



Oregon

Kate Brown, Governor

Employment Department

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January 22, 2016



The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Peter Buckley, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

In accordance with the Budget Report for Senate Bill 5508 (2015), the Oregon Employment Department (Department) requests acknowledgement of receipt of this progress report on the status of its Modernization of Business Services and Technology Infrastructure (Modernization) for initial planning for procuring, customizing, and executing an integrated technology platform to improve functionality and service to its customers.

The Department's mission is to support business and promote employment; our challenge is that the world and technology have changed a great deal over time. In order to meet the changing needs of job seekers, to customize approaches to local economies, and to dynamically adapt to changes, the Department is in the early stages of updating its services and computing technology.

The current computing environment at the Department is comprised of a large number of disparate systems and applications that utilize different platforms and computer languages. Many of these systems are near the end or at the end of their lifecycles and support and maintenance have become increasingly difficult. Program processes contain many technical as well as functional complexities, and manual work-a-rounds are common due to out-of-date technologies and poorly integrated systems. These complexities and manual operations cause numerous difficulties and challenges for the Department in providing adequate support to the changing requirements of our customers.

More robust, well integrated technology platforms are necessary to efficiently implement process improvements to meet customer needs, improve program integrity, and reduce overpayments. Modernization is driven by the need to deliver superior services in today's information driven world where customers expect real time value and quality. Modernization is an enterprise-wide effort and all Department divisions, programs, and support services will collectively drive and participate in the effort.

The Department has identified the following high-level business drivers for Modernization:

1. The need for business process automation;
2. the demand for improved service and greater integration of services; and
3. the need for flexibility, scalability, and adaptability.

Preliminary work has identified six goals for Modernization:

1. Modernize business processes for increased effectiveness and transparency;
2. increase service integration of internal and external programs, partners, and customers;
3. improve customer service through modern technologies, availability of data, and customized services;
4. improve information sharing so that data is easily queried, shared, and maintained;
5. improve operational efficiency through increased automation and ease of modification by staff; and
6. increase customer self-service options based on their needs.

Agency Action

In May of 2015, the Department presented a proposal for moving forward with Phase I of Modernization including:

- Evaluation of other state's approaches, systems, and lessons learned, and a review of available products currently on the market;
- development of a feasibility plan for Modernization using internal assessments and external information from industry experts, other state agencies, and consortia; and
- analysis and documentation of current business processes, and development of a business process re-engineering plan.

The Department's 2015-17 Legislatively Adopted Budget included expenditure limitation for Modernization. In alignment with the direction in the Budget Report for Senate Bill 5508 (2015), the Department has:

- Worked closely with the Office of the State Chief Information Officer (OSCIO) and the Legislative Fiscal Office (LFO) to identify resources and begin the joint OSCIO/LFO Stage Gate Review process;
- minimized long-term costs by using contractors and limited duration positions for planning and project management purposes; and
- structured a plan to utilize \$3,046,026 of approved Other Funds expenditure limitation for the following activities:
 - Establishing an executive level steering committee;
 - preparing a detailed business case for Stage Gate I;
 - conducting a feasibility study;
 - conducting an initial risk assessment;
 - documenting project management plans;
 - establishing procurement statements of work; and
 - obtaining independent quality assurance review and oversight.

Modernization will encompass multiple phases, with Phase I primarily focused on engaging an independent vendor to deliver a Feasibility Study. Specifically, the Feasibility Study will be designed to:

1. Analyze the Department's current business processes and procedures, and provide recommendations for retiring, transforming, and creating processes to meet the future needs of Oregonians;
2. analyze the existing and future recommended technology (data, applications, and infrastructure) to provide a list of options for the Department to select an integrated technology solution that meets the business requirements and needs;
3. evaluate other states' approaches, systems, and lessons learned, and review products that are available in today's market; and
4. perform an in-depth cost analysis and benefit review, providing detailed analytics that highlight potential savings and benefits over the next few biennia.

Additionally, the Oregon Department of Revenue (DOR), Department of Motor Vehicles (DMV), and Department of Justice (DOJ) Division of Child Support are modernizing their services and technology. The Department has engaged these agencies as sources of information and will continue to receive updates regarding lessons learned (efforts, challenges, and successes) as a means to better understand the approaches and positive aspects that will aid the Department in successfully implementing Modernization.

Current Schedule

Three major accomplishments have occurred since May of 2015 when the Department last presented before the Joint Information Management and Technology Committee:

- The Department hired a contracted project manager who is managing the effort with guidance from the Department's Modernization Steering Committee, the Department's Project Management Office, and OSCIO;
- an Enterprise Architecture Request For Procurement (RFP) process was completed (only comments received);
- the Department drafted a Business Case;
- the LFO reviewed and provided feedback on the draft Business Case; and
- the Department finalized and readied the Business Case for Stage Gate I approval by the OSCIO.

Amongst the accomplishments, the overall project schedule is running approximately six months behind the original May projections. The delay in schedule is partially due to turnover in the Project Management position, lessons learned from the Enterprise Architecture RFP process, and the time to procure the Feasibility Study. As part of the lessons learned from the RFP process, the Department determined that the scope was too broad and began to assess alternatives. Part of this assessment included consulting with other state agencies undergoing modernization efforts (DOR, DMV, and DOJ). Although gathering this information led to a delay in the original schedule, the Department concluded that such efforts were prudent to ensure the success of Modernization.

At this time, Phase I is proceeding to finalize and ready the Business Case for Stage Gate I approval, and with planning and implementation of the Feasibility Study statement of work and procurement documents. The table below reflects the current status of Modernization Phase I milestones:

Modernization Phase I Milestones (as of Jan 2016)		
Description	Target Date	% Comp
Create Documentation for Stage Gate I	Jan 2016	100%
OSCIO Stage Gate I Submission	Jan 2016	100%
Modernization Visioning	Feb 2016	80%
OSCIO Stage Gate I Approval	Mar 2016	0%
Revise Business Case for OSCIO Stage Gate II/III Approval	Oct 2016	0%
Complete Feasibility Plan Procurement Process	Nov 2016	0%
Feasibility Plan for Modernization	Dec 2017	0%
Procure Independent Quality Assurance Services	TBD	0%
Obtain Legislative Approval to Proceed With Next Phase	TBD	0%

Current Budget

The Other Funds expenditure limitation for Modernization included in Senate Bill 5508 (2015) is approximately \$3 million. The Department has projected total Modernization Phase I costs, partially funded within the Department's base budget, at just over \$4 million. The table below details the projected Phase I Modernization costs:

Modernization Phase I Budget (as of Dec 2015)			
Expense Category	Base	New	Total
Personal Services	\$805,342	\$187,034	\$992,376
Services & Supplies	\$181,291	\$50,500	\$231,791
Contracted Resources	\$0	\$2,328,803	\$2,328,803
Contingency	\$0	\$479,689	\$479,689
Total Estimated Budget	\$986,633	\$3,046,026	\$4,032,659

Action Requested

Acknowledge receipt of this progress report on the status of the Modernization Business Services and Technology Infrastructure effort.

Legislation Affected

None.

The Honorable Senator Richard Devlin, Co-Chair
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January 22, 2016
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Sincerely,

A handwritten signature in cursive script that reads "Kay Erickson". The signature is written in black ink and includes a long, horizontal flourish at the end.

Kay Erickson
Acting Director
Oregon Employment Department

cc: Ken Rocco, Legislative Fiscal Office, Oregon State Legislature
Michelle Deister, Legislative Fiscal Office, Oregon State Legislature
George Naughton, Chief Financial Office, Department of Administrative Services
Michelle Lisper, Chief Financial Office, Department of Administrative Services