



Report on
**MODERNIZING THE STATE'S ENTERPRISE, FINANCIAL AND
ADMINISTRATIVE SYSTEMS**

Section 148, Chapter 4, Laws of 2013, 2nd Special Session

Office of Financial Management
December 2014

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Introduction by Office of Financial Management

PURPOSE

Section 148 of the enacted 2013–15 operating budget (Chapter 4, Laws of 2013, 2nd Special Session) provided resources to develop a strategy and action plan to modernize the state’s enterprise financial and administrative systems. The plan is required to incorporate the principles of Lean management and include an assessment of the readiness of state government for the transformation of business processes and replacement of the core financial systems. The statute requires that recommendations include “project scope, phasing and timeline, expected outcomes and measures of success, product strategy, budget and financing strategy options, risk mitigation, staffing and organization, and strategies to close readiness gaps.”

PROCESS

Structure

Initial project activities involved setting up structures to provide informed decision making and conducting the competitive procurement for a consulting firm. The governance structure includes the executive sponsors, who compose the decision-making body: executives from the Office of Financial Management (OFM), the Office of the Chief Information Officer, the Office of the State Treasurer and the Department of Enterprise Services. Two advisory boards were also created: the Executive Steering Committee and the Business Advisers. The attachment shows the governance and oversight structure for the project and participants. The project name, One Washington, was chosen because the scope includes all agencies in all three branches of government. In February 2014, the management consulting firm Accenture was engaged to perform the readiness analysis and develop a business case for transforming business processes and modernizing the financial and administrative systems.

Assessment

The assessment phase encompassed a number of analytical evaluations of the current state of processes and systems. Activities included assessing current business processes and change readiness, and reviewing financial and administrative applications. Fifteen agencies were selected as representative of the state. Staff from each agency completed assessment surveys and were then interviewed. This work resulted in a series of findings and decisions that defined project scope and business case assumptions.

Development of approach

The focus then shifted to developing a high-level approach to new processes and systems. Service delivery strategy sessions were held with state leaders during which operating principles were developed. These principles form the underpinnings of new process and system development. Different approaches to business process redesign (BPR) were considered and a strategy was developed to provide both a good foundation and business value to the project. Lastly, different system options were considered and three were selected for detailed analysis in the business case. These decisions were included in the final phase of the planning and strategy.

Analysis

A detailed analysis was conducted based on decisions made as a result of the assessments and the high-level approach. The business case includes the analysis of all three implementation options, including total cost of ownership, potential hard-dollar benefits and mission impacts. Project costs were based on Accenture's experience implementing major enterprise requirements planning (ERP) systems and state decisions about phasing, timelines and staffing strategies. The objective was to develop realistic costs for each option. The benefits comprise expenditure reductions, increases in receivable collections and new fees. Another objective was estimating achievable hard-dollar benefits. A range of total possible benefits was established and the mid-range was selected for the business case.

The business case and other deliverables produced by Accenture are available at <http://one.wa.gov/project-documents/>.

RECOMMENDATIONS

The executive sponsors reviewed the business case and concluded that Washington should transform its enterprise procurement and financial processes and replace related systems through an incremental approach. The recommended order of projects is the procurement business process and system (also referred to as eProcurement) first and finance business processes and an ERP application second. Both projects include performing two rounds of process improvements. The first round of BPR includes two categories of work: One provides a solid foundation and includes work on master data, the chart of accounts (COA), reporting structure and business process capabilities referred to as cross-process activities. The second includes current business processes that have the greatest potential for improvement for which early adoption will not require significant redesign. The second round of BPR is part of the new application development process, and adoption occurs with rollout of the new system. Together, these comprise the business process transformation which produces both hard-dollar and mission benefits.

Two options analyzed in the business case are incremental in design; the difference is whether the ERP is purchased and installed on equipment managed on behalf of the state or if the ERP is leased, hosted in the cloud and accessed by the Internet. The total cost of ownership for planning and procurement, BPR, implementing and supporting a procurement system followed by a purchased ERP is \$284.4 million. Estimated hard-dollar benefits total \$312.8 million over the same period of time. The total cost of ownership for planning and procurement, BPR, implementing and supporting a procurement system followed by a leased ERP is \$267.0 million. Estimated hard-dollar benefits total \$327.8 million. For both options, the time period for costs and benefits begins in fiscal year 2016 and extends to fiscal year 2027 and includes at least five years of routine system support after implementation is complete. The costs and hard-dollar benefits are relatively even for both options. Including requirements and specifications for both options in the request for proposal will provide the greatest competition and flexibility.

These key factors were considered in making this recommendation:

- **Producing business value sooner.** The opportunities to develop business value, including hard-dollar benefits from the procurement processes, are significant. Other business value is created through the establishment of standard processes that make it easier to train staff and eliminate manual work.

- **Providing tools where they are needed the most.** The most challenging business process is procurement due to the lack of an end-to-end enterprise system. The result is inconsistency, manual work and workarounds.
- **Sizing the project for enterprise capacity.** Post-recession administrative staffing for agencies is limited, making large projects especially challenging. Implementing the project incrementally is more likely to produce success.
- **Minimizing the initial investment.** The economic realities of slow revenue growth and significant demands on available resources make an incremental approach more viable.
- **Building repeatable processes and tools.** Implementing functionality incrementally provides the opportunity to apply Lean and project management methodologies and then improve those skills before the next implementation phase.
- **Providing critically needed enterprise data.** Information is a vital tool for managing the business of state government. Enterprise data provides the basis for hard-dollar benefits by enabling additional opportunities for master contracts and producing benefits from cost savings.
- **Recognizing the impact of other major projects.** Other major projects underway, such as the Department of Revenue's replacement of the tax and licensing system, will be a significant drain on IT staff during the same time frame. Implementing procurement first minimizes the impact.

The One Washington budget request uses the same incremental approach. The amount of funds requested for the 2015–17 biennium has been reduced from the plans in the business case to reflect the state's fiscal reality. The first biennium includes activities that will provide the project with a solid foundation:

- Establishing an enterprise business projects office in OFM.
- Creating a governance structure for enterprise systems, data and projects.
- Developing data standards for all state payees.
- Applying Lean techniques to document and improve current procurement processes.
- Preparing documents necessary for the requests for proposal related to procurement.

Each activity provides business value to the state. By completing some preliminary activities first, project activities begin later and more slowly than in the business case. The project would then ramp up the following biennium with work on procurement, including the requests for proposals for software and services, process and system design and the first rollout. The processes developed in the procurement business process transformation and system implementation would then be repeated when the initial ERP activities begin in the 2017–19 biennium. Throughout the project, the focus is on developing incremental business value and repeatable processes.

The option of implementing both finance and procurement business processes in an ERP in one project was rejected because:

- The scope and size of the project exceeds the organizational capacity to be successful.
- It requires a significant investment which is not feasible either now or in the foreseeable future.

Benefits of the proposed solution

The total cost of ownership includes all phases of planning and procurement business process transformation, system implementation and at least five years of routine operation and maintenance. The investment is substantial and occurs before hard-dollar benefits are realized. The hard-dollar

benefits exceed the total cost of ownership over the course of 12 years. The benefits result from reducing expenditures and collecting more past due debts to agencies. Possible hard-dollar benefits were estimated based on Accenture experience in combination with state data and experience. Benefits are made possible by developing enterprise data that are not available today and developing modern system capabilities. The total cost of ownership for the incremental approach with a *purchased* ERP system is \$284.4 million, with estimated hard-dollar benefits of \$312.8 million. The total cost of ownership for the incremental approach with a *leased* ERP system is \$267.0 million, with estimated hard-dollar benefits of \$327.8 million. Both represent good business decisions.

Some project impacts cannot be quantified financially. These impacts can affect delivery of business value and fulfilling the mission of the state either positively or negatively. The overall impacts were considered, and Accenture concluded that late in the pre-implementation phase, the positive impacts would exceed the negatives. Then, nearing the end of implementation, negative impacts are expected to reduce significantly. After business system transformation and system implementation, positive impacts should be much greater than negative impacts.

Accenture concluded that “meeting today’s challenges of increased demands for services, rising costs, and limited resources requires an operating design, business processes, and IT systems designed for this new era. One Washington provides all three. It is a good business decision and a good mission decision.”

OTHER OBSERVATIONS

This is a business process transformation project.

The ERP is first and foremost a business transformation project. It will be challenging and difficult. The majority of the effort, cost, frustration, changes and benefits will be due to the redesign of business processes for procurement and financial activities. To be successful, the project must put a high priority on change management, training and communication throughout the effort.

Cybersecurity risks will warrant special care and attention.

Application software security is becoming more critical as access expands to mobile devices and hacking becomes more sophisticated and prevalent. Stories in the media about compromised networks have become commonplace. Special attention to this risk needs to be addressed, beginning with planning and procurement and continuing through implementation and routine operations.

Standardization provides both opportunities and challenges.

Standardizing business processes provides mission benefits. By standardizing processes, it will be easier for staff to transfer from one agency to another and be productive right away. The result is that agencies will not have to spend as much time training staff. There will also be challenges because of the nature of the state. The culture of government is federated and supports independence in decision making and processes. Changing organizational culture is difficult and takes time. For success, the commitment of key leaders will need to be shared and unwavering over the course of the project.

New governance bodies will be needed.

This project affects every agency in all three branches of state government and the financial systems of record. Effective governance and stakeholder engagement will be critical to success. Costs for

development and implementation of enterprise business governance and enterprise data governance are included in the 2015–17 biennial budget request.

New chart of accounts (COA) and data standards present opportunities.

The state will have an opportunity to design a new COA that can better meet the business needs for information. The current structure has constraints that limit the ability to produce needed data. The result is staff must pull together information from many sources rather from a single source, which is also the system of record. Modern ERP systems provide opportunities to be more comprehensive and include data elements that are lacking today. Designing a new COA will be a significant task. Employees may have to let go of codes and titles that have been used for 30 years, but in the end, will gain important new capabilities.

Achieving benefits will require some compromise and loss.

While revamping the COA and standardizing business processes with the support of new technology will provide opportunities for improvements in data, analysis and reporting, there are tradeoffs with a move from long-used or custom built systems. These tradeoffs are likely to be most pronounced in agencies that are converting from custom-built, in-house systems tailored specifically to their own business needs. Some functions may require new ways of working, which can lead to staff frustration. Implementing standardized leading practices may be more work in one part of the business process, but be less effective in other areas.

During the project, some of the agencies' critical staff will be working on the project team. There will also be significant efforts such as data cleanup and development of new processes which will affect the ability of agencies to complete their normal work efficiently and effectively.

The benefits enabled with a modern ERP will take years to achieve.

Investment in the system comes first, followed by the benefits of the innovation. While there are both hard-dollar benefits and mission benefits that modern systems can enable, the benefits necessarily come after implementation.

This will be a significant commitment of time and energy.

The project will be the most significant and challenging financial project in a generation. Budget estimates cannot fully capture the contribution of time and energy that state employees will make to this transformative change. The budget proposal includes costs for a central project team which allows agencies to backfill for those individuals employed full time on the project. Other agency efforts include data cleanup and development of direct interfaces with the ERP and procurement systems. Any changes to interfaces with systems that are not directly connected with the ERP are unknown and no budget estimate is included.



ONE WASHINGTON

Final Report

December 2014

Governments in the 21st century face permanent fiscal stress. On the one hand, expectations for service are constantly changing with people expecting higher quality, faster interactions, greater access, and better outcomes. On the other, the costs to deliver services are constantly rising faster than revenues. Navigating a course between these fiscal pressures is the central challenge of those charged with governing our public institutions. Successful navigation requires good tools that provide up-to-date information so that the state can anticipate problems and get the most out of every dollar that it spends.

In Washington, those tools are aging, are not well integrated with one another, do not readily produce needed information, and require heroic efforts by staff to function. In short, the state is trying to meet 21st century challenges with a 20th century operating strategy, business processes, and information systems. These aging capabilities inhibit the state's ability to meet the changing expectations of the people of Washington and to get the most out of every dollar that it spends on their behalf. The state will replace these capabilities sooner or later. Our analysis shows that beginning that process now to deliver business value would be a good business decision and, more importantly, a good mission decision.

With sustained commitment and engagement, One Washington will:

- ✓ Deliver business value incrementally over the course of the project
- ✓ Respond to changing priorities
- ✓ Provide new capabilities that allow the state to better govern, better manage, and better navigate the challenges it faces
- ✓ Result in a modern, stable and reliable financial system that enables the state's business transformation

One Washington is a good business decision and, more importantly, a good mission decision.

What is an ERP and why is it important?

An ERP is the source of information that organizations need to successfully navigate the challenges they face.

The main systems that all organizations use to plan and manage their challenges are called Enterprise Resource Planning (ERP) systems. These systems pull together data on the organization's main resources – its people, money, information, and assets – and combine it into information that decision makers use to guide and manage.

Every organization, in every industry across the public and private sectors, has an ERP system of some sort. How those systems function varies widely. Those organizations that seem to navigate their challenges most successfully have highly integrated, automated systems that include budgeting, finance, procurement, human resources, technology, and assets, and can deliver critical information quickly and accurately. At the other extreme are those organizations that have disjointed, manual applications with pieces scattered across the organization joined together by multiple technical or human interfaces that translate the data from one application into the language of the other. These organizations find it difficult to get the quality of information they need to make key decisions in a timely way.

Washington's core systems for navigating its challenges were put into service in the 1980s. Today there are well over 100 different applications, joined together using a combination of aging technology, out of date computer coding, and significant effort by state employees to translate and integrate information.

An ERP implements the organization's design for how it delivers services.

ERP systems pull together data on an organization's main resources – its people, money, information and assets – and combine it into information that decision makers use to guide and manage.

ERP systems also enable an organization's operating assumptions and design.

Organizations produce the results they do by design. That design is captured in the organization's explicit and implicit assumptions about purpose, accountability, incentives, control, and culture. The ERP turns these assumptions into business rules and processes that are enabled by IT systems. Together, these constitute the way organizations – including Washington state government – do business.

Washington's 1980s-era core business processes and systems reflect an outdated operating design and way of doing business. In particular, they embody a command-and-control orientation with processes designed to control the 1-5 percent who don't follow the rules, rather than empower the 95-99 percent who do.

The challenges of the 21st century require a modern operating design that assumes that people will perform, provides them the authority to do so, and holds them accountable for the outcomes they deliver. The major principles of such a 21st century design for Washington were developed through a set of strategy labs with Washington senior leaders and are summarized on the next page¹. These principles should serve as the basis for redesigning business processes and rebuilding IT systems to enable Washington state to keep up with the changing expectations of those it serves and meet today's fiscal challenges.

¹ One Washington Service Delivery Strategy

Operating Principles for Serving the People of Washington *as defined by WA senior leaders*

Purpose: How does the organization define its purpose?	<ul style="list-style-type: none"> ▪ Do the right things right: Assume that things are allowed unless they are explicitly prohibited, and assume that things can be questioned even if they are required. ▪ We deliver outcomes for those we serve, anchored in our mission, vision, strategy, and values.
Accountability: To whom is the organization accountable?	<ul style="list-style-type: none"> ▪ We are accountable to authorizers for what we do, and to those we serve for how we do it and how well. ▪ Our performance story is told through the use of data and analytics. ▪ Quality is defined by those we serve.
Incentives: What matters and how are they made to matter?	<ul style="list-style-type: none"> ▪ What matters are the outcomes we deliver and their quality (measured by the experience, timeliness, price, ease, etc.), as defined by those we serve. ▪ To make these things matter we: <ul style="list-style-type: none"> › Recognize and reward delivering quality outcomes and learning from our work based on data and analytics. › Set performance targets and measure progress towards those targets. › Pursue customer feedback that is direct, immediate and personal.
Control: What is controlled and by whom?	<ul style="list-style-type: none"> ▪ We focus on assuring delivery of quality outcomes with our authorized resources. ▪ Compliance is achieved primarily through motivating people to comply voluntarily. ▪ Decisions are driven by data and analytics. ▪ Control is delegated and supported. ▪ Controls are risk-based.
Culture: What are the unwritten rules?	<ul style="list-style-type: none"> ▪ We assume people will perform, and empower them to take risks and succeed. ▪ We combine data and analytics with flexibility and innovation to support learning and continuous improvement. ▪ Ours is a service-oriented culture. ▪ We tell our story and the stories of those we serve – they connect people to what we do and why.

Why don't people replace these systems very often? And when they do replace them, why do they replace them?

Replacing an ERP system is hard. It costs money (\$150 million - \$200 million), takes time (5-7 years), and is disruptive as one system and ways of doing things is replaced by another. Managing and supporting ERP systems adds another \$100 million over five years. As a result, these systems often stay in place for 25-35 years. In addition, people accommodate to the limitations of the in-place system by developing "work-arounds" that allow them to do what they need even if 'the system' cannot. Over time, these work-arounds become part of business as usual and take the pressure off of demands to upgrade or preplace the core system.

When states do replace these systems, they typically do so for three reasons.

First, they do so because of the risk posed by legacy systems that are so old that if something were to go seriously wrong, it would be a disaster. For Washington, the failure of core applications would disable the state's ability to pay its bills or its employees, issue funding to schools and municipalities, manage its cash flow, and procure goods and services. For organizations that are considering such a project, it is not a question of whether to replace the ERP system – it is a question of when.

Second, organizations also pursue ERP replacements to get staff focused on the mission - rather than maintenance of the system - and to gain access to the powerful new capabilities. They look at the current business processes in their state as well as the work-arounds staff must perform and conclude that they would rather their staff spend time delivering services to citizens instead of executing the manual processes required by their current systems. In addition, they recognize the power of the analytic tools embedded in a modern ERP and the ability of those tools to anticipate needs and allocate resources more efficiently and effectively.

Finally, many states realize that the current model of on premise, state-operated technology systems is expensive and burdensome to manage. This becomes particularly challenging when they realize that many of the individuals supporting their current systems are approaching retirement age, and that newer hires do not have the skills needed to maintain outdated technology. In light of this challenge, states are attracted to new models that allow them to access enhanced capabilities not feasible without new technology and maintain critical activities within their control, while partnering with a vendor to manage activities that are not in the state's interest to own.

Replacing an ERP system does not happen very often because it is hard. It costs money, takes time, and is disruptive.

Organizations replace their ERP systems to:

1. Reduce the risk of major failure
2. Get more staff focused on delivering the mission vs. maintaining the system
3. Maintain critical capabilities without having to own all the technology

And when they do, they find they can better govern, better manage, and better navigate the challenges they face.

After organizations replace their ERP systems, what's different?

When organizations do replace their legacy enterprise systems, they often wish they had done so sooner. They welcome the new capabilities that allow them to better govern, better manage, and better navigate the challenges they face. With redesigned business processes enabled by integrated technology systems, more people throughout the enterprise spend more time focused on delivering services and more effectively improving the quality and quantity of those services. Routine tasks are automated, data entry is simplified, a single source of data is created to serve the entire enterprise, analytics add horsepower for decision-making, and the cost of compliance decreases.

Organizations also find they have better information delivered in a timelier manner, allowing them to make better decisions about the operations of the enterprise. Put simply, these new systems allow organizations to better achieve their mission. In addition, organizations find that the capabilities of these new systems allow for operating savings that are greater than the cost of implementation. Thus, implementing these new systems is also a good business decision. Finally, leaders also find that a modern ERP is a key tool to recruit and retain talent as employees are attracted to organizations with up-to-date technology that enables achievement of its public service mission more effectively.

Every system needs to be replaced eventually, and Washington's core financial systems are over 30 years old. Delaying the replacement of core applications threatens the state's ability to:

- Pay its bills or its employees
- Issue funding to schools and municipalities
- Manage its cash flow
- Procure goods and services
- Access federal grant funds
- Assure compliance with state and federal regulations

Doing nothing places the state's financial management in jeopardy.

In Washington's case, what will ERP replacement entail, what will it cost, how long will it take, and how hard will it be to do?

Led by One Washington, the state's new system should replace the state's core financial system (Agency Financial Reporting System, or AFRS), its procurement system, and more than 100 related systems². It should also connect with the current Human Resource Management System (HRMS).

We recommend the One Washington project proceed through the following stages:

1. **Pre-implementation stage:** This stage includes planning and procurement activities to obtain authorization and funding for the One Washington project, development of detailed specifications, requirements and plans, mobilization of the state employee team, and completion of several procurements for professional services and ERP software. At the completion of this stage, the state will have a state and vendor team that is ready to begin implementing the new system. This stage also includes targeted business process redesign (BPR) activities that drive hard dollar and mission benefits³. These foundational activities set the stage for the new system by standardizing various tools (e.g., Chart of Accounts) that will impact all of the business processes that will be part of One Washington.
2. **Implementation stage:** During the implementation stage, Washington will shape the features and functionality of the system to meet its business needs. This stage includes all the activities to design, build, test, and deploy the new system. At the conclusion of this stage the new business processes and new systems will be operating and the state's legacy systems will be retired.

² One Washington Current Financial System Assessment

³ One Washington Business Case

3. **Post-Implementation stage:** This stage includes activities to operate, maintain, and upgrade as necessary the new system and related business processes to assure they continue to meet the needs of the state.

The work of developing, implementing and supporting this new system should be shared by state employees and outside vendors.



In assessing the time and cost of the One Washington project, three scenarios were considered:

1. **Scenario 1 - Managed Services ERP:** In this scenario, all of the finance and procurement functions would be combined into one integrated ERP system. The new system would be implemented in five phases in which groups of related functions are implemented together within groups of agencies that are brought onto the new system at the same time. Implementation of One Washington would be preceded by planning, procurement, and business process redesign activities.

Implementation would be followed by post-implementation support, provided through a vendor managed services model in which the state owns the software but its operation is managed by a third-party vendor. Of the three scenarios, this would result in the quickest replacement of AFRS - a little over 6 years after the start of the project.

2. **Scenario 2 - Best-of-Breed eProcurement with Managed Services ERP Financials:** In this scenario, a Best-of-Breed (or best available) eProcurement system is selected and implemented first, followed by a separate implementation of the finance functions. Because there would be two separate procurements, this scenario includes seven phases in which groups of related functions are implemented together through three agency waves.

The pre- and post-implementation activities are similar to those described in Scenario 1, with some adjustments made to accommodate the separate Best-of-Breed implementation. The cost for implementing Scenario 2 is higher and the time to replace AFRS is longer than Scenario 1, because two systems are being implemented, but the eProcurement capability would be delivered sooner. eProcurement would be fully implemented within 4 years of the beginning of the project. The full ERP would be implemented a little over 7 years from the start of the project.

3. **Scenario 3 - Best-of-Breed eProcurement with Software as a Service (SaaS) ERP Financials:** In this scenario, as with Scenario 2, a Best-of-Breed (or best available) eProcurement system would be selected and implemented first. Unlike Scenario 2, this would be followed by a Software as a Service (SaaS) implementation of the finance capabilities in which the state leases rather than owns software. A third-party vendor would provide all of the ERP hardware and software capabilities as a service to the state and would be responsible for all operations, maintenance and upgrading. The approach to implementation for Scenario 3 would be similar to Scenario 2, and pre-implementation activities would be the same.

Although it will take up to 7 years to fully implement One Washington, the project is designed to deliver value incrementally over the course of the project.

In other words, state government and the people it serves will begin seeing benefits long before the project is fully implemented.

The eProcurement implementation would be the same. The major difference would be the approach to implementing the financial capabilities. A SaaS system would come "pre-built," so the major implementation activities would involve configuring it for state-specific purposes and then adapting state processes to fit. (In contrast, Scenarios 1 and 2 would involve some customization of the software to make it fit with customized state processes.) As a result of this pre-built approach, the implementation of financial capabilities would go faster in Scenario 3 than in Scenario 2.

Finally, the post-implementation support model for the SaaS ERP system would be very different from the other two scenarios, with the vendor providing all operations, maintenance and upgrades. SaaS vendors are currently working to provide the functionality and services required by state governments, but actual experience is limited. Until there is more state government experience and SaaS products appropriate for state government mature, it is difficult to provide more specific phasing and timeline guidance and estimates. Under this scenario, eProcurement would be fully implemented within 4 years and the full ERP would be implemented about 7 years from the start of the project.



Based on these three scenarios, we have estimated the Total Cost of Ownership and Total Benefits of implementing the state's new system. These estimates are based on Accenture's experience planning and installing more ERP systems of all kinds with governments in the US than any other organization. These estimates have been developed specific to the Washington state environment and its needs, rather than taking a one-size-fits-all approach for state governments.

Cost estimates include the full cost to plan, prepare, purchase, implement and maintain the new procurement and financial capabilities outlined above, resulting in a modern, stable and reliable financial system that enables the state's business transformation. To make the estimates comparable, we used a time frame spanning 49 fiscal quarters (just over 12 years) to allow for full implementation plus 5 years of post-implementation operations and maintenance. The cost estimates range from \$242.7 million to \$284.4 million and are summarized in the table below, along with the corresponding benefits ranging from \$312.8 million to \$363.0 million.

(Dollars in millions)

Scenario	Planning and Procurement	Business Process Redesign	Implementation	Post Implementation	Total Cost of Ownership	Total Benefits
Scenario 1	\$8.2	\$18.5	\$124.2	\$91.8	\$242.7	\$363.0
Scenario 2	\$10.0	\$18.5	\$156.6	\$99.3	\$284.4	\$312.8
Scenario 3	\$10.5	\$18.5	\$156.8	\$81.2	\$267.0	\$327.8

To estimate the incremental benefits that would be generated as a result of implementing One Washington, we identified a range of possibilities, excluded those that Washington had already pursued or that were deemed infeasible by key internal leaders, and made a conservative estimate of the agreed upon benefits. Based on this analysis, we identified the following opportunities for delivering quantifiable business value through One Washington⁴.

⁴ One Washington Business Case

(Dollars in millions)

Benefits Included in Business Case	Scenario 1	Scenario 2	Scenario 3
Strategic sourcing of purchases	\$181.8	\$157.3	\$157.3
Prompt pay discounts	106.9	89.3	97.7
Purchase card rebates	2.2	1.9	1.9
Vendor fees	12.5	16.5	16.5
Termination of legacy system maintenance costs	4.7	3.8	4.0
Printing reduction	5.8	5.3	5.5
Increased accounts receivable collection	49.1	38.7	44.9
Total	\$363.0	312.8	\$327.8

Note: The differences reflect the different timing of implementation for the three scenarios.

Finally, with these estimates of both costs and benefits, we are able to estimate the point in time at which benefits will exceed costs - the breakeven point for each scenario. The results, shown in millions of dollars, are as follows for each scenario.

Scenario 1

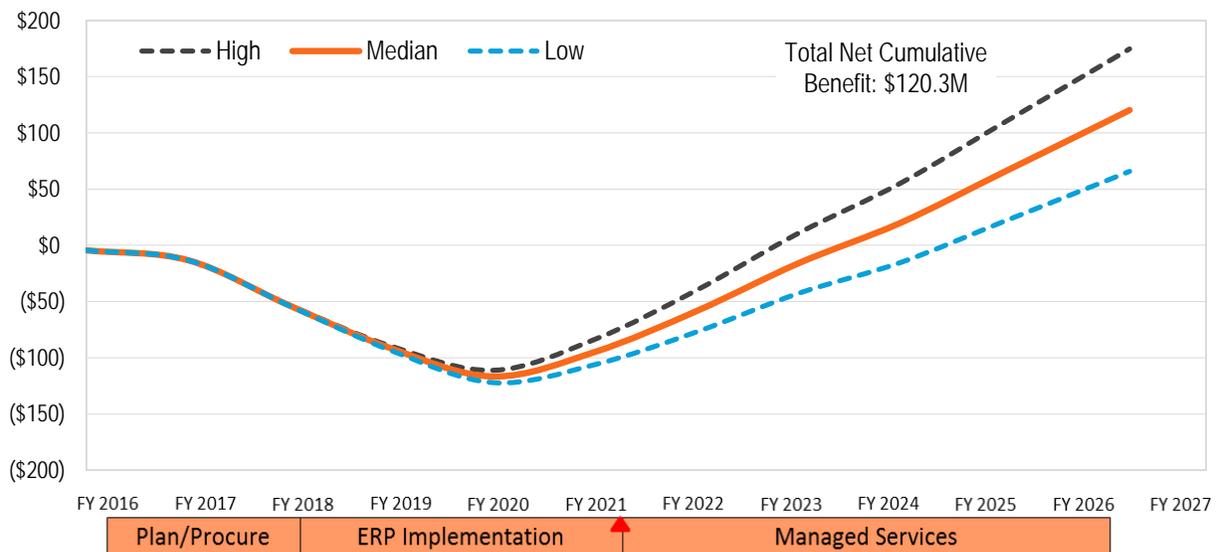
The break-even point for Scenario 1 occurs toward the middle of FY 2023. Over the next six biennia, total benefits exceed total costs by \$120.3 million.

(Dollars in millions)

	FY 2016-17	FY 2018-19	FY 2020-21	FY 2022-23	FY 2024-25	FY 2026-27*	Total
Costs	\$13.3	\$91.6	\$64.9	\$24.5	\$33.2	\$15.2	\$242.7
Benefits	\$0	\$13.0	\$62.1	\$103.4	\$113.5	\$71.0	\$363.0

Net Cumulative Benefit
(in millions)

Scenario 1: Managed Services ERP



*Note: FY 25-27 figures include one quarter of FY 2027

Scenario 2

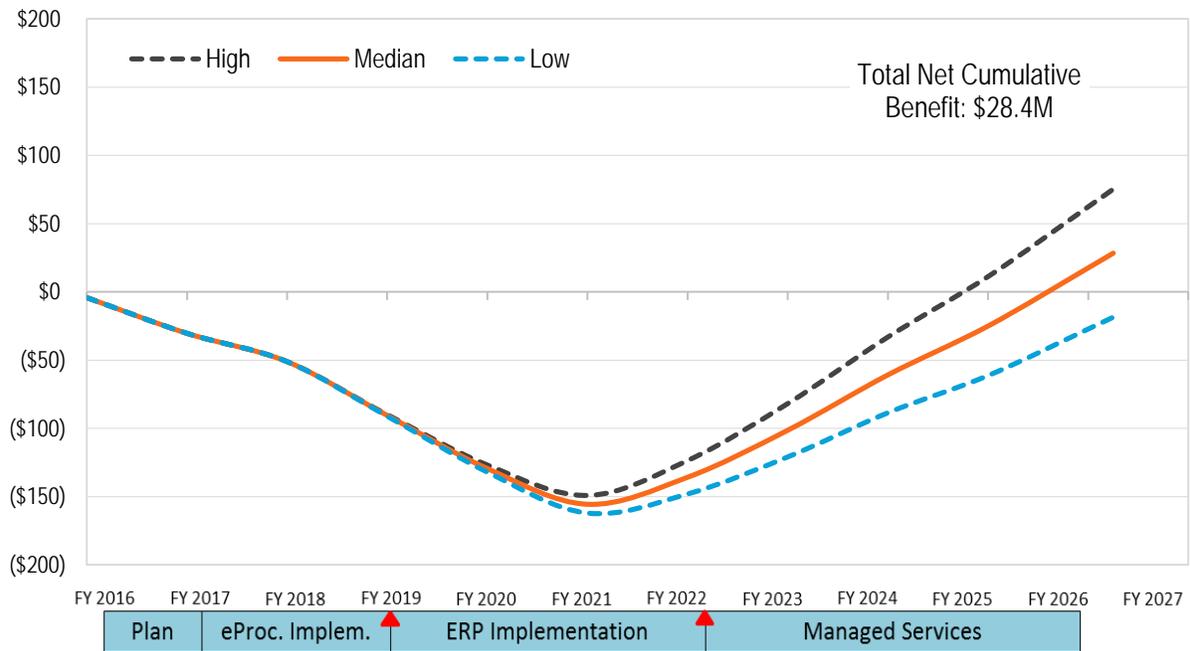
The break-even point for Scenario 2 occurs towards the middle of FY 2025. Over the next six biennia, total benefits exceed total costs by \$28.4 million.

(Dollars in millions)

	FY 2016-17	FY 2018-19	FY 2020-21	FY 2022-23	FY 2024-25	FY 2026-27*	Total
Costs	\$30.4	64.1	\$ 104.4	\$32.9	\$35.1	\$17.5	\$284.4
Benefits	\$0	\$3.9	\$39.3	\$87.2	\$111.5	\$70.9	\$312.8

Net Cumulative Benefit
(in millions)

Scenario 2: eProcurement + Managed Services ERP



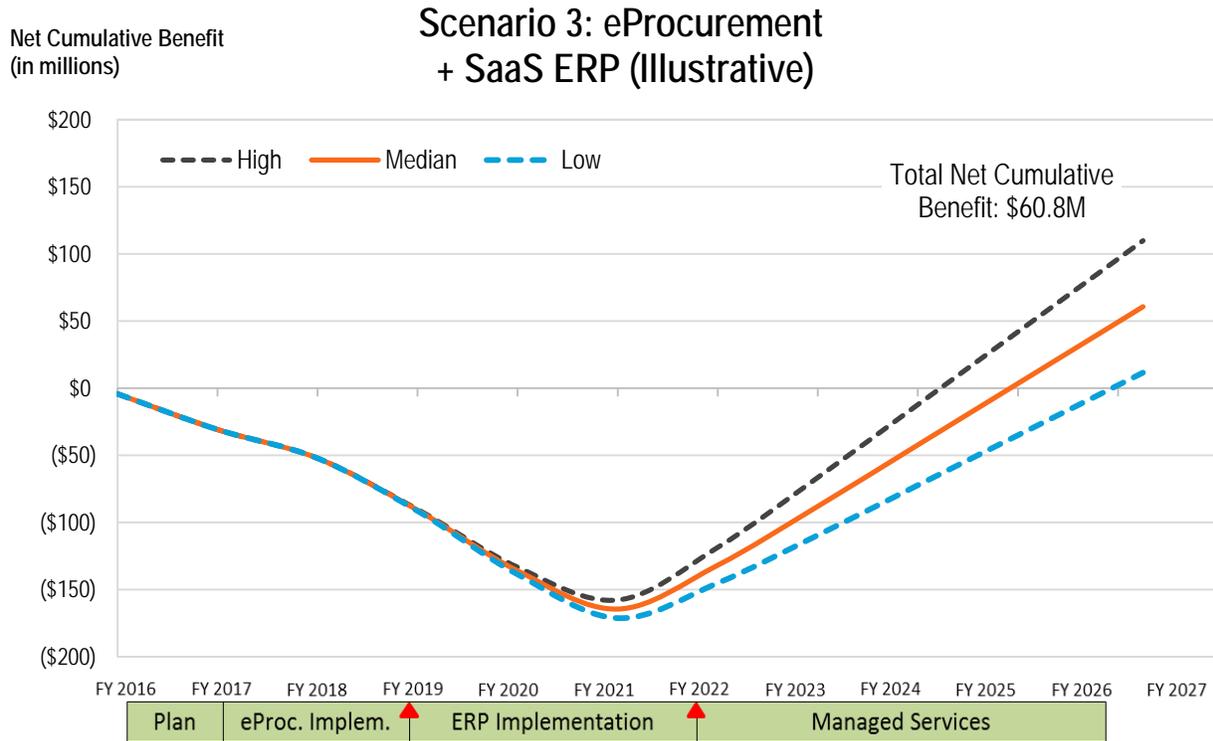
*Note: FY 25-27 figures include one quarter of FY 2027

Scenario 3

The break-even point for Scenario 3 occurs at the end of FY 2024. Over the next six biennia, total benefits exceed total costs by approximately \$60.8 million.

(Dollars in millions)

	FY 2016-17	FY 2018-19	FY 2020-21	FY 2022-23	FY 2024-25	FY 2026-27*	Total
Costs							\$267.0
Benefits	\$0	\$3.9	\$41.1	\$98.4	\$113.5	\$70.9	\$327.8



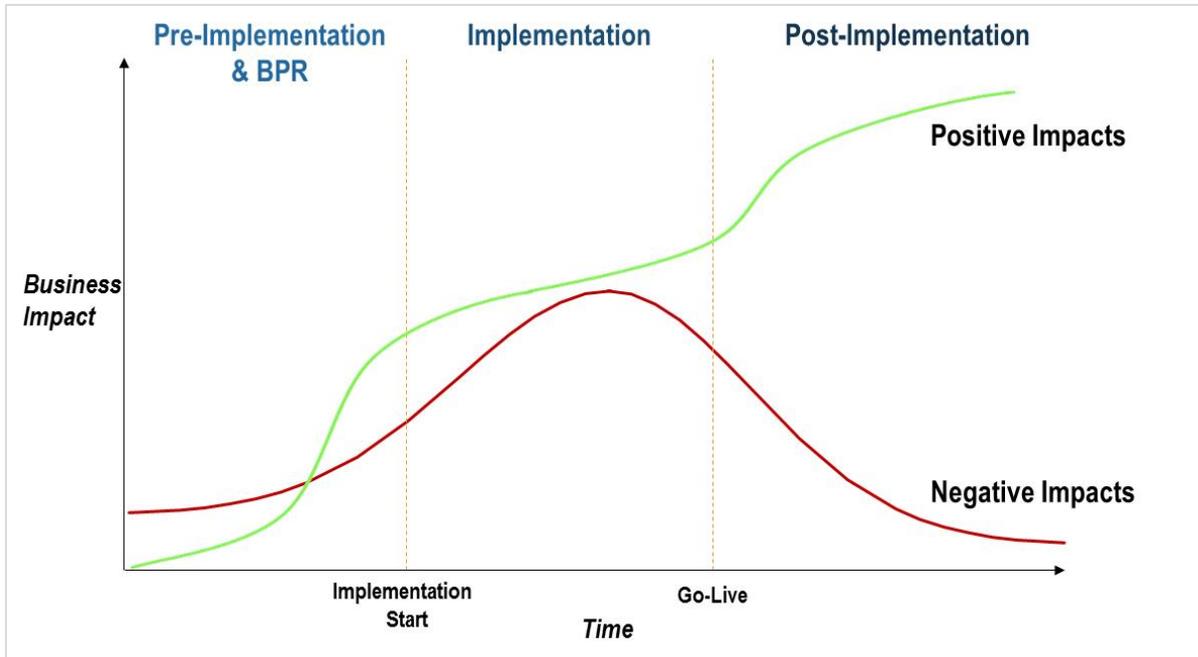
*Note: FY 25-27 figures include one quarter of FY 2027.

Our conclusion is that implementation of One Washington is a good business decision.

But being a good business decision is not good enough. The real purpose of One Washington is to improve the State’s ability to navigate the challenges it faces and to deliver business value more effectively. To that end, we completed our analysis of One Washington by considering its impact on the ability of the state to fulfill its mission based on industry leading practices and experience from other states⁵. Similar to our analysis of costs and benefits, we identified both positive and negative potential impacts on mission, excluded some and limited others based on input from internal leaders, and compiled the following.

Positive Impacts	Negative Impacts
<ul style="list-style-type: none"> Redesigning business processes through Lean Winning the war for talent Converting data to insights for decision making Shifting from system maintenance to program support Reducing risk of system failures Standardizing payee and customer data Making travel self-service Facilitating budget planning Gaining needed capabilities Accounting for results via chart of accounts and outcomes Reporting the right information at the right time to the right people Meeting and exceeding public expectations 	<ul style="list-style-type: none"> Increased vigilance to avoid project and system failure Staff productivity loss during transition Culture change to accomplish enterprise-wide governance Workforce turnover Deluge of data Changes in job descriptions and functions Management of workload associated with heightened public expectations for open data

⁵ One Washington Business Case – Mission Impacts



Achieving the positive impacts of implementing One Washington while mitigating the negative impacts will require sustained engagement of leaders throughout Washington, and a sustained investment in managing the process of transitioning from the legacy processes and systems to their replacements. As indicated by our analysis of mission impacts, these investments will produce a significant return by increasing the ability of Washington to serve its people.

Our conclusion is that One Washington is a good mission decision.

Conclusion

Replacing an ERP system is a relatively rare and critically important activity for any state government. Because it is so vital, One Washington will require the sustained commitment of executive and legislative leaders as well as agency managers to shape the end-state system, and guide its implementation. Because it is rare, One Washington will require the engagement of one or more partners who have been down this path before and can assist the state with design and procurement of the system, business process redesign, system integration, and ongoing management of the technology.

Meeting today's challenges of increased demands for services, rising costs, and limited resources requires an operating design, business processes, and IT systems designed for this new era.

One Washington provides all three.

It is a good business decision and a good mission decision.

ATTACHMENT

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