p> <p>Provides fiscal impact statements, prepared by the agency budget team, on legislative measures and recommends funding to the Oregon Legislature.</p> <p>Reviews, evaluates, and has authority to approve program and project documentation to ensure adequate budget and project quality.</p> <p>Reviews and has authority to approve the Modernization Program’s Business Case, and provides direction, support, and oversight throughout the Stage Gate process to ensure quality outcomes.</p> <p>Meets regularly with members of the Modernization team and agency staff regarding modernization information and reports.</p>
Modernization Executive Sponsor (Agency Director)	<p>Oversees and has responsibility and authority for overall agency budget.</p> <p>Ensures there is sufficient funding for the Modernization Program and its projects.</p> <p>Approves expenditures within established authority.</p> <p>Advocates for ongoing funding within the executive and legislative review and approval process.</p> <p>Collaborates with the US DOL regarding the agency’s demonstrated need, application for, and use of federal funds.</p>

Role	Responsibilities
Agency executives and managers	<p>Develops, monitors, and manages their respective program budgets, including efforts associated with modernization support.</p> <p>Ensures that employees charge time appropriately and in compliance with US DOL regulations.</p>
<p>Modernization Program Sponsor</p> <p>(Modernization Director)</p>	<p>Oversees and guides development of Modernization Program budget and the budgets for each project.</p> <p>Ensures the program and project budgets are properly planned and managed.</p> <p>Approves biennial Agency Requested Budget for the Modernization Program, ensuring that funds and limitation are sufficient to cover projected expenditures. Approves any changes made during the Governor and Legislative budget review.</p> <p>Reviews and has authority to approve program and project budget and expense reports.</p> <p>Authority to approve program and project expenditures within established authority.</p> <p>Authority to approve program and project staff time charged to the Modernization Program.</p>
Agency Chief Financial Officer (CFO) Agency Budget Manager	<p>Develops, manages, and has authority for the funding and budget management strategy and process, and collaborates with the Modernization Executive Sponsor, Modernization Program Sponsor, and members of the Modernization team in the execution of the strategy and process.</p> <p>Coordinates with the Modernization Budget Analyst to develop appropriate budget management processes.</p> <p>Provides services to support budget development, funding, monitoring, and reporting.</p> <p>Collaborates with DAS CFO and LFO on budget requests, scheduling of expenditure limitation provided by the legislature, allotment of spending plans, and approval of policy and finance packages in consultation with the agency's Director.</p> <p>Communicates and reports the use of funds to the US DOL and use of funds and expenditures to DAS CFO, LFO, and agency management.</p> <p>Ensures that funds are used in accordance with federal and state laws.</p> <p>Incorporates Modernization Program funding and budgeted expenditures into the legislative and agency budget process.</p>

Role	Responsibilities
Executive Steering Committee (ESC)	<p>The ESC supports the Modernization Executive Sponsor and Modernization Program Sponsor, and provides oversight and direction for the Modernization Program, including monitoring the scope, schedule, and budget of projects under the program.</p>
Modernization Program Manager	<p>Works with the Agency Chief Financial Officer (CFO), Agency Budget Manager, and Modernization Budget Analyst to develop sufficient budget management processes that adhere to PMBOK best practices, Oregon statutes and rules, and agency policy.</p> <p>Participates in regular process assessments to evaluate whether processes are effective, efficient, and are being followed.</p> <p>Provides information to the Modernization Program Sponsor and Modernization Budget Analyst to aid in forecasting expenditures and budget needs.</p> <p>Reviews program and project budgets and expenditure reports to ensure charges are appropriate and any discrepancies are evaluated. Incorporates budget reports within program and project status reports.</p> <p>Works in collaboration with Modernization Budget Analyst to prepare monthly project budget and variance reports and reports to agency management and executive steering committee members. Uploads budget reports to the state’s Project and Portfolio Management (PPM) portal.</p>

Role	Responsibilities
Modernization Budget Analyst	<p>Manages the Modernization Program and project budgets in accordance to this plan, Oregon statutes, rules, and agency policy.</p> <p>Maintains this budget management plan and conducts regular assessments to identify how processes could be improved.</p> <p>Coordinates development of the Modernization Program’s biennial budget and policy and finance packages for submission within the agency’s biennial budget request.</p> <p>Implements fiscal processes and budget operations to monitor and track project budgets, projected spending, and actual expenditures.</p> <p>Reviews monthly program expenditure and fund coding. Identifies errors and works with agency’s financial services unit to correct issues.</p> <p>Works with the Agency CFO, Agency Budget Manager, and financial services unit staff to facilitate contingency funding methods and fund transfers.</p> <p>Prepares monthly project budget and variance reports and reviews with and reports information to agency and program management and executive steering committee members.</p> <p>Monitors personnel actions to maintain conformity with position and full time equivalence (FTE) authority.</p> <p>Coordinates and reviews the preparation of fiscal impact statements for proposed legislation and bills related to the Modernization Program.</p> <p>Analyzes and reports fiscal impact of new projects or work identified for the Modernization Program.</p> <p>Monitors and provides updates regarding budget related risks.</p>
Modernization Change Control Board	<p>Reviews and has authority to decide whether budget-related changes should be escalated per the program’s change control process.</p>
Modernization Senior Quality and Risk Analyst	<p>Compiles and delivers project budget and schedule variance reports to the agency and Statewide Quality Assurance (QA) Program (EIS-QA).</p> <p>Monitors and facilitates management of budget-related risks.</p> <p>Conducts quality control reviews of budget management processes.</p>
Independent quality management services (iQMS) vendor	<p>Conducts independent quality control reviews of budget management processes.</p> <p>Incorporates independent assessment of budget status within quality reports required by the agency and EIS.</p>

Budget and Funding Overview

The Modernization Program and its projects are funded by UI funds, a General Fund loan for PFMLI, and other revenues available to the agency. Specific one-time funds were distributed by the U.S. Department of Labor in 2009, also referred to as Modernization Funds, and reside in the UI Trust Fund. The agency has chosen to use these Modernization Funds as a primary source of funding for UI modernization. The Employment Department made the decision to integrate the PFMLI contributions solution with the UI Modernization Project. The costs for PFMLI will be paid for using employer and employee contributions paid into the PFMLI fund. Prior to the collection of these contributions, PFMLI costs will be paid by a General Fund loan that must be repaid by June 30, 2023. Other Funds may be used where available and advantageous for agency long-term business and program funding purposes, and as allowed or required by state or federal law.

Analysis of the project submitted for Stage Gate 3 endorsement forecasts the UI project, which includes PFMLI contributions, to cost between \$96-\$117 million.

Table 2 – Unemployment Insurance Modernization Fund

Received 6/8/2009 (Related to enactment of SB 462, 2009 OR Legislature)	\$ 28,524,880
Received 7/20/2009 (Related to enactment of HB 2624, 2009 OR Legislature)	\$ 57,049,761
<i>Total received</i>	<i>\$ 85,574,641</i>

The Modernization Program is funded by Federal unemployment insurance (UI) funds, a General Fund loan, and Other Fund revenues available to the agency. Use of agency funds is limited by federal and state regulations. With respect to Modernization Funds, US DOL issued guidelines on how this money may be spent as authorized in Section 903(c)(2) of the Social Security Act and 20 CFR Parts 652 and 667, which includes use for application development and other technology that support unemployment insurance and employment service delivery.

HB 2005 (2019) (ORS 657B) established PFMLI and assigned the agency responsibility to create and administer the new program. For project costs associated with implementing PFMLI, a General Fund loan was authorized and is the only available funding stream until contributions are collected. ORS 657B.430(3) outlines the appropriation and use of PFMLI contributions which include “payment of administrative costs and expenses that the director incurs in carrying out the provisions of this chapter.” PFMLI contributions will be used to repay the General Fund loan, and to replace general funds as the only revenue stream available for PFMLI allocated costs. The agency has developed an allocation model to determine the costs that should be charged to each program benefiting from the UI Modernization Project. Details and updates to the allocation model can be found in the Funding Framework.

The agency also has Other Funds that may be used for the Modernization Program and projects, where available and advantageous, for long-term funding purposes and as allowed or required by state or federal law. Existing Other Funds sources include: Supplemental Employment Department Administration Fund (SEDAF), penalty and interest (P&I) collected from employers, penalty and interest collected from Unemployment Insurance benefit overpayments (Fraud Control Funds), and Federal Trade Act Administration Funds.

Federal Funds available to the agency are limited and generally used in full by agency programs. However, Trade Act Administration Funds may be available at times to supplement modernization

efforts for Workforce Operations project activities, specifically case management activities. Additional Federal Funds may be available for modernization activities but would need to be reviewed for the specific grant years available for funding and the allowable uses for those funds.

The use of agency revenues for the Modernization Program will be based on agency priorities for both fund use and operating capital balances. Prioritization of revenue sources available for the Modernization Program and project activities will be identified and agreed to biennially by the Agency CFO and agency executive team as part of the agency's Funding Framework.

Based on the assumption of no major changes in policy, programs, or revenue availability, the 2021-23 biennial funding plan prioritizes available SEDAF funds first for Modernization Program team staffing, and non-project activities. Modernization projects will prioritize P&I funds first, then SEDAF funds. Modernization Funds will be prioritized for vendor costs and for all other expenditures if SEDAF and P&I are not available. Prioritization of funds available to the agency will align with the agency's Funding Framework for the specified biennium, and may differ from the prioritization previously specified. If circumstances change or decisions are made by the Agency CFO and executive team to utilize funds available to the agency differently, this plan will be updated as needed to reflect those changes.

Budget Development

While Modernization Funds, General Funds, and other revenues are available to support the agency's Modernization Program and projects, the agency's ability to use these funds is contingent upon receiving approval from the Oregon Legislature. Biennial budget reports must be made to request use and spending of these funds. Further, the Oregon Legislature and DAS CFO may partially restrict approval of Modernization Funds-related expenditures and require regular progress reporting before actual spending is authorized against the budget amount approved for the entire biennium.

Biennial budgets are prepared in even-numbered years and approved in odd numbered years. As biennial budgets are developed, costs and expenditures for the Modernization Program and its projects are estimated and included within the agency budget request, including a request for authorization to use Modernization Funds. Key activities and dates for budget development, presentations, and approvals for the state's biennial budget are shown below, along with background on the Modernization Program budget requests that have been made during each biennium.

State budget process in even-numbered years:

- DAS CFO holds a budget kickoff meeting, generally in March, to provide guidance on the framework for budget development
- Agency revenue estimates and methodology are due in March
- Permanent (base) positions are frozen for budget development in April
- Agency Current Service Levels (CSL) are established by May 31
- Agency Requested Budget (ARB), including any proposed policy packages for the upcoming biennium, is due August 1
- Governor's Recommended Budget (GRB) is released December 1

State budget process in odd-numbered years:

- Legislatively Adopted Budget (LAB) is released in July
- Program section budget projections are distributed by August 30

- Executive Team approves final Section Operating Budgets by September 30
- Agency budget presentation to Legislature completed in January for February short session

MODERNIZATION BUDGET BACKGROUND

In the 2015-17 biennium, the agency requested and received budget authority of \$4.03 million for modernization, including four permanent positions (1.17 FTE) in Policy Package 101, initiating a multi-biennium modernization effort to evaluate, improve, and replace core business processes and technology systems. The agency expended \$1.24 million of the Modernization Funds during the 2015-17 biennium.

In the 2017-19 biennium, the agency requested and received budget authority of \$5.37 million for modernization, including eighteen permanent positions (13.95 FTE) in Policy Package 101 to continue planning, complete a feasibility study, and initiate the Modernization Program. The agency expended \$2.02 million of the Modernization Funds and \$1.56 million in Other Fund (SEDAF and P&I) during the 2017-19 biennium.

In the 2019-21 biennium, the agency requested and received approval of a \$19.95 million budget for the Modernization Program, including 55 permanent positions (46.63 FTE) in Policy Package 101 to complete planning and to initiate the Unemployment Insurance Modernization Project.

In September 2020, the agency requested the establishment of 16 additional permanent positions (4.00 FTE.) This request was approved by the Emergency Board in addition to a limitation increase of \$1.19 million related to those positions. Additionally in December 2020, there was a budget adjustment increasing the limitation by \$0.59 million.

Through the 2019-21 biennium, project costs were funded using revenue streams primarily generated from the UI division. With the expansion of project scope to include PFMLI contributions, the project and personnel costs requested were funded as a general fund loan and are included in Policy Package 104 and 105 for the 2021-23 biennium. The significant majority of that Policy Package is for the implementation of the program as a whole.

For the 2021-23 biennium, the agency received approval of \$53.4 million and 71 positions which includes anticipated project costs detailed in Policy Package 101. Package 104 requested 7 positions and \$1.8 million in support of the inclusion of PFMLI in the Modernization Program. An additional \$11.4 million of authority was received in package 105 to support the PFMLI information technology implementation.

Table 3 – Modernization Anticipated Budget

Biennium	Description	Total Limitation Requested	Actual + Projected Expenditures	Unused Limitation	Positions	FTE
2015-17	Personal Services	\$986,633	\$644,688	\$341,945	4	1.17
	Services & Supplies	\$3,046,026	\$596,129	\$2,449,897	0	0
	Total	\$4,032,659	\$1,240,817	\$2,791,842	4	1.17
2017-19	Personal Services	\$688,847	\$2,468,203	(\$1,779,356)	18	13.95
	Services & Supplies	\$4,682,314	\$1,113,146	\$3,569,168	0	0
	Total	\$5,371,161	\$3,581,349	\$1,789,812	18	13.95
2019-21	Personal Services	\$9,650,777	\$5,354,141	\$4,296,636	55	46.63
	Services & Supplies	\$10,302,787	\$11,029,046	(\$726,259)	0	0
	Emergency Board (9/20)	\$1,188,752	\$0	\$1,188,752	16	4
	Salpot (12/20)	\$592,743	\$0	\$592,743	0	0
	Total	\$21,735,059	\$16,383,187	\$5,351,872	71	50.63
2021-23	Governor's Budget	\$53,442,264	\$53,442,264	\$0	71	71
	POP 104	\$1,765,498	\$1,765,498	\$0	7	7
	POP 105	\$11,391,769	\$11,391,769	\$0	0	0
	Total	\$66,599,531	\$66,599,531	\$0	78	78
	Total 2015-23	\$97,738,410	\$87,804,884	\$9,933,526	78	78

Actuals as of Jun-21.

Budget Tracking

The Modernization Program budget is comprised of three primary categories that align with the state's budget details.

- **Personal Services** – Employee total compensation including wages, benefits, temporary staff, pay differentials, and other personnel costs.
- **Services and Supplies (S&S)** – Non-personnel expenditures for agency operation and maintenance. Examples include office supplies, professional service contracts, rent, and State Government Service Charges.
- **Capital Outlay**– Expenditures for items not consumed in routine agency operations. These expenditures generally have a useful life of more than one year and an initial unit cost of \$5,000 or more. The agency follows the Oregon Accounting Manual guidelines when classifying expenditures as capital outlay.

Further, charges for Modernization Program activities are broken down by specific charge codes. As the Modernization Program and its projects move through different phases and related activities, and specific projects are established, unique charge codes are established to track time and expenditures. Guidelines regarding modernization fund use and charge coding are updated periodically with input from agency executive team to accurately reflect how funds should be allocated, and are described in the Modernization Funding Framework located here [\\WPOEDFILL04\Modernization\00 Program Management\Program Plans\Budget Management Plan](#).

Section Code – Section codes are used to track expenditures by program and sub-units within programs. For example, Section 014 is the Modernization Program and the Modernization Program Sponsor is responsible for managing these expenditures and includes personnel reporting up through or to the Modernization Program Sponsor and all vendor costs for modernization.

- **Agency Object** – Agency objects are used to organize costs into various expenditure categories such as salaries, benefits, rent, maintenance, property taxes, etc.
- **Activity Code** – These codes are used to track time spent on different activities. Various activity codes will be used for tracking time spent on different program or project activities. Examples of agency activity codes include: training, program management, and various types of leave (vacation, sick time, etc.)
- **Project Code** – These codes are used to track the grant, project or funding related to an expenditure. The codes will be used for tracking expenditures for the Modernization Program and its projects.

Expenditures for the Modernization Program and project teams and vendor expenses will be charged to the Modernization Summary Cross Reference (SCR) (47100-010-90-00-00000) and Section 14. Other division project teams and support activities, such as training, testing, subject matter experts (SMEs), and activities that are part-time in nature will be charged to the applicable SCR (Unemployment Insurance [47100-010-10-00-00000], Shared Services [47100-010-05-00-00000], Paid Family Medical Leave Insurance [47100-010-80-00-00000], or Workforce Operations [47100-010-20-00-00000]).

Support activity expenditures remain in the employee's section and a separate time code is used to facilitate internal reporting to track support activities. Committee participation is charged to each individual's section and regularly used timecodes. If circumstances change or decisions are made by the Agency CFO and agency executive team to utilize different cost codes, this plan and the Modernization Funding Framework will be updated as needed to reflect those changes.

Budget Monitoring and Reporting

The Modernization Budget Analyst monitors and tracks expenditures, payments, and budget activity ensuring that costs allocation is in line with the structure established in the funding framework. Expenditures will be approved according to the agency’s signature authorization policy. For the Modernization Program, the Modernization Program Sponsor, Deputy Modernization Director, and other project-level or agency managers approve expenditures. The Agency’s CFO or the Modernization Executive Sponsor may additionally sign as needed in alignment with the agency’s signature policy.

Expenditures are captured and recorded at the time of payment. Financial information will be conveyed through budget and expenditure reports. Following the end of each monthly closing, internal and external reports are prepared and reviewed with the Modernization team, agency management, and the Modernization Executive Steering Committee to ensure that expenses charged during the month are in line with the budgeted activities.

The Agency CFO and budget staff meet regularly with the Modernization Program Sponsor and members of the Modernization team to review and identify any discrepancies. The Modernization Budget Analyst researches and requests corrections prior to the closing of the following month.

Statewide systems used to extract expense information include:

- Personal Services – Oregon Statewide Payroll Application (OSPA)
- Services and Supplies – Statewide Financial Management Application (SFMA)
- Capital Outlay – SFMA

Modernization project budgets will be tracked and variances will be reviewed and reported to the Modernization team, agency management, Modernization Executive Steering Committee, and oversight entities. While it is anticipated that minor budget adjustments or re-projections will occur over the life of a project, any time a project budget is re-baselined, all oversight entities will be notified. If budget baselines change by +/- 10% formal approval through the program’s change control process is necessary and EIS must be notified and supporting documentation may be required for review and approval. See the program’s change control plan for further details on the change control process.

Table 5 – Budget Variance Health Ratings

Budget Variance	Budget Health
Under Budget	Green
0% - 15% Above Budget	Yellow
Above 15%	Red

MODERNIZATION EXECUTIVE STEERING COMMITTEE BUDGET REPORT

This report illustrates the estimated budget for the Modernization Program and project, along with actual expenditures that are recorded, and the remaining budget biennium to date. This report identifies variances, highlights current month trends, and provides the budget status biennium–to-date and life–to-date. Information from this report is extracted and included within the program’s monthly status report. See Appendix A for an example of this report.

- **Frequency:** Monthly, by the end of the following month

- **Owner:** Modernization Budget Analyst
- **Distribution:** Modernization and agency management, Modernization Executive Steering Committee, DAS CFO, LFO, and EIS. This report is also uploaded into the state's Project and Portfolio Management System.

PROJECT BUDGET/SCHEDULE VARIANCE REPORT

This report is required by EIS for all state stage gate projects during the implementation phase (stage 4). The budget portion of this report illustrates planned and actual project expenditures and notes any variance from baseline to monitor whether actions should be taken to bring the project back within acceptable budget ranges. This report uses the EIS designated format, including variance threshold ranges. See Appendix B for an example of this report.

- **Frequency:** Quarterly, by the end of the following month
- **Owner:** Modernization Budget Analyst, Modernization Senior Quality and risk Analyst and Modernization Schedule Project Manager
- **Distribution:** Modernization and agency management, Modernization Executive Steering Committee, DAS CFO, LFO, EIS, and iQMS. This report is also uploaded into the state's Project and Portfolio Management System.

MODERNIZATION SECTION BUDGET MANAGEMENT AND VARIANCE REPORT

This report tracks all modernization expenditures that are charged to the section and compares actuals to forecasted expenditures. See Appendix C for an example of this report.

- **Frequency:** Monthly, during the third full week after the end of the month.
- **Owner:** Modernization Budget Analyst
- **Distribution:** Modernization Program Sponsor, Deputy Modernization Director, and Modernization Program Manager, Agency CFO, and Budget Manager

Standard agency budget reports produced by the agency's budget unit are also utilized by the Modernization Program Sponsor, Modernization Budget Analyst, and members of the Modernization team to track and monitor expenses.

Project Budget Estimating

As part of the Stage Gate process, the Modernization Program is required to submit estimates for its projects. The accuracy of the submitted budgets increase in required accuracy from +/- 50% prior to Stage Gate 2 endorsement and narrowing to +/- 10% prior to Stage Gate 3 endorsement which is tracked through the Execution phase of the project.

The methodology for developing the budget estimate closely follows the methodology for the agency's biennial budget development which follows the Budget & Legislative Concepts Instructions published each budget cycle by DAS CFO. Consideration of expenditure categories and methodologies costs such as inflation leveraged existing agency practice and align with DAS CFO budgeting guidance.

Estimating deviates allows for a greater likelihood or accuracy. For example, the state's process for estimated Personal Services costs is "at the next to lowest step of the salary range" whereas the modernization project estimates vacant positions using the best estimates by the hiring manager. Additionally, through the agency budgeting process, budgeting for service and supplies is an established

fixed amount; whereas, project budget estimates look at historical “run rates” as a method of estimating future costs. See Appendix D for an example of the +/- 10% budget.

Budget Communication

The program’s communication and outreach plan describes the communications activities and methods of sharing information about project processes, events, documents, and milestones. The communications registry includes the regular communications for program and project status, including budget reporting.

Frequent, open communication regarding the Modernization Program and its projects financial data is necessary to keep participants, agency stakeholders, and oversight entities informed, foster open dialogue regarding budget matters, and ensure that the program proactively manages its financial information. In general, budget and financial reports are presented by the Modernization Budget Analyst and reviewed with the Modernization Program Sponsor, Deputy Modernization Director, Modernization Program Manager, Agency CFO, and Agency Budget Manager.

The Modernization Budget Analyst will work with the Agency CFO and Agency Budget Manager to communicate current budget matters, operational updates, presentation needs, and budget changes. Further, the Modernization Budget Analyst will coordinate with the Agency CFO and Agency Budget Manager during the biennial budget development process and throughout the biennium to ensure sufficient spending, limitation, and fund appropriation exists for the Modernization Program and its projects.

Communication of possible budget-related requests to the Legislature, DAS CFO, LFO, and EIS will be coordinated with the Modernization Program Sponsor, Agency CFO, and Agency Budget Manager in collaboration with the Director’s Office of the Employment Department. Further, the agency will present testimony or provide budget reports or materials as specified in the statewide budget process and as requested by the Oregon Legislature.

Budget Meetings

MODERNIZATION BUDGET MEETING (MONTHLY)

Attendees: Modernization Program Sponsor, Deputy Modernization Director, Modernization Program Manager, Modernization Budget Analyst, Agency Budget Manager, Agency CFO

The purpose of these monthly meetings is to:

- Review monthly budget reports
- Review variances
- Review program and project budget risks that are new or require action
- Discuss program and project status and monthly budget narrative
- Identify upcoming needs or changes that may have a budget impact

MODERNIZATION EXECUTIVE STEERING COMMITTEE MEETING (MONTHLY)

Attendees: Modernization Executive Steering Committee members and non-voting members (see the Modernization Executive Steering Committee Charter for membership).

Budget status is included as a standing agenda item at the steering committee meeting. The Modernization Budget Analyst (or in their absence, the Agency Budget Manager or Agency CFO) presents the Modernization Executive Steering Committee budget report and reviews any variances with the committee.

Approving Authorities

Renee Royston

Renee Royston (Oct 5, 2021 17:42 PDT)

Renee Royston, Modernization Program Sponsor
Modernization Director

Date

David B Ford

David B Ford (Oct 6, 2021 08:54 PDT)

David Ford, Modernization Program Manager

Date

William CHOLLMAN

William CHOLLMAN (Oct 5, 2021 18:59 PDT)

William Chollman, Modernization Budget Analyst

Date

Mike Smith

Mike SMITH (Oct 7, 2021 16:22 PDT)

Mike Smith, Chief Financial Officer

Date

Appendix A – Modernization Executive Steering Committee Budget Report

OREGON EMPLOYMENT DEPARTMENT
MODERNIZATION PROGRAM BUDGET SUMMARY
June 30, 2021



	2015-17 Biennium	2017-19 Biennium	2019-21 Biennium												2021-23 Biennium	2023-25 Biennium	Total Expenditures	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
	Expenditures 2015-17	Expenditures 2017-19	Legislatively Approved Budget	Budget	Expenditures	\$ Variance (Under) / Over	% Variance	Biennium to date Budget	Expenditures To-Date	\$ Variance (Under) / Over	% Variance	Remaining Projected Expenditures	Total Expenditures (Actual + Projection)	Projected \$ Variance (Under) / Over	Projected % Variance (Under) / Over	Budgeted Expenditures 2021-23	Budgeted Expenditures 2023-25	Expenditures To-Date 2015-21
			Current Month				Biennium to Date				Projected End of Biennium							
PROGRAM																		
Personal Services	\$ 644,688	\$ 2,468,203	\$ 1,940,360	\$ 93,444	\$ 199,149	\$ 105,705	11%	\$ 1,940,360	\$ 2,730,702	\$ 780,342	40%	\$ -	\$ 2,730,702	\$ 780,342	40%	\$ -	\$ -	\$ 5,833,593
Services & Supplies	\$ 596,129	\$ 1,113,146	\$ 10,302,787	\$ 502,413	\$ 569,709	\$ 67,296	13%	\$ 10,302,787	\$ 3,816,466	\$ (6,486,321)	-63%	\$ -	\$ 3,816,466	\$ (6,486,321)	-63%	\$ -	\$ -	\$ 5,525,741
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%	\$ -	\$ -	\$ -	0%	\$ -	\$ -	\$ -	0%	\$ -	\$ -	\$ -
TOTAL	\$ 1,240,817	\$ 3,581,349	\$ 12,243,147	\$ 595,857	\$ 768,858	\$ 173,001	29%	\$ 12,243,147	\$ 6,537,168	\$ (5,705,979)	-47%	\$ -	\$ 6,537,168	\$ (5,705,979)	-47%	\$ -	\$ -	\$ 11,359,334
PROJECT																		
Personal Services	\$ -	\$ -	\$ 9,347,912	\$ 523,546	\$ 161,746	\$ (361,800)	-6%	\$ 9,347,912	\$ 2,633,439	\$ (6,714,472)	-72%	\$ -	\$ 2,633,439	\$ (6,714,472)	-72%	\$ -	\$ -	\$ 2,633,439
Services & Supplies	\$ -	\$ -	\$ 144,000	\$ 16,000	\$ -	\$ (16,000)	-100%	\$ 144,000	\$ -	\$ (144,000)	-100%	\$ -	\$ -	\$ (144,000)	-100%	\$ -	\$ -	\$ -
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ 5,618,109	\$ 5,618,109	100%	\$ -	\$ 7,212,580	\$ 7,212,580	100%	\$ -	\$ 7,212,580	\$ 7,212,580	100%	\$ -	\$ -	\$ 7,212,580
TOTAL	\$ -	\$ -	\$ 9,491,912	\$ 539,546	\$ 5,779,855	\$ 5,240,309	971%	\$ 9,491,912	\$ 9,846,019	\$ 354,108	4%	\$ -	\$ 9,846,019	\$ 354,108	4%	\$ -	\$ -	\$ 9,846,019
MODERNIZATION																		
Personal Services	\$ 644,688	\$ 2,468,203	\$ 11,288,272	\$ 616,990	\$ 360,895	\$ (256,095)	-4%	\$ 11,288,272	\$ 5,354,141	\$ (5,934,131)	-53%	\$ -	\$ 5,354,141	\$ (5,934,131)	-53%	\$ -	\$ -	\$ 8,467,032
Services & Supplies	\$ 596,129	\$ 1,113,146	\$ 10,446,787	\$ 518,413	\$ 569,709	\$ 51,296	10%	\$ 10,446,787	\$ 3,816,466	\$ (6,630,321)	-63%	\$ -	\$ 3,816,466	\$ (6,630,321)	-63%	\$ -	\$ -	\$ 5,525,741
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ 5,618,109	\$ 5,618,109	100%	\$ -	\$ 7,212,580	\$ 7,212,580	100%	\$ -	\$ 7,212,580	\$ 7,212,580	100%	\$ -	\$ -	\$ 7,212,580
TOTAL	\$ 1,240,817	\$ 3,581,349	\$ 21,735,059	\$ 1,135,403	\$ 6,548,713	\$ 5,413,310	47%	\$ 21,735,059	\$ 16,383,187	\$ (5,351,872)	-20%	\$ -	\$ 16,383,187	\$ (5,351,872)	-20%	\$ -	\$ -	\$ 21,205,353
Position Totals	4	18	71															

FUND TYPE	Funding by Biennium			Program Life-to-Date
	2015-17	2017-19	2019-21	
Others Funds - SEDAF	\$ -	\$ 1,443,358	\$ 4,843,652	\$ 6,287,009
Other Funds - FBI	\$ -	\$ 113,401	\$ 8,612,799	\$ 8,726,200
Other Funds - Fraud Control	\$ -	\$ -	\$ 1,105	\$ 1,105
UI Modernization Funds	\$ 1,240,817	\$ 2,018,827	\$ 34,951	\$ 3,294,595
General Funds - FPMU	\$ -	\$ -	\$ 2,891,783	\$ 2,891,783
Total Fund Transfer	\$ 1,240,817	\$ 3,575,586	\$ 16,384,293	\$ 21,205,096

Unemployment Insurance (UI) Modernization Fund Balance	
Balance as of July 31, 2019	Fund Balance
Received 6/8/09 related to Alternate Base Yr Benefits	\$ 28,524,880
Received 7/20/09 related to Separation for family reasons & additional training benefits	\$ 57,049,761
Total Received	\$ 85,574,641
Unemployment insurance benefit compensation paid	\$ (616,957)
Modernization Program expenditures as of date of this report	\$ (3,294,598)
Other expenditures paid	\$ -
Modernization Funds remaining (in UI Trust Fund)	\$ 81,663,086
Projected 2019-21 Modernization Fund Expenditures	\$ -
Estimated Modernization Fund balance at end of 2019-21 Biennium	\$ 81,663,086

Appendix B – Project Budget/Schedule Variance Report

**Project
Variance
Report
(Version 2.3)**

		Budget Variance									
		Current Budget Variance				Projected Budget Variance at Completion					
Project	Report as of Date	Actual Expenditures	Planned Expenditures	Variance Amount	Variance Percentage	Date Baseline Occurred	Baseline Budget	Estimate At Complete	Variance Amount	Variance Percentage	Comments
UI Mod Project	6/30/2021	\$ 9,846,019	\$ 13,392,029	\$ (3,546,010)	-26%	4/19/2021	\$106,121,029	\$106,121,029	\$ -	0.0%	OED Stage 4 Baseline Budget
				\$ -	0%				\$ -	0.0%	
				\$ -	0%				\$ -	0.0%	
				\$ -	0%				\$ -	0.0%	
Budget Variance Key											
 At or under Original or Re-baselined Cost Estimate Within 0-15% of Original or Re-baselined Cost Estimate More than 15% of Original or Re-baselined Cost Estimate											
		Schedule Variance									
		Current Schedule Variance				Projected Schedule Variance at Completion					
Project	Project Start Date	Actual Date	Earned Date	Variance Amount (Days)	Variance Percentage	Date Baseline Occurred	Baseline End Date	Projected End Date	Variance Amount (Days)	Variance Percentage	Comments
UI Mod Project - R1	12/28/2018	06/30/21	06/30/21	0	0%	6/3/2021	09/06/22	09/06/22	0	0.0%	
				0	0%				0	0.0%	
				0	0%				0	0.0%	
				0	0%				0	0.0%	
Schedule Variance Key											
 At or under Original or rebaselined schedule 0-15% of Original or rebaselined schedule More than 15% of Actual or Baseline Date											

Appendix D – UI Modernization Project +/- 10% Budget Estimate

OED Stage 4 Baseline Budget <small>(As of 4/19/21)</small>								
					2019-21 Biennium		High (+10%) \$ 116,733,132 Total Project Costs: \$ 106,121,029 Low (-10%) \$ 95,508,926	
UI Project Costs (PFML Contributions Included)	2015-17 Biennium	2017-19 Biennium	Actual Costs Thru 2/28/21	Forecasted Thru 6/30/21	2021-23 Biennium	2023-25 Biennium	Total Forecasted Project Cost	
Personal Services (Salary + OPE)								
Program Team				\$ 755,000	\$ 5,892,000	\$ 3,137,000	\$ 9,784,000	
Business Team				\$ 515,000	\$ 5,027,000	\$ 2,645,000	\$ 8,187,000	
Technical Team				\$ 248,000	\$ 5,587,000	\$ 2,902,000	\$ 8,737,000	
Additional Agency Support				\$ 146,000	\$ 4,798,000	\$ 2,614,000	\$ 7,558,000	
Total Personal Services Costs:	\$ -	\$ 113,223	\$ 2,087,806	\$ 1,664,000	\$ 21,304,000	\$ 11,298,000	\$ 36,467,029	
Project Vendor Costs								
Solution Vendor (FAST)				\$ 5,500,000	\$ 17,729,000	\$ 24,870,000	\$ 48,099,000	
iQMS Vendor (CSG)				\$ 213,000	\$ 1,278,000	\$ 532,000	\$ 2,023,000	
OCM Vendor (Deloitte)				\$ 626,000	\$ -	\$ -	\$ 626,000	
Misc. Additional Vendors				\$ 2,000	\$ 281,000	\$ 27,000	\$ 310,000	
Total Project Vendor Costs:				\$ 6,341,000	\$ 19,288,000	\$ 25,429,000	\$ 51,058,000	
Partner Agency Charges								
DOR				\$ -	\$ 66,000	\$ -	\$ 66,000	
Additional Agencies				\$ -	\$ -	\$ -	\$ -	
Total Partner Agency Charges				\$ -	\$ 66,000	\$ -	\$ 66,000	
Additional Services & Supplies								
Facilities Cost				\$ 168,000	\$ 744,000	\$ 387,000	\$ 1,299,000	
Hardware Costs				\$ 1,859,000	\$ -	\$ -	\$ 1,859,000	
Software Costs				\$ -	\$ 251,000	\$ 68,000	\$ 319,000	
DAS/DOJ Charges				\$ 76,000	\$ 450,000	\$ 133,000	\$ 659,000	
SDC Hosting Costs				\$ -	\$ 1,580,000	\$ 822,000	\$ 2,402,000	
Misc S & S				\$ 66,000	\$ 1,633,000	\$ 846,000	\$ 2,545,000	
Total Additional S & S Costs:	\$ -	\$ -	\$ -	\$ 2,169,000	\$ 4,658,000	\$ 2,256,000	\$ 9,083,000	
Project Contingency								
10% Contingency				\$ 1,017,000	\$ 4,532,000	\$ 3,898,000	\$ 9,447,000	
*This estimate is for costs anticipated to be incurred by the project. In addition to this, there are modernization costs that relate to the program as a whole including staffing costs for the program, administrative overhead, S&S not forecasted to be spent on the project and vendors that support work outside of any particular project								
Program Budget								
Personal Services	\$ 644,688	\$ 2,468,203	\$ 1,987,038				\$ 5,099,929	
Services & Supplies	\$ 596,129	\$ 1,113,146	\$ 2,796,424				\$ 4,505,699	
Total Program Budget	\$ 1,240,817	\$ 3,581,349	\$ 4,783,462	\$ -	\$ -	\$ -	\$ 9,605,628	











Modernization Program Budget Management Plan V3.0

Final Audit Report

2021-10-07


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