MEMORANDUM

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To:	Joint Legislative Committee on Information Management and Technology
From:	Sean McSpaden, Principal Legislative IT Analyst
Date:	April 27, 2017
Subject:	ODOT DMV Service Transformation Program: SB 5540 – POP #110 LFO Analysis and Recommendations

Agency Request: Within SB 5540 - Policy Option Package #110, the Oregon Department of Transportation (ODOT) Driver and Motor Vehicle (DMV) Services Division has made a 2017-19 request in the amount of $27 million. These resources will be used in conjunction with about $18 million in the base budget to begin implementation of the DMV Service Transformation Program (STP). STP is ultimately intended to improve DMV services to partner agencies and the public, streamline DMV business processes, achieve operational efficiencies, and upgrade and replace obsolete technology that in many cases was originally designed and deployed in the 1960s and 1970s. This program is comprised of a set of manageable projects and is expected to run through the 2023-25 Biennium for a total cost of $90 million.

A. LFO Analysis

The 2012 Legislature authorized funding for DMV to conduct initial assessment and planning activities to address long standing issues affecting DMV service delivery and operational efficiency and effectiveness. With these resources, DMV hired a firm in 2013 to conduct a business needs assessment, a peer review analysis of best practices in other states, a gap analysis, and to develop a long range strategic plan for DMV modernization. Those assessments concluded that DMV information systems are "completely out-of-date and rely on 40+ year old technology…" Further, the assessments concluded that the effort required to enhance or expand those "legacy systems" is substantial and the lack of flexibility within these legacy systems keeps the agency "frozen in time". The Strategic Plan for Modernization, delivered in September 2013, recommended a "program of manageable projects" over 9-10 years, with an estimated cost of $90 million.

In addition, the 2014 Legislature created a DMV Customer Service Task Force to recommend ways to improve DMV. The primary Task Force recommendation was to modernize DMV's information systems. DMV's proposed implementation approach includes a two-year design and development period (readiness planning), a four- to six-year transition period for new system rollouts, and a one-year or more maintenance stabilization period. The Information Technology systems rollout was expected to be executed as a program of manageable projects with a bias toward the acquisition and configuration of proven commercially available off the shelf (COTS) systems, although some level of customization was anticipated.

In 2015, the Information Technology Subcommittee and the Transportation and Economic Development Subcommittee of the Joint Committee on Ways and Means recommended approval of Policy Option Package #140 within HB 5040, which provided $30,446,463 Other Funds expenditure limitation and 42 permanent positions (29.91 FTE) to provide resources to modernize the information systems used at DMV. The approval of this Policy Option Package was conditioned upon the Subcommittee's recommendations that ODOT:

2015 - Adopted Recommendations	Status
Continue to work closely with and regularly report project status to the Office of the State Chief Information Officer (OSCIO) and the Legislative Fiscal Office (LFO) throughout the project's lifecycle.	**Met/Ongoing**
Continue to follow the Joint State CIO/LFO Stage Gate Review Process.	**Met/Ongoing** Received OSCIO Stage Gate 2 Approval on May 5, 2016 Stage Gate 3 Approval in Process
Update the STP business case and develop/update associated cost benefit and alternative analysis documents for program subprojects.	**Met**
Hire/appoint or contract for qualified project management services with experience in planning and managing programs and projects of this type, scope, and magnitude.	**Met**
Develop foundational STP program and project management documents.	**Met**
Work with OSCIO to contract with an independent quality management services provider to: • Conduct an STP initial risk assessment. • Perform quality control reviews on the STP Business case, individual cost benefit/alternatives analysis documents, and foundational project management documents, as appropriate. • Perform ongoing, independent quality management services as directed.	**Met** CSG Government Solutions.
Submit updated STP business case, project management documents, initial risk assessment, and quality control reviews to OSCIO & LFO for Stage Gate Review.	**Met**
Report back to Legislature on Service Transformation Program status during the 2016 legislative session and/or to interim legislative committees as required.	**Met - JLCIMT** 11-17-2015 05-25-2016 12-12-2016
Request legislative approval to proceed with the Service Transformation Program prior to initiating project execution activities.	**Met** **2017 POP #110**
Utilize the Office of the State CIO's Enterprise Project and Portfolio Management system as it is deployed for all project review, approval, and project status/QA reporting activities throughout the life of the Service Transformation Program.	**Met/Ongoing**

In addition, the 2015 Joint Committee on Ways and Means approved the following budget note as part of ODOT's 2015-17 budget bill (HB 5040).

> BUDGET NOTE: The Oregon Department of Transportation (ODOT) is directed to convene a legislative workgroup to oversee the near-term phase and the long-term strategy to modernize all aspects of the DMV Service Transformation Program. The Workgroup shall consist of the following: 3 Oregon Senate Members, 3 Oregon House Members, State Chief Information Officer or designee, State Legislative Fiscal Office representative, and 2 Private-sector members from the Technology Association of Oregon. The Department (ODOT) is further directed to work with the Office of the State Chief Information Officer (OSCIO) and the Legislative Fiscal Office, to engage and follow the "Stage-gate" project and approval process. Additionally, ODOT is directed to report to the Joint Committee on Ways and Means during the 2016 legislative session on the status of the DMV Service Transformation Program.

Following member appointment, the DMV Service Transformation Program Oversight Task Force met initially on November 19, 2015. In 2016, the Task Force met on January 12, May 26, and September 20, 2016. The Task Force also met on January 30, 2017 just prior to start of the 2017 session.

Task Force website: http://www.oregon.gov/ODOT/DMV/pages/STP/STP_Task_Force.aspx

In addition, the agency reported on the status of STP to the Transportation and Economic Development Subcommittee of the Joint Committee on Ways and Means on February 11, 2016.

Current Status:

A governance framework for the Service Transformation Program has been established and is performing as expected:
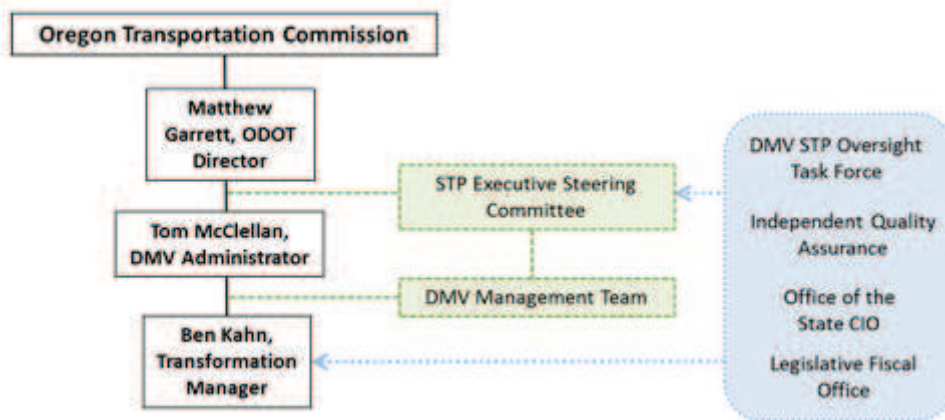
With the resources provided to DMV by the Legislature in 2015, DMV has:

- Established the DMV Service Transformation Program Office and hired experienced program and project management leaders. Rigorous and formal project management methodologies are being applied to STP and the project management team is performing as expected.
- Hired positions critical to the project initiation and planning phases of the program.
- Executed and completed the Business Process Needs and Rules project, which resulted in a set of functional requirements for the Driver Services and Vehicle Services phases of the legacy system replacement portion of the program.
- Completed the initial draft of the DMV of the Future document, which provides the road map for how the STP program will transform the DMV's service delivery model in the future.

- Executed a contract with an Organizational Change Leadership (OCL) vendor, CGI, to provide OCL services to DMV for the duration of the program. The CGI team has begun its work, and the first set of survey results have been delivered.
- Initiated and nearly completed its internal data migration project, which has allowed the DMV Information Services (IS) group to start to identify many of the data anomalies that must be corrected during data conversion at key points throughout program implementation.
- Participated actively in an ODOT "web reinvention" project to restructure and rewrite content used by DMV customers, partners and stakeholders. The website will ultimately host an online transaction center, DMV2U, which allows a more personalized online DMV experience.
- Completed an RFP, issued an intent to award, and is nearing completion of contract negotiations with the primary COTS Information Systems Solution Provider for STP.*
- Positioned STP to receive OSCIO Stage Gate 3 endorsement.

* Regarding selection of the COTS Information Systems Solutions Vendor, the independent quality assurance services vendor (CSG Government Solutions, Inc.) indicates, "contract negotiations with FAST Enterprises, the intended STP implementation contractor, began on February 6 and are progressing at a rate consistent with procurements of its size and complexity. The STP team is currently negotiating the statement of work (SOW), which is projected to be ready to be submitted for preliminary OSCIO review and to the CSG QA Team for QC review in mid-April."

The statement of work was submitted for CSG QA Team and OSCIO review as planned.

As mentioned, the budget for the entire 9-10 year program is estimated at $90 million. State employees account for approximately $30 million of that amount, leaving approximately $60 million for the COTS Information Systems Solution vendor, software licenses, infrastructure items, Quality Assurance vendor, Organizational Change Leadership vendor, other contracted services, facilities, equipment, supplies and internal resources. The table below provides a high-level estimate of the distribution of planned expenditures over the life of the Service Transformation Program (STP):

Estimated STP Expenditure Forecast for Life of Program (in millions)

Biennium	Approved Expenditures	15-17 Estimate	Additional Investment	Total Investment
2015-17	*$30*	$10		$10
2017-19			$45	$55
2019-21			$22	$77
2021-23			$9	$86
2023-25			$4	$90

Note - Approximately half of the overall $90 million in program expenditures are anticipated during the 2017-19 biennium.

As mentioned earlier, an experienced independent third party quality assurance vendor, CSG Government Solutions, Inc., has been hired and has conducted the quality assurance, risk assessment and quality control activities required by OSCIO and LFO. CSG's quarterly quality assurance status and improvement report for the quarter ending March 31, 2017 indicates, "Although the Portfolio Health Status remained 'yellow' throughout the quarter, the overall Portfolio health is trending

'green'." For context: a "red" rating means that the project is experiencing significant issues that limit the success of the Portfolio; a "yellow" rating means that the project is experiencing one or more areas of concern; and a "green" rating means that the project is on-track, and is experiencing only minor issues.

DMV has conducted an appropriate set of assessments and planning activities to date and has regularly reported on program status in a transparent and timely manner. DMV has substantially fulfilled its obligations to address 2015 Legislatively adopted recommendations and budget note directives. Based on those factors, independent third party quality assurance assessments, and the Stage Gate endorsements from the OSCIO to date, LFO believes that DMV has performed an appropriate level of due diligence for a program of this scope and magnitude at this point in the program's lifecycle and has demonstrated its readiness to proceed to the implementation phase of the Service Transformation Program.

B. LFO Recommendations

The Legislative Fiscal Office (LFO) recommends conditional approval of Policy Option Package #110 assuming the funding, spending authority and personnel resources are made available to ODOT DMV within SB 5540.   Specifically, LFO recommends that ODOT DMV:

1. Continue to work closely with and regularly report project status to the Office of the State Chief Information Officer (OSCIO) and the LFO throughout the project's lifecycle.
2. Continue to follow the Joint State CIO/LFO Stage Gate Review Process.
3. Continue to hold periodic meetings of the DMV Service Transformation Program Oversight Task Force.
4. Continue to contract for independent quality management services as required by the OSCIO.
5. Report back to the Legislature on Service Transformation Program status during the 2018 Annual Legislative Session and/or to interim Legislative committees as required.
6. Utilize the OSCIO's Enterprise Project and Portfolio Management system for all project review, approval, and project status and QA reporting activities throughout the life of the Service Transformation Program.

   - Motion on the LFO recommendations

C. Final IT Subcommittee Action

Transmit the Joint Legislative Committee on Information Management and Technology's recommendations to the Transportation and Economic Development Subcommittee of the Joint Committee on Ways and Means.