IT Project Proposal Report - Detail
Agency: 023 - DEPT OF LABOR
Budget Cycle: 2017-2019 Biennium   Version: AF - AGENCY FINAL REQUEST

IT Project : Modernization of UI Tax and Benefits System

General Section

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City :	Lincoln			**NITC Score :**	
State :	Nebraska	**Zip :**	68509		

Expenditures

IT Project Costs	Total	Prior Exp	FY16 Appr/Reappr	FY18 Request	FY19 Request	Future Add
Contractual Services						
Design	0	0	0	0	0	0
Programming	0	0	0	0	0	0
Project Management	0	0	0	0	0	0
Data Conversion	0	0	0	0	0	0
Other	14,000,000	0	0	7,000,000	7,000,000	0
Subtotal Contractual Services	14,000,000	0	0	7,000,000	7,000,000	0
Telecommunications						
Data	0	0	0	0	0	0
Video	0	0	0	0	0	0
Voice	0	0	0	0	0	0
Wireless	0	0	0	0	0	0
Subtotal Telecommunications	0	0	0	0	0	0
Training						
Technical Staff	0	0	0	0	0	0
End-user Staff	0	0	0	0	0	0
Subtotal Training	0	0	0	0	0	0

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Expenditures

IT Project Costs	Total	Prior Exp	FY16 Appr/Reappr	FY18 Request	FY19 Request	Future Add
Other Operating Costs						
Personnnel Cost	0	0	0	0	0	0
Supplies & Materials	0	0	0	0	0	0
Travel	0	0	0	0	0	0
Other	0	0	0	0	0	0
Subtotal Other Operating Costs	0	0	0	0	0	0
Capital Expenditures						
Hardware	0	0	0	0	0	0
Software	0	0	0	0	0	0
Network	0	0	0	0	0	0
Other	0	0	0	0	0	0
Subtotal Capital Expenditures	0	0	0	0	0	0
TOTAL PROJECT COST	14,000,000	0	0	7,000,000	7,000,000	0

Funding

Fund Type	Total	Prior Exp	FY16 Appr/Reappr	FY18 Request	FY19 Request	Future Add
General Fund	0	0	0	0	0	0
Cash Fund	0	0	0	0	0	0
Federal Fund	14,000,000	0	0	7,000,000	7,000,000	0
Revolving Fund	0	0	0	0	0	0
Other Fund	0	0	0	0	0	0
TOTAL FUNDING	14,000,000	0	0	7,000,000	7,000,000	0
VARIANCE	0	0	0	0	0	0

IT Project: Modernization of UI Tax and Benefits System

EXECUTIVE SUMMARY:

The Nebraska Department of Labor (NDOL) will do a total replacement of the existing unemployment insurance (UI) business systems, including the Benefit Payment System (BPS), employer portal (UIConnect), and Tax Management System (TMS). The solution will be a single UI benefits and tax system utilized by both external and internal customers (i.e., employers, claimants, third parties, and staff), fully integrated with the existing NEworks reemployment/employment and case management system and interfaced with other systems as required by the UI program. The implementation will include replacement of existing system platforms, applications, mainframe databases, and processes to support the federally funded UI and reemployment/employment programs.

Currently NDOL's systems reside on separate platforms. BPS and UIConnect are web-based Java applications on an AIX/IBM p750 Series platform with DB2 on the mainframe. TMS is a COBOL application with DB2 on the mainframe. NEworks is a COTS solution with a SQL database. The complexity of the environment requires the agency to contract for managed services to support the IBM platform. The environment requires continual care and feeding, including upgrading hardware and software, in addition to ongoing significant infrastructure costs (see Cost Justification). The integration between BPS and NEworks supports UI, as well as the NEres and RESEA reemployment programs. Because data is shared and the applications are tightly integrated, the complexity of synchronizing both often requires development and duplicity on both sides. The integration between the systems is handled through tokens and web services. A single system would remove the technical barriers described above.

The NEres and RESEA reemployment programs – getting unemployed workers reemployed sooner – are important to Nebraska's economy and to Nebraska employers as it impacts their unemployment insurance tax experience rates, and ultimately, the solvency of the unemployment trust fund.

The proposed single COTS solution would replace existing unemployment systems while providing complete transparency between unemployment and reemployment. The solution would align with the State's mission of providing solutions that make government work and grow Nebraska's economy.

GOALS, OBJECTIVES, AND OUTCOMES (15 PTS):

This project is to replace existing unemployment insurance applications on various platforms with a single solution that offers full transparency between unemployment and reemployment.

The goals of the project are:

1.   Implement a COTS solution on a single platform.
2.   Reemploy unemployment claimants sooner.
3.   Reduce support requirements.
4.   Reduce cost.

The beneficiaries of the project are the constituents of the State of Nebraska. The system will provide a one-stop, single-sign on solution for employers, claimants, and job seekers to access workforce-related programs. The single system will improve the customer experience and reduce complexity, smoothing the user experience and facilitating their ability to complete required transactions easily and accurately. Staff will be able to better determine eligibility, reducing overpayments and improving performance, while providing better

services to connect workers to employers sooner.

In the fall of 2015, NDOL conducted an assessment of modernized UI systems in other states to determine if a COTS, custom-developed, or hybrid system would best suit the needs of the State of Nebraska. The systems varied in functionality implemented – some States had only the Benefits side modernized, and others were in process of developing the Tax functionality. In addition to UI functions, and because of NE's regulatory requirements related to work search for UI claimants, we looked at how the solutions integrated with employment/reemployment services, which also varied from state-to-state. The assessment included a high level review of the state's requirements as defined in RFPs, performance and experience of vendors to date, and total cost of ownership, including ongoing staff support requirements. The general consensus of the review committee is that a COTS solution would provide the functionality, configurability, reliability, security, recoverability, and cost stability desired by NDOL, when provided by a vendor experienced in the development of UI and employment/reemployment solutions.

This project is included in the Agency Information Technology Plan.

PROJECT JUSTIFICATION / BUSINESS CASE (25 PTS):

See Cost Justification attachment.

Attachments:

   UI Modernization Justification - Budget Issue.xlsx

TECHNICAL IMPACT (20 PTS):

This project would provide a single solution on a single platform, replacing existing separate systems and platforms. The COTS solution would be highly configurable, reducing development time when state or federal legislation requires system updates. The project includes data migration from DB2 on the mainframe to SQL database.

The application would reside on hardware hosted in the State Data Center and disaster recovery site. The application would interface with various systems as required by USDOL to administer the unemployment insurance program under the Nebraska Employment Security Law. The solution will be developed to meet all security and compliance requirements of the Social Security Administration (SSA), Internal Revenue Service (IRS) under IRS Publication 1075, and Nebraska Information and Technology Commission (NITC).

Inclusive in the project is NDOL's obligation to provide program services and to meet performance metrics as prescribed by the US Department of Labor (USDOL), particularly as it relates to guidance and issuances from USDOL outlining the State's responsibility for ensuring and providing equal access to federal programs, benefits, services and information as mandated under the Social Security Act, Federal Unemployment Tax Act, Workforce Investment Act of 1998, Workforce Innovation and Opportunity Act.

PRELIMINARY PLAN FOR IMPLEMENTATION (10 PTS):

The project will commence in July 2017 and be completed by June 30, 2020.

The project sponsor is the Commissioner of Labor. The project team will be comprised of the COTS-provider and the NDOL project management team, including: PMO, business analysts, business users, developers, DBAs, data integrators (data warehouse), and the security officer, as well as State Data Center personnel. There will be extensive staff

training and public messaging prior to implementation.

See Cost Justification for ongoing support requirements.

RISK ASSESSMENT (10 PTS):

The project will reduce risk. Currently disparate systems increase the probability of issues and require a much higher level of support and maintenance in test, production, and recovery environments.

FINANCIAL ANALYSIS AND BUDGET (20 PTS):

NDOL is requesting budget approval for $14M in this Biennium Budget Request. A complete analysis is found in the attached Cost Justification.

Modernization Options	One Time Impl.	Annual License Fee
COTS (Geographic Solutions GUS)	$ 5,000,000.00	$ 2,500,000.00
COTS (FAST)	$ 14,000,000.00	$ -
CUSTOM Application	$ 42,000,000.00	

Current System/Support Costs	FTE Budgeted	Staff Costs	System Costs	Comment
Staff	39	$ 3,254,261.64		
UI Systems			$ 1,018,486.64	BPS, UIConnect, TMS, REX
Total	39	$ 3,254,261.64	$ 1,018,486.64	$ 4,272,748.28

Current System Funding	As of June 30, 2016	UIMA ($2,668,803)	Base Grant	Comment			
REX							
One-time Implementation	8/1/14	$ 194,678.00					
Annual License Fee (Yr 1)	8/1/14 - 7/30/15	$ 494,825.00		1st Yr Annual License Fee			
Annual Lic Fee (4 years)	8/1/15 - 7/30/19	$ 1,979,300.00		UIMA Yrs 1-5; Base Grant Yr 6 forward			
UI Systems (BPS, UIConnect, TMS, REX)			$ 1,018,486.64	UI Systems, plus REX			
UI/IT Staff			$ 3,254,261.64				
Total		$ 2,668,803.00	$ 4,272,748.28				
Proposed System Funding	2017-2021 Bienniums	Reed Act ($XX,XXX,XXX)	Base Grant	Comment			
GUS (Appeals, Benefits, Tax)							
One Time Impl		$ 5,000,000.00					
Annual License Fee (Yr 1)		$ 2,500,000.00					
Annual License Fee (Yr 2 Forward)			$2,500,000.00	Annual License Fee Yr 2 Forward			
UI System Interfaces			$170,117.80	OCIO Costs (GSI Can Host App)	Annual Savings	$ 571,462.77	
UI/IT Staff			$1,031,167.71		TCO 10 Years	$ 42,012,855.08	
Total		$ 7,500,000.00	$3,701,285.51		Break Even	9.83	
New Build							
Contract Price (Estimated)		$ 21,000,000.00					
		$ 21,000,000.00					
UI System Interfaces			$170,117.80		Annual Savings	$ 2,398,729.49	
UI/IT Staff			$1,703,900.99		TCO 10 Years	$ 60,740,187.89	
Total		$ 42,000,000.00	$1,874,018.79		Break Even	14.22	
FAST							
Contract Price (Estimated)		$ 7,000,000.00					
		$ 7,000,000.00					
UI System Interfaces			$170,117.80		Annual Savings	$ 2,398,729.49	
UI/IT Staff			$1,703,900.99		TCO 10 Years	$ 32,740,187.89	
Total		$ 14,000,000.00	$1,874,018.79		Break Even	7.66	

NOTE:

Current Costs Continue Until Implementation	$	4,272,748.28
System Upgrades Required Pre-Implementation	$	184,135.92